

Miricor Enterprises Holdings Limited

卓珈控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8358

PLACING



Sole Sponsor



Shenwan Hongyuan Capital (H.K.) Limited
申萬宏源融資(香港)有限公司

Financial Adviser

Opus Capital Limited
創富融資有限公司

Joint Bookrunners and Joint Lead Managers



IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

Miricor Enterprises Holdings Limited

卓珈控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

Number of Placing Shares : 100,000,000 Placing Shares
Placing Price : Not more than HK\$0.8 per
Placing Share, plus brokerage of 1%,
SFC transaction levy of 0.0027% and
Stock Exchange trading fee of 0.005%
(payable in full on application in
Hong Kong dollars, subject to refund)
Nominal Value : HK\$0.01 per Share
Stock Code : 8358

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Shenwan Hongyuan Capital (H.K.) Limited

申萬宏源融資(香港)有限公司



結好證券有限公司
GET NICE SECURITIES LIMITED



Opus Capital Limited
創富融資有限公司

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in “A. Documents Delivered to the Registrar of Companies in Hong Kong” in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Placing Price will be not more than HK\$0.8 per Placing Share and is currently expected to be not less than HK\$0.6 per Placing Share unless otherwise announced. Investors applying for Placing Shares must pay, on application, the Placing Price of HK\$0.8 for each Placing Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

Prior to making an investment decision, prospective investors should carefully consider all the information set out in this prospectus, including the risk factors set out in “Risk Factors” in this prospectus. Pursuant to the termination provisions contained in the Underwriting Agreement, the Joint Lead Managers (for themselves and on behalf of the Underwriters) have the right in certain circumstances, in their reasonable opinion, to terminate the obligations of the Underwriters pursuant to the Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of the terms of the termination provisions are set out in “Underwriting — Underwriting Arrangements and Expenses — Grounds for Termination” in this prospectus. It is important that you refer to the said section for further details.

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to higher market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website at www.hkexnews.hk in order to obtain up-to-date information on GEM-listed issuers.

EXPECTED TIMETABLE *(Note 1)*

Price Determination Date <i>(Note 2)</i>	Friday, 30 December 2016
Announcement of the determination of the Placing Price, the level of indication of interest in the Placing to be published on the website of the Stock Exchange at www.hkexnews.hk <i>(Note 3)</i> and our Company's website at www.miricor.com <i>(Note 3)</i> on or before.....	Monday, 9 January 2017
Allotment of the Placing Shares on or before	Monday, 9 January 2017
Deposit of share certificates into CCASS on or before <i>(Notes 4 & 5)</i>	Monday, 9 January 2017
Dealings in Shares on GEM to commence at 9:00 a.m. <i>(Note 5)</i> on	Tuesday, 10 January 2017

Notes:

1. All times and dates refer to Hong Kong local times and dates. Details of the structure of the Placing, including its conditions, are set out in “Structure of the Placing” in this prospectus. If there is any change in the above expected timetable, an announcement will be published on the website of the Stock Exchange at www.hkexnews.hk and our website at www.miricor.com.
2. The Price Determination Date is expected to be on or about Friday, 30 December 2016 (or such later date as may be agreed between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters)). If the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Placing Price on the Price Determination Date, the Placing will not become unconditional and will lapse immediately.
3. None of the websites or any information contained therein form part of this prospectus.
4. No temporary documents or evidence of title will be issued. Share certificates for the Placing Shares to be distributed via CCASS are expected to be deposited into CCASS on or before Monday, 9 January 2017 for credit to the relevant CCASS Participants' or the CCASS Investor Participants' stock accounts designated by the Underwriters, the placees or their agents (as the case may be).
5. All Share certificates will only become valid certificates of title of the Shares to which they relate provided that the Placing has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with its terms at or before 8:00 a.m. (Hong Kong time) on the Listing Date.

For details of the structure of the Placing, including the conditions thereof, see “Structure of the Placing” in this prospectus. If the Placing does not become unconditional or the Underwriting Agreement is terminated in accordance with its terms, we will make an announcement as soon as possible.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Placing and the Placing Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Placing Shares offered by this prospectus pursuant to the Placing. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Placing Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Placing Shares in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Placing.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Placing Shares. There are risks associated with any investment. Some of the particular risks in investing in the Placing Shares are set out in “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Placing Shares.

OVERVIEW

We are a medical aesthetic service provider in Hong Kong and operate two medical aesthetic centres in the prime locations of Causeway Bay and Central under our brand “CosMax”. We offer a broad range of non-surgical medical aesthetic services and skin care products to our clients with an aim to improve their skin conditions as well as to enhance their physical appearance. Our non-surgical medical aesthetic services can be broadly classified into (i) energy-based procedures; (ii) injection procedures; and (iii) other treatments.

Our history can be traced back to 2009 when we set up our first medical aesthetic centre, namely the CWB Centre, which occupies an entire floor of Soundwill Plaza at Causeway Bay, Hong Kong. Seeing continuous growth potential in our business, we opened our Central Centre in April 2014. Information of our medical aesthetic centres is set out as follows.

	CWB Centre	Central Centre
Location	Soundwill Plaza, Causeway Bay	Club Lusitano, Central
Year of commencement of operation	2009	2014
GFA	7,156 sq. ft	3,092 sq. ft
Number of treatment rooms	16	9
Number of treatment devices	37	23

Our Group is led by Mrs. Gigi Ma, our chairlady, executive Director and chief executive officer, together with an experienced and dedicated management team with strong execution capabilities. In addition to her daily involvement in our operations, Mrs. Gigi Ma has been a prominent icon of our business, whose public image has enhanced our brand awareness in Hong Kong, which has helped attract new clients through word-of-mouth and supported the continuous growth of our client base and business operations.

SUMMARY

We provide an all-round treatment solution that is tailored for our clients' individual needs and our treatments are performed through our doctors and/or trained therapists. As at the Latest Practicable Date, our clients were served by our (i) three full-time Servicing Doctors and one part-time Servicing Doctor with practising experience in the medical aesthetic service industry ranging from eight to 10 years; and (ii) 14 trained therapists with on average seven years of experience in the medical aesthetic service industry who had served our Group for on average five years. The carrying out of consultation services that involve the practice of medicine, medical diagnosis, prescription of pharmaceutical products and medicines and certain types of treatments (such as injection of botulinum toxin type A and dermal fillers) at our CWB Centre and Central Centre constitute the practice of medicine and therefore must be carried out by our registered medical practitioners pursuant to relevant laws and regulation. Our Group has complied with such requirements during the Track Record Period and up to the Latest Practicable Date. See "Regulatory Overview — Laws and Regulations — Regulations on Medical Practitioners and Medical Facilities" beginning on page 60 of this prospectus for details.

We require our newly recruited therapists to undergo a six-month training program comprising theoretical and practical trainings, which is conducted by our training manager at our training centre, CosMax Academy. As at the Latest Practicable Date, we had 60 treatment devices for performing various treatment procedures involving the use of laser, radiofrequency, ultrasound and iontophoresis. All treatment devices deployed by us have been critically evaluated and assessed by our doctors, based on their clinical knowledge and experience, to ensure that they are safe and capable of producing the desired results for our clients.

Aiming to provide an exclusive and premier experience and to promote privacy and peace-of-mind for our valued clients, we have rented premises occupying the entire floor in a building for both of our CWB Centre and Central Centre to carry out our business. As a result of our professional services and superior client experience, we have achieved client satisfaction which drives repeat clients and client referrals. For FY2015, FY2016 and 1Q2017, our repeat clients represented 61.6%, 68.8% and 86.1% of our active clients, respectively. During the same periods, 53.1%, 50.9% and 49.5% of our new clients were referred by our existing clients, respectively, as further detailed below:

	Year ended 31 March		Three months ended 30 June	
	2015	2016	2015	2016
Number of active clients <i>(Note 1)</i>	4,852	4,848	2,736	2,840
Number of repeat clients <i>(Note 2)</i>	2,991	3,334	2,344	2,444
Proportion of repeat clients amongst active client	61.6%	68.8%	85.7%	86.1%
Number of new clients <i>(Note 3)</i>	1,861	1,514	392	396
Number of referred clients	989	770	199	196
Referral rate	53.1%	50.9%	50.8%	49.5%

Notes:

1. Clients who have made at least one purchase of services or products, or received at least one treatment session in the relevant financial year/period.

SUMMARY

2. Clients who have (i) made at least one purchase of services or products or received at least one treatment session in the relevant financial year/period; and (ii) have previously consulted us or made purchase of services or products in the past.
3. Clients who for the first time have made at least one purchase of services or products in the relevant financial year/period.

Apart from our treatment services, we offer to our clients more than 45 skin care products, including those under our brands, “CosMax” and “Cospeutic”, and other branded products, including cleanser, toner, moisturiser, eye care product, and ultraviolet (UV) protection product aiming to improve their skin conditions and enhance the results of treatments.

Our Group is among the 12 providers of non-surgical medical aesthetic services in Hong Kong with revenue in 2015 between HK\$50 million and HK\$100 million, with a market share of approximately 2.7% in terms of revenue, as indicated by the Frost & Sullivan Report. See “Industry Overview — Competitive Analysis” beginning on page 55 of this prospectus for details.

The following table sets out our revenue by service and product offerings, and the key operating data in respect of our treatment services segment for the years/periods indicated:

	Year ended 31 March				Three months ended 30 June			
	2015		2016		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(Unaudited)							
Treatment services	63,882	86.3	74,081	88.9	17,828	88.3	21,655	90.4
Consultation services	773	1.0	613	0.7	175	0.9	162	0.7
Prescription and dispensing of medical products	2,487	3.4	2,797	3.4	708	3.5	676	2.8
Sale of skin care products	4,199	5.7	3,842	4.6	967	4.8	981	4.1
Forfeited revenue from expired prepaid packages/ cash coupons	<u>2,659</u>	<u>3.6</u>	<u>2,019</u>	<u>2.4</u>	<u>517</u>	<u>2.5</u>	<u>486</u>	<u>2.0</u>
Total revenue	<u><u>74,000</u></u>	<u><u>100.0</u></u>	<u><u>83,352</u></u>	<u><u>100.0</u></u>	<u><u>20,195</u></u>	<u><u>100.0</u></u>	<u><u>23,960</u></u>	<u><u>100.0</u></u>

SUMMARY

	Year ended 31 March		Three months ended 30 June	
	2015	2016	2015	2016
Number of clients who received at least one treatment session	4,003	4,082	2,367	2,506
Average revenue per client for treatment services (HK\$)	15,958	18,148	7,532	8,641
Number of treatment sessions conducted	27,953	28,374	7,266	7,736
Average revenue per treatment session (HK\$)	2,285	2,611	2,454	2,799

The price of our non-surgical medical aesthetic services is determined with reference to a number of factors, such as the device supplier's recommended market reference price, price of similar treatments on the market, size of the treatment area and cost of treatment consumables. Our consultation services are charged at a fixed rate. For medications and skin care products, pricing is determined on a cost-plus basis. See "Business — Our Services and Products" on page 93 of this prospectus for details.

The following table sets forth the revenue and net profit contribution from our medical aesthetic centres for the years/periods indicated:

	Year ended 31 March				Three months ended 30 June			
	2015		2016		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Revenue:								
CWB Centre	59,172	80.0	62,465	74.9	15,420	76.4	17,235	71.9
Central Centre	14,828	20.0	20,887	25.1	4,775	23.6	6,725	28.1
Total revenue	<u>74,000</u>	<u>100.0</u>	<u>83,352</u>	<u>100.0</u>	<u>20,195</u>	<u>100.0</u>	<u>23,960</u>	<u>100.0</u>
	Year ended 31 March				Three months ended 30 June			
	2015		2016		2015		2016	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profit contribution (after tax):								
CWB Centre	14,921	18,000	4,610	5,316				
Central Centre	4,830	8,637	1,961	3,162				
Unallocated expenses ^(Note)	(6,256)	(8,149)	(1,871)	(3,518)				
Profit for the year/period	<u>13,495</u>	<u>18,488</u>	<u>4,700</u>	<u>4,960</u>				

Note: Unallocated expenses mainly include overheads not directly related to our operation of the respective medical aesthetic centres, such as staff costs for our administrative and back office staff and rental expenses for CosMax Academy (our training centre) and our headquarters.

SUMMARY

OUR COMPETITIVE STRENGTHS

We believe our success is attributable to, among other things, (i) our medical aesthetic professional team; (ii) the broad range of treatment procedures utilising various treatment devices with prevailing technologies; (iii) offering superior client experience with a track record of business growth; (iv) our CosMagazine; and (v) our competent management team. See “Business — Our Competitive Strengths” beginning on page 88 of this prospectus for details.

OUR AWARD

In 2016, we were awarded the status of “Manpower Developer” under the “ERB Manpower Developer Award Scheme 2015–16” for two years from April 2016 to March 2018 by the Employees Retraining Board in 2016 to recognise our achievement in manpower training and development and in fostering an organisational culture conducive to life-long learning.

OUR CUSTOMERS

All of our clients during the Track Record Period were individual retail clients. For FY2015, FY2016 and 1Q2017, revenue from our five largest clients was HK\$1.0 million, HK\$1.2 million and HK\$0.6 million, respectively, representing 1.4%, 1.5% and 2.4% of our revenue for the same periods. All of our five largest clients during the Track Record Period are Independent Third Parties. See “Business — Customers” beginning on page 109 of this prospectus for details.

OUR SUPPLIERS

Our major suppliers during the Track Record Period are mainly distributors and trading companies. For FY2015, FY2016 and 1Q2017, the aggregate purchases from our five largest suppliers amounted to HK\$4.6 million, HK\$5.4 million and HK\$1.9 million, respectively, representing 59.9%, 63.8% and 74.9% of our respective total purchases. During the same periods, the purchases from our largest supplier amounted to HK\$1.8 million, HK\$2.2 million and HK\$0.6 million, respectively, accounting for 23.7%, 25.3% and 23.5% of our total purchases, respectively. None of our Directors, their associates or any Shareholder (which to the knowledge of our Directors owns more than 5% of our share capital) had any interest in any of our five largest suppliers during the Track Record Period. See “Business — Our Suppliers, Procurement and Inventory Management” beginning on page 113 of this prospectus for details.

SALES AND MARKETING

Our clients are mostly introduced to us through client referrals and/or word-of-mouth. Apart from certain means we deploy to promote our medical aesthetic centres such as search engine optimisation, we also launch the sale of prepaid cash coupons as part of our client retention efforts. See “Business — Sales and Marketing” on page 113 of this prospectus for details.

SUMMARY

OUR BUSINESS STRATEGIES

The business strategies that we intend to implement are to (i) expand our network of medical aesthetic centres in Hong Kong; (ii) broaden the variety of treatment services and product offering; (iii) refurbish our CWB Centre; (iv) upgrade our IT infrastructure; and (v) continue to attract and retain experienced personnel through training and professional development. See “Business — Our Business Strategies” beginning on page 90 of this prospectus for details.

HIGHLIGHTS OF RISK FACTORS

We believe that there are certain risks involved in an investment in the Shares. See “Risk Factors” beginning on page 24 of this prospectus for further details of the risks we are exposed to. Some of the risks which are considered to be material by our Directors include: (a) our business performance depends on our reputation in the industry, and any failure to maintain our reputation may negatively affect our results of operations and prospects; (b) we rely on the public image of our chief executive officer; (c) we may not be able to retain the services of our existing registered medical practitioners or attract suitable registered medical practitioners to join our Group; (d) our registered medical practitioners and other staff members may be subject to investigations, claims or legal proceedings relating to professional misconduct or negligence, which may subject us to substantial liabilities and harm our reputation; (e) our medical aesthetic services are subject to certain health risks; (f) we derive all of our revenue from Hong Kong and any adverse economic, social or political conditions in Hong Kong may negatively affect our business performance and financial condition; (g) we may be subject to claims or complaints with respect to our selling practices; and (h) we recorded net current liabilities as at 31 March 2015.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Placing and the Capitalisation Issue, Mr. Patrick Ma and Mrs. Gigi Ma, through Sunny Bright, together hold 75% of our Company’s entire issued share capital (without taking into account the Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), and will remain as our Group’s Controlling Shareholders. See “Relationship with Controlling Shareholders” beginning on page 137 of this prospectus for details.

SUMMARY OF FINANCIAL INFORMATION

Highlight of our combined statements of profit or loss and other comprehensive income

	Year ended 31 March		Three months ended 30 June	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue	74,000	83,352	20,195	23,960
Profit before tax	15,232	21,951	5,754	6,321
Profit for the year/period	13,495	18,488	4,700	4,960

SUMMARY

We recorded an increase in total revenue by 12.7%, from HK\$74.0 million for FY2015 to HK\$83.4 million for FY2016. Our revenue further grew by 18.8%, from HK\$20.2 million for 1Q2016 to HK\$24.0 million for 1Q2017, as we continued to see growth in the demand of our medical aesthetic services. We also recorded an increase in net profit by 37.0%, from HK\$13.5 million for FY2015 to HK\$18.5 million for FY2016. Our net profit (excluding Listing expenses) further grew by 23.4%, from HK\$4.7 million for 1Q2016 to HK\$5.8 million for 1Q2017.

Revenue from treatment services

The following table sets forth a breakdown of revenue from treatment services by types of treatments for the years/periods indicated:

	Year ended 31 March				Three months ended 30 June			
	2015		2016		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(Unaudited)							
Energy-based procedures	51,753	81.0	57,309	77.4	13,843	77.6	16,099	74.3
Injection procedures	9,756	15.3	14,445	19.5	3,285	18.4	4,789	22.1
Other treatments	<u>2,373</u>	<u>3.7</u>	<u>2,327</u>	<u>3.1</u>	<u>700</u>	<u>4.0</u>	<u>767</u>	<u>3.6</u>
Total revenue from treatment services	<u><u>63,882</u></u>	<u><u>100.0</u></u>	<u><u>74,081</u></u>	<u><u>100.0</u></u>	<u><u>17,828</u></u>	<u><u>100.0</u></u>	<u><u>21,655</u></u>	<u><u>100.0</u></u>

Increases in revenue from treatment services were mainly driven by the growth in revenue derived from our injection procedures, as a result of the launch of new injection procedures in September 2015.

The following table sets forth a breakdown of revenue from treatment services by our doctors and trained therapists for the years/periods indicated:

	Year ended 31 March				Three months ended 30 June			
	2015		2016		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(Unaudited)							
Doctors	24,514	38.4	29,814	40.2	7,049	39.5	9,469	43.7
Trained therapists	<u>39,368</u>	<u>61.6</u>	<u>44,267</u>	<u>59.8</u>	<u>10,779</u>	<u>60.5</u>	<u>12,186</u>	<u>56.3</u>
Total revenue from treatment services	<u><u>63,882</u></u>	<u><u>100.0</u></u>	<u><u>74,081</u></u>	<u><u>100.0</u></u>	<u><u>17,828</u></u>	<u><u>100.0</u></u>	<u><u>21,655</u></u>	<u><u>100.0</u></u>

During the Track Record Period, the percentage of revenue from treatment services contributed by our doctors and trained therapists remained relatively stable, at roughly 40% for doctors and 60% for trained therapists.

SUMMARY

See “Financial Information — Description of Components of Combined Statements of Profit or Loss and Other Comprehensive Income” beginning on page 152 of this prospectus for further details of our revenue from treatment services.

Our major cost components

Set forth below is a breakdown of our major cost components for the years/periods indicated:

	Year ended 31 March		Three months ended 30 June	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i>
Cost of inventories and consumables	7,543	8,081	1,982	2,509
Staff costs	28,678	29,391	6,893	7,753
Property rental and related expenses	8,780	9,406	2,309	2,388
Depreciation	6,593	6,174	1,618	1,497

Staff costs represented the largest portion of our operating expenses during the Track Record Period. For FY2015, FY2016 and 1Q2017, our staff costs accounted for 48.2%, 47.6% and 43.9% of our total cost of operations respectively.

See “Financial Information — Description of Components of Combined Statements of Profit or Loss and Other Comprehensive Income” beginning on page 152 of this prospectus for further details of our cost of operations.

Highlight of our combined statements of financial position

	As at 31 March		As at 30 June
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Non-current assets	23,396	20,805	20,230
Current assets	45,216	63,307	66,852
Non-current liabilities	1,782	2,073	1,939
Current liabilities	55,970	63,291	61,435
Net current (liabilities)/assets	(10,754)	16	5,417
Total equity	10,860	18,748	23,708

Our net current liabilities position of HK\$10.8 million as at 31 March 2015 was primarily attributable to the cash outflows in connection with financing our capital expenditures of HK\$15.6 million for the opening of the Central Centre. Our net current liabilities position improved and we recorded net current assets of HK\$16,000 as at 31 March 2016, which was primarily attributable to the cash flows generated from our operations.

SUMMARY

Deferred revenue

Our deferred revenue represents receipts from the sales of prepaid packages and prepaid cash coupons at the point of sales. The balance of deferred revenue will either be recognised as revenue in the combined statements of profit or loss when treatments are delivered to our clients from time to time, or recognised as forfeited revenue upon expiry of the validity periods of the prepaid packages and prepaid cash coupons. The following table sets forth an aged analysis of our deferred revenue as at the dates indicated:

	Year ended 31 March				Three months ended 30 June	
	2015		2016		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Within 6 months	30,668	59.0	39,016	68.0	31,733	60.6
7 to 12 months	13,725	26.4	8,204	14.3	9,592	18.3
13 to 18 months	4,768	9.2	4,150	7.2	5,320	10.2
19 to 24 months	1,954	3.8	4,146	7.2	3,425	6.5
25 to 30 months	706	1.4	1,320	2.3	1,429	2.7
More than 30 months	137	0.2	552	1.0	859	1.7
	<u>51,958</u>	<u>100.0</u>	<u>57,388</u>	<u>100.0</u>	<u>52,358</u>	<u>100.0</u>
Total deferred revenue	<u>51,958</u>	<u>100.0</u>	<u>57,388</u>	<u>100.0</u>	<u>52,358</u>	<u>100.0</u>

The aged analysis illustrates the length of time that the deferred revenue has been recorded in the combined statements of financial position since its initial recognition (i.e. the date of purchase of prepaid packages or prepaid cash coupons by our clients). As at 31 March 2015, 31 March 2016 and 30 June 2016, 94.6%, 89.5% and 89.1% of our deferred revenue aged less than 18 months respectively. Deferred revenue that aged over 18 months was attributable to those prepaid packages whose validity period had been extended at our discretion taking into account certain client specific reasons, such as pregnancy and skin allergy. See “Business — Prepaid packages — Expiry, extension and refund” on page 111 of this prospectus for details of our extension policy.

Highlight of our combined statements of cash flows

	Year ended 31 March		Three months ended 30 June	
	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating cash flows before working capital changes	21,549	27,837	7,290	7,804
Net cash generated from operating activities	32,022	9,293	2,343	29,395
Net cash used in investing activities	(15,562)	(2,179)	(2,024)	(966)
Net cash used in financing activities	(10,600)	(10,600)	—	—

SUMMARY

The decrease in net cash generated from operating activities from HK\$32.0 million for FY2015 to HK\$9.3 million for FY2016 was mainly attributable to the advances made to Mrs. Gigi Ma of HK\$24.0 million in FY2016, which were subsequently repaid during 1Q2017.

The decrease in net cash used in investing activities from HK\$15.6 million for FY2015 to HK\$2.2 million for FY2016 was mainly attributable to the purchase of treatment devices when Central Centre commenced its operations in April 2014.

Key financial ratios

	Year ended 31 March		Three months ended 30 June
	2015	2016	2016
Net profit margin	18.2%	22.2%	20.7% ^(Note)
Return on equity	124.3%	98.6%	83.7% ^(Note)
Return on total assets	19.7%	22.0%	22.8% ^(Note)
Current ratio	0.8 time	1.0 time	1.1 times
Inventory turnover days	59.9	67.4	60.6
Trade receivables turnover days	4.5	5.4	3.2
Trade payables turnover days	20.6	26.9	32.6
Gearing ratio	Nil	Nil	Nil

Note: Taking out the effect of the non-recurring Listing expenses of HK\$0.8 million incurred for the three months ended 30 June 2016, our profit for the period, net profit margin, return on equity and return on total assets would be HK\$5.8 million, 24.1%, 97.5% and 26.5%, respectively.

See “Financial Information” beginning on page 147 of this prospectus for a further discussion and analysis of our financial information.

RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our business of provision of non-surgical medical aesthetic services to our clients in Hong Kong. The total number of treatments we conducted for the seven months ended 31 October 2016 was 17,998, and the number of active clients was 4,016 for the same period. There was no change in the number of our medical aesthetic centres, whilst we have rented an additional office unit to expand our headquarters at Leighton Centre, Causeway Bay in October 2016 to cater for the needs of our back office functions. As at the Latest Practicable Date, we had a total of four Servicing Doctors and 14 trained therapists providing services to our clients.

To prepare for the planned opening of a new medical aesthetic centre in Kowloon around mid-2017, we employed (i) an additional doctor in October 2016 who has been undergoing our internal training to ensure proficiency in our service standards, and has not commenced to serve our clients as at the Latest Practicable Date; and (ii) two additional trainee therapists who are still undergoing our internal training as at the Latest Practicable Date.

SUMMARY

Our Directors confirm that save for the expenses in connection with the Listing, which are non-recurring in nature, subsequent to the Track Record Period and up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group.

LISTING EXPENSES

Based on the Placing Price of HK\$0.7 per Placing Share, being the mid-point of the indicative range of the Placing Price stated in this prospectus, the estimated total Listing expenses are approximately HK\$23.9 million, of which approximately: (i) HK\$7.7 million is directly attributable to the issue of Placing Shares in the Listing and will be accounted for as a deduction from equity upon Listing; and (ii) HK\$16.2 million is chargeable as expenses to our profit and loss accounts for FY2017. Out of this amount, approximately HK\$0.8 million had been charged to our profit and loss account for 1Q2017 and the remaining amount of approximately HK\$15.4 million is expected to be charged to our profit and loss account for FY2017. The actual amounts to be recognised to the profit and loss of our Group or to be capitalised are subject to adjustments based on audit and changes in variables and assumptions. **Prospective investors should note that our financial results for FY2017 will be adversely affected by the non-recurring Listing expenses described above, and may not be comparable to the financial performance of our Group in the past.**

REASONS FOR THE PLACING AND USE OF PROCEEDS

To further expand our presence in Hong Kong, we intend to establish one new medical aesthetic centre in a prime location in Kowloon, which requires a significant amount of capital investment. Our Directors believe that the Listing will allow us to gain access to different fund raising means to implement our business expansion plan. Furthermore, we believe that a public listing status on GEM will enhance our corporate profile and recognition, which will assist our future business development and strengthen our competitiveness. See “Statement of Business Objectives and Use of Proceeds — Reasons for the Placing and Use of Proceeds” beginning on page 187 of this prospectus for further details.

SUMMARY

Based on the Placing Price of HK\$0.7 per Share, being the mid-point of the indicative range of the Placing Price stated in this prospectus, the net proceeds of the Placing, after deduction of underwriting fees and other expenses payable by our Company in relation to the Placing, are estimated to be approximately HK\$46.1 million. Our Company currently intends to use the net proceeds from the Placing to implement our Group's strategies as follows:

	From the Latest Practicable Date to					Approximate % of the total net proceeds	
	For the six months ending						
	31 March 2017 (HK\$ million)	30 September 2017 (HK\$ million)	31 March 2018 (HK\$ million)	30 September 2018 (HK\$ million)	31 March 2019 (HK\$ million)		Total (HK\$ million)
Expand our network of medical aesthetic centres in Hong Kong	2.9	17.2	—	—	—	20.1	43.6%
Broaden the variety of treatment services and product offering	—	4.8	2.9	2.2	2.2	12.1	26.3%
Refurbish our CWB Centre	—	—	3.7	—	—	3.7	8.0%
Upgrade our IT infrastructure	—	—	2.0	2.5	1.9	6.4	13.9%
General working capital	0.8	0.8	0.8	0.7	0.7	3.8	8.2%
	<u>3.7</u>	<u>22.8</u>	<u>9.4</u>	<u>5.4</u>	<u>4.8</u>	<u>46.1</u>	<u>100.0%</u>

STATISTICS OF THE PLACING

	Based on the Placing Price of HK\$0.6 per Placing Share	Based on the Placing Price of HK\$0.8 per Placing Share
Market capitalisation of the Shares (<i>Note 1</i>)	HK\$240,000,000	HK\$320,000,000
Unaudited pro forma adjusted combined net tangible assets attributable to owners of our Company per Share (<i>Note 2</i>)	HK\$0.14	HK\$0.19

Notes:

- The calculation of the market capitalisation of the Shares is based on 400,000,000 Shares in issue immediately after completion of the Placing and the Capitalisation Issue.
- The unaudited pro forma adjusted combined net tangible assets attributable to owners of our Company per Share is calculated based on 400,000,000 Shares assumed to be in issue immediately upon completion of the Placing and the Capitalisation Issue.

DIVIDEND

Under the Companies Law and our Articles, dividends may be paid out of the profits of our Company, or subject to solvency of the Company, out of sums standing to the credit of our share premium account. However, no dividend shall exceed the amount recommended by our Directors.

SUMMARY

During the Track Record Period, interim dividends of HK\$10.6 million had been declared and paid for each of FY2015 and FY2016.

We currently do not have a formal dividend policy or a fixed dividend distribution ratio. The declaration, payment and the amount of dividends are dependent on the results of operations, cash flows, financial condition, future prospects and other factors that our Directors may consider relevant. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. There can be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings:

“1Q2016”	the three months ended 30 June 2015
“1Q2017”	the three months ended 30 June 2016
“Articles” or “Articles of Association”	the amended and restated articles of association of the Company conditionally adopted on 19 December 2016 to take effect on the Listing Date, as amended or supplemented from time to time
“Board” or “Board of Directors”	the board of directors of our Company
“business day” or “Business Day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in “Statutory and General Information — 5. Written Resolutions of our Shareholders passed on 19 December 2016” in Appendix IV to this prospectus
“Cayman Companies Law” or “Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Central Centre”	our medical aesthetic centre situated at 19th Floor, Club Lusitano, 16 Ice House Street, Central, Hong Kong which was opened in April 2014

DEFINITIONS

“CM Technology”	CM Technology Development Limited, a company incorporated in Hong Kong on 1 April 2014 and is directly wholly-owned by Coresmax
“CMIP”	CMIP Limited (名權有限公司) (formerly known as CMIP Limited and changed to its current name on 23 May 2014), a company incorporated in BVI on 10 April 2014 and is directly wholly-owned by Coresmax
“CMM”	Cos Max Medical Centre Limited, a company incorporated in Hong Kong on 2 December 2009 and is directly wholly-owned by Coresmax
“CMM (Central)”	Cos Max Medical Centre (Central) Limited, a company incorporated in Hong Kong on 26 February 2014 and is directly wholly-owned by Coresmax
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company” or “our Company”	Miricor Enterprises Holdings Limited (卓珈控股集團有限公司) (formerly known as Treshaa Enterprises Holdings Limited (卓珈控股集團有限公司), and changed to its current name on 10 August 2016) the holding company of our Group upon completion of the Reorganisation and the listing vehicle for the Listing, which is an exempted company with limited liability incorporated in the Cayman Islands on 6 July 2016
“Controlling Shareholder(s)”	shall have the meaning given to it under the GEM Listing Rules and unless the context otherwise requires, refers to Sunny Bright, Mrs. Gigi Ma and Mr. Patrick Ma either individually or as a group of persons where the context requires
“Coresmax”	Coresmax Group Holdings Limited, a company incorporated in the BVI with limited liability on 6 July 2016, which owns 100% shareholding interest in each of our Major Subsidiaries and is wholly-owned by our Company
“CosMax Academy”	our training centre for providing training programmes to our trained therapists situated at one of our leased properties at Unit 1205, Wayson Commercial Building, 28 Connaught Road West, Hong Kong as at the Latest Practicable Date

DEFINITIONS

“Cos Max Academy Limited”	Cos Max Academy Limited, a company incorporated in Hong Kong on 1 April 2015 and is directly wholly-owned by Coresmax
“Cos Max Limited”	Cos Max Limited, a company incorporated in Hong Kong on 18 February 2005 and is directly wholly-owned by Coresmax
“Counsel”	Mr. Jeevan Hingorani, barrister-at-law of Hong Kong, legal adviser to our Company as to Hong Kong laws in relation to the Listing
“CWB Centre”	our medical aesthetic centre situated at 22nd Floor, Soundwill Plaza, Russell Street, Causeway Bay, Hong Kong which commenced operation in December 2009
“Deed of Indemnity”	the deed of indemnity dated 19 December 2016 entered into by our Controlling Shareholders in favour of our Company to provide certain indemnities, particulars of which are set out in “Statutory and General Information — E. Other Information — 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-Competition”	the deed of non-competition dated 19 December 2016 entered into by our Controlling Shareholders in favour of our Company, particulars of which are set out in “Relationship with Controlling Shareholders — Non-competition Deed” in this prospectus
“Directors” or “our directors”	the directors of our Company
“EPS”	an electronic payment system widely used in Hong Kong
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
“Frost & Sullivan Report”	an independent research report commissioned by our Company and prepared by Frost & Sullivan for the purpose of the Listing
“FY or “financial year”	financial year of our Company ended or ending 31 March
“G Max”	G Max Group Limited, a company incorporated in Hong Kong on 17 July 2009 and is directly wholly-owned by Coresmax
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended or supplemented from time to time
“Get Nice”	Get Nice Securities Limited, a licensed corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

DEFINITIONS

“Group”, “we”, “our” or “us”	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Government” or “HK Government”	the Government of Hong Kong
“Hong Kong Medical Code of Professional Conduct”	the Code of Professional Conduct issued by the Hong Kong Medical Council
“Hong Kong Medical Council”	the Medical Council of Hong Kong established under section 3 of the Medical Registration Ordinance (Chapter 161 of the Laws of Hong Kong)
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Independent Third Party(ies)”	a person who, as far as our Directors are aware after having made all reasonable enquiries, is not a connected person of our Company
“Issue Mandate”	the general unconditional mandate given to our Directors by our Shareholders relating to the issue of new Shares, particulars of which are set out in “Statutory and General Information — A. Further information about our Company and our subsidiaries — 5. Written resolutions of our Shareholders passed on 19 December 2016” in Appendix IV to this prospectus
“Joint Bookrunners” or “Joint Lead Managers”	SWHY, Get Nice and Opus Capital

DEFINITIONS

“Latest Practicable Date”	20 December 2016, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of the Shares on GEM
“Listing Date”	the date on which the Shares are first listed and from which dealings in the Shares are permitted to take place on GEM
“Macau”	the Macau Special Administrative Region of the PRC
“Major Subsidiaries”	subsidiaries of our Company other than Coresmax, namely, Cos Max Limited, G Max, CMM, CMM (Central), CM Technology, Cos Max Academy Limited, CMIP and Ocean Grand
“Medical Clinics Ordinance”	Medical Clinics Ordinance (Chapter 343 of the Laws of Hong Kong), as amended or supplemented from time to time
“Memorandum” or “Memorandum of Association”	the memorandum of association of the Company adopted on 19 December 2016, as amended or supplemented from time to time
“Mr. Barry Ma”	Mr. Ma Ting Wai Barry, an executive Director, the brother of Mr. Patrick Ma and the brother-in-law of Mrs. Gigi Ma
“Mr. Patrick Ma”	Mr. Ma Ting Keung, Patrick, a Controlling Shareholder and the spouse of Mrs. Gigi Ma and the brother of Mr. Barry Ma
“Mrs. Gigi Ma”	Ms. Lai Ka Yee Gigi, an executive Director, our chairlady and chief executive officer, a Controlling Shareholder and the spouse of Mr. Patrick Ma and the sister-in-law of Mr. Barry Ma
“Ocean Grand”	Ocean Grand Development Limited (海揚發展有限公司), a company incorporated in Hong Kong on 24 March 1994 and is directly wholly-owned by Coresmax
“Opus Capital”	Opus Capital Limited, a licensed corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and the financial adviser to our Company in relation to the Listing
“Placing”	the conditional placing of the Placing Shares by the Underwriters for and on behalf of our Company for cash at the Placing Price as described in “Structure of the Placing” in this prospectus

DEFINITIONS

“Placing Price”	the final price per Placing Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$0.8 and expected to be not less than HK\$0.6, such price to be determined by agreement between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before the Price Determination Date
“Placing Shares”	100,000,000 new Shares being offered by us for subscription at the Placing Price pursuant to the Placing subject to the terms and conditions as described in “Structure of the Placing” in this prospectus
“PRC” or “China”	the People’s Republic of China, excluding for the purposes of this prospectus only, Hong Kong, Macau and Taiwan
“Price Determination Date”	the date expected to be on or around 30 December 2016, but no later than 6 January 2017, on which our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) determine the Placing Price for the purpose of the Placing
“Repurchase Mandate”	the general unconditional mandate given to our Directors by our Shareholders relating to the repurchase of Shares, particulars of which are set out in “Statutory and General Information — A. Further information about our Company and our subsidiaries — 5. Written resolutions of our Shareholders passed on 19 December 2016” in Appendix IV to this prospectus
“Reorganisation”	the reorganisation of our Group in preparation for the Listing, details of which are set out in “History, Reorganisation and Corporate Structure — Reorganisation”
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company

DEFINITIONS

“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company pursuant to a resolution passed by the Shareholders on 19 December 2016, the principal terms of which are summarised in “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus
“Sole Sponsor” or “SWHY”	Shenwan Hongyuan Capital (H.K.) Limited, a licensed corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sunny Bright”	Sunny Bright Group Holdings Limited, a company incorporated in BVI with limited liability and owned by each of Mrs. Gigi Ma and Mr. Patrick Ma as to 50%, and is a Controlling Shareholder of our Company
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended or supplemented from time to time
“Track Record Period”	FY2015, FY2016 and 1Q2017
“Underwriters”	the underwriters for the Placing, whose names are set out in “Underwriting — Underwriters” in this prospectus
“Underwriting Agreement”	the conditional underwriting agreement relating to the Placing to be entered into by, among others, our Company and the Underwriters, as further described in “Underwriting” in this prospectus
“U.S.” or “United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“%”	per cent

In this prospectus, unless the context otherwise requires, the terms “associate”, “close associate”, “connected person”, “connected transaction”, “controlling shareholder”, “core connected person”, “significant shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the GEM Listing Rules, unless the context otherwise requires.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this prospectus in connection with our business or our Group. These terms and their given meanings may not correspond to standard industry definitions.

“botulinum toxin type A”	a substance derived from bacteria. Injection of botulinum toxin type A blocks muscular nerve signals, which then weakens the muscle so that it cannot contract. It is most widely used for wrinkle softening and masseter reduction
“CAGR”	compound annual growth rate
“CE”	Conformité Européenne (European Conformity), a mark affixed on products which have been assessed before being placed on the European Union market denoting that such products meet the safety, health and environmental protection requirements of the European Union
“contouring”	application of medical aesthetic procedures to attempt to improve the shape of an individual’s face or body
“doctors” or “registered medical practitioner(s)”	person(s) who is (are) qualified to practise medicine, surgery and midwifery in Hong Kong and is (are) registered as registered medical practitioner(s) of the Hong Kong Medical Council under the General Register or the Specialist Register kept in accordance with the Medical Registration Ordinance (Chapter 161 of the Laws of Hong Kong)
“FDA”	Food and Drug Administration of the United States, an agency of the U.S. department of Health and Human Services responsible for protecting and promoting public health through the regulation and supervision of food safety, medical devices, etc.
“GFA”	gross floor area
“hyaluronic acid”	a stabilised viscous glycosaminoglycan of non-animal origin, which is injected with the intention to achieve certain aesthetic effects such as filling in facial lines and creases, correction of contour defects or depressions, restoration of volume loss from aging and the plumping of lips or cheeks
“Servicing Doctors”	our three full-time doctors and one part-time doctor who participate in the provision of medical aesthetic services with practising experience in the medical aesthetic service industry ranging from eight to 10 years as at the Latest Practicable Date. For the avoidance of doubt, they do not include the new doctor who joined us in October 2016 and has been undergoing our internal training, and has not commenced to serve our clients as at the Latest Practicable Date. See “Business — Our Professional Team — Doctors” in this prospectus for further details

GLOSSARY OF TECHNICAL TERMS

“IT”	information technology
“laser”	Light Amplification by Stimulated Emission of Radiation used to treat various skin problems
“radiofrequency”	a technology used in a device, with the oscillation of alternating currents at a frequency of around 3 kHz to 300 GHz, which may be used for skin rejuvenation
“sq. ft.”	square feet
“trained therapist(s)”	our therapist(s) who has/have completed our training programme

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in “Summary”, “Risk Factors”, “Industry Overview”, “Business”, “Financial Information” and “Statement of Business Objective and Use of Proceeds” in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under “Risk Factors” in this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and operating plans;
- our capital expenditure and expansion plans;
- our ability to identify and successfully take advantage of new business development opportunities;
- our dividend policy; and
- our profit estimate and other prospective financial information.

The words “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would” and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations of the Hong Kong relating to any aspect of our business or operations;
- general economic, market and business conditions in Hong Kong;
- macroeconomic policies of the Hong Kong government;
- inflationary pressures or changes or volatility in interest rates, foreign exchange rates or other rates or prices;
- various business opportunities that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in “Risk Factors” in this prospectus.

RISK FACTORS

An investment in our Shares involves various risks. You should carefully consider all the information in this prospectus and, in particular, the risks and uncertainties described below before making an investment in our Shares. The occurrence of any of the following events could materially and adversely affect our business, financial condition, results of operations or prospects. If any of these events occur, the trading price of our Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS

Our business performance depends on our reputation in the industry, and any failure to maintain our reputation may negatively affect our results of operations and prospects.

Our success to date depends on a significant extent on our reputation as a quality and reliable medical aesthetic service provider in Hong Kong. Our brand image and market recognition are subject to various factors including (i) our service and product offerings and quality; (ii) our responsiveness to changing market trends and client preferences; (iii) client experiences and satisfaction; and (iv) any negative publicity, claims, complaints or legal proceedings to which our Group, our registered medical practitioners and other staff members are subject. Any failure to maintain our brand image and any incident that erodes clients' trust in the quality of our services and products could substantially reduce our brand value and recognition, thereby reducing the demand for our services and products.

In particular, any negative publicity in relation to our services and products may, regardless of merit, damage our reputation in the industry. Our clients may have expectations on the magnitude of improvement of physical appearance resulting from our services or the use of our products. However, we cannot guarantee the results of our services and products since results vary depending on factors such as the medical background and skin condition of our clients, their adherence to our post-treatment instructions and other factors beyond our control. It is also an inherent risk that the results of our services may lead to undesirable or unexpected outcomes, such as complications and injuries, or otherwise fail to meet our clients' expectations. Such undesirable or unexpected outcomes may result in negative sentiments, requests for refunds, or complaints, claims or legal actions against us or our registered medical practitioners, which may lead to negative publicity. Any negative publicity may materially and adversely harm our brand image and cause a deterioration in the level of trust in our services and products, thereby resulting in decreased sales and potential loss of clients.

Furthermore, given the subjective views on the quality and results of our services and products, we have been and will continue to be susceptible to complaints, claims and legal actions associated with our services and products. During the Track Record Period and up to the Latest Practicable Date, we received 37 unfavourable feedback from our clients. See "Business — Client Feedback and Complaint Handling" in this prospectus for further details. There is no assurance that we will not be subject to such complaints or claims in the future. Apart from negative publicity, any such complaints or claims may result in substantial liabilities and any uninsured loss could have a material adverse impact on our business, results of operations and financial condition.

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We rely on the public image of our chief executive officer.

Our brand awareness is, to a certain extent, built upon the public image of Mrs. Gigi Ma, our chairlady, executive Director and chief executive officer. Mrs. Gigi Ma has been a prominent icon of our business, whose public image has enhanced our brand awareness in Hong Kong. Any negative publicity of or media coverage about Mrs. Gigi Ma may have a negative impact on our reputation or brand image, which may in turn materially and adversely affect our business, results of operations and financial condition.

We may not be able to retain the services of our existing registered medical practitioners or attract suitable registered medical practitioners to join our Group.

Our business operation is dependent on our ability to attract registered medical practitioners and retain their services. The number of registered medical practitioners with the necessary experience and qualifications in the market is limited, and we are competing for suitable candidates with other medical aesthetic service providers. As at the Latest Practicable Date, we had four Servicing Doctors who participate in the provision of medical aesthetic services, and also employed an additional doctor in October 2016 who has been undergoing our internal training to ensure proficiency in our service standards, and has not commenced to serve our clients. In order to retain our existing registered medical practitioners and attract new ones, we may need to offer more competitive remuneration packages, which would increase our staff costs.

Furthermore, in the event of our registered medical practitioners resigning, there is no assurance that we will be able to find suitable and timely replacements. There is also no assurance that we will be able to attract and retain sufficient number of registered medical practitioners to support our continuous business growth and cope with our business expansion. If we are unable to recruit suitable registered medical practitioners, our business operations may be interrupted, which could materially and adversely affect our results of operations, financial condition and prospects.

Our registered medical practitioners and other staff members may be subject to investigations, claims or legal proceedings relating to professional misconduct or negligence, which may subject us to substantial liabilities and harm our reputation.

We rely on our registered medical practitioners to make proper decisions regarding the services and products that our clients may require. Any incorrect decisions on the part of our registered medical practitioners may result in undesirable or unexpected outcomes, including complications and injuries. Complaints, claims and legal actions may be brought by dissatisfied clients against the relevant registered medical practitioners as well as other relevant staff members. As the relevant services are provided at our medical aesthetic centres, our Group is likely to be named as one of the defendants and may be subject to claims for professional misconduct or negligence arising from the acts, conducts or omissions of our registered medical practitioners and other staff members.

Claims or legal proceedings against us, our registered medical practitioners or other staff members may, whether successful or not, bring negative publicity. Our business operations may also be materially and adversely affected as substantial time and resources may be needed to deal with and defend such claims or proceedings. In addition, any settlement or successful claim against us may result in significant legal costs, damages and compensation. If such claims or proceedings are beyond the scope

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of or involving damages which are beyond the maximum amount covered by our existing insurance schemes, we may face significant financial liabilities and any uninsured loss may materially and adversely affect our business, results of operations and financial condition.

While our registered medical practitioners, as members of the Medical Protection Society, maintain professional malpractice liability and are entitled to, subject to certain exclusions, indemnity, advice and legal representation in relation to claims, investigations and proceedings arising from or in connection with their professional practices, there is no assurance that the protection offered thereunder will cover the full extent of losses, damages or liabilities arising from any professional misconduct or medical negligence of our registered medical practitioners. Furthermore, if our registered medical practitioners are involved in medical disputes and/or subject to investigations, they may have to allocate time and resources in handling such disputes or investigations, which may affect our business operations. If they were eventually convicted of professional misconduct or medical negligence, they would be subject to disciplinary actions, including suspension from practice for a certain period or indefinitely. Any of these circumstance may materially and adversely affect our reputation, business, results of operations and financial condition.

Our medical aesthetic services are subject to certain health risks.

Our medical aesthetic services are subject to a certain degree of health risks. Allergic reaction, undesirable or unexpected outcome, injury or death may occur as a result of undergoing medical aesthetic treatments. We cannot assure you that medical incidents resulting in allergic reaction, undesirable or unexpected outcome, injury or death will not occur in the course of our business operations in the future. In the event that such incidents occur, we may be subject to legal proceedings, substantial liabilities and negative media coverage, which could materially and adversely affect our reputation, business, results of operations, financial condition and prospects.

We derive all of our revenue from Hong Kong. Any adverse economic, social or political conditions in Hong Kong may negatively affect our business performance and financial condition.

All of our business operations are based in and we derive all of our revenue from Hong Kong. Our business operations and the demand for our medical aesthetic services are therefore subject to the economic, social and political conditions in Hong Kong. Furthermore, any incidence of social unrest, strike, riot, civil disturbance or disobedience in Hong Kong may cause inconvenience to clients who wish to visit our medical aesthetic centres and weaken their desire or willingness to undergo medical aesthetic treatments. Any of the above circumstances may have a material and adverse impact on our business, results of operations and financial condition.

In addition, during the Track Record Period, a portion of our revenue was derived from visitors and tourists from the PRC who do not reside in Hong Kong. Any reduction in the spending willingness of such PRC visitors and tourists and any decrease in the number of PRC visitors and tourists to Hong Kong as a result of anti-mainland sentiment may significantly reduce our revenue derived from such clients, which could materially and adversely our results of operations and financial condition.

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We may be subject to claims or complaints with respect to our selling practices.

Following our clients' consultation with our registered medical practitioners, our aesthetic service specialists explain to our clients (i) the prices of the treatments, medication and skin care products recommended by our registered medical practitioners; and (ii) the promotion and packages available to such treatments. Some clients may feel uncomfortable with our selling process and may lodge complaints and claims against us, including allegations of violation of the Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong). Any such allegations may result in regulatory investigations, and could have a negative impact on our brand image and result in a deterioration of client satisfaction. We may lose our existing clients and experience difficulty in attracting new clients, thereby materially and adversely affecting our business, results of operations, financial condition and prospects.

We may be subject to claims or complaints with respect to expired prepaid packages.

Since some of the medical aesthetic services we offer require multiple treatment sessions to achieve the desired results, we offer to our clients prepaid packages for multiple treatment sessions. Our prepaid packages are generally valid for three to 18 months from the date of purchase. See "Business — Prepaid Packages" in this prospectus for further details of our prepaid packages. Clients with expired prepaid packages are not entitled to redeem our services even though they have paid for them. This may have a negative impact on their willingness or desire to purchase prepaid packages in the future. In addition, dissatisfied clients may lodge complaints and claims against us, which may attract negative media coverage and materially and adversely affect our reputation, business performance, results of operations, financial condition and prospects.

Our operations in Hong Kong are subject to certain general laws and regulations and we face potential penalties for non-compliance or where the relevant government authorities and/or the courts take a different interpretation on the relevant laws and regulations.

Our operations in Hong Kong are subject to certain general laws and regulations in relation to medical practitioners, trade description and safety of consumer goods, medical advertisement and importation and dealing in and sale of pharmaceutical products and drugs and skin care products. Therefore, we face potential penalties for any non-compliance. Our management is required to devote time and resources to handle compliance-related matters.

In addition, any changes in laws and regulations, or any changes of interpretation thereof, could require us to obtain additional licences, permits, approvals, registration or certificates, or result in the invalidation of our currently owned licences, permits, approvals, registrations or certificates, or result in us being regarded as not in compliance with the relevant laws and regulations thereby subjecting us to penalties and/or other legal consequences. For example, our interpretation of the Medical Clinics Ordinance as set out in "Regulatory Overview — Laws and Regulations — Regulations on Medical Practitioners and Medical Facilities — Medical Clinics Ordinance" in this prospectus may be subject to change and/or challenge. The relevant regulatory authorities may interpret that the Medical Clinics Ordinance is applicable to our business, and we, our Directors and doctors may be subject to the penalties for breach of the Medical Clinics Ordinance as detailed in the abovementioned section of this prospectus, and we may need to temporarily suspend our business and restructure our relationship with our doctors so that the relevant regulatory authorities consider that the Medical Clinics Ordinance does

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not apply to our business. The restructuring of our relationship with our doctors and temporary suspension of our business will have a material adverse impact on our business, results of operations, financial condition and prospects.

Further, the “Regulation of Private Healthcare Facilities — Consultation Document” issued by the Food and Health Bureau in December 2014 discussed that new regulatory regime for private healthcare facilities may be enacted in the future. We and other medical aesthetic service providers may be affected by such new regulatory regime. See “Regulatory Overview — Recent Development in relation to Regulation of Medical Procedures and Beauty Services, as well as Private Healthcare Facilities” in this prospectus for more details.

If we fail to obtain or renew any necessary licences, permits, approvals, registrations and certificates, or are found to be non-compliant with any of these laws, regulations or rules, we may face penalties, suspension of operations or even revocation of operating licences, permits, approvals, registrations or certificates, depending on the nature of the findings, any of which could materially and adversely affect our business, results of operations, financial condition and prospects.

There are restrictions in advertising and marketing our business, and we rely on referrals by existing clients to attract new clients.

We are subject to certain Hong Kong laws and regulations relating to the advertisement and promotion of our services, including the Undesirable Medical Advertisements Ordinance (Chapter 231 of the Laws of Hong Kong). See “Regulatory Overview — Laws and Regulations — Regulations on Advertisements in Hong Kong” in this prospectus for further details. In addition, under the Hong Kong Medical Code of Professional Conduct, our registered medical practitioners are subject to certain restrictions on the promotion, publication, marketing and dissemination of information of their professional services and practices. Such restrictions may hinder our ability to further enhance our brand awareness in the industry or attract new clients. Furthermore, any change in such laws, regulations and professional codes as well as their interpretation may render us or our registered medical practitioners in breach of the relevant laws, regulations and professional codes. We may be subject to substantial liabilities and other legal consequences, whereas our registered medical practitioners may be exposed to risks of disciplinary actions. All such circumstances may have a material adverse impact on our reputation, business, results of operations and financial condition.

Given the restrictions on the advertisement and promotion of our business, we mainly rely on referrals by existing clients to attract new clients. For FY2015, FY2016 and 1Q2017, 53.1%, 50.9% and 49.5% of our new clients was referred by our existing clients, respectively. However, there is no assurance that we will be able to attract sufficient number of new clients to support our continuous business growth. If we fail to attract new clients, our business, results of operations, financial condition and prospects may be materially and adversely affected.

Our insurance coverage may not be sufficient to cover all risks involved in our business operations.

We have taken out insurance policies to cover the risks generally associated with our business operations. See “Business — Insurance” in this prospectus for details relating to our insurance coverage. However, there are certain types of risks, such as acts of god, for which insurance coverage is generally not available on commercially acceptable terms or at all. There is no assurance that our current

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insurance coverage will be able to cover all types of risks involved in our business operations, or be sufficient to cover the full extent of losses, damages or liabilities arising therefrom. If we suffer any losses, damages or liabilities in the course of our business operations arising from events for which we do not have any or adequate insurance coverage, we will have to bear all or a certain portion of such losses, damages or liabilities. In such circumstances, our business operations, financial condition and results of operations may be materially and adversely affected.

In addition, there is no assurance that our insurance premium will not increase or that we will not be required by law to obtain additional insurance coverage in the future. Any increase in insurance costs may materially and adversely affect our financial condition and results of operations.

We may not be able to seek indemnity from our registered medical practitioners.

Our registered medical practitioners have agreed to indemnify us against, among other things, all claims in relation to death or injury to any person and all liabilities in connection therewith, to the extent that such death or injury is attributable to the willful or negligent acts, defaults or omissions on his/her part. Nevertheless, there is no assurance that we will be able to seek indemnity and recover all losses and damages from the relevant registered medical practitioners in the event of claims of professional misconduct or negligence against them. In particular, there is no assurance that the relevant losses or damages are within the scope of the insurance policy maintained by the relevant registered medical practitioners, or that the relevant registered medical practitioners have sufficient financial means to fulfil their obligations in indemnifying our Group. If we are unable to seek indemnity from the relevant registered medical practitioners and such claims are not fully covered by our insurance policies, our Group may incur substantial liabilities or losses.

There is no assurance that we will be able to successfully enforce the non-competition and non-solicitation undertakings contained in the employment contracts of our doctors and trained therapists.

In Hong Kong, restrictive covenants are enforceable only when the contractual terms restricting an employee's activities after the termination of his/her employment are reasonable in all circumstances to protect the legitimate business interests of the employer.

Despite the non-competition and non-solicitation undertakings contained in the employment contracts of our doctors and trained therapists, there is no assurance that they will not, upon termination of employment with us, engage in business activities that compete, whether directly or indirectly, with our business or solicit our clients. In circumstances where our former doctors or trained therapists engage in competing business activities or solicit our clients, we cannot assure that we will be able to successfully enforce such non-competition and non-solicitation undertakings under the laws of Hong Kong. If our doctors or trained therapists, after termination of employment with us, engage in competing business activities or solicit our clients, and if we are unable to enforce the relevant non-competition or non-solicitation undertakings, our business, results of operations and financial condition may be materially and adversely affected.

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Any inability to keep abreast of the latest technological advancement or market trends in the medical aesthetic service industry may materially and adversely affect our business performance.

In order to keep up with the latest developments and trends in the medical aesthetic service industry and respond to the changing needs and preferences of our clients, we are required to upgrade our existing treatment devices, invest in new treatment devices and source new skin care products from time to time.

If we are unable to anticipate or adapt to the latest technological developments or market trends in the medical aesthetic service industry, we may not be able to meet our clients' expectations and the demand for our services and products may decline. Furthermore, if our competitors are more sensitive to changes in client preferences or more responsive to emerging technology in the industry, our medical aesthetic services may become less competitive. We may lose our existing clients and be unable to attract new clients, which could have a material adverse impact on our business performance. There is also no assurance that we will be able to recover the expenditure associated with the purchase of new treatment devices and skin care products. Any of the abovementioned circumstances may materially and adversely affect our results of operations, financial condition and prospects.

Any substantial increase in rent or non-renewal of lease agreements may affect our business operations and financial condition.

As our medical aesthetic centres, office premises and training centre are currently situated at leased properties, we are particularly vulnerable to fluctuations in the property rental market. For FY2015, FY2016 and 1Q2017, our property rental and related expenses amounted to HK\$8.8 million, HK\$9.4 million and HK\$2.4 million, respectively, representing 11.9%, 11.3% and 10.0% of our revenue, respectively. Before the expiry of each of our leases, we have to negotiate the terms of renewal with our respective lessors. As at the Latest Practicable Date, the expiry dates of the terms of our subsisting leases ranged from approximately two to 21 months. There is no assurance that our existing leases would be renewed on similar or favourable terms, in particular with respect to the amount of rent and the term of the lease, or at all. Any substantial increase in the rent of our leased properties may increase our property rental and related expenses, which could materially and adversely affect our profitability. There is also no assurance that our existing leases will not be terminated early by the lessors before the expiry of the relevant term.

In the event that we are required to relocate our medical aesthetic centres, office premises or training centre, there is no assurance that we will be able to identify comparable locations in a timely manner or at all, and that we will secure a lease on comparable terms. We may also incur substantial relocation and renovation costs. Any non-renewal of leases may have a material adverse effect on our business, results of operations and financial condition.

We derive revenue mostly through selling prepaid packages to our clients.

Receipts from prepaid packages and prepaid cash coupons are recorded as deferred revenue in the combined statements of financial position at the point of sales, and are recognised as revenue in the combined statements of profit or loss and other comprehensive income when the relevant treatments are rendered to our clients from time to time. As at 31 March 2015, 31 March 2016 and 30 June 2016, our deferred revenue in relation to prepaid packages amounted to HK\$44.7 million, HK\$51.6 million and HK\$48.8 million, respectively. The mode of selling prepaid packages represents a significant revenue

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contributor to our operations. During the Track Record Period, the percentage of our active clients who received treatment services via prepaid packages ranged from 71.2% to 78.6%, and the corresponding revenue contribution from prepaid packages accounted for 74.6% to 80.5% of our total treatment revenue.

If we cannot charge our clients by way of selling prepaid packages going forward, we will lose a marketing tool to promote and sell our treatment services to our clients, and we will not be able to receive upfront payment from our clients and may need to obtain alternative sources of fund to settle the necessary operating expenses and our working capital needs. Accordingly, our operations and financial performance could be adversely affected.

We recorded net current liabilities as at 31 March 2015.

We offer prepaid packages to our clients, which are generally valid for three to 18 months. Amounts received from the sale of prepaid packages are recorded as deferred revenue, which are current liabilities on our combined statements of financial position, and will be subsequently recognised as revenue on our combined statements of profit or loss and other comprehensive income when the service has been provided or upon the expiration of the validity period prepaid packages. As at 31 March 2015, we recorded net current liabilities of HK\$10.8 million due to cash outflows in connection with financing our capital expenditure of HK\$15.6 million in FY2015 for the opening of the Central Centre by way of cash. There is no assurance that we will not record net current liabilities in the future. See “Financial Information — Liquidity and Capital Resources — Net current (liabilities)/assets” in this prospectus for further details.

Professional duties and responsibilities of our registered medical practitioners to clients may not always be in line with our commercial interests in maximising profits.

Our registered medical practitioners are required to comply with the Hong Kong Medical Code of Professional Conduct and their duties thereunder include (i) not allowing his/her judgment to be influenced by personal profit; (ii) being dedicated to providing competent medical service in full professional and moral independence; (iii) acting in the patient’s best interest when providing medical care; and (iv) owing his/her patients complete loyalty and all the scientific resources available to him/her.

Such professional duties and obligations may place additional burdens on our registered medical practitioners and may not always be in line with our commercial interest in maximising profits.

We have not entered into any long term agreements with our suppliers.

We have not entered into any long term supply agreements with our suppliers. We therefore cannot assure you that our suppliers will continue to provide us with a stable supply of skin care products and medication on commercially acceptable terms or at all. Furthermore, there is no assurance that we will be able to find alternative suppliers for skin care products and medication at commercially acceptable prices and in a timely manner. Any shortage of or delay in the supply of skin care products and/or medication to us may disrupt our provision of medical aesthetic services, which may in turn materially and adversely affect our business, results of operations and financial condition.

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We maintain limited control over the quality of our skin care products, medication, treatment consumables and treatment devices.

We cannot assure you that the skin care products, medication, treatment consumables and treatment devices we procure from our suppliers during the course of our business operations are safe, free of defects or meet the relevant quality standards. In the event of quality issues, we could be subject to complaints and claims by our clients. We may also need to find alternative suppliers and suitable replacement products, which may result in delays in the provision of our services or the delivery of products. If we are unable to find alternative suppliers or suitable replacement products in a timely manner, our business operations may be disrupted.

There is no assurance that our clients' information will be prevented from leakage or improper use.

We understand the importance of our clients' right to privacy and endeavour to keep their medical information strictly confidential. Our Group is subject to, among others, the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), which limits the use of personal data of clients collected by us for such purposes for which they were collected or for a directly related purpose. See "Regulatory Overview — Laws and Regulations — Regulations on Personal Data Privacy" in this prospectus for further details. In addition, pursuant to the Hong Kong Medical Code of Professional Conduct, our registered medical practitioners shall not, except in certain exceptional circumstances, disclose clients' medical information to any third party without their prior consent.

There is no assurance that we will completely prevent our clients' information from leakage or being used for an improper purpose. Any breach of our confidentiality obligations towards our clients may expose our Group and/or our registered medical practitioners to potential liabilities, such as claims, disciplinary actions and legal proceedings, and may have a material adverse effect on our reputation, business, results of operations and financial condition.

Any disruption, malfunction or breakdown of our IT infrastructure systems may interrupt our business operations.

Our business operations depend on the satisfactory performance, stability and reliability of our IT infrastructure and related software programmes, which are critical to our storage of client records and appointments, management of inventory, as well as computation of operational and sales data. However, our IT infrastructure may experience disruption, malfunction, breakdown or other performance problems due to reasons such as (i) increasing pressure on our servers and network capacities as a result of growing client base and expanding operations; (ii) undetected programming errors, bugs, flaws, corrupted data or other defects; (iii) hacking or other attacks on our network infrastructure and system programmes; and (iv) floods, fires, extreme temperatures, power loss, telecommunications failures, technical error, computer viruses or similar events. Any disruption, malfunction, breakdown or other performance problems of our IT infrastructure may significantly disrupt our business operations and reduce our work efficiency, which may have a negative impact on the quality of our services.

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There is no assurance that our IT infrastructure will not experience disruption, malfunction, breakdown or other performance problems in the future. There is also no assurance that we will be able to effectively upgrade our existing systems or develop new systems to support our expanding business operations in a timely manner. Any failure to do so may materially and adversely affect our business, results of operations, financial condition and prospects.

Any outbreak of contagious diseases or occurrence of force majeure events or natural disasters in Hong Kong may disrupt our business operations.

Any outbreak of contagious diseases or epidemics in Hong Kong, such as avian influenza, swine influenza, severe acute respiratory syndrome (SARS) and Middle East respiratory syndrome (MERS), may result in widespread health crisis that could result in the temporary closure of our medical aesthetic centres and significantly disrupt our business operations. In addition, any occurrence of force majeure events, such as acts of war and terrorism, riots, social disturbances and strikes, or natural disasters, such as earthquakes, tornadoes, floods and droughts, may cause casualties to our employees and result in destruction of assets. Any of these events and other events beyond our control may also have a severe negative impact on the local economy, thus reducing our clients' spending willingness or desire to receive medical aesthetic services. Our business, results of operations and financial condition may be materially and adversely affected.

We face potential infringement of our intellectual property rights.

Our intellectual property rights comprise our trademarks, domain names and copyrights. See “Statutory and General Information — B. Further Information about the Business of our Company — 2. Intellectual property rights of our Group” in Appendix IV to this prospectus for details of our material intellectual property rights. There is no assurance that the measures we have taken to protect our intellectual property rights, including registration of our trademarks, will be adequate to prevent unauthorised use by third parties or that we will not face infringement of our intellectual property rights in the future. Infringement of our intellectual property rights may diminish our brand name and reduce our credibility, which may have a material adverse effect on our business, results of operations, financial condition and prospects. If we were to enforce our intellectual property rights through legal proceedings, such proceedings, whether successful or not, may result in the incurrence of substantial costs and the diversion of resources and management attention.

Our historical financial and operating results may not be indicative of our future performance.

For FY2015, FY2016 and 1Q2017, our revenue amounted to HK\$74.0 million, HK\$83.4 million and HK\$24.0 million, respectively, whereas the profit attributable to equity holders of our Company amounted to HK\$13.5 million, HK\$18.5 million and HK\$5.0 million, respectively. The trend of our historical financial information is a mere analysis of our past performance and does not have any positive implication on and may not necessarily reflect our future financial performance. Our future financial results may fluctuate due to, among other things, the demand for medical aesthetic services and the general economic conditions in Hong Kong. Our short-term operating results may not be an indication of our long-term prospects.

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We depend on the continued services of certain key personnel.

Our success to date has largely been attributable to the contributions, commitment and experience of our management team and key personnel, in particular their familiarity with our business operations and their experience and expertise in the medical aesthetic service industry in Hong Kong. If we lose our key management personnel without a suitable and timely replacement or if we lose them to our competitors, our competitiveness, business performance, results of operations as well as business prospects may be materially and adversely affected.

In addition, our future growth and our ability to implement our business strategies will depend on, among other factors, the successful retention and recruitment of experienced management and other key personnel. We cannot assure you that we will be able to retain or hire such employees and the failure to do so may materially and adversely affect our business, results of operations, financial condition and prospects.

Our new medical aesthetic centre, which is planned to be opened in Kowloon, may not deliver the operating performance as we expect when it is in operation.

Based on our past experience, a new medical aesthetic centre would take around seven months to ramp up the client traffic to reach its breakeven point, at which its revenue is sufficient to cover its operating expenses. As one of our business strategies, we plan to establish a new medical aesthetic centre in a prime location in Kowloon by June 2017. See “Business — Our Business Strategies — Expand our network of medical aesthetic centres in Hong Kong” and “Business — Our Medical Aesthetic Centres — Expansion Plan” in this prospectus for details. However, there is no assurance that our new medical aesthetic centre in Kowloon, when it is opened, can attract enough clients to achieve the breakeven point within the period as we expect. Further, some of our existing clients may move to our new medical aesthetic centre in Kowloon for treatment services for the sake of convenience, as a result of which our CWB Centre and Central Centre may experience a reduction in their utilisation rate temporarily. Therefore, there is no guarantee that the opening of the new medical aesthetic centre in Kowloon may contribute positively to our financial performance.

There is no assurance that our business strategies and future plans will be successfully implemented.

The successful implementation of our business strategies and future plans may be hindered by risks set out in this section and is subject to numerous factors, including but not limited to:

- our ability to adapt to changing industry and market trends and keep up with the latest technological developments;
- the availability of management and financial resources;
- our ability to retain our existing clients and attract new ones to match our increased service capacity;
- our ability to negotiate favourable terms with our suppliers; and
- our ability to hire, train and retain registered medical practitioners and other skilled personnel to operate our business.

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There is no assurance that we will be able to successfully implement our business strategies or future plans. Even if our business strategies or future plans are implemented, there is no assurance that they will successfully increase our market share or enhance our market position.

RISKS RELATING TO OUR INDUSTRY

Our business performance may be negatively affected by unfavourable public perception of the overall medical aesthetic service industry.

Our existing and potential clients are generally cautious about the risks inherent in medical aesthetic treatments, and are particularly sensitive to any negative comments, reports or allegations against any medical aesthetic service providers or in relation to medical aesthetic services. From time to time, there are negative news and media reports on the health risks relating to medical aesthetic treatments as well as accidents relating to the medical aesthetic service industry. In particular, in recent months, there have been a number of reported incidents of suspected botulism in Hong Kong, whereby consumers developed symptoms, such as drooping eyelids, blurred vision, slurred speech, difficulty in swallowing and muscle weakness, after receiving botulinum toxin injections in beauty salons or centers in Hong Kong or the PRC.

Any allegations, complaints, or negative news or media reports on (i) any accidents, instances of medical malpractice or professional negligence, unfair selling practices, or quality of services relating to the medical aesthetic service industry; or (ii) health risks relating to medical aesthetic treatments may, regardless of merit, lead to a deterioration in market confidence in medical aesthetic services and a reduction in the overall demand for such services. While such allegations, complaints or negative news or media reports may be unrelated to us, the demand for our medical aesthetic services may decline as a result of weakened client confidence, which may materially and adversely affect our business, results of operations, financial condition and prospects.

We are subject to uncertainties as to the future development of the regulatory framework in Hong Kong in respect of the provision of medical aesthetic services.

Following certain adverse incidents in relation to the beauty service industry in recent years, the Hong Kong Government has been reviewing the existing legal framework and considering tightening its supervision over the beauty service industry by promulgating certain laws and regulations to regulate, among other things, the types of medical aesthetic procedures that should be performed by registered medical practitioners. See “Regulatory Overview — Recent Development in relation to Regulation of Medical Procedures and Beauty Services, as well as Private Healthcare Facilities” in this prospectus for further details.

There is no assurance that the Hong Kong Government will not impose more stringent laws, rules, regulations or industry standards in connection with the provision of medical aesthetic services. Any change in the regulatory framework may render it more restrictive for us to conduct our business. There is also no assurance that we will be able to adapt to such changes in a timely manner. In addition, compliance with such new laws, rules, regulations or industry standards may significantly increase our operating costs, which may in turn lower our profit margins. Any of the abovementioned circumstance may materially and adversely affect our business, results of operations, financial condition and prospects.

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We operate in a highly competitive industry.

Due to continuous technological upgrades and advancements, the medical aesthetic service industry is characterised by rapidly changing market trends. Our clients are constantly looking for innovative and high performance medical aesthetic services and skin care products at reasonable prices. As a result, we are in constant competition with other medical aesthetic service providers in aspects such as quality and scope of services and products, comprehensiveness and diversity of treatment devices as well as pricing. Some of our competitors may be able to foresee the upcoming market trends more accurately or may be more responsive to new technologies or changing client preferences. They may also have more financial and other resources than we do, thus allowing them to provide similar services or products at a lower price. If we are unable to compete successfully with our competitors, we may experience a reduction of market share, which may have a material adverse effect on our business performance, results of operations and financial condition.

A lack of growth in the consumer market or a general economic slowdown or downturn may materially and adversely affect our business performance and results of operations.

Our business performance depends on the sustainable growth of consumer spending on medical aesthetic services and skin care products. However, there is no assurance that the local economy in Hong Kong can sustain a continuous stable growth in consumer spending. In addition, any economic slowdown, recession or downturn may result in a decrease in consumer spending on medical aesthetic services and skin care products as well as weaken consumer spending willingness, thus reducing the overall demand for our services and products. Any of the foregoing circumstances may materially and adversely affect our business, results of operations, financial condition and prospects.

RISKS RELATING TO THE PLACING

There has been no prior public market for the Shares and an active trading market for the Shares may not develop or be sustained.

Prior to the Placing, there has been no public market for our Shares. We have applied for the listing of and dealing in our Shares on the Stock Exchange. However, even if approved, we cannot assure you that an active and liquid public trading market for our Shares will develop or be sustained following the Placing. The financial market in Hong Kong and other countries have in the past experienced significant price and volume fluctuations. Volatility in the price of our Shares may be caused by factors outside our control and may be unrelated or disproportionate to our operating results. Accordingly, we cannot assure you that the liquidity and market price of our Shares will not fluctuate.

The Placing Price range for our Shares was, and the Placing Price will be, the result of negotiations among us and the Joint Lead Managers (for themselves and on behalf of the Underwriters) and may not be indicative of prices that will prevail in the trading market after the Placing. Our Shareholders may therefore not be able to sell their Shares at or above the Placing Price.

RISK FACTORS

The trading price of our Shares may be volatile, which could result in substantial losses to you.

The price and trading volume of our Shares may be volatile and could fluctuate significantly as a result of factors including but not limited to:

- actual or anticipated fluctuations in our results of operations;
- changes in securities analysts' estimates of our financial performance;
- announcement by us of significant acquisitions, strategic alliances or joint ventures;
- additions or departures of key personnel;
- fluctuations in stock market price and volume;
- involvement in litigation or regulatory investigations; and
- changes in general economic and stock market conditions.

Any of these broad market conditions may result in substantial and sudden changes in the price and trading volume of the Shares.

Since there will be a gap of several days between pricing and trading of our Placing Shares, holders of our Placing Shares are subject to the risk that the price of our Placing Shares could fall during the period before trading of our Placing Shares begins.

The Placing Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period, and holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins due to adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

The interests of the Controlling Shareholders may conflict with the best interests of the other Shareholders.

Immediately upon completion of the Placing, the Controlling Shareholders will in aggregate beneficially own approximately 75% of our issued Shares. Subject to our Articles of Association and applicable laws and regulations, the Controlling Shareholders will continue to have the ability to exercise controlling influence on our management, policies and business by controlling the composition of the Board, determining the timing and amount of our dividend payments, approving significant corporate transactions, including mergers and acquisitions, approving our annual budgets and taking other actions that require our Shareholders' approval. The interests of the Controlling Shareholders may not always coincide with our Company's or your best interests. If the interests of the Controlling Shareholders conflict with the interests of our Company or the Shareholders, or if the Controlling Shareholders choose to cause our Company to pursue strategic objectives that conflict with the interests of our Company or the Shareholders, you may be disadvantaged as a result.

RISK FACTORS

The sale or availability for sale of substantial amounts of our Shares could adversely affect their trading price.

Sales of substantial amounts of our Shares in the public market upon completion of the Placing, or the perception that these sales could occur, may adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares.

Although the Shares owned by our Controlling Shareholders are subject to certain lock-up periods, we cannot assure you that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods. Any major disposal of our Shares by any of such Controlling Shareholders upon expiry of the relevant lock-up periods (or the perception that such disposals may occur) may cause the prevailing market price of our Shares to fall, which could negatively impact our ability to raise equity capital in the future.

There is no assurance if and when we will pay dividends in the future.

Distribution of dividends will be at the discretion of our Board and subject to Shareholders' approval. A decision to declare or pay dividends and the amount of such dividends will depend on various factors, including but not limited to our results of operations, cash flows and financial conditions, operating and capital expenditure requirements, HKFRS, our Articles of Association and other applicable laws and regulations, market conditions, our strategic plans and prospects of business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, and any other factors determined by our Board from time to time to be relevant to the declaration or suspension of dividend payments. As a result, there can be no assurance whether, when and in what manner we will pay dividends in the future.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may be different from those in Hong Kong.

Our corporate affairs are governed by the Articles of Association, the Cayman Companies Law and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes or judicial precedents in existence in Hong Kong. This may mean that the remedies available to our minority Shareholders may be different from those available under the laws of Hong Kong or other jurisdictions. A summary of the constitution of our Company and the Cayman Islands company law is set out in Appendix III to this prospectus.

Shareholders' interests in our Company may be diluted in the future.

Our Company may issue additional Shares upon exercise of any option which may be granted under the Share Option Scheme. In addition, we may need to raise additional funds in the future to finance our business expansion. If additional funds are raised through the issuance of new equity or equity-linked securities other than on a pro rata basis to existing Shareholders, (i) the percentage ownership of existing Shareholders may be reduced and they may experience subsequent dilution and reduction in their earnings per share; and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders.

RISK FACTORS

We cannot guarantee the accuracy of certain facts and statistics contained in this prospectus.

Certain facts and statistics in this prospectus have been derived from various official government and other publications generally believed to be reliable. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. Such information has not been independently verified by us or any of the Joint Lead Managers, the Sole Sponsor, the Underwriters or any of our or their respective directors, officers or representatives or any other person involved in the Placing and no representation is given as to its accuracy. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this prospectus may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as in other jurisdictions. As a result, you should not unduly rely upon such facts and statistics contained in this prospectus.

Prospective investors should read the entire prospectus carefully and are strongly cautioned against placing any reliance on the information in any press article or other media coverage which contains information not being disclosed or which is inconsistent with the information included in this prospectus.

You are strongly advised to read the entire prospectus carefully and are cautioned against placing any reliance on the information in any press article or any other media coverage which contains information not disclosed or not consistent with the information included in this prospectus.

Prior to completion of the Placing, there may be press and media coverage regarding our Group and the Placing. Our Directors would like to emphasise to prospective investors that we do not accept any responsibility for the accuracy or completeness of such information and such information is not sourced from or authorised by our Directors or our management team. Our Directors make no representation as to the appropriateness, accuracy, completeness and reliability of any information or the fairness or appropriateness of any forecast, view or opinion expressed by the press or other media regarding our Group or the Shares. In making decisions as to whether to invest in the Shares, prospective investors should rely only on the financial, operational and other information included in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the GEM Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, which to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE PLACING

The Placing Shares are offered solely on the basis of the information contained and representations made in this prospectus, on the terms and subject to the conditions set out herein. No person in connection with the Placing is authorised to give any information, or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Lead Managers, the Underwriters, and any of their respective directors, agents, employees or advisers or any other party involved in the Placing. It is expected that, pursuant to the Placing, the Underwriters will conditionally place the Placing Shares on behalf of our Company with investors.

PLACING SHARES ARE FULLY UNDERWRITTEN

This prospectus sets out the terms and conditions of the Placing.

This prospectus is published solely in connection with the Placing, which is sponsored by the Sole Sponsor and managed by the Joint Lead Managers and to be fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreement). Further information about the Underwriters and the underwriting arrangements is contained in "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF PLACING SHARES

Each person acquiring the Placing Shares will be required to confirm or by his/her/its acquisition of the Placing Shares will be deemed to confirm that he/she/it is aware of the restrictions on the Placing of the Placing Shares described in this prospectus. Save as mentioned above, no action has been taken in any jurisdiction other than Hong Kong to permit a placing or the general distribution of this prospectus. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in relation to the Placing in any jurisdiction other than Hong Kong or, in any circumstance in which such an offer or invitation is not authorised, or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus and the offering of the Placing Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under any applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

Prospective investors for the Placing Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe the applicable laws, rules and regulations of any relevant jurisdictions.

The Placing Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Placing to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, any of our or their respective directors, officers, employees, agents, representatives or any other person or party involved in the Placing.

STRUCTURE OF THE PLACING

Further details of the structure of the Placing are set out in “Structure of the Placing” in this prospectus.

APPLICATION FOR LISTING ON GEM

Application has been made to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Placing or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Listing Division, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at all times after the Listing, our Company must maintain the “minimum prescribed percentage” of 25% or such applicable percentage of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

No part of the Shares or the loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

HONG KONG SHARE REGISTER AND THE STAMP DUTY

All Shares issued by us pursuant to applications made in the Placing will be registered on our branch register of members to be maintained in Hong Kong. Our principal register of members will be maintained by Codan Trust Company (Cayman) Limited in the Cayman Islands.

No stamp duty is payable by applicants in the Placing.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

Dealings in the Placing Shares registered on our Hong Kong branch register of members will be subject to Hong Kong stamp duty.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval for listing of, and permission to deal in, the Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transaction between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Placing are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the Placing Shares. None of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Placing accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Shares.

ROUNDING

Amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand, respectively, unless otherwise indicated or the context requires otherwise. Amounts presented as percentages have been rounded to the nearest tenth of a percent, unless otherwise indicated or the context requires otherwise. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Tuesday, 10 January 2017. Shares will be traded in board lots of 5,000 Shares each. The GEM stock code for the Shares is 8358.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING
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DIRECTORS

Name	Address	Nationality
Executive Directors		
Ms. Lai Ka Yee Gigi (黎珈而)	Flat B 2/F., Block 2 Flora Garden 7 Chun Fai Road Hong Kong	Chinese
Mr. Ma Ting Wai Barry (馬庭偉)	Flat 6B Po Garden 9 Brewin Path Hong Kong	Chinese
Independent non-executive Directors		
Mr. Cheng Fu Kwok David (鄭輔國)	Flat B, 20/F, Block 3 Pacific View 38 Tai Tam Road Hong Kong	Chinese
Mr. Cheng Yuk Wo (鄭毓和)	3C, Grand View Terrace 59 Ngai Tsin Wai Road Kowloon City Kowloon, Hong Kong	Chinese
Mr. Li Wai Kwan (李偉君)	Room A, 17/F, Evelyn Towers 38 Cloud View Road North Point Hong Kong	Chinese

For more information on our Directors and members of senior management, see “Directors and Senior Management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

PARTIES INVOLVED IN THE PLACING

Sole Sponsor

Shenwan Hongyuan Capital (H.K.) Limited

A corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Level 19, 28 Hennessy Road

Wanchai

Hong Kong

Financial Adviser to our Company

Opus Capital Limited

A corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

18/F, Fung House

19–20 Connaught Road Central

Central

Hong Kong

(Note)

Joint Bookrunners and Joint Lead Managers

Shenwan Hongyuan Capital (H.K.) Limited

A corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Level 19, 28 Hennessy Road

Wanchai

Hong Kong

Get Nice Securities Limited

A corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

10/F Cosco Tower, Grand Millennium Plaza

183 Queen's Road Central

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Opus Capital Limited

A corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

18/F, Fung House
19–20 Connaught Road Central
Central
Hong Kong
(Note)

Legal Advisers to our Company

As to Hong Kong Law

Iu, Lai & Li Solicitors & Notaries

Solicitors, Hong Kong
Room 2201, 2201A & 2202, 22nd Floor
Tower I, Admiralty Centre
No. 18 Harcourt Road
Hong Kong

As to Cayman Islands Law

Conyers Dill & Pearman

Cayman Islands attorneys-at-law
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Legal Advisers to the Sole Sponsor and the Underwriters

As to Hong Kong law

Deacons

Solicitors, Hong Kong
5th Floor, Alexandra House
18 Chater Road
Hong Kong

Auditors and Reporting Accountants

Ernst & Young

Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Industry consultant

Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
Room 1018, Tower B
No. 500 Yunjin Road
Xuhui District
Shanghai, 200232
China

Note: Opus Capital is the financial adviser to our Company in relation to the Listing. Principal functions performed by Opus Capital include reviewing relevant documentation, advising our Company on, amongst other things, the business, financial positioning and future business development of our Group. The role of Opus Capital is different from that of the Sole Sponsor in that the role of Opus Capital focuses more on the provision of corporate finance advisory services relating to our business, financial positioning and future business development; whereas the role of Sole Sponsor is to ensure that the application for Listing fulfills the requirements of, inter alia, the GEM Listing Rules and other applicable requirements. The Sole Sponsor has performed its own due diligence and undertaken the overall responsibility of the Listing exercise.

CORPORATE INFORMATION

Registered office in Cayman Islands	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	Room 1605, 16th Floor Leighton Centre 77 Leighton Road Causeway Bay Hong Kong
Company website	<u>www.miricor.com</u> <i>(Note: information on this website does not form part of the prospectus)</i>
Company secretary	Mr. Lo Tai On (羅泰安), CPA Flat B, 1/F Neich Tower 128 Gloucester Road Wan Chai Hong Kong
Authorised Representatives (for the purposes of the GEM Listing Rules)	Mr. Ma Ting Wai Barry (馬庭偉) Flat 6B Po Garden 9 Brewin Path Hong Kong Mr. Lo Tai On (羅泰安) Flat B, 1/F Neich Tower 128 Gloucester Road Wan Chai Hong Kong
Compliance officer	Mr. Ma Ting Wai Barry (馬庭偉)
Audit committee	Mr. Cheng Yuk Wo (鄭毓和) (Chairman) Mr. Cheng Fu Kwok David (鄭輔國) Mr. Li Wai Kwan (李偉君)
Remuneration committee	Mr. Cheng Yuk Wo (鄭毓和) (Chairman) Ms. Lai Ka Yee Gigi (黎珈而) Mr. Li Wai Kwan (李偉君)

CORPORATE INFORMATION

Nomination committee

Ms. Lai Ka Yee Gigi (黎珈而) (*Chairlady*)
Mr. Cheng Yuk Wo (鄭毓和)
Mr. Cheng Fu Kwok David (鄭輔國)

**Cayman Islands Principal Share
Registrar and Transfer Agent**

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Compliance adviser

Shenwan Hongyuan Capital (H.K.) Limited
Level 19, 28 Hennessy Road
Wanchai
Hong Kong

Hong Kong Share Registrar

Tricor Investor Services Limited
Level 22 Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Banker(s)

The Bank of East Asia, Limited
Shop A-C, G/F
Easey Commercial Building
253-261 Hennessy Road
Wanchai
Hong Kong

INDUSTRY OVERVIEW

The information and statistics in this section, unless otherwise indicated, are derived from various private and official governmental publications, publicly available sources and the Frost & Sullivan Report, a market research report prepared by Frost & Sullivan and commissioned by our Group. We believe that the information and statistics are derived from appropriate sources and reasonable care has been taken by our Directors in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false and misleading. Neither our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, agents or advisers, or any other person or party involved in the Placing makes any representation as to the accuracy, fairness and completeness of such information and statistics. As such, the information from official and non-official sources contained herein should not be unduly relied upon. Furthermore, due to the inherent time-lag involved in collecting any industry and economic data, some of the data contained in this section may only represent the state of affairs at the time such data were collected. As such, you should also take into account subsequent movements in the industry and the Hong Kong economy when you evaluate the information contained in this section. Our Directors confirm that, after taking reasonable care, there has been no material adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have a material impact on the information in this section.

SOURCE AND RELIABILITY OF INFORMATION

Our Company commissioned Frost & Sullivan, an independent market research company, to conduct an analysis of, and to produce a report on the beauty service industry in Hong Kong. Founded in 1961, Frost & Sullivan is an independent global market research and consulting company based in the United States. The information from Frost & Sullivan disclosed in the prospectus is extracted from the Frost & Sullivan Report, a report commissioned by us for a fee of RMB360,000, and is disclosed with the consent of Frost & Sullivan.

The Frost & Sullivan's Report was undertaken through both primary and secondary research obtained from various sources. Primary research involved interviews with leading industry participants in Hong Kong's medical aesthetic service market and other experts related to the business of the Company. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database and government database. In compiling and preparing the report, Frost & Sullivan has adopted the following assumptions:

- Hong Kong's economy is likely to grow at a steady rate in the next decade;
- Hong Kong's social, economic and political environment is likely to remain stable in the forecast period, which ensures the stable and healthy development of the beauty service industry; and
- There are no wars or large scale disasters during the forecast period.

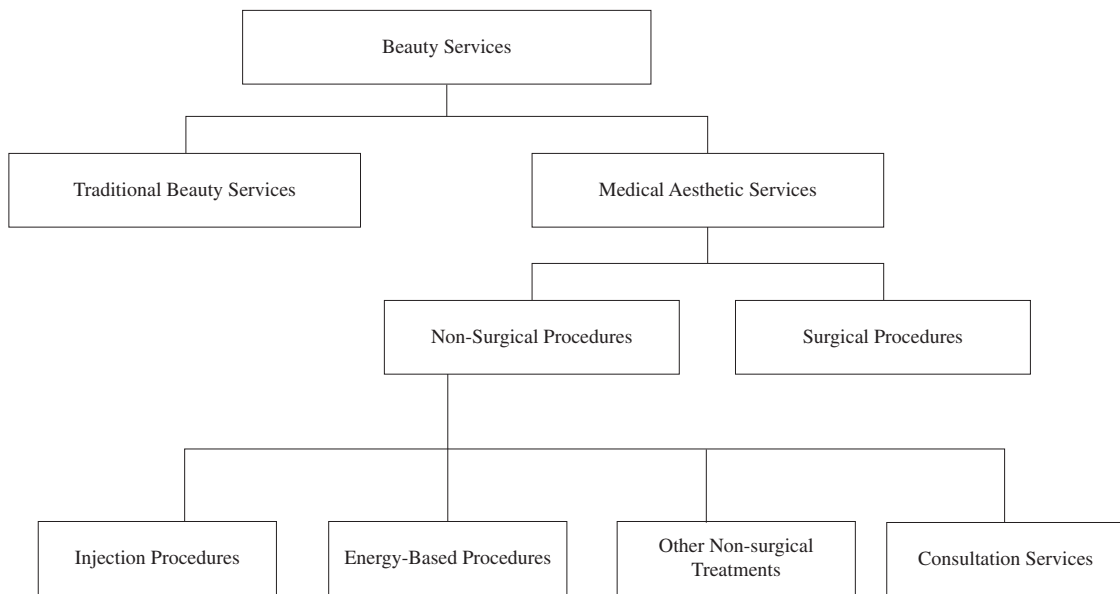
INDUSTRY OVERVIEW

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Our Directors confirm that after taking reasonable care, the sources of information used in this section, which are extracted from the Frost & Sullivan Report, are reliable and not misleading as Frost & Sullivan is an independent professional market research agency with extensive experience, and there is no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an impact on such information.

OVERVIEW OF BEAUTY SERVICE INDUSTRY

Beauty services comprise mainly traditional beauty services and medical aesthetic services.

The diagram below illustrates the different segments of the beauty service industry:



Traditional beauty services mainly refer to facial, spa and massage services that are of low barrier to entry and cost.

Medical aesthetic services can be categorised into surgical and non-surgical procedures. Surgical procedures which are invasive and performed by certified doctors, are designed to improve the appearance of an individual through restoration, reconstruction or alteration of the human body. Typical aesthetic surgeries include:

- Breast enhancement: augmentation, lift or reduction;
- Facial contouring: rhinoplasty, double eyelid, chin or cheek enhancement;
- Body contouring: tummy tucks, liposuction.

INDUSTRY OVERVIEW

Non-surgical procedures emerged in late 20th century and are a burgeoning area of activity. They are mainly performed through injections of dermal fillers and botulinum toxin type A, application of energy-based procedures and, to a lesser extent, chemical peels, wart removal and comedone extraction. Consultation services are generally provided as initiation or part of non-surgical procedures.

Comparison between traditional beauty services and medical aesthetic services

Currently, the provision of beauty services can be broadly divided into two categories: traditional beauty salons and medical aesthetic centres. Traditional beauty salons mainly offer general spa and massage services, while medical aesthetic centres focus on reshaping an individual's body and face with injections or energy-based procedures which usually require trained professionals to perform. The following table sets forth the key differences between traditional beauty salons and medical aesthetic centres.

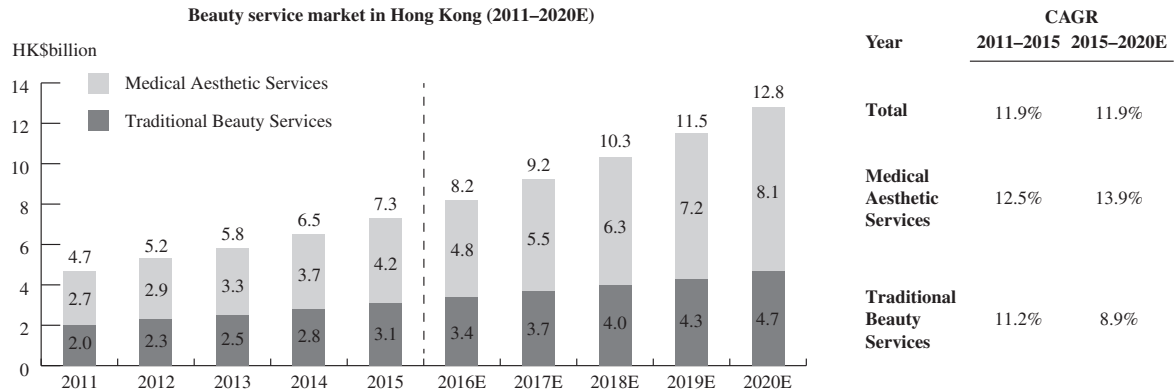
	Major Services	Manpower Requirement	Client Experience	Key Successful Factors
Traditional Beauty Salons	Spa, massage, manicure, pedicure, waxing and selected energy-based procedures	General training is usually required	Relaxing and long-term/regular treatments with moderate results	Pricing, environment and services
Medical Aesthetic Centres	Medical aesthetic procedures including surgical and non-surgical procedures	All surgical and certain non-surgical procedures with high risk have to be performed by doctors	Fairly noticeable aesthetic effects and for non-surgical procedures with little downtime	Professional reputation, brand awareness and devices

Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

Beauty service market in Hong Kong

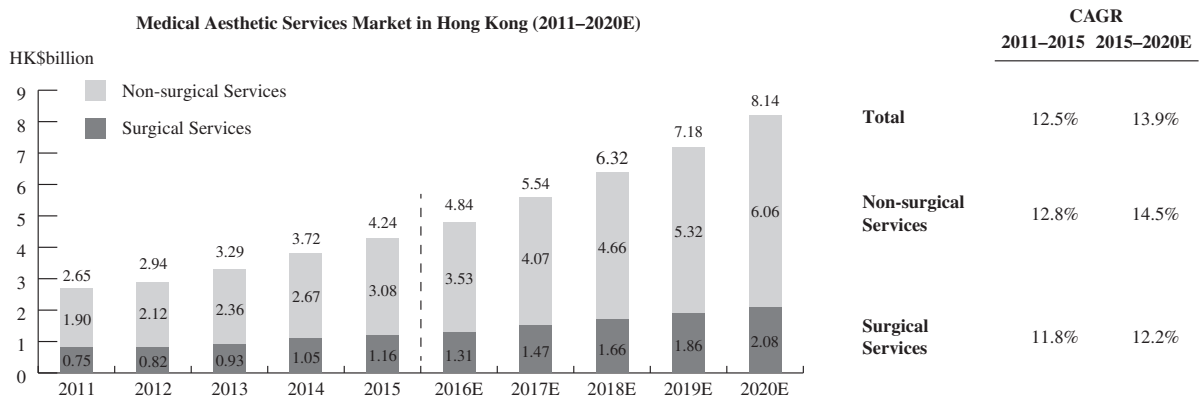
- In Hong Kong, medical aesthetic services account for 58.1% of the total beauty service market in 2015 and are expected to outpace traditional beauty services in terms of growth in the future, driven by growing acceptance and increasing affordability.
- In 2015, the medical aesthetic services segment reached HK\$4.2 billion, and is expected to increase to HK\$8.1 billion in 2020, representing a CAGR of 13.9%. The revenue generated from traditional beauty services is forecasted to grow from HK\$3.1 billion in 2015 to HK\$4.7 billion in 2020, representing a CAGR of 8.9%.



Source: Frost & Sullivan Report

Medical aesthetic service market in Hong Kong

- Most medical aesthetic services provided in Hong Kong are non-surgical, which accounted for 72.5% of the total medical aesthetic services market in 2015.
- Thanks to less pain and shorter recovery time, non-surgical medical aesthetic services are getting more and more popular in Hong Kong and this market is expected to reach HK\$6.06 billion in 2020, representing a CAGR of 14.5%.
- The sector of surgical services will grow at a slower pace, amounting to HK\$2.08 billion in 2020 with a CAGR of 12.2% during this period of time.

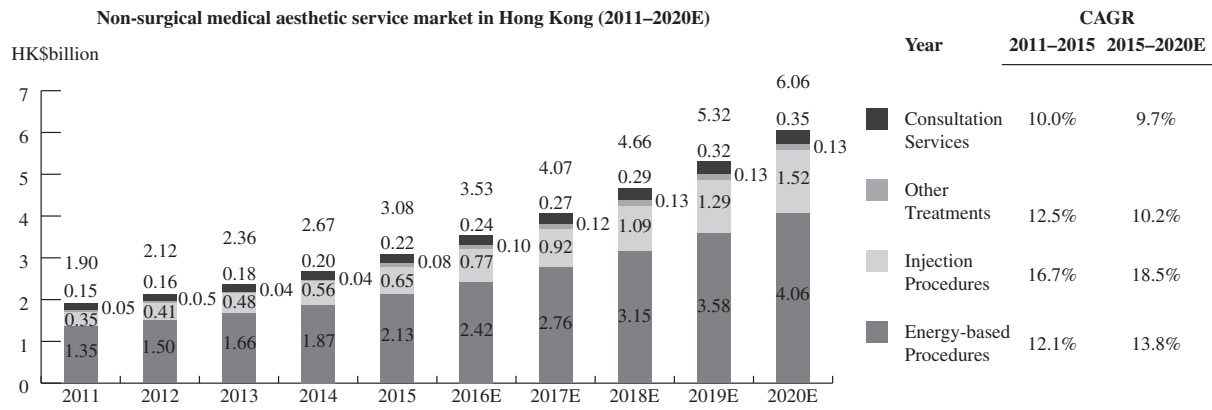


Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

Non-surgical medical aesthetic service market in Hong Kong

- Energy-based procedures and injection procedures are the most popular non-surgical medical aesthetic services in Hong Kong.
- Specifically, energy-based procedures generated a total revenue of HK\$2.1 billion in 2015, accounting for 69.2% of the total non-surgical medical aesthetic service market in Hong Kong. And this segment is expected to reach HK\$4.1 billion in 2020, representing a CAGR of 13.8% during this period of time.
- The sector of injection procedures accounted for 21.1% of the total non-surgical medical aesthetic service market in 2015 and enjoyed the highest growth rate among all sectors.

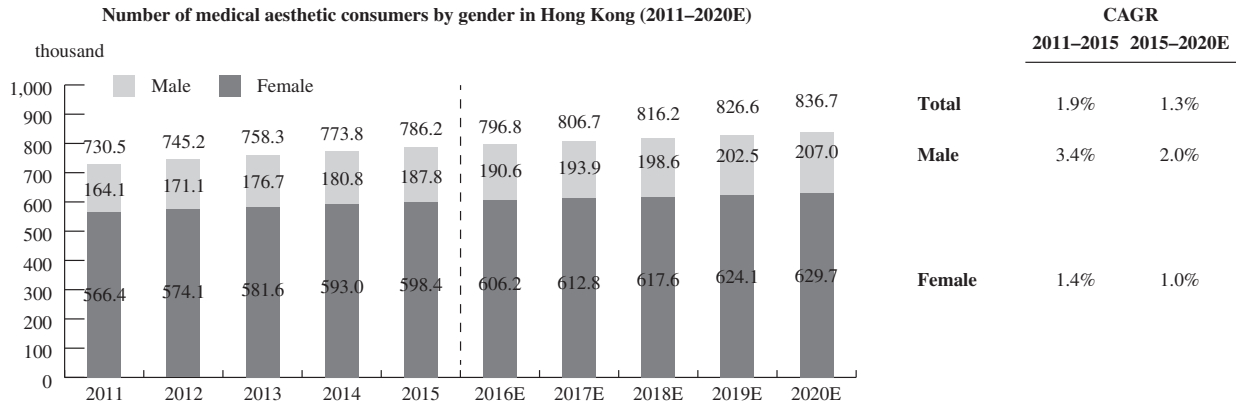


Source: Frost & Sullivan Report

Number of medical aesthetic consumers by gender in Hong Kong

- Number of medical aesthetic consumers in Hong Kong increased from around 730,500 in 2011 to around 786,200 in 2015, with a growth CAGR of 1.9%. The growing trend is expected to continue in the next few years and the number is projected to reach 836,700 in 2020.
- The number of female consumers grew from 566,400 in 2011 to 598,400 in 2015, representing a CAGR of 1.4%, and the number will grow at a CAGR of 1.0% during the next few years, reaching about 629,700 in 2020.
- Number of male consumers increased from 164,100 to 187,800 from 2011 to 2015, with a CAGR of 3.4%.
- The CAGR of male consumers is much higher than that of female consumers, implying a growing trend of male consumers seeking medical aesthetic services to enhance their appearance.

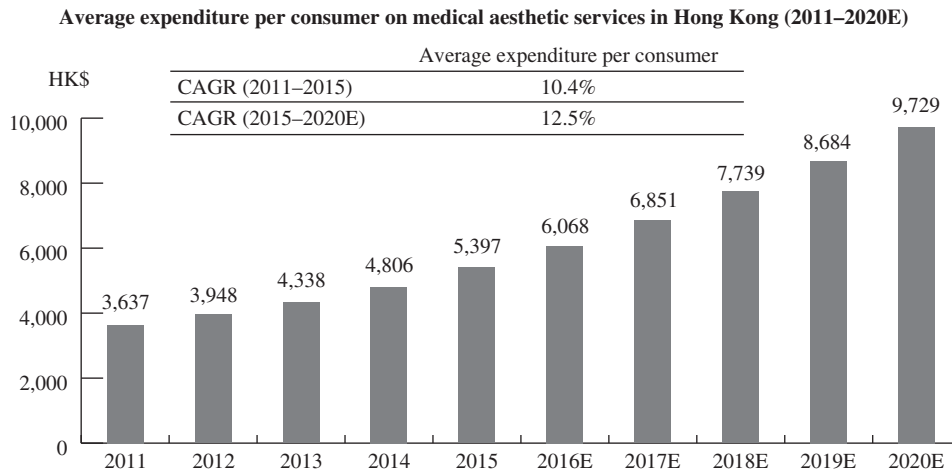
INDUSTRY OVERVIEW



Source: Frost & Sullivan Report

Average expenditure per consumer on medical aesthetic services in Hong Kong

- Average expenditure per consumer on medical aesthetic services in Hong Kong has reached about HK\$5,397 in 2015, with a CAGR of 10.4% from HK\$3,637 in 2011. The growing trend is expected to continue in the next five years. The average expenditure per consumer will grow to about HK\$9,729 in 2020, with a higher CAGR of 12.5%. With the growing acceptance toward medical aesthetic procedures and increasing per capita income in Hong Kong, consumers are likely to increase their spending in this area.



Source: Frost & Sullivan Report

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Prevailing technologies

Various non-surgical medical aesthetic treatment procedures involve the use of treatment devices with different prevailing technologies. The table sets forth below some of the leading technologies utilised in the non-surgical procedures:

Treatment	Description
Laser skin rejuvenation	<ul style="list-style-type: none">Using laser to dissolve the molecular bonds of the damaged skin cells layer by layer until a smoother, more uniform skin appearance is achieved;Can be performed by therapists or doctors;The cost of cosmetic laser skin treatment is relatively lower compared to many other treatment options.
Ultherapy	<ul style="list-style-type: none">Using safe, time-tested focused ultrasound energy to lift and tighten the skin naturally without surgery or downtime;Treating the deep layers of skin tissue without disturbing the surface of the skin.
Liposonix	<ul style="list-style-type: none">Using ultrasound technology to deliver custom contouring fat reduction;Liposonix ultrasound energy is focused in the subcutaneous fat layer beneath the skin, eliminating unwanted fat cells around the waist;Liposonix treatment is non-invasive and patients typically resume normal activities immediately after the procedure.
Thermage	<ul style="list-style-type: none">A radiofrequency treatment that can help improve the appearance of sagging or loose skin, giving a smoother, sleeker and younger look and feel;Usually one single treatment is needed to deliver a natural looking result with little down time.

Source: Frost & Sullivan Report

Importance of experienced doctors

Having the necessary treatment devices and injection materials are essential in carrying out the medical aesthetic treatments. However, doctors with the proven clinical experience to prescribe suitable treatment solutions for clients with different skin conditions, and skills to use treatment devices competently as well as to apply injection materials with great finesse are equally indispensable to achieving the desired aesthetic results with minimal or no side effect, according to the Frost & Sullivan Report. Therefore, in order to be successful in this industry, an operator needs to be equipped with the necessary hardwares, as well as possessing expert skills and knowledge.

COMPETITIVE ANALYSIS

Competitive landscape of non-surgical medical aesthetic service market in Hong Kong

The competition among the non-surgical medical aesthetic service providers in Hong Kong is fierce. There are over 300 medical aesthetic centres providing non-surgical medical aesthetic services in Hong Kong and the market is relatively fragmented. Among all the providers, only three of them

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generated revenue more than HK\$100 million from non-surgical medical aesthetic services in 2015; 12 of them generated revenue between HK\$50 million and HK\$100 million, while the remainders generated revenue less than HK\$50 million each.

Our Group is among the 12 tier II providers with market share of approximately 2.7% in terms of revenue and the different tiers of non-surgical medical aesthetic service providers are defined as follows:

Different Tiers of Non-surgical Medical Aesthetic Service Providers in Hong Kong	Major Features	Number of Market Players	Market Share (in terms of revenue)
<i>Tier I Providers</i>	<ul style="list-style-type: none"> ● Revenue in 2015 greater than HK\$100 million ● Usually operating under a large business group and providing comprehensive medical aesthetic services including surgical procedures 	3	15.2%
<i>Tier II Providers</i>	<ul style="list-style-type: none"> ● Revenue in 2015 between HK\$50 million and HK\$100 million ● Usually led by several registered doctors and focusing on specific fields such as skin care 	12	26.4%
<i>Tier III Providers</i>	<ul style="list-style-type: none"> ● Revenue in 2015 less than HK\$50 million ● Usually led by one to two doctors and sometimes operating under the name of doctor 	300+	58.4%

Source: Frost & Sullivan Report

Key growth drivers of the medical aesthetic service market in Hong Kong

- **Technology development:** Medical aesthetic technology has undergone a substantial transformation in the last decade and will continue to evolve with emerging technologies, such as transdermal delivery of injectable products for face contouring and energy-based treatment for skin rejuvenation and wrinkle reduction. Innovative technologies offer less intrusive experiences for patients, more consistent results and less operator fatigue for physicians, which will make medical aesthetic services more popular and acceptable in the foreseeable future.
- **Keeping up appearance:** Largely influenced by the trend evidence in those more developed medical aesthetic service markets, especially in Korea and Taiwan, greater acceptance of medical aesthetic services has been growing over the past few years as individuals are paying more attention on maintaining youth and beauty. In addition, the aging population will generate more demands for medical aesthetic services as well.

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- **Growing affordability:** In recent years, Hong Kong consumers have experienced a growth in their disposable income. The per capita gross income increased from HK\$281,000 in 2011 to HK\$318,300 in 2014. Coupled with the increasing attention to their personal appearance and general well-being, Hong Kong individuals have increased their spending on medical aesthetic services and skin care and beauty products.
- **Medical tourism:** The Hong Kong medical aesthetic service market, to a large extent, is professionally managed by qualified personnel. This professional reputation has been consistently attracting individuals from the PRC to seek for treatments in Hong Kong; especially for non-surgical aesthetic treatments like injection or facial laser which do not require a long recovery time. Hong Kong is usually preferred over Japan and Korea for those medical tourists thanks to easy travel arrangement and use of same language. It is expected this medical tourism trend will continue to stay in the coming years.

Future trends of medical aesthetic service market in Hong Kong

The future trends of the medical aesthetic service market in Hong Kong include:

- **More stringent regulations:** Several medical incidents occurred in the medical aesthetic service industry in recent years and have aroused public attention with an outcry for more stringent regulation. The Steering Committee has put forward proposals that certain procedures have to be performed by registered doctors. Such changing regulatory environment is beneficial to doctor-driven service providers as small market players with limited or no doctor presence are expected to be driven out of the market for their inability to comply.
- **Synergy of services:** There is an emerging trend in enhancing the service offerings to clients amongst medical aesthetic centres. In order to provide one-stop integrated service experience to clients, some operators also provide traditional beauty services such as facial and massage services, and even Chinese medicine, dental services, along with various medical aesthetic procedures, to meet various needs of clients.
- **Increasing number of male consumers:** Due to the increasing awareness of personal beauty, males in Hong Kong are paying much more attention on their appearance compared to the past, as they are spending more on not only apparels and accessories, but also skin care and cosmetics related products and services. With the popularisation of medical aesthetic services, the acceptance and awareness among male consumers are expected to continue. The rise of male consumers, as well as the increasing market demand from them may provide new development opportunity for medical aesthetic service market in Hong Kong.

Entry barriers of medical aesthetic service market in Hong Kong

- **Medical professionals:** Unlike traditional beauty salons that provide general beauty services by therapists, medical aesthetic service providers need to assemble a team of registered doctors to perform and guide certain procedures such as injection and some energy-based procedures with high risk. Considering limited supply of qualified doctors in Hong Kong and stringent regulatory environment, it will bring about challenges for new entrants in the medical aesthetic service market in Hong Kong.

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- **Capital:** To be competitive in medical aesthetic services market in Hong Kong, capital is important since it incurs substantial expenditure to acquire cutting-edge devices and equipments. In addition, the cost of employing registered doctors is high. In some cases, celebrity icons are sometimes signed on as spokesmen for medical aesthetic centres in order to attract target clients to ramp up the scale of the business to achieve profitability. Therefore, new entrants need to have sufficient financial backing to fund the initial capital investments and support the ongoing operating and marketing expenses before the business achieves profitability.
- **Brand reputation:** The service providers in this industry significantly rely on reputation. Any dissatisfaction from the clients in connection with the results of services provided or the quality of products made available to clients or any allegation of professional negligence or misconduct by the doctors may result in potential lawsuits or negative publicity against the service providers. These would adversely affect the image and reputation of the business. In this industry, word-of-mouth is a powerful way to attract new clients. Service providers with satisfying services and good reputation may have higher referral rates. However, it is difficult for a new entrant to gain a high referral rate or establish a critical client base at its initial stage of operation. According to Frost & Sullivan Report, the average clients referral rate is around 32%–38% in the medical aesthetic industry.

Opportunities and threats

An increasing number of males interested in medical aesthetic services, especially non-surgical ones with little downtime, have created an enormous growing opportunity for the beauty service industry. With the technology development, more and more advanced medical aesthetic devices can be used to achieve desired results and improved outcomes, which will in turn stimulate the demand for medical aesthetic treatments. The mainland China and Hong Kong government have been working to simplify travel approval process (i.e. visa issues) which has enabled many PRC visitors to receive non-surgical medical aesthetic treatments with little downtime during their visit in Hong Kong.

The medical aesthetic service market is still relatively fragmented and highly competitive; our Group may face threats from new entrants and other leading players. Good reputation is vital in this market, and any dissatisfaction from client or medical lawsuits that adversely affect the brand reputation may threaten the development of our Group.

Competitive Advantages

Our competitive advantages include the followings:

- **Superior customer experience:** Our Group's medical aesthetic centres provide superior customer experience through upmarket decoration and soothing atmosphere, and customer-centric selling model allowing customer to be at ease when purchasing prepaid package/cash coupons from us. Such healthy customer relationship results in a referral rate of new customers of around 50%, which was higher than the average client referral rate of 32.0% to 38.0% for the medical aesthetic service industry.

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- **Professional services:** High quality treatment services to our clients are delivered by our Servicing Doctors and trained therapists. Our Servicing Doctors possess eight to 10 years' practising experience in the medical aesthetic service industry and our therapists are required to receive our stringent training programme before they can perform treatment services to our clients. Such professionalism enhances the competitiveness of our Group in the medical aesthetic services market in Hong Kong.
- **Broad range of treatment devices:** We are capable of delivering a broad range of treatment procedures through utilising various treatment devices owned by us, hence we have been able to compete successfully against other leading players in the medical aesthetic service industry and to achieve a spending per client of HK\$18,148 for FY2016, which was higher than the estimated industry average of HK\$6,068 in 2016.
- **Competent management team:** Our Group's management is experienced, dedicated and has strong execution capabilities. Specifically, a majority of the senior management team of our Group possesses over 10 years of experience in sales, operation and/or marketing in the health and beauty industry.

OVERVIEW

Our operations are subject to various laws, rules, regulations and policies in Hong Kong where we operate. This section sets out summaries of certain aspects of Hong Kong laws, rules, regulations and policies which are relevant to our Group's operation and business.

LAWS AND REGULATIONS

Regulations on Medical Practitioners and Medical Facilities

There is presently no specific legislation which exclusively governs the provision of medical aesthetic services in Hong Kong. However, our operations in Hong Kong are subject to certain general laws and regulations in relation to medical practitioners, trade description and safety of consumer goods, medical advertisement and importation and dealing in and sale of pharmaceutical products and drugs and skin care products.

Medical Registration Ordinance

All practising medical practitioners in Hong Kong are required to be registered with the Hong Kong Medical Council. Section 20A(1) of the Medical Registration Ordinance (Chapter 161 of the Law of the Hong Kong), as amended, supplemented or otherwise modified from time to time (“**Medical Registration Ordinance**”) provides that “a registered medical practitioner shall not practise medicine, surgery or midwifery in Hong Kong, or any branch of medicine or surgery in Hong Kong, unless he is the holder of a practising certificate which is then in force.”

To register with the Hong Kong Medical Council, a medical practitioner should, subject to certain exceptions, *inter alia*:

- have been awarded a degree of medicine and surgery by the University of Hong Kong or The Chinese University of Hong Kong or passed the licensing examination conducted by the Hong Kong Medical Council;
- have attained a certificate of experience of employment in a resident medical capacity in approved hospitals for a certain prescribed period;
- not have been convicted of any criminal offence punishable with imprisonment;
- not have been found guilty of professional misconduct; and
- be of good character.

Medical practitioners registered with the Hong Kong Medical Council are included in the General Register (as defined in the Medical Registration Ordinance) kept by the Hong Kong Medical Council.

Medical practitioners registered with the Hong Kong Medical Council will generally be issued with a practising certificate which will be valid for one year. Medical practitioners are required to renew their practising certificates each year which shall be in force for a period of 12 months commencing on 1

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January in that following year and the practising certificate for each year shall be obtained before 30 June of that year, failing which their names may be subject to removal from the register maintained by the Hong Kong Medical Council.

All our doctors are medical practitioners included in the General Register registered to practise medicine, surgery and midwifery in Hong Kong pursuant to practicing certificates issued to them under the Medical Registration Ordinance and are therefore subject to the regulation of the Medical Registration Ordinance.

Under section 28 of the Medical Registration Ordinance, subject to certain exceptions, the practice of medicine or surgery in Hong Kong must be carried out by a registered medical practitioner. The carrying out of consultation services that involve the practice of medicine, medical diagnosis, prescription of pharmaceutical products and medicines (each as defined under the Pharmacy and Poisons Ordinance (defined below)) and certain types of treatments (such as injection of botulinum toxin type A and dermal filler) at our CWB Centre and Central Centre constitute the practice of medicine and therefore must be carried out by our doctors, as registered medical practitioners. As confirmed by our Directors, our Group has fully complied with such requirements during the Track Record Period and up to the Latest Practicable Date.

Hong Kong Medical Code of Professional Conduct

All our doctors have to comply with the Hong Kong Medical Code of Professional Conduct issued by the Hong Kong Medical Council (as may be amended from time to time) which covers, inter alia, the following aspects:

- (i) medical practitioners' professional responsibilities to patients such as their confidentiality obligations as well as the obligations to act in the interest of patients and, whenever an examination or treatment is beyond his capacity, to consult with or refer to another doctor who has the necessary ability;
- (ii) communication in medical practitioners' professional practice, including restriction on practice promotion from being carried out by medical practitioners;
- (iii) requirements in relation to prescription and labelling of medicine/drugs to be dispensed;
- (iv) regulations in respect of the relationship between medical practitioners and other practitioners and/or organisations;
- (v) criminal conviction and disciplinary proceedings of medical practitioners;
- (vi) medical practitioners' financial arrangements;
- (vii) regulations in relation to new medical procedures, clinical research and alternative medicine;
- (viii) regulations against abuse of professional position; and
- (ix) regulations governing serious infectious disease and other special areas.

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Contravention of this Hong Kong Medical Code of Professional Conduct may render a Hong Kong doctor liable to disciplinary action. All our doctors are required to comply with the Hong Kong Medical Code of Professional Conduct.

Medical Clinics Ordinance

The Medical Clinics Ordinance provides for the registration, control and inspection of medical clinics. It requires a medical clinic (meaning any premises used or intended to be used for the medical diagnosis or treatment of persons suffering from, or believed to be suffering from, any disease, injury or disability of mind or body, with specific exceptions, including private consulting rooms used exclusively by registered medical practitioners in the course of their practice on their own account and not bearing any title or description which includes the word “clinic” or “polyclinic” in the English language) to be registered, with name and address and other prescribed particulars.

Pursuant to section 14(1) of the Medical Clinics Ordinance, any person who carries on or takes part in the management of a clinic which is not registered, or who therein does any medical diagnosis or prescribes any medical treatment or takes part in any medical treatment of any person commits an offence and is liable (i) on summary conviction to a fine of HK\$50,000 and to imprisonment for two years; or (ii) on conviction upon indictment to imprisonment for three years.

Pursuant to section 14(1A) of the Medical Clinics Ordinance, any person who in a clinic which is not registered does any medical diagnosis, prescribes any medical treatment or performs any medical treatment in relation to a person which results in personal injury to that person commits an offence and is liable (i) on summary conviction to a fine of HK\$100,000 and to imprisonment for three years; or (ii) on conviction upon indictment to imprisonment for seven years.

According to section 5 of the Medical Clinics Ordinance, an application of registration may be refused if:

- (i) the income derived or to be derived from the establishment or operation of the clinic is not, or will not be, applied solely towards the promotion of the objects of the clinic; or
- (ii) any portion of such income, except payment of remuneration to employed registered medical practitioners, nurses and menial servants, will be paid by way of dividend, bonus or otherwise howsoever by way of profit to the applicant himself, or to any persons properly so employed, or to any other persons howsoever.

Furthermore, in the prescribed application documents under the Medical Clinics Ordinance, an applicant for registration is required to make a declaration (“**Non-Profit Making Declaration**”) that the income derived from the operation of the clinic will be applied solely towards the promotion of the objects of the clinic and any portion of such income, except payment in good faith of remuneration to certain employees, will not be paid by way of dividend or otherwise howsoever by way of profit to the applicant or any other person howsoever.

We have sought confirmation from the Counsel and the Counsel has opined that the Medical Clinic Ordinance is not applicable to the business of our Group, having considered, among other things, the following:

- (i) the legislative intent behind the Medical Clinics Ordinance was to provide for registration of non-profit making clinics;

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- (ii) the Food and Health Bureau of Hong Kong published a consultation document, “Regulation of Private Healthcare Facilities” in December 2014 (“**Consultation Paper**”), which specifically states that the Medical Clinics Ordinance and the Code of Practice For Clinics Registered Under The Medical Clinics Ordinance (Chapter 343 of the Laws of Hong Kong) set out the regulatory framework for non-profit-making medical clinics and that other private healthcare facilities, such as ambulatory medical centres and clinics operated by medical groups or individual medical practitioners, are not subject to direct statutory control beyond the regulation of an individual’s professional practice. It was also commented in the Consultation Paper that the Medical Clinics Ordinance was outdated and had outlived its usefulness and the Working Group and Steering Committee (both as defined in Recent Development in relation to Regulation of Medical Procedures and Beauty Services, as well as Private Healthcare Facilities — Background” in this section) were fully aware of the existence of incorporated companies set up by non-medical investors, operated by non-medical managers and providing services by registered medical practitioners, while at present, there is no regulatory framework under the Medical Clinics Ordinance or otherwise to govern activities of such companies;
- (iii) our business is one which makes and intends to continue making profit as a listed entity. The payment of bonuses to some of our doctors is clearly a reflection of the profit-making nature of our business; and
- (iv) an application for registration may be refused pursuant to section 5 of the Medical Clinics Ordinance mentioned above as we have been remunerating and will continue to remunerate our doctors by way of bonus and may distribute our profit by way of dividends or other forms of distributions before and after the Listing and the impossibility of our making the Non-Profit Making Declaration required for an application for registration under the Medical Clinics Ordinance.

Hence, our medical aesthetic centres in Hong Kong are not qualified or required to be registered under the Medical Clinics Ordinance.

Regulations on the Supply of Goods and Services in Hong Kong

Trade Descriptions Ordinance

The Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time (“**Trade Descriptions Ordinance**”) prohibits false trade descriptions, false, misleading or incomplete information, false marks and misstatements in respect of goods provided in the course of trade or suppliers of such goods; and false trade descriptions in respect of services supplied by traders.

The Trade Descriptions Ordinance also confers power to require information or instruction relating to goods to be marked on or to accompany the goods or to be included in advertisements; to restate the law relating to forgery of trademarks; prohibits certain unfair trade practices; confers power to require any services to be accompanied by information or instruction relating to the services or an advertisement of any services to contain or refer to information relating to the services; and for purposes connected therewith.

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A false trade description means:

- a trade description which is false to a material degree; or
- a trade description which, though not false, is misleading, that is to say, likely to be taken for a trade description of a kind that would be false to a material degree.

False trade description of goods

In relation to goods, “trade description” means an indication, direct or indirect, and by whatever means given, with respect to the goods or any part of the goods including an indication of any of the following matters:

- (i) quantity (which includes length, width, height, area, volume, capacity, weight and number), size or gauge;
- (ii) method of manufacture, production, processing or reconditioning;
- (iii) composition;
- (iv) fitness for purpose, strength, performance, behaviour or accuracy;
- (v) availability;
- (vi) compliance with a standard specified or recognised by any person;
- (vii) price, how price is calculated or the existence of any price advantage or discount;
- (viii) liability to pay duty on them under the laws of Hong Kong, generally or in specified circumstances;
- (ix) testing by any person and results thereof;
- (x) approval by any person or conformity with a type approved by any person;
- (xi) a person by whom they have been acquired, or who has agreed to acquire them;
- (xii) their being of the same kind as goods supplied to a person;
- (xiii) place or date of manufacture, production, processing or reconditioning;
- (xiv) person by whom manufactured, produced, processed or reconditioned;
- (xv) other history, including previous ownership or use;
- (xvi) availability in a particular place of (a) a service for the inspection, repair or maintenance of the goods; or (b) spare parts for the goods;
- (xvii) warranty given in respect of the service or spare parts referred to in item (xvi) above;

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- (xviii) the person by whom the service or spare parts referred to in item (xvi) above are provided;
- (xix) the scope of the service referred to in item (xvi)(a) above;
- (xx) the period for which (and the price at which) the service or spare parts referred to in item (xvi) above are available; and
- (xxi) the charge or cost at which the service or spare parts referred to in item (xvi) above are available.

Any person who in the course of any trade or business applies a false description to any goods, or supplies any goods to which a false trade description is applied, or has in his possession for sale or for any purpose of trade or manufacture any goods to which a false trade description is applied, commits an offence.

False trade description of services

In relation to a service, “trade description” means an indication, direct or indirect, and by whatever means given, with respect to the service or any part of the service including an indication of any of the following matters:

- (i) nature, scope, quantity (including the number of occasions on which, and the length of time for which, the service is supplied or to be supplied), standard, quality, value or grade;
- (ii) fitness for purpose, strength, performance, effectiveness, benefits or risks;
- (iii) method and procedure by which, manner in which, and location at which, the service is supplied or to be supplied;
- (iv) availability;
- (v) testing by any person and the results of the testing;
- (vi) approval by any person or conformity with a type approved by any person;
- (vii) a person by whom it has been acquired, or who has agreed to acquire it;
- (viii) the person by whom the service is supplied or to be supplied;
- (ix) after-sale service assistance concerning the service; and
- (x) price, how price is calculated or the existence of any price advantage or discount.

A trader who applies a false trade description to a service supplied or offered to be supplied to a consumer or who supplies or offers to supply to a consumer a service to which a false trade description is applied, commits an offence.

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Unfair trade practices

Further, the Trade Descriptions Ordinance also prohibits certain specified trade practices:

Misleading omissions

A trader commits an offence of misleading omissions if it omits or hides material information, or provides material information in a manner that is unclear, unintelligible, ambiguous or untimely, or fails to identify its commercial intent (unless this is already apparent from the context), and as a result it causes or is likely to cause an average consumer to make a transactional decision that the consumer would not have made otherwise.

Aggressive commercial practices

A trader commits an offence of aggressive commercial practices if the commercial practice in its factual context, (a) significantly impairs or is likely to significantly impair the consumer's freedom of choice or conduct in relation to the product concerned through the use of harassment, coercion or undue influence and (b) therefore causes or is likely to cause the consumer to make a transactional decision that the consumer would not have made otherwise.

Bait advertising

A trader commits an offence of bait advertising if a trader advertises products for supply at a specified price, but there are no reasonable grounds for believing that the trader will be able to offer for supply those products at that price, or the trader fails to offer those products for supply at that price, for a period that is, and in quantities that are, reasonable, having regard to (a) the nature of the market in which the trader carries on business; and (b) the nature of the advertisement.

However, advertising by a trader of products for supply at a specified price is not bait advertising if the advertisement states clearly the period for which, or the quantities in which, the products are offered for supply at that price; and the trader offers those products for supply at that price for that period or in those quantities.

Bait and switch

A trader commits an offence of bait and switch if a trader makes an invitation to purchase a product at a specified price and, with the intention of promoting a different product, the trader (a) refuses to show or demonstrate the product to consumers, or (b) refuses to take orders for the product or deliver it within a reasonable time, or (c) shows or demonstrates a defective sample of the product.

Wrongly accepting payment

A trader commits an offence of wrongly accepting payment if the trader accepts payment or other consideration for the product and at the time of that acceptance, (a) the trader intends not to supply the product, or (b) the trader intends to supply a product that is materially different from the product in respect of which the payment or other consideration is accepted, or (c) there are no reasonable grounds

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for believing that the trader will be able to supply the product (i) within the period specified by the trader at or before the time at which the payment or other consideration is accepted, or (ii) if no period is specified at or before that time, within a reasonable period.

Definition of “trader”

“Trader” means any person (other than an exempt person under Schedule 3) who, in relation to a commercial practice, is acting, or purporting to act, for purposes relating to the person’s trade or business. The definition of an “exempt person” under the Trade Descriptions Ordinance includes, among others, a registered medical practitioner under the Medical Registration Ordinance. Under item 9 of Schedule 3, medical services provided by our doctors who are registered medical practitioners under the Medical Registration Ordinance are exempted from the regulations applicable to traders under the Trade Descriptions Ordinance. However, our Group is still subject to the regulations under the Trade Descriptions Ordinance as skin care products are made available for clients at our medical aesthetic centres.

Consumer Goods Safety Ordinance and Consumer Goods Safety Regulation

The Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time (“**Consumer Goods Safety Ordinance**”) imposes a statutory duty on manufacturers, importers and suppliers of certain consumer goods (excluding for example pharmaceutical products) to ensure that the consumer goods supplied are safe and for incidental purposes.

Under the Consumer Goods Safety Ordinance, a person who supplies, manufactures or imports into Hong Kong consumer goods which do not comply with the general safety requirement for consumer goods (or where a standard has been approved by the Secretary for Commerce and Economic Development to apply to consumer goods, the approved standard for the particular consumer goods) commits an offence. General safety requirement in respect of consumer goods means that such goods are reasonably safe having regard to all of the circumstances, including, among others, the manner in which, and the purpose for which, the consumer goods are presented, promoted or marketed.

Certain defences are available under the Consumer Goods Safety Ordinance. One of the defences is that the relevant person supplied the consumer goods in the course of carrying on a retail business and at the time he supplied the consumer goods, he neither knew nor had reasonable grounds for believing that the consumer goods failed to comply with the general safety requirement.

The Consumer Goods Safety Regulation (Chapter 456A of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time (“**Consumer Goods Safety Regulation**”) requires that any warning or caution with respect to the safe keeping, use, consumption or disposal of any consumer goods (excluding pharmaceutical products) must be given in both Chinese and English.

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Further, the warning or caution must be legible and placed in a conspicuous position on the consumer goods, any package of the consumer goods, or on a label securely affixed to the package, or a document enclosed in the package.

Skin care products available at our medical aesthetic centres in Hong Kong which are not pharmaceutical products are subject to the Consumer Goods Safety Ordinance and Consumer Goods Safety Regulation.

Sale of Goods Ordinance

Contracts for the sale of goods in Hong Kong are mainly governed by the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time. For consumer transactions, certain terms are implied into sales contracts to strengthen protection to consumers.

Examples include the implied undertaking that the goods are of merchantable quality, requiring that the goods should be fit for the purpose(s) for which goods of that kind are commonly bought, of such standard of appearance and finish, free from defects (including minor defects), safe, and durable as reasonably expected having regard to the relevant circumstances.

Supply of Services (Implied Terms) Ordinance

There are also implied terms prescribed in respect of the supply of services under the Supply of Services (Implied Terms) Ordinance (Chapter 457 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time.

Apart from the contractual aspects of liability, retailers in Hong Kong may also owe a duty of care to consumers and be liable for damages resulting from defects in the goods caused by their negligent acts or for any fraudulent misrepresentation made in the selling of the goods. Liability may arise if a retailer disregards the instructions of the manufacturers or suppliers in handling the relevant goods or fails to pass on to the buyers instructions for use and warnings received from such manufacturers or suppliers. If a retailer knows or reasonably believes that the goods may be defective or dangerous, it may have to cease to supply such goods and take basic precautions such as warning the buyers and informing the relevant manufacturers or suppliers.

Unconscionable Contracts Ordinance

The Unconscionable Contracts Ordinance (Chapter 458 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time empowers the court, with respect to a consumer contract, to refuse to enforce the contract, enforce the remainder of the contract without the unconscionable part, or limit the application of, revise or alter any part which is found to be unconscionable so as to avoid any unconscionable result.

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Control of Exemption Clauses Ordinance

Contracts for the sale of goods or supply of services in which one party deals as a consumer, among others, are subject to the Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time.

Pursuant to the Control of Exemption Clauses Ordinance, any exemption clauses contained in the contract purporting to exclude or restrict liabilities for loss or damage to property due to negligence are valid only in so far as such clauses satisfy the requirement of reasonableness.

Regulations on Advertisements in Hong Kong

Undesirable Medical Advertisements Ordinance

The Undesirable Medical Advertisements Ordinance (Chapter 231 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time (“**Undesirable Medical Advertisements Ordinance**”) aims to protect public health through prohibiting or restricting advertisements relating to certain diseases, consumable products and abortion.

Among other restrictions, according to the Undesirable Medical Advertisements Ordinance, no person shall publish, or cause to be published, any advertisements likely to lead to the use of any medicine, surgical appliance or treatment for:

- the purpose of treating human beings for, or preventing them from contracting any of the diseases or conditions specified in the Undesirable Medical Advertisements Ordinance which include, among others, any disease of the skin, hair or scalp except for a purpose specified in the Undesirable Medical Advertisements Ordinance which, among others, include prevention of pimples and relief or prevention of minor skin conditions including dry and chapped skin; or
- treating human beings for any purpose specified in the Undesirable Medical Advertisements Ordinance which include, among others, the restoration of lost youth and the correction of deformity or the surgical alteration of a person’s appearance.

As defined in the Undesirable Medical Advertisements Ordinance, “advertisement” includes any notice, poster, circular, label, wrapper or document, and any announcement made orally or by means of producing or transmitting light or sound. These would include advertisements published in newspapers and magazines, leaflets, on radio, television, and internet, as well as on the label of a container or package containing any medicine, surgical appliance, treatment, or orally consumed product.

If a person named in that advertisement is held out (a) as being a manufacturer or supplier of medicine or surgical appliances; or (b) as being able to provide any treatment, that person is presumed, until the contrary is proved, to have caused the advertisement to be published.

REGULATORY OVERVIEW

Regulations on Pharmaceutical Products and Drugs in Hong Kong

Pharmacy and Poisons Ordinance and its sub-legislations

The Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time (“**Pharmacy and Poisons Ordinance**”) regulates the sale and labelling of products which are classified as pharmaceutical products and medicine. As stipulated under Regulation 36(1) of the Pharmacy and Poisons Regulations (Chapter 138A of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time (“**Pharmacy and Poisons Regulations**”), “pharmaceutical products” must be registered before they can be sold, offered for sale, distributed or possessed for the purposes of sales, distribution or other use in Hong Kong.

Under the Pharmacy and Poisons Ordinance, “pharmaceutical product” and “medicine” mean any substance or combination of substances:

- presented as having properties for treating or preventing disease in human beings or animals; or
- that may be used in, or administered to, human beings or animals, either with a view to (i) restoring, correcting or modifying physiological functions by exerting a pharmacological, immunological or metabolic action, or (ii) making a medical diagnosis.

Ingredients that are classified as poisons are listed in the Poisons List under the “Tenth Schedule” of the Pharmacy and Poisons Regulations. According to their potency, toxicity and potential side effects, some poisons are further categorised under different parts of the Poisons List and different schedules under the Pharmacy and Poisons Regulations. The levels of control over the sale of the poison depend on its categorisation.

Pharmaceutical products that do not contain any poisons or contain “Part II” poisons as set out in the “Tenth Schedule” of the Pharmacy and Poisons Regulations are referred as over-the-counter medicines. The former can be sold in any retail shops while the latter can be sold by authorised sellers of poisons (usually known as pharmacies or dispensaries) and listed sellers of poisons (usually known as medicine stores). Pharmaceutical products containing “Part I” poisons as set out in the “Tenth Schedule” of Pharmacy and Poisons Regulations can only be sold by authorised sellers of poisons in the presence and under the supervision of registered pharmacists.

Some Part I Poisons as set out in the “Tenth Schedule” of the Pharmacy and Poisons Regulations are further classified into the “First Schedule” and the “Third Schedule” of the Pharmacy and Poisons Regulations with additional restrictions on their sale by retailers. The sale of pharmaceutical products containing Part I First Schedule Poisons as set out in the Pharmacy and Poisons Regulations further requires keeping sale records which include, *inter alia*, the name and quantity of the poison supplied, the date on which the poison was supplied, the name and address of the person to whom the poison was supplied, and the name of the person who supplied the poison or gave the prescription upon which it was supplied, as well as the signature and purpose for which it is required (for wholesale dealing). The sale of pharmaceutical products containing prescription only medicines (Part I Third Schedule Poisons as set out in the Pharmacy and Poisons Regulations) must be authorised by a prescription from a registered medical practitioner, a registered dentist or a registered veterinary surgeon.

REGULATORY OVERVIEW

However, the supply of medicine by a doctor for the purposes of medical treatment is not subject to the conditions and limitations mentioned above in relation to the sale of Part I and Part II poisons as set out in the “Tenth Schedule” of the Pharmacy and Poisons Regulations imposed by the Pharmacy and Poisons Ordinance.

In order to be exempted from the conditions and limitations mentioned above imposed by the Pharmacy and Poisons Ordinance, all ordering and dispensing of medication and substances which may include Part I and Part II poisons at our CWB Centre and Central Centre are carried out by or conducted under the supervision of our doctors. Medicines are checked by our doctors before being prescribed and dispensed to our clients with full records being kept. On the other hand, to the best of our Directors’ knowledge after due care and making of reasonable enquiries, our private-label products under our brands and other branded products supplied at our CWB Centre and Central Centre do not contain any medication or poisons and are therefore not regulated and not required to be registered under the Pharmacy and Poisons Ordinance or Pharmacy and Poisons Regulations.

Dangerous Drugs Ordinance

The Dangerous Drugs Ordinance (Chapter 134 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time (“**Dangerous Drugs Ordinance**”) regulates the import, export, procuring, supply, dealing in or with, manufacture and possession of drugs or substances which are classified as dangerous drugs under the Dangerous Drugs Ordinance.

Dangerous drugs are not allowed to be supplied to any person except to a person authorised or licensed to be in possession of such drugs in accordance with the Dangerous Drugs Ordinance. However, the Dangerous Drugs Ordinance provides that the administration of a dangerous drug by or under the direct personal supervision of, and in the presence of, a Hong Kong doctor is exempted. A Hong Kong doctor is also authorised by the Dangerous Drugs Ordinance, so far as may be necessary for the practice or exercise of his profession and in his capacity as such, to be in possession of and to supply a dangerous drug as well as to have in his possession equipment or apparatus fit and intended for the injection of a dangerous drug.

Furthermore, the Dangerous Drugs Regulations (Chapter 134A of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time regulates the prescriptions, labelling and record keeping of dangerous drugs and monitors the sale of such drugs.

As mentioned above, all ordering and dispensing of medications at our CWB Centre and Central Centre are carried out by or conducted under the supervision of our doctors. Moreover, as confirmed by our doctors, neither of our CWB Centre and Central Centre keep any dangerous drugs regulated under the Dangerous Drugs Ordinance.

REGULATORY OVERVIEW

Regulations on Clinical Waste Disposal

Waste Disposal Ordinance

The Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time (“**Waste Disposal Ordinance**”) and the Waste Disposal (Clinical Waste) (General) Regulation (Chapter 354O of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time (the “**Waste Disposal (Clinical Waste) (General) Regulation**”) provide for, among others, the control and regulation of the production, storage, collection and disposal of clinical waste.

Under the Waste Disposal Ordinance, clinical waste means waste consisting of any substance, matter or thing generated in connection with:

- a dental, medical, nursing or veterinary practice;
- any other practice, or establishment (howsoever described), that provides medical care and services for the sick, injured, infirm or those who require medical treatment;
- dental, medical, nursing, veterinary, pathological or pharmaceutical research; or
- a dental, medical, veterinary or pathological laboratory practice,

but does not include chemical waste or radioactive waste, and which consists wholly or partly of any of the materials specified in one or more of the groups listed below:

- used or contaminated sharps;
- laboratory waste;
- human and animal tissues;
- infectious materials;
- dressings; and
- such other wastes as specified by the Director of Environmental Protection.

The Waste Disposal (Clinical Waste) (General) Regulation requires all waste producers to arrange for their clinical waste to be properly disposed of. Waste producers comply with this duty if they consign the waste to a licensed clinical waste collector for delivery to a reception point, deliver the waste to a reception point or collection point, or dispose of their waste at a licensed clinical waste disposal facility according to the requirements specified in the Waste Disposal (Clinical Waste) (General) Regulation. The Waste Disposal (Clinical Waste) (General) Regulation also requires waste producers to keep records of the clinical waste consigned to licensed collectors or delivered to a collection point or licensed disposal facility, and to produce such records for inspection upon request by the Director of Environmental Protection.

REGULATORY OVERVIEW

A Code of Practice for the Management of Clinical Waste-Clinical Waste Producers and Waste Collectors (“**Code of Practice**”) has been published by the Secretary for the Environment under the Waste Disposal Ordinance to provide guidance to major clinical waste producers and small clinical waste producers to assist them to comply with the legal requirements of the Waste Disposal Ordinance and the Waste Disposal (Clinical Waste) (General) Regulation. Private medical clinics or practices are classified as small clinical waste producers under the Code of Practice.

Given the medical aesthetic services provided at our medical aesthetic centres may produce used or contaminated sharps such as syringes and needles as well as dressings, our Group is subject to the Waste Disposal Ordinance, Waste Disposal (Clinical Waste) (General) Regulation and the Code of Practice.

Aside from the Waste Disposal (Clinical Waste) (General) Regulation, the Waste Disposal (Chemical Waste) General Regulation (Chapter 354C of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time (“**Waste Disposal (Chemical Waste) General Regulation**”) may also be relevant to our business. According to the provisions of the Waste Disposal (Chemical Waste) General Regulation, an unwanted substance or by-product arising from the application of or in the course of any process or trade activity, and which is or contains any substance or chemical specified in Schedule 1 of the Waste Disposal (Chemical Waste) General Regulation shall be regarded as chemical waste if such substance or chemical occurs in such form, quantity or concentration so as to cause pollution or constitute a danger to health or risk of pollution to the environment. Schedule 1 of the Waste Disposal (Chemical Waste) General Regulation includes, among other things, antibiotics, pharmaceutical products and medicines. There is no mention in the Waste Disposal (Chemical Waste) General Regulation as to what quantity or concentration of antibiotics/pharmaceutical products/medicines will amount to pollution or danger to health or risk to the environment. The requirements under the Waste Disposal (Chemical Waste) General Regulation for the disposal of chemical wastes are very similar to those as relates to clinical wastes under the Waste Disposal (Clinical Waste) (General) Regulation. In gist, the waste producer will need to register with the Director of Environmental Protection and the chemical wastes will need to be properly packed, labelled and stored until disposal is collected by a licensed waste collector or is delivered to a registered collection point.

Our Group has registered under the Environmental Protection Department as a clinical waste producer. We are also in compliance with the requirements under the Waste Disposal (Clinical Waste) (General) Regulation by consigning the waste to a licensed clinical waste collector for delivery to a reception point or collection point and keeping such records for inspection upon request by the Director of Environmental Protection.

REGULATORY OVERVIEW

Regulations on possessing, maintaining and use of certain treatment devices

Under the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong) (“**Telecommunications Ordinance**”), for a person to possess or use any apparatus for radiocommunications or any apparatus of any kind that generates and emits radio waves notwithstanding that the apparatus is not intended for radiocommunications, the person must apply for an appropriate telecommunications licence from the Communications Authority.

Since we possess one Thermage CPT equipment in each of our CWB Centre and Central Centre for use in providing Thermage CPT treatments, being a type of energy-based procedure involving the use of radiofrequency that deploys high-frequency radio waves that excite water molecules within the skin to generate heat, we are required to apply for and maintain an Industrial, Scientific and Medical Electronic Machine Licences (“**ISMEM Licence**”) as prescribed by the Communications Authority, which generally has a validity of one year and may be renewed for a period of one year at a time. Under the respective ISMEM Licence held by CMM and CMM (Central), we are licensed to possess, maintain and use the licensed Thermage CPT equipment at our CWB Centre and Central Centre which address is specified under the relevant ISMEM Licence for the purpose of generating high frequency electromagnetic energy which shall be used for industrial, scientific and medical purposes only, subject to certain conditions, which include:

- (a) the licensed Thermage CPT equipment shall be used only under suppressed radiation conditions. Radiation outside the internationally allocated frequencies causing interference to communication services shall be suppressed to the satisfaction of the Communications Authority;
- (b) the licensed Thermage CPT equipment shall be operated only by persons authorised by the licensee, namely, CMM or, as the case may be, CMM (Central), which is the holder of the relevant ISMEM Licence, on their behalf;
- (c) The licensee shall not without the consent in writing of the Communications Authority (i) make any alternation or addition to the apparatus (apparatuses) covered by the ISMEM Licence; or (ii) change the address of the place where the apparatus (apparatuses) is maintained and used;
- (d) If at any time the licensee wishes to make (i) any alteration or addition mentioned in subparagraph (c)(i) above; or (ii) a change of address mentioned in subparagraph (c)(ii), it shall make application in writing to the Communications Authority for consent to such alteration, addition or change not less than 10 days before the date on which it intends to make such alteration, addition or change; and
- (e) the ISMEM Licence is not transferable.

It is our policy that in each of our CWB Centre and Central Centre, the licensed Thermage CPT equipment shall only be operated by our doctors.

Regulations on Personal Data Privacy

Personal Data (Privacy) Ordinance

The Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time (“**Personal Data (Privacy) Ordinance**”) places a statutory duty on data users to comply with the requirements of the six data protection principles contained in Schedule 1 to this ordinance. The Personal Data (Privacy) Ordinance provides that a data user shall not do an act, or engage in a practice, that contravenes a data protection principle unless the act or practice, as the case may be, is required or permitted under the Personal Data (Privacy) Ordinance. The six data protection principles are:

- Principle 1 — purpose and manner of collection of personal data;
- Principle 2 — accuracy and duration of retention of personal data;
- Principle 3 — use of personal data;
- Principle 4 — security of personal data;
- Principle 5 — information to be generally available; and
- Principle 6 — access to personal data.

The Personal Data (Privacy) Ordinance also gives data subjects certain rights, *inter alia*:

- the right to be informed of whether any data user holds their personal data;
- the right to be supplied with a copy of such data; and
- the right to request correction of any data they consider to be inaccurate.

Non-compliance with a data protection principle may lead to a complaint to the Privacy Commissioner for Personal Data. A claim for compensation may also be made by a data subject who suffers damage by reason of a contravention of a requirement under the Personal Data (Privacy) Ordinance.

RECENT DEVELOPMENT IN RELATION TO REGULATION OF MEDICAL PROCEDURES AND BEAUTY SERVICES, AS WELL AS PRIVATE HEALTHCARE FACILITIES

Background

Recently, the Government of Hong Kong has been considering to tighten up regulation of the beauty industry and to provide a clear definition to differentiate beauty therapies from medical procedures. A Steering Committee on Review of the Regulation of Private Healthcare Facilities (the “**Steering Committee**”) has been established to review the regulatory regime for private healthcare facilities (“**PHFs**”). A Working Group on Differentiation between Medical Procedures and Beauty Services (the “**Working Group**”) has also been set up under the Steering Committee, which was tasked to differentiate between medical treatments and ordinary beauty services and to make recommendations on the regulatory approach. The Working Group, chaired by the Director of Health and includes representatives from relevant medical specialties, the beauty industry and consumer groups, is tasked to, among others, make recommendations on procedures that should be performed by registered medical practitioners. The Food and Health Bureau also published the Consultation Paper entitled “Regulation of Private Healthcare Facilities — Consultation Document” in December in 2014 to invite public views.

Recommendations made by the Working Group

According to the Consultation Paper, reviews by Working Groups had been completed with their recommendations (“**Recommendations**”) which included, among others, a list of cosmetic procedures that should only be performed by registered medical practitioners:

1. Cosmetic procedures that involve injections should be performed by registered medical practitioners.
2. Procedures that involve the mechanical/chemical exfoliation of the skin below the epidermis should be performed by registered medical practitioners.
3. Traditional body tattooing and piercing should be exempted from being considered as a “medical procedure”, but special care should be taken for procedures performed on body parts which have higher risk of complications (e.g. near the eyes, the tongue, etc.). All practitioners should be well trained and adopt infection control measures when performing the procedures. Practitioners should ensure that consumers are made aware of the inherent risks involved and allowed to make informed decisions before undergoing the procedure.
4. Hyperbaric oxygen therapy should not be performed as a form of beauty procedure. In view of its risks of complications, it should be performed by registered medical practitioners on patients with clinical indications.
5. Dental bleaching may lead to complications, especially if performed inappropriately or performed on inappropriate clients, such as those suffering from pre-existing dental conditions. The procedure should be performed by registered dentists.
6. It supports the plan of the Government of Hong Kong to introduce a new medical device ordinance to deal with the issue of control over the use of selected high-risk medical devices.

REGULATORY OVERVIEW

7. It recommends the setting up of an expert panel under the future medical device ordinance to advise on the risk and appropriate controls over new cosmetic procedures based on innovative technology.

Advisory note and letters issued by the Hong Kong Department of Health

The Hong Kong Department of Health issued an advisory note on the provision of cosmetic procedures to beauty service providers based on the Recommendations and the general infection control principles, reminding beauty service providers to refrain from procedures that should only be performed by registered medical practitioners or registered dentists. Failure to follow the advice may render oneself liable for offences under the Medical Registration Ordinance or the Dentists Registration Ordinance (Chapter 156 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time.

An open letter was sent by the Hong Kong Department of Health to all registered medical practitioners reminding them to strictly observe the Hong Kong Medical Code of Professional Conduct when they provide cosmetic procedures in their medical practice, including providing formal medical consultation and keeping proper medical records.

Effect on our Group

Pursuant to the Recommendations, procedures involving injections and procedures involving mechanical/chemical exfoliation of skin below the epidermis should be performed by registered medical practitioners in Hong Kong. Our Directors consider that the Recommendations and the letters to registered medical practitioners do not have any material adverse effect on our medical aesthetic centres because, even before the commencement of the legislative review by the Government of Hong Kong and the increased public awareness on treatment safety, procedures of such nature are carried out by our doctors and there are controls in place to ensure these procedures are performed by our doctors. See “Business — Our Services and Products — Non-surgical medical aesthetic services — Internal control procedures regarding injection procedures and procedures that are perceived by our doctors as being high risk” in this prospectus for details of our internal control policies.

REGULATORY AUTHORITIES IN HONG KONG

Our business operations in Hong Kong are principally subject to the regulation of the Hong Kong Medical Council and the Hong Kong Consumer Council.

Hong Kong Medical Council

The Hong Kong Medical Council is established under the Medical Registration Ordinance. The Hong Kong Medical Council was founded to assure and promote quality in the medical profession in order to protect patients, foster ethical conduct, and develop and maintain high professional standards. The Hong Kong Medical Council maintains a register of eligible medical practitioners, administers relevant licensing examinations, issues guidelines and the Hong Kong Medical Code of Professional Conduct, and exercises regulatory and disciplinary powers over the medical profession.

All our doctors are medical practitioners registered under the Medical Registration Ordinance and are therefore subject to the regulation of the Hong Kong Medical Council.

REGULATORY OVERVIEW

Hong Kong Department of Health

The Hong Kong Department of Health is the government agency in Hong Kong which is responsible for the execution of healthcare policies and statutory functions. There are two divisions under the department conduct duties that are particularly relevant to our business, namely the Drug Office and the Medical Device Control Office.

Hong Kong Consumer Council

The Hong Kong Consumer Council protects the rights of consumers. Consumers have a right to dispute the price or quality of services if they find it unsatisfactory. The Hong Kong Consumer Council also assists consumers in cases of false claims made by companies with respect to a specific service offered by them.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OVERVIEW

Our history can be traced back to 2009 when our founder, Mrs. Gigi Ma, established CMM in preparation of opening our first medical aesthetic centre. Mrs. Gigi Ma made the decision to enter into the medical aesthetic industry as she was inspired by her brother, Mr. Lai Ying, who had been operating a skin care medical centre in Hong Kong, and envisioned the business potential of this industry. Mr. Lai Ying was unable to manage his business due to a car accident in May 2007. With a view to continuing Mr. Lai Ying's passion in the medical skin care industry, we took over his business in late December 2009. We commenced the operation of our medical aesthetic centre, CWB Centre, situated on the whole of 22nd Floor, Soundwill Plaza, Russell Street, Causeway Bay, Hong Kong, in December 2009 to provide a broad range of non-surgical medical aesthetic services.

The following table sets forth the important milestones in the development of the business of our Group up to the Latest Practicable Date:

Year	Event
2009	G Max was incorporated in July 2009 in anticipation of commencement of our Group's business and CMM was incorporated in December 2009 to operate our CWB Centre Our CWB Centre opened in December 2009 occupying the whole of the 22nd Floor, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong with a GFA of over 7,000 sq.ft. to provide a broad range of non-surgical medical aesthetic services
2014	Our Central Centre opened in April 2014 occupying the whole of the 19th Floor, Club Lusitano, 16 Ice House Street, Central, Hong Kong with a GFA of over 3,000 sq.ft. to provide a broad range of non-surgical medical aesthetic services for expanding our service capacity catering for business growth
2015	CosMax Academy was established in May 2015 in Sai Wan, where we host our regular in-house training programmes which were used to be held in our CWB and Central Centres before, for our trained therapists, covering, among other things, knowledge and operational procedures of equipment and machines, and skills and procedures in providing skin care treatments to clients
2016	We were awarded the status of "Manpower Developer" under the "ERB Manpower Developer Award Scheme 2015-16" for two years from April 2016 to March 2018 by the Employees Retraining Board in 2016 in recognition of our achievement in manpower training and development and in fostering an organisational culture conducive to life-long learning

As at the Latest Practicable Date, our clients were served by our four Servicing Doctors with a team of 14 trained therapists. As at the Latest Practicable Date, we had 60 treatment devices and offered more than 45 skin care products comprising cleanser, toner, serum, moisturiser, eye care product, ultraviolet (UV) protection product and mask including under our own brands of "CosMax" and "Cospeutic" and other brands.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE HISTORY

The following sets forth the corporate development of each member of our Group since their respective dates of incorporation.

Our Company

Our Company was incorporated in the Cayman Islands with limited liability on 6 July 2016 and is the holding company of our subsidiaries. On incorporation, it had an authorised share capital of HK\$380,000 divided into 38,000,000 shares of a par value of HK\$0.01 each, of which one share was allotted and issued, credited as fully paid to an initial subscriber at par, an Independent Third Party, who then transferred it to Mrs. Gigi Ma on the same date at par value. On the same date, another one share was allotted and issued, credited as fully paid, to Mr. Patrick Ma at par on the same date.

On 13 September 2016, each of Mrs. Gigi Ma and Mr. Patrick Ma transferred the one issued Share held by her/him, together representing 100% of the issued share capital of the Company, to Sunny Bright at par value. As a result of the said transfers, our Company became wholly owned by Sunny Bright.

As a result of the Reorganisation, our Company, through Coresmax, became the holding company of our subsidiaries. The principal business activity of our Company is investment holding.

Our subsidiaries incorporated in the BVI and Hong Kong

Coresmax

Coresmax is an investment holding company for the purpose of holding interest in the Major Subsidiaries. It was incorporated in the BVI with limited liability on 6 July 2016. On incorporation, one share was allotted and issued, credited as fully paid, to each of Mr. Patrick Ma and Mrs. Gigi Ma at par. On 13 September 2016, each of Mrs. Gigi Ma and Mr. Patrick Ma transferred the one issued share in Coresmax held by her/him, together representing 100% issued share capital of Coresmax, to the Company at par value. As a result of the said transfers, Coresmax became wholly owned by our Company.

As a result of the Reorganisation, since 13 September 2016, Coresmax is the intermediate holding company of our subsidiaries directly holding the entire issued share capital of each of our Major Subsidiaries, namely, Cos Max Limited, G Max, CMM, CMM (Central), CM Technology, Cos Max Academy Limited, CMIP and Ocean Grand. See “Reorganisation” in this section for the summary of the major Reorganisation steps.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CMIP

CMIP was incorporated to mainly serve as the registered holder of our Group's material trademarks registered in Hong Kong. It was incorporated in the BVI with limited liability on 10 April 2014. Since incorporation, CMIP has an authorised share capital of 50,000 shares with a par value of US\$1.0 each. On incorporation, one share was allotted and issued, credited as fully paid, to Sunny Bright at par, representing the entire issued share capital of CMIP.

On 13 September 2016, as part of the Reorganisation, Sunny Bright transferred the one share in CMIP to Coresmax at the nominal consideration of HK\$7.8, which represents Sunny Bright's original investment cost for the establishment of CMIP. As a result of the said transfer, CMIP became wholly owned by Coresmax.

CM Technology

CM Technology mainly serves as the contracting party in purchasing machinery and equipment for our Group. CM Technology was incorporated in Hong Kong with limited liability on 1 April 2014. On incorporation, one share was allotted and issued, credited as fully paid, to Sunny Bright at the then par value of HK\$1.0, representing the entire share capital of CM Technology.

On 13 September 2016, as part of the Reorganisation, Sunny Bright transferred the one share in CM Technology to Coresmax at the nominal consideration of HK\$1.0, which represents Sunny Bright's original investment cost for the establishment of CM Technology. As a result of the said transfer, CM Technology became wholly owned by Coresmax.

Cos Max Academy Limited

Cos Max Academy Limited was specifically established for operating our training centre, CosMax Academy. It was incorporated in Hong Kong with limited liability on 1 April 2015. As at the date of incorporation, one share was allotted and issued, credited as fully paid, to Sunny Bright at the then par value of HK\$1.0, representing the entire share capital of Cos Max Academy Limited.

On 13 September 2016, as part of the Reorganisation, Sunny Bright transferred the one issued share in Cos Max Academy Limited to Coresmax at the nominal consideration of HK\$1.0, which represents Sunny Bright's original investment cost for the establishment of Cos Max Academy Limited. As a result of the said transfer, Cos Max Academy Limited became wholly owned by Coresmax.

Cos Max Limited

Cos Max Limited was incorporated with limited liability in Hong Kong on 18 February 2005. Since the incorporation of Cos Max Limited, Ms. Chan Un, the mother of Mrs. Gigi Ma, had been its sole shareholder holding one share, representing its entire share capital. G Max acquired the entire issued share capital of Cos Max Limited from Ms. Chan Un on 3 December 2009 at the nominal consideration of HK\$1.0 which was fully settled on the same date and the transfer has been properly and legally completed.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Subsequently, on 29 August 2011, G Max transferred the one issued share of Cos Max Limited to Sunny Bright at the nominal consideration of HK\$1.0 which was settled on the same date. Both of the abovementioned transfers have been properly and legally completed.

On 13 September 2016, as part of the Reorganisation, Sunny Bright transferred the one share in Cos Max Limited to Coresmax at the nominal consideration of HK\$1.0, which represents Sunny Bright's original investment cost for the acquisition of Cos Max Limited. As a result of the said transfer, Cos Max Limited became wholly owned by Coresmax.

CMM

CMM was incorporated mainly to operate our CWB Centre, providing medical aesthetic services to our clients and sale of prepaid packages. CMM was incorporated in Hong Kong with limited liability on 2 December 2009. On incorporation, one share was allotted and issued, credited as fully paid, to G Max at the then par value of HK\$1.0, representing the entire share capital of CMM.

On 12 January 2010, G Max transferred the one share to Cos Max Holdings Limited, a company incorporated in Hong Kong and was then indirectly wholly owned by Mrs. Gigi Ma, at the nominal consideration of HK\$1.0 which was settled on the same date. On 29 August 2011, Cos Max Holdings Limited transferred the one share to Sunny Bright at the nominal consideration of HK\$1.0 which was fully settled on the same date. Both of the abovementioned transfers have been properly and legally completed and settled.

On 13 September 2016, as part of the Reorganisation, Sunny Bright transferred the one share in CMM to Coresmax at the consideration of HK\$1.0, which represents Sunny Bright's original investment cost for the acquisition of CMM. As a result of the said transfer, CMM became wholly owned by Coresmax.

CMM (Central)

CMM (Central) was incorporated mainly to operate our Central Centre, providing medical aesthetic services to our clients and sale of prepaid packages. CMM (Central) was incorporated in Hong Kong with limited liability on 26 February 2014. On incorporation, one share was allotted and issued, credited as fully paid, to the initial subscriber which is an independent third party at the then par value and that one share was transferred to Sunny Bright on 27 February 2014 at the nominal consideration of HK\$1.0 which was settled on the same date and such transfer has been properly and legally completed.

On 13 September 2016, as part of the Reorganisation, Sunny Bright transferred the one share in CMM (Central) to Coresmax at the consideration of HK\$1.0, which represents Sunny Bright's original investment cost for the acquisition of CMM (Central). As a result of the said transfer, CMM (Central) became wholly owned by Coresmax.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

G Max

G Max was incorporated mainly for the purpose of providing business management services to other members of our Group. It was incorporated in Hong Kong with limited liability on 17 July 2009. On incorporation, one share was allotted and issued, credited as fully paid, to Mrs. Gigi Ma at the then par value of HK\$1.0. On 3 December 2009, Mrs. Gigi Ma transferred the one share in G Max to Sunny Bright at the nominal consideration of HK\$1.0 which was settled on the same date. The transfer has been properly and legally completed.

On 13 September 2016, as part of the Reorganisation, Sunny Bright transferred the one share in G Max to Coresmax at the consideration of HK\$1.00, which represents Sunny Bright's original investment cost for the acquisition of G Max. As a result of the said transfer, G Max became wholly owned by Coresmax.

Ocean Grand

Ocean Grand was incorporated in Hong Kong with limited liability on 24 March 1994 by Mrs. Gigi Ma's uncle and aunt and became wholly owned by Cos Max Limited in May 2007.

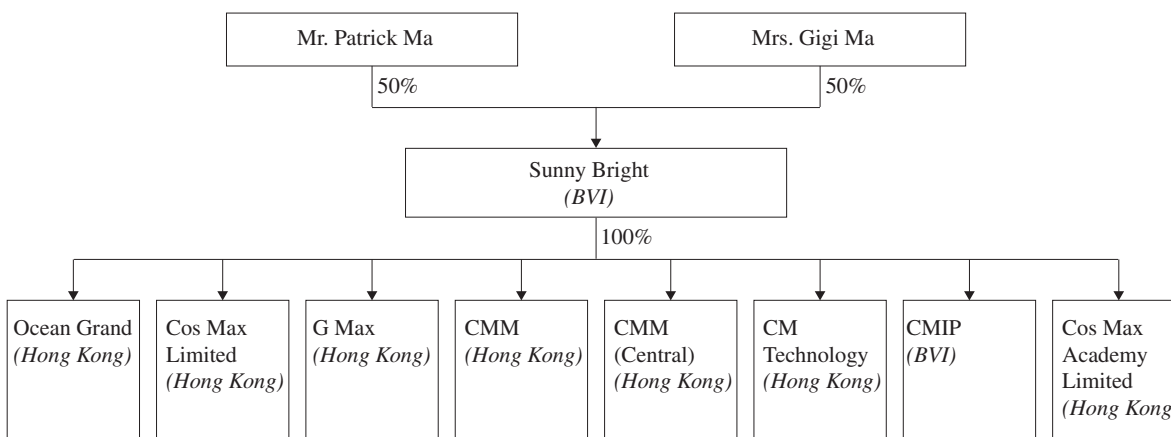
On 29 August 2011, Cos Max Limited transferred the 5,000,000 issued shares of Ocean Grand, representing the entire issued share capital of Ocean Grand, to Sunny Bright at a nominal consideration of HK\$5,000.0 which was fully settled on the same date. The said transfer has been properly and legally completed. As at the Latest Practicable Date, Ocean Grand was mainly engaged in providing business management services to other members of our Group.

On 13 September 2016, as part of the Reorganisation, Sunny Bright transferred the 5,000,000 shares in Ocean Grand to Coresmax at the total consideration of HK\$5,000.0 which was determined by reference to Sunny Bright's original investment cost for the acquisition of Ocean Grand. As a result of the said transfer, Ocean Grand became wholly owned by Coresmax.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

The following diagram shows the shareholding and corporate structure of our Group immediately before Reorganisation:



REORGANISATION

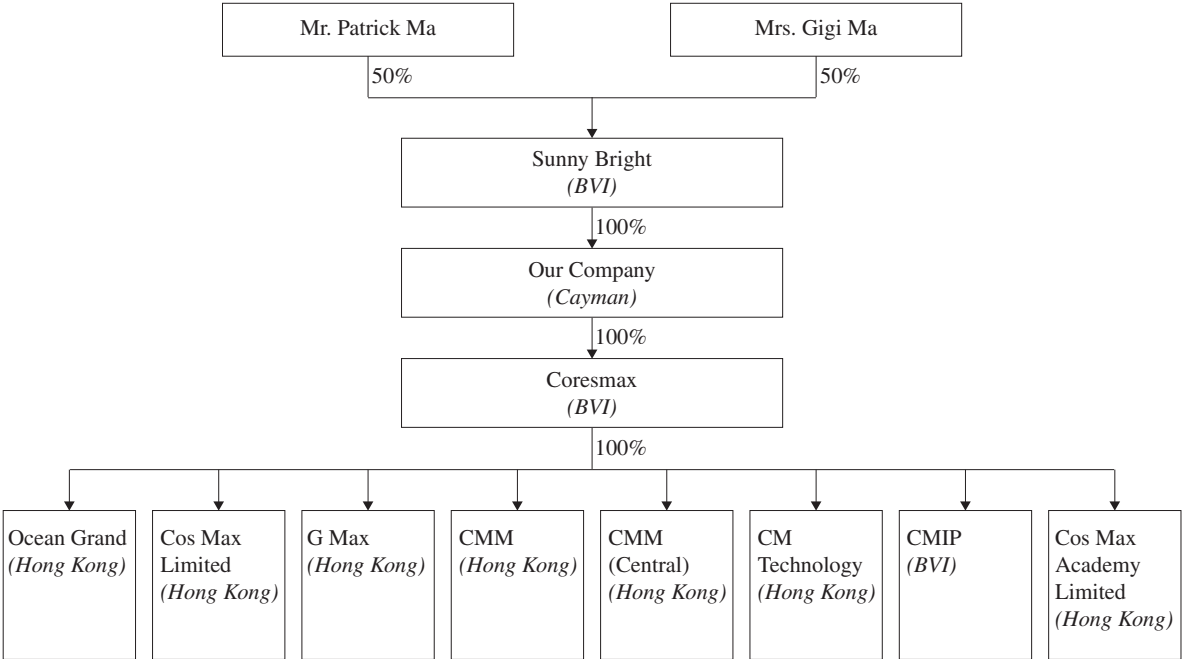
In contemplation of the Listing, members of our Group have undergone the Reorganisation whereby a coherent structure of our Group has been established which is suitable for Listing. The Reorganisation involved the following steps:

1. Incorporation of our Company and Coresmax by Mr. Patrick Ma and Mrs. Gigi Ma;
2. Acquisition of Coresmax by our Company;
3. Acquisition of our Company by Sunny Bright; and
4. Acquisition of the entire issued share capital of each of our Major Subsidiaries by Coresmax from Sunny Bright.

See “Corporate History” in this section for further details of the abovementioned Reorganisation steps.

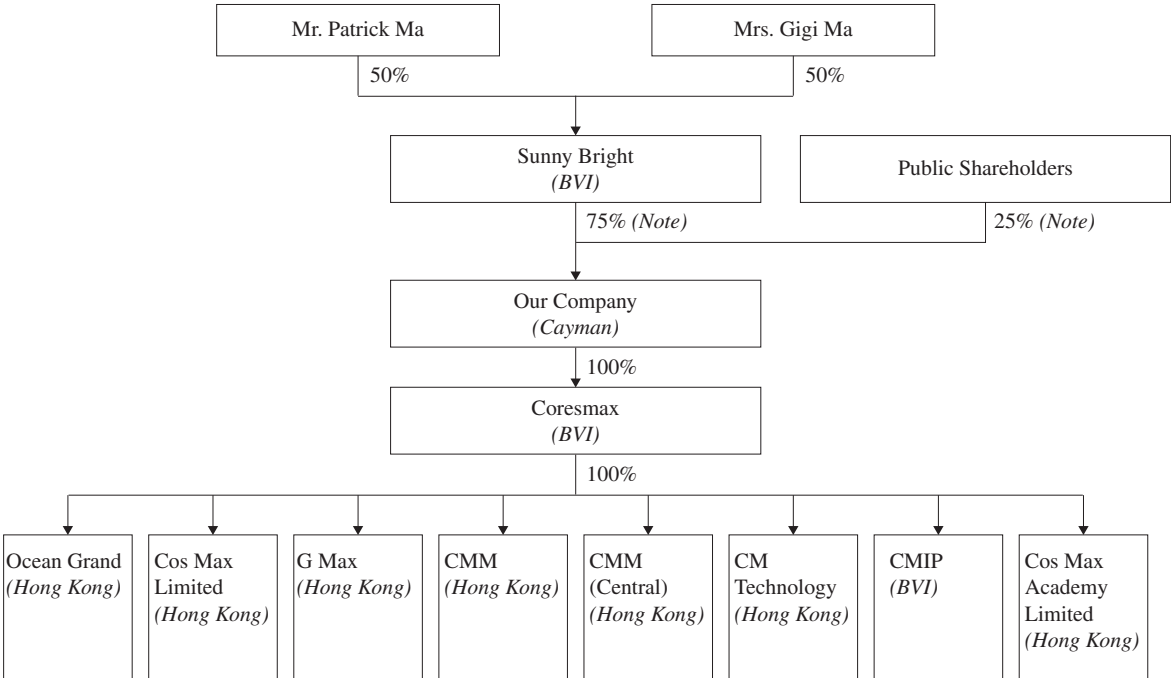
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

As at the Latest Practicable Date, the Reorganisation has been legally completed. The follow diagram shows the shareholding and corporate structure of our Group immediately after completion of the Reorganisation but before completion of the Placing and the Capitalisation Issue:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following diagram shows the shareholding and corporate structure of our Group immediately after completion of the Placing and the Capitalisation Issue (without taking into consideration any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme):



Note: Immediately upon completion of the Placing and the Capitalisation Issue (without taking into account any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme), the public will hold in aggregate 25% of the issued share capital of our Company and the shareholding interest of Sunny Bright, Mrs. Gigi Ma and Mr. Patrick Ma together will be diluted to 75% of issued share capital of our Company.

OVERVIEW

We are a medical aesthetic service provider in Hong Kong and operate two medical aesthetic centres in the prime locations of Causeway Bay and Central under our brand “CosMax”. We offer a broad range of non-surgical medical aesthetic services and skin care products to our clients with an aim to improve their skin conditions as well as to enhance their physical appearance. Our non-surgical medical aesthetic services can be broadly classified into (i) energy-based procedures; (ii) injection procedures; and (iii) other treatments.

Our Group is led by Mrs. Gigi Ma, our chairlady, executive Director and chief executive officer, together with an experienced and dedicated management team with strong execution capabilities. Mrs. Gigi Ma has also been a prominent icon of our business, whose public image has enhanced our brand awareness in Hong Kong, which has helped attract new clients through word-of-mouth and supported the continuous growth of our client base and business operations.

We provide an all-round treatment solution that is tailored for our clients’ individual needs and our treatments are performed through our experienced doctors and/or trained therapists. As at Latest Practicable Date, our clients were served by our (i) three full-time Servicing Doctors and one part-time Servicing Doctor with practising experience in the medical aesthetic service industry ranging from eight to 10 years; and (ii) 14 trained therapists with on average seven years of experience in the medical aesthetic service industry who had on average served our Group for five years.

To ensure the service quality of our therapists, we require our newly recruited therapists to undergo a six-month training programme which is formulated by our doctors and training manager and consists of theoretical and practical trainings. As at the Latest Practicable Date, all 14 trained therapists have completed our training programme.

We are well-equipped with various treatment devices with prevailing technologies, which enable our doctors and trained therapists to provide a broad range of treatment procedures to cater for the individual needs of each client. As at the Latest Practicable Date, we had 60 treatment devices for performing various treatment procedures involving the use of laser, radiofrequency, ultrasound and iontophoresis. All treatment devices deployed by us have been critically evaluated and assessed by our doctors, based on their clinical knowledge and experience to ensure that they are safe and capable of producing the desired results for our clients.

Apart from our treatment services, we offer skin care products to our clients to improve their skin conditions and enhance the results of the treatments. As at the Latest Practicable Date, we offered more than 45 skin care products, including those under our brands, “CosMax” and “Cospeutic”, and other branded products, comprising cleanser, toner, serum, moisturiser, eye care product, ultraviolet (UV) protection product and mask.

Aiming to provide an exclusive and premier experience and to promote privacy and peace-of-mind for our valued clients, we have rented premises occupying the entire floor in a building for both of our CWB Centre and Central Centre to carry out our business. We believe that our professional services, capability in offering all-round treatment solutions as well as a broad range of treatment services and skin care products have enabled us to offer to our clients a superior experience at our medical aesthetic centres, which results in customer satisfaction and drives repeat clients and client referrals. For FY2015, FY2016 and 1Q2017, we served 4,852, 4,848 and 2,840 clients, respectively, and our repeat clients

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represented 61.6%, 68.8% and 86.1% of our active clients for each of the respective periods. During the same periods, 53.1%, 50.9% and 49.5% of our new clients were referred by our existing clients, respectively, which was higher than the average client referral rate of 32.0% to 38.0% of the medical aesthetic service industry in Hong Kong, as indicated by the Frost & Sullivan Report.

Our total revenue maintained a steady growth in the Track Record Period, which increased from HK\$74.0 million for FY2015 to HK\$83.4 million for FY2016 and from HK\$20.2 million for 1Q2016 to HK\$24.0 million for 1Q2017. The following table sets out a breakdown of our revenue during the years/ periods indicated:

	Year ended 31 March				Three months ended 30 June			
	2015		2016		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(Unaudited)							
Treatment services	63,882	86.3	74,081	88.9	17,828	88.3	21,655	90.4
Consultation services	773	1.0	613	0.7	175	0.9	162	0.7
Prescription and dispensing of medical products	2,487	3.4	2,797	3.4	708	3.5	676	2.8
Sale of skin care products	4,199	5.7	3,842	4.6	967	4.8	981	4.1
Forfeited revenue from expired prepaid packages/ cash coupons	2,659	3.6	2,019	2.4	517	2.5	486	2.0
Total revenue	<u>74,000</u>	<u>100.0</u>	<u>83,352</u>	<u>100.0</u>	<u>20,195</u>	<u>100.0</u>	<u>23,960</u>	<u>100.0</u>

To meet the increasing demand of our clients and further expand our business to capture future opportunities, we plan to establish one new medical aesthetic centre in a prime location in Kowloon. See “Our Business Strategies” in this section for further details.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths are crucial to our success and essential for our future growth:

Our medical aesthetic professional team

As at the Latest Practicable Date, we had four Servicing Doctors who had practising experience in the medical aesthetic service industry ranging from eight to 10 years. Our doctors take a leading role in devising bespoke treatments for our clients, and also carry out certain selective treatment procedures which are specified under the relevant laws and regulations or perceived by our doctors as being high risk. As pointed out in the Frost & Sullivan Report, doctors with the proven clinical experience and skills are indispensable to achieving desired aesthetic results with minimal or no side effect after treatments. We consider our team of Servicing Doctors who possesses long established experience in the medical aesthetic industry has significantly contributed to the success of our Group.

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Working along with our doctors are our trained therapists who perform various treatment procedures as directed by doctors. As at the Latest Practicable Date, we had 14 trained therapists with on average seven years of relevant industry experience who had on average served our Group for five years. We require our newly recruited therapists to undergo a six-month training programme which is formulated by our doctors and training manager and consists of theoretical and practical trainings. Our training programme is stringent that the completion rate amongst our newly recruited therapists under training was less than 30% during the Track Record Period and all of our 14 trained therapists had completed our training programme. Our trained therapists also need to undergo ongoing assessment by our doctors and attend internal refresher courses to keep abreast of the latest development of the medical aesthetic service industry. We believe our team of long serving trained therapists has been instrumental in enabling us to provide high quality treatment services to our clients.

We consider that our clients' satisfaction towards the services rendered by our team of doctors and trained therapists is best illustrated by the consistently high percentage of repeat clients and the above industry — average new client referral rate achieved by us during the Track Record Period. See "Customers" in this section for details.

Offering superior client experience with a track record of business growth

We have adopted an upmarket decoration and setup for our medical aesthetic centres which we believe could provide a soothing atmosphere to enhance client experience. In addition, we have rented premises occupying the entire floor in a building for both of our CWB Centre and Central Centre to carry out our business aiming to provide an exclusive and premier experience and to maintain privacy and peace-of-mind for our valued clients.

It is imperative that our client should always be at ease when purchasing prepaid packages/cash coupons from us. Our aesthetic service specialists, whose main duty is to conclude sales transactions with clients after consultation, can only market to clients those treatment procedures as recommended by doctors. Furthermore, the aesthetic service specialists are required to ensure the quantity of treatments purchased by clients can be reasonably utilised within the validity period of the package. This explains that the forfeited revenue from expired prepaid packages/cash coupons accounted for around 3% of our total revenue during the Track Record Period.

As a medical aesthetic service provider where reputation is of high significance, we always remind ourselves of the importance of client experience to the success of our business. With this mindset, we will strive to further improve the quality of our services in order to maintain our continuous growth in this industry.

Our competent management team

Our Group is led by Mrs. Gigi Ma, our chairlady, executive Director and chief executive officer together with an experienced and dedicated management team with strong execution capabilities. Mrs. Gigi Ma's active involvement in our daily operations and enthusiasm for the pursuit of beauty have laid a strong foundation for our success. Moreover, Mr. Barry Ma, our executive Director and IT and business development director, is mainly responsible for our strategic planning, business expansion, and development and maintenance of IT infrastructure. His contribution has led our Group to achieve

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continuous growth in both productivity and efficiency. In addition, a majority of the members of our senior management has over 10 years of experience in sales, operation and/or marketing in the health and beauty industry. See “Directors and Senior Management” in this prospectus for further details.

Through the leadership of our senior management, we are well recognised for our human resources management and were awarded the status of “Manpower Developer” under the “ERB Manpower Developer Award Scheme 2015–16” for two years from April 2016 to March 2018 by the Employees Retraining Board in 2016. We believe our strong emphasis on human resources management has led us to develop a cohesive team of middle management staff who are able to effectively implement various business strategies formulated by our Directors.

Broad range of treatment procedures utilising various treatment devices with prevailing technologies

As the medical aesthetic service industry is characterised by rapid technological advancements, we have been introducing new treatment procedures to meet our clients’ demand, as soon as treatment devices of new technology emerges and are selected by our doctors.

We are able to offer a broad range of treatment procedures utilising various treatment devices with prevailing technologies to provide to each of our clients a bespoke treatment solution. As at the Latest Practicable Date, we had 60 treatment devices involving the use of laser, radiofrequency, ultrasound and iontophoresis. Our treatment devices include those approved by national government agencies such as FDA, ensuring that they are reliable and capable of delivering desired outcomes.

With our capability of delivering a broad range of treatment procedures through utilising various treatment devices we possess, we have been able to compete successfully against other leading players in the medical aesthetic service industry and to achieve a higher spending per client than the industry average as indicated in the Frost & Sullivan Report during the Track Record Period.

Our CosMagazine

We are committed to improving the appearance of our clients. Apart from offering medical aesthetic solutions to our clients who visit our medical aesthetic centres, we believe it is also useful and helpful to maintain a platform to share with our clients the news on the latest treatment technologies and skin care products, tips on skin care and maintain a close dialogue between our doctors and our clients on the improvement of skin conditions and/or the improvement of appearance. To this end, we regularly publish the CosMagazine, which is available as physical copies in our medical aesthetic centres and on our website, for two to three times a year since July 2013 with a view to enhancing client loyalty as well as building brand awareness.

OUR BUSINESS STRATEGIES

Expand our network of medical aesthetic centres in Hong Kong

According to the Frost & Sullivan Report, the total revenue of the medical aesthetic service industry in Hong Kong reached HK\$4.2 billion in 2015, and is expected to increase to HK\$8.1 billion in 2020, representing a CAGR of 13.9%. To capture the anticipated growth in the medical aesthetic service industry, we aim to leverage on our successful track record to expand our network of medical aesthetic

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centres in Hong Kong by establishing one new medical aesthetic centre in a prime location in Kowloon by June 2017. We believe that the expansion would enable us to increase market penetration and increase our Group's profitability. The new medical aesthetic centre is expected to have 10 treatment rooms. The capital expenditure for the establishment of our new medical aesthetic centre is estimated to be HK\$19.0 million. We intend to fund the establishment of our new medical aesthetic centre with the net proceeds from the Placing and therefore we expect such expansion plan will not have a material impact on our liquidity position. We are currently in the course of identifying available location for opening the new medical aesthetic centre and expects to take around three to four months to complete all the necessary work to put the premises in an operative mode. See "Business — Our Medical Aesthetic Centres — Expansion Plan" and "Statement of Business Objectives and Use of Proceeds" in this prospectus for further details of our expansion plan. To support our expansion plan, we plan to recruit two doctors and nine therapists. See "Our Business Strategies — Continue to attract and retain experienced personnel through training and professional development" in this section and "Statement of Business Objectives and Use of Proceeds" in this prospectus for further details. In addition, we plan to promote the opening of our new medical aesthetic centre and develop its client base by offering early bird discounts to clients purchasing prepaid package or treatment services at the new medical aesthetic centre, and informing our existing clients and publishing the relevant information on our website and CosMagazine.

In selecting the location for new medical aesthetic centre opening, we will take into considerations including but not limited to (a) the concentration of our target clients in such district; and (b) ease of transportation, major nearby shopping malls or areas and clusters of Grade A office towers.

We estimate that, based on our experience with our CWB Centre and Central Centre, the breakeven period for our planned medical aesthetic centre will be around seven months and the investment payback period will be around three years. The breakeven period is the period after which the monthly revenue of the medical aesthetic centre is at least equal to its monthly expenses. The investment payback period is the time it takes for the accumulated earnings before interest, tax, depreciation and amortisation (EBITDA) from the medical aesthetic centre to cover the investment costs of the medical aesthetic centre. We estimate the spending per client visit at our new medical aesthetic centre in Kowloon would be similar to what we have achieved at our CWB Centre and Central Centre in FY2016 and the utilisation rate required to achieve breakeven position of our new medical aesthetic centre is expected to be approximately 36.0%.

Broaden the variety of treatment services and product offering

The medical aesthetic service industry is characterised by rapid technological advancements. We believe our ability to keep abreast of the latest treatment technology and equipment, and the trend in skin care products are crucial to maintain our competitiveness. To this end, our marketing and business development department will continue to keep abreast of the latest technologies and conducting market research on the latest and prevailing treatment technologies and skin care products to meet the growing needs of our clients. We will continue to organise internal meetings among our doctors and trained therapists from time to time to share their experience in dealing with clients, discuss clients' feedback and exchange ideas on treatments and products and maintain close relationships with suppliers of treatment devices. We expect to use approximately HK\$12.1 million of the net proceeds of the Placing and our internal resources to fund the procurement of latest treatment devices.

Refurbish our CWB Centre

We intend to further strengthen our brand image. To this end, we will undertake refurbishment work in our CWB Centre in order to standardise the overall decorative theme of both medical aesthetic centres. Our Central Centre was designed with a modern and minimalistic style with an interior layout to promote privacy for clients to visit us for services. We believe our clients will gain a more premier experience when visiting our refurbished CWB Centre in the future. The estimated cost for the refurbishment work would be HK\$3.7 million, which is expected to be funded with the net proceeds of the Placing and therefore we expect such strategy will not have a material impact on our liquidity position. It is our plan to undertake the refurbishment work by phases with a view to maintaining our normal services, and perform structural works after operating hours, and on Sundays as well as certain public holidays when our CWB Centre is closed. The duration of refurbishment is expected to last for three months and we consider there will not be material disruption to our Group's operations.

Upgrade our IT infrastructure

As we continue to expand, we plan to continue to invest in IT to achieve real-time monitoring of our daily operations, to centralise information exchange and integrate different operational functions, collect, store and analyse operational data for formulating sound and more scientific business strategies and streamline operational procedures. We believe it can optimise our operation and increase overall efficiency. See "Information Technology" in this section for further details. We expect that HK\$6.4 million will be used to upgrade our IT infrastructure, which is expected to be funded with the net proceeds from the Placing.

Continue to attract and retain experienced personnel through training and professional development

We attribute our success to, among others, the vision of our chief executive officer and the talents of our senior management and professional team. Therefore, we believe that our commitment to employee excellence will lead to the continued growth of our business and improve the quality of services provided to our clients. To support our expansion plan to open one new medical aesthetic centre in a prime location in Kowloon, we plan to recruit two doctors and nine therapists. In addition, we will continue to attract and retain experienced employees through training and professional development such as encouraging and subsidising our doctors to attend overseas medical aesthetic conference and exposition.

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BUSINESS MODEL

We are principally engaged in the provision of a broad range of non-surgical medical aesthetic services by our doctors and trained therapists with an aim to improve the appearance of our clients. During the Track Record Period, our revenue was derived from the (i) provision of treatment services; (ii) provision of consultation services; (iii) prescription and dispensing of medical products; (iv) sale of skin care products; and (v) forfeited revenue from expired prepaid packages/cash coupons. The following table sets out our revenue by service and product offerings and as a percentage of total revenue for the periods indicated:

	Year ended 31 March				Three months ended 30 June			
	2015	2016		2015		2016		
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(Unaudited)							
Treatment services	63,882	86.3	74,081	88.9	17,828	88.3	21,655	90.4
Consultation services	773	1.0	613	0.7	175	0.9	162	0.7
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Sale of skin care products	4,199	5.7	3,842	4.6	967	4.8	981	4.1
Forfeited revenue from expired prepaid packages/ cash coupons	2,659	3.6	2,019	2.4	517	2.5	486	2.0
Total revenue	74,000	100.0	83,352	100.0	20,195	100.0	23,960	100.0

OUR SERVICES AND PRODUCTS

Non-surgical medical aesthetic services

Common skin concerns that our clients have included those relating to skin tone (such as pigmentation and acne marks), skin surface (such as enlarged pores and dry skin), wrinkles (such as crow's feet) and facial and body contouring (such as skin laxity). On the other hand, our clients may want to improve certain skin conditions such as wart, rosacea and skin allergy. All of the services offered by us are non-surgical medical aesthetic services with an aim to improve skin conditions and improve the appearance of our clients. Our non-surgical medical aesthetic services can be broadly classified into (i) energy-based procedures; (ii) injection procedures; and (iii) other treatments. Depending on the needs of our clients and the diagnosis of our doctors based on their clinical experience, one-off treatment, multiple treatment sessions of a single treatment or multiple treatment courses may be recommended to our clients to achieve desired results.

Energy-based procedures

Energy-based procedures are intended to improve appearance and skin conditions such as facial and body contouring, removal treatment of moles and warts, melasma, rosacea, sebaceous hyperplasia, seborrheic keratosis and skin allergy through the use of energy-based devices such as laser, radiofrequency, ultrasound and iontophoresis. We offer a wide range of energy-based procedures for

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various purposes such as skin rejuvenation, pigment improvement, skin tightening, collagen stimulation, lifting, skin exfoliation, hair removal, localised fat cell disruption, syringoma removal and mole removal. Based on our doctors' professional experience and judgment on the risk of severe complication, selective energy-based procedures are performed by doctors only if they are perceived by our doctors as being high risk, namely if there is potential risk of irreversible organ or tissue damage including nerve injury, muscle burn, fat necrosis or skin necrosis whereas our trained therapists perform other selective treatment procedures as directed by our doctors. Examples of energy-based procedures that are perceived by our doctors as being high risk and are performed only by doctors mainly include mole removal, liposonix, thermage CPT and ulthera.

The table below sets out description of certain of our top-revenue generating energy-based procedures during the Track Record Period:

Technology/ Device type	Treatments offered by us	Description	Typically intended aesthetic effect	Price range per treatment session (excluding trial or retouch) as at the Latest Practicable Date
Laser	CosMax Medical Laser; Fraxel	Deploying laser that is able to pinpoint a particular skin area where the principles of selective photothermolysis are used. The technique directs short, concentrated pulsating beams of light at skin to achieve various desired results, depending on the absorption spectrum of the tissue components	Improving pigment problems and acne scar; refining pores; lightening fine wrinkles; rejuvenating skin	HK\$1,400 to HK\$18,700
Iontophoresis	MesoWave Ultra Activator	Applying ion wave technology to maximise cell permeability and the absorption of active ingredients by cells. The ion waves create temporary micro channels in cell membranes, which helps improve the penetration of ingredients into skin cells	Improving moisture retention; stimulating skin cell regeneration; reducing fine lines and wrinkles; evening skin tone	HK\$1,600 to HK\$3,200
Radiofrequency	Thermage CPT; Fractional MRF Program	Deploying high-frequency radio waves that excite water molecules within the skin to generate heat. The heat reaches deep layers of skin to tighten existing collagen, remodel and stimulate growth of new collagen	Improving skin laxity and fine wrinkles; body contouring and increase local circulation	HK\$6,000 to HK\$102,500

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Technology/ Device type	Treatments offered by us	Description	Typically intended aesthetic effect	Price range per treatment session (excluding trial or retouch) as at the Latest Practicable Date
Ultrasound	Ulthera	Using High Intensity Focused Ultrasound (HIFU) to heat the deep tissues under the skin to stimulate growth of new collagen and tighten the skin	Lifting and tightening of skin; lifting the eyebrow, neck and under-chin	HK\$24,000 to HK\$90,000
Ultrasound	Liposonix	Using ultrasound technology to deliver custom contouring fat reduction	Eliminating unwanted fat cells	HK\$4,800 to HK\$90,000

Injection procedures

Injection procedures are intended to shape a person's face or body by injections of certain materials. We offer injection procedures for improvement of appearance including facial and body contouring, wrinkle reduction, hyperhidrosis and skin rejuvenation. According to the Frost & Sullivan Report, injection procedures are gaining popularity in Hong Kong because such procedures involve less pain and scarring and offer quicker recovery when compared to surgical medical aesthetic procedures. Injections should only be performed by registered medical practitioners.

The table below sets out description of certain of our top-revenue generating injection procedures during the Track Record Period:

Procedure	Description	Typically intended aesthetic effects	Price range per treatment session (excluding trial or retouch) as at the Latest Practicable Date
Injection of dermal fillers	Injecting hyaluronic acid, such as Restylane®, JUVÉDERM®, and TEOSYAL®, into the skin of the face and/or body	Filling in wrinkles and deep creases; smoothing out scars; filling out thin or wrinkled lips; plumping up and lifting cheeks, jawlines, temples and sagging hands	HK\$4,800 to HK\$19,800
Injection of botulinum toxin type A	Injecting the medication botulinum toxin type A, such as BOTOX® and Dysport®, into the skin of the face and/or body	Reducing wrinkles in the area of the face or body, facial and body contouring	HK\$2,300 to HK\$18,000

Other treatments

We also offer other non-surgical medical aesthetic treatments such as chemical peels, removal treatment of wart, comedone extraction and wound care. Chemical peel is a technique used to improve the appearance of the skin on the face, neck or hands by applying a chemical solution to the skin that causes it to exfoliate and eventually peel off. The chemical peel procedures offered by us are mainly for improvement of skin texture, skin exfoliation and reduction of the appearance of pigmented spots and melasma, and are generally performed by our trained therapists. The removal treatment of wart is a type of treatment perceived by our doctors as being high risk, and is performed by our doctors only, whereas the other treatments can be performed by our trained therapists, depending on our doctors' professional experience and judgment on the risk of severe complication.

The price range per treatment session (excluding trial or retouch) of our other treatments as at the Latest Practicable Date was HK\$440 to HK\$16,800.

Pricing policy

The price of our non-surgical medical aesthetic services is determined with reference to, among others, (i) device supplier's recommended market reference price; (ii) price of similar treatments on the market; (iii) type of treatment medication used; (iv) size of treatment area; (v) cost of treatment consumable; and (vi) duration typically required for the performance of the treatment.

Internal control procedures regarding injection procedures and procedures that are perceived by our doctors as being high risk

We have formulated the following internal control measures to ensure injection procedures and procedures that are perceived by our doctors as being high risk are performed by our doctors only:

1. We maintain a full list of treatment procedures which we sell to our clients ("**Treatment List**"). This Treatment List forms part of our invoicing system, meaning we can only invoice our clients for items appearing in the Treatment List.
2. Our doctors determine which treatment procedure in the Treatment List has to be performed by doctors only. Such items are assigned with a special code number on the Treatment List, which is well recognised by our doctors, trained therapists and front-line staff as "being performed by doctors only".
3. When a client makes an appointment for treatment service, our front line staff will ensure our doctor or trained therapist (as the case may be) is available at such requested time slot in our real-time appointment system, by identifying the code number of the treatment purchased as stated in the client's profile.
4. When the client attends our medial aesthetic centre for the treatment appointment, our front-line staff will then inform the relevant doctor or trained therapist (as the case may be), based on the appointment record.

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5. For the treatment procedure which has to be performed by doctor, such relevant doctor is required to record the treatment remarks in the client's profile after performance of treatment procedure, which will then be passed to our front-line staff for invoicing or updating such client's prepaid package record.
6. If the front-line staff discovers that no doctor's remark has been recorded in the client's profile, the staff will report the case to the director of sales and operation for follow up.

Consultation services

All of our new clients are required to attend consultation sessions with our doctors when they first visit us. During consultation sessions, our doctors perform examination as well as assess and/or make diagnosis of clients' skin conditions with reference to their medical history and background. Such diagnosis will have regard to the clients' specific condition and needs. Following such diagnosis, suitable treatment plans (including the type of treatment (and whether such treatment procedure should be performed by our doctor or trained therapist) and number of sessions) are recommended by our doctors in response to his/her individual needs. In addition, our doctors may prescribe medication and/or recommend skin care products to our clients to compliment our non-surgical medical aesthetic services as appropriate. Follow-up consultation sessions will also be provided where appropriate so as to keep track of our clients' conditions.

Each of our medical aesthetic centres is equipped with a dispensary unit. Subsequent to the consultation with our doctors, our medical assistants are responsible for arranging the client to obtain the required medication and/or skin care products from our dispensary unit. It is our policy that the following procedures are adhered to:

- medications are only dispensed with doctor's prescription;
- only one single prescription should be handled at one time;
- checking the labels against the prescription (on client's identity, drug details, quantity intake, frequency, etc.);
- selecting appropriate containers;
- ensuring that the medication and/or product to be dispensed will not expire within the period of treatment;
- conducting final check of medications prescribed by doctors before dispensing the same to clients; and
- verifying the identity of the client upon dispensation.

Price range and pricing policy

During the Track Record Period, fees for our consultation services were charged at a fixed rate of HK\$600 per visit. The consultation fee will be waived if the client purchases our services immediately afterwards. In addition, the consultation fee is reduced to HK\$300 per visit during a follow-up visit if the client attends such follow-up visit within six months from the last visit. For new clients who are

referred by existing clients, our first time consultation fee is priced at HK\$300 but can be waived during our promotion periods. In respect of medication, price is determined on a cost-plus basis, namely with a margin over the cost of purchase of the relevant medication.

Skin care products

We believe that the appropriate use of skin care products can complement non-surgical medical aesthetic services to improve skin conditions and enhance the results of the treatments. During the consultation, our doctors will recommend suitable skin care products to our clients with reference to their individual skin conditions and needs for post-treatment care. As at the Latest Practicable Date, we offered more than 45 skin care products comprising cleanser, toner, serum, moisturiser, eye care product, ultraviolet (UV) protection product and mask.

During the Track Record Period, we offered both private-label products under our brands, “CosMax” and “Cospeutic”, and other branded products sourced from third party suppliers. Set out below are some of our private-label products:



As advised by the Counsel, we are not required to obtain any specific licences for selling skin care products and that none of our skin care products are regulated or are required to be registered under the Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong).

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Source of our private-label products

Our “CosMax’ products are sourced from an Independent Third Party supplier engaging in the import, distribution, packaging and selling of pharmaceutical and skin care products in Hong Kong. We have over seven years of business relationship with this supplier and our CosMax products sourced from this supplier are formulated and produced by two skin care product manufacturers in the United States, each with over 15 years of experience in this area. Our “Cospeutic” products are sourced directly from the manufacturer in France. This manufacturer has over 30 years of experience in formulation, development and production of skin care products and we have two years of business relationship with it since the launch of our “Cospeutic” brand in 2014.

Product return, warranties and liability

We generally do not allow product returns and do not give warranties as to the effectiveness of our skin care products. During the Track Record Period, we had not been subject to any material product liability claim nor did we have any material product return or product recall.

Price range and pricing policy

As at the Latest Practicable Date, the prices of our skin care products ranged from HK\$280 to HK\$1,980. Such price is determined on a cost-plus basis, namely with a margin over the cost of purchase of the relevant skin care products.

BUSINESS PROCESS

Consultation services

The following diagram illustrates the key stages of the process of our consultation services:



Step 1: Reception and registration

When a client visits us for the first time, we ask the client to fill out a personal information sheet that contain the client’s name, gender, age and contact number for registration. We also ask the client to provide proof of identity for registration.

Step 2: Face-to-face consultation with aesthetic service specialist and photo taking

At this stage, our aesthetic service specialist goes through the medical record form with our client so as to better understand the medical record and concerns of our client, such as skin conditions that the client is concerned with, the client's allergy history, previous medical history and current medication intake. The information provided by the client is recorded by our aesthetic service specialist on the medical record form which shall be signed and acknowledged by the client. The client is then taken for photo taking, during which our imaging system captures the client's skin textures and contours including brown spots, red areas and wrinkles to assist our doctor in achieving better treatment planning.

Step 3: Face-to-face consultation with doctor

Our clients are required to consult our doctor prior to receiving any treatment service at our medical aesthetic centres. Our aesthetic service specialist passes the medical record form to the doctor for review. During the face-to-face consultation, our doctor performs examination and/or make diagnosis of the client's skin conditions with reference to his/her medical history and background. Such diagnosis will have regard to the client's specific condition and needs. Following such diagnosis, suitable treatment plans (including the type of treatment and number of sessions) are recommended by our doctor in response to his/her individual needs. Our doctor also explains to client the treatment procedure, associated risks and possible side-effects as well as answers the client's questions and address his/her concerns. In addition, our doctor may prescribe medication and/or recommend skin care products to our clients as appropriate.

During the consultation, for treatment procedures which are not specified under the relevant laws and regulations to be carried out by doctors, our doctor also decides whether the recommended treatment shall be performed by our doctor or trained therapist. If the recommended treatment is decided to be performed by our trained therapist, our doctor also sets out the relevant treatment protocol, such as the treatment device to be used and the relevant parts of the face and/or body to be applied, for the trained therapist to follow.

Step 4: Payment and booking with aesthetic service specialist (if necessary)

After consultation with our doctor, if the client opts for undergoing the recommended treatments and purchasing any medication and/or skin care products recommended, our aesthetic service specialist explains the prices of such recommended treatments and skin care products, as well as any promotion or package that is applicable to such recommendation. It is imperative that our client should always be at ease when purchasing prepaid packages/cash coupons from us. Our aesthetic service specialists, whose main duty is to conclude sales transactions with clients after consultation, can only market to clients those treatment procedures as recommended by doctors. Furthermore, the aesthetic service specialists are required to ensure the quantity of treatments purchased by clients can be reasonably utilised within the validity period of the package. The client may then proceed to, if necessary and applicable, make payment, obtain the required medication and/or skin care products from our dispensary unit and arrange the next appointment for performing the treatment with our aesthetic service specialist.

Non-surgical medical aesthetic services

The following diagram illustrates the key stages of the process of our non-surgical medical aesthetic services:



Step 1: Reception, photo taking and preparation for treatment

After reception, the client is taken for photo taking, during which our imaging system captures the client's skin textures and contours for side-by-side image comparison (before and after treatment). Prior to the performance of the procedure, the responsible doctor or trained therapist, as applicable, again explains the proposed procedure to the client, including the purpose, nature, process, possible risks and potential complications, and answers any questions that the client may have relating to the procedure to be performed. Our clients are asked to study and sign a consent form, which, among others, requires the client to acknowledge their understanding of the proposed procedure as explained by the doctors, and the risks involved in the treatment and their consent to undergo such treatment.

Step 2: Performance of treatment

Step 3: Post-treatment follow-up

Subsequent to the performance of treatment, post-treatment photos of our client are taken to enable our doctors to monitor the treatment progress and outcome and skin conditions of our client. In addition, post-treatment care tips may be provided to our client and the client may then arrange check-out and booking of the next appointment, if applicable.

To monitor our client's satisfaction towards the treatment received, we contact the client within several days after the treatment by phone or text message to gather his/her feedback. We maintain a log book on feedback for management review.

OUR PROFESSIONAL TEAM

Our frontline professional team comprises doctors, trained therapists, medical assistants and aesthetic service specialists.

Doctors

As at the Latest Practicable Date, we engaged four Servicing Doctors (three full-time and one part-time) who participate in the provision of medical aesthetic services to our clients. Depending on the availability of doctors possessing sufficient length of relevant experience in medical aesthetic services to meet our service standards, it is our Group's normal practice to recruit new doctor several months in advance to support the opening of a new medical aesthetic centre. And to ensure our newly recruited doctor is well versed with our internal operating protocols and service standards, we generally would allow a period of three to six months for orientation and internal training before such doctor commences

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to serve our clients. In October 2016, to build up the necessary professional manpower reserve for our business expansion, in particular for the opening of our planned medical aesthetic centre in Kowloon in mid-2017, we employed an additional doctor who is currently undergoing our internal training. The table below summarises the details of our doctors:

Doctor	Type of registered practitioner	Relevant qualifications	Years of experience in the medical aesthetic service industry as at the Latest Practicable Date	Year of joining our Group
Doctor A	General practitioner	Degrees of Bachelor of Science (Medicine), Bachelor of Medicine and Bachelor of Surgery, Postgraduate Diploma in Practical Dermatology and Postgraduate Diploma in Clinical Dermatology	9	2009
Doctor B	General practitioner	Bachelor Degree in Medicine, Bachelor Degree in Surgery, Diploma in Dermatological Sciences and Master of Science in Practical Dermatology	10	2009
Doctor C	General practitioner	Bachelor Degree in Medicine, Bachelor Degree in Surgery and Diploma in Practical Dermatology	8	2016 <i>(Note 1)</i>
Doctor D (part-time)	General practitioner	Bachelor Degree in Medicine, Bachelor Degree in Surgery and Postgraduate Diploma in Practical Dermatology	10	2015
Doctor E	General practitioner	Bachelor Degree in Medicine, Bachelor Degree in Surgery	<i>Note 2</i>	2016

Notes:

1. During the Track Record Period, our former full-time doctor, who had been engaged by our Group since March 2014, left on his own accord in June 2016. In the same month, Doctor C joined our Group in place of our former doctor.
2. Prior to joining our Group, Doctor E undertook his internship training and was a resident doctor in public hospitals in Hong Kong from 2005 to 2015. His major areas of practice include anaesthesiology and intensive care unit. He also worked in another medical aesthetic service provider for three months prior to joining our Group in October 2016 and completed an external training on the application of thermage procedure in July 2016. Doctor E is currently enrolled in a postgraduate diploma in practical dermatology and is expected to obtain the qualification in mid-2017. Doctor E is also undergoing our internal training program, which is conducted primarily by our Servicing Doctors and mainly comprises practice on treatment procedures and operations of treatment devices. Doctor E has to pass the final assessment of our Servicing Doctors to ensure proficiency in our service standards before he may take part in serving our clients.

For selection criteria of our doctors, see “Quality Assurance” in this section for details.

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From time to time, our doctors attend industry conferences, seminars and workshops in Hong Kong and overseas as well as seminars organised by our suppliers on topics such as injection procedures and energy-based procedures. During the Track Record Period, some of our doctors also attended local and overseas conferences, seminars and workshops.

For FY2015, FY2016 and 1Q2017, the number of treatments performed by our doctors was 4,604, 5,230 and 1,535, respectively, representing 16.5%, 18.4% and 19.8% of the respective total number treatments performed. During the same periods, revenue from treatment services contributed by our doctors amounted to HK\$24.5 million, HK\$29.8 million and HK\$9.5 million, respectively, representing 38.4%, 40.2% and 43.7% of our respective total revenue from treatment services.

Doctors' liability

Being registered medical practitioners, our doctors are required to adhere to the Hong Kong Medical Code of Professional Conduct as well as remain fit and proper (as considered by the Hong Kong Medical Council) throughout the period of their practice. Each of our doctors has confirmed that he/she has not, since commencing practice as a registered medical practitioner, (a) been subject to any disciplinary actions, investigations or other similar actions by the Hong Kong Medical Council or other professional and regulatory bodies in Hong Kong; or (b) been involved in any actual, pending or threatened litigation or claims against or associated with his/her medical practice. In addition, we have obtained certificates of good standing in respect of our doctors issued by the Hong Kong Medical Council certifying that our doctors have not been found guilty of misconduct in a professional respect by the Hong Kong Medical Council and no disciplinary proceedings against them were in process.

Due to the nature of our business operations, the performance of treatment procedures and/or the intake of medication may carry inherent health risks. As a result, our doctors are inevitably exposed to potential liability arising from complaints, claims and possibly litigation brought against them by clients alleging to have suffered from treatments performed and/or medication prescribed. Since the results of treatments depend on, among others, the client's skin condition, allergies (if any), medical condition and daily skin care treatment and products used, there is no guarantee that our treatments may achieve the client's most desired results, which may be subject to his/her subjective views. Our clients are asked to sign a consent form which, among others, requires them to acknowledge their understanding of the proposed procedure as explained by doctors and the risks involved in the treatment and their consent to undergo such treatment.

There is also a risk that claims of medical negligence and malpractice may be brought against our doctors. As such, as with any other registered medical practitioners, our doctors are exposed to, among others, the following:

- complaints brought against them informally or formally through our medical aesthetic centres in connection with treatment results, treatment errors and/or use of equipment or processes which caused harm to clients;
- complaints or information brought to the Hong Kong Medical Council against them in respect of any case or matter concerning their suitability to practice and/or treatment-related matters;
- investigations brought by the Hong Kong Medical Council following any complaints and/or information supplied by clients;

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- disciplinary orders made by the Hong Kong Medical Council following due inquiry, including an order of removal from the general register;
- litigation and court proceedings relating to allegations of medical malpractice or negligence or unsettled client complaints; and
- reputational damage arising from one or more of the above.

Our doctors, as members of the Medical Protection Society, maintain professional malpractice liability insurance, which includes indemnity, advice and legal representation in relation to claims, investigations and proceedings arising from or in connection with their professional practices. In addition, our doctors have agreed to indemnify us against, among other things, all claims and liabilities in relation to death or injury to any person, to the extent that such death or injury is attributable to the willful or negligent acts, defaults or omissions on their part.

Doctors' non-competition and non-solicitation obligations

All of our contracts with our doctors contain non-competition and non-solicitation clauses so that for a period of one year (for our full-time doctors) or six months (for our part-time doctor) after the expiry or termination of the relevant contract, one shall not, among others, (i) engage in other employment or organise any business activity in competition with our business in certain areas in Hong Kong; (ii) solicit or otherwise attempt to solicit any of our Group's other staff members to leave employment with our Group; (iii) solicit or otherwise attempt to solicit any clients, business associates or referral sources of our Group; or (iv) act for or otherwise attempt to deal with any clients of our Group.

Trained therapists

As at the Latest Practicable Date, we had 14 trained therapists at our medical aesthetic centres. They possessed on average seven years of experience in the medical aesthetic service industry and had on average served our Group for five years as at the Latest Practicable Date. To prepare for the planned opening of a new medical aesthetic centre in Kowloon around mid-2017, we employed two additional trainee therapists who are still undergoing our internal training as at the Latest Practicable Date.

During the Track Record Period, certain selective energy-based procedures and other treatments were performed by our trained therapists, which, under the applicable laws and regulations of Hong Kong, do not require any special qualifications. For FY2015, FY2016 and 1Q2017, the number of treatments performed by our trained therapists was 23,349, 23,144 and 6,201, respectively, representing 83.5%, 81.6% and 80.2% of the respective total number treatments performed. During the same periods, revenue from treatment services contributed by our trained therapists amounted to HK\$39.4 million, HK\$44.3 million and HK\$12.2 million, respectively, representing 61.6%, 59.8% and 56.3% of our respective total revenue from treatment services.

We require our newly recruited therapists to undergo a six-month training programme provided by us prior to performing treatments as agreed by the doctors for our clients.

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Trained therapists' non-competition and non-solicitation obligations

All of our contracts with our trained therapists contain non-competition and non-solicitation clauses so that for a period of one year after the expiry or termination of the relevant contract, one shall not, among others, (i) engage in other employment or organise any business activity in competition with our business in certain areas in Hong Kong; (ii) solicit or otherwise attempt to solicit any clients, business associates or referral sources of our Group; or (iii) act for or otherwise attempt to deal with any clients of our Group.

Medical assistants

As at the Latest Practicable Date, we had six medical assistants who are responsible for assisting our doctors in the provision of non-surgical medical aesthetic services. Under the applicable laws and regulations of Hong Kong, the tasks performed by our medical assistants do not require any special qualifications.

Aesthetic service specialists

As at the Latest Practicable Date, we had seven aesthetic service specialists, who are mainly responsible for initial consultation with clients, sales and promotion as well as providing after-sales follow-up services.

OUR MEDICAL AESTHETIC CENTRES

As at the Latest Practicable Date, we operated two medical aesthetic centres which are located in Causeway Bay and Central. The table below summarises the location, year of commencement of operation, gross floor area and number of treatment rooms of the CWB Centre and Central Centre:

	CWB Centre	Central Centre
Location	Soundwill Plaza, Causeway Bay	Club Lusitano, Central
Year of commencement of operation	2009	2014
GFA	7,156 sq.ft.	3,092 sq.ft.
Number of treatment rooms	16	9

The table below sets out the revenue contribution from our medical aesthetic centres during the Track Record Period:

	Year ended 31 March				Three months ended 30 June	
	2015		2016		2016	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
CWB Centre	59,172	80.0	62,465	74.9	17,235	71.9
Central Centre	14,828	20.0	20,887	25.1	6,725	28.1
Total	<u>74,000</u>	<u>100.0</u>	<u>83,352</u>	<u>100.0</u>	<u>23,960</u>	<u>100.0</u>

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Set out below are some pictures of our medical aesthetic centres:



1. Reception area
2. Common area
3. Treatment room
4. Photo taking room
5. Preparation room
6. Product display corner

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Equipment

We offer a broad range of treatment procedures utilising various treatment devices with prevailing technologies which enable our doctors and trained therapists to provide to each of our clients an all-round treatment solution that is tailored for his/her individual needs. As at the Latest Practicable Date, we had 60 treatment devices for performing various treatment procedures, which are sourced from leading medical device manufacturers, distributors and healthcare companies, all of which are Independent Third Parties.

A majority of our treatment devices are used for energy-based procedures, such as devices for laser, iontophoresis, radiofrequency, ultrasound, microdermabrasion and infrared light. The table below summarises the estimated average useful lives of some of our key treatment devices:

Type of devices	Number of devices	Approximate estimated average age of machine (years)	Approximately estimated remaining lives ^(Note) (years)
Laser	34	8.9	3.8
Radiofrequency and MRF	10	5.9	1.9
Iontophoresis	5	6.0	2.4
Ultrasound	3	7.0	3.8
Microdermabrasion	3	6.0	3.0
Infrared light	1	5.0	1.7
Others	4	5.0	2.0

Note: The actual length that we will use these devices may be different from the estimates due to reasons such as periodic maintenance.

See “Quality Assurance — Procurement — Treatment devices/treatment consumables” in this section for details of our quality assurance and control measures in purchasing treatment devices.

Utilisation rate of our medical aesthetic centres

The table below sets out details of the utilisation of each of our medical aesthetic centres for the periods indicated:

	Year ended 31 March 2015			Year ended 31 March 2016			Three months ended 30 June 2016		
	Service capacity (Note 1)	Actual number of treatments performed	Utilisation rate (Note 2)	Service capacity (Note 1)	Actual number of treatments performed	Utilisation rate (Note 2)	Service capacity (Note 1)	Actual number of treatments performed	Utilisation rate (Note 2)
CWB Centre	30,240	22,412	74.1%	30,240	21,613	71.5%	7,560	5,704	75.4%
Central Centre	17,010	5,541	32.6%	17,010	6,761	39.7%	4,253	2,032	47.8%
Overall	47,250	27,953	59.2%	47,250	28,374	60.1%	11,813	7,736	65.5%

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Notes:

1. The service capacity is calculated for illustrative purpose only. Based on our experience and assuming certain periods of idle time for contingency taking into account factors such as set-up time and rest time of the staff, the service capacity refers to total capacity for provision of non-surgical medical aesthetic treatments, which is calculated based on the product of (i) the number of treatment rooms in the medical aesthetic centre(s) (i.e. 16 in the CWB Centre and 9 in the Central Centre), (ii) the expected maximum number of treatments performed per day when the medical aesthetic centre(s) are open (i.e. 6.3 treatments), (iii) six working days per week and (iv) 50 working weeks per year.
2. Utilisation rate is calculated by dividing actual number of treatments performed by service capacity.

During the Track Record Period, our overall utilisation rate maintained a steady growth. In respect of the CWB Centre, the utilisation rate slightly decreased from 74.1% for FY2015 to 71.5% for FY2016, which was mainly because some client traffic was attracted to the Central Centre. The utilisation rate of the Central Centre was relatively low in FY2015 as it was opened in April 2014. Its utilisation rate grew steadily from 32.6% for FY2015 to 39.7% for FY2016 as we were able to attract new clients.

Expansion plan

To capture the anticipated growth in the medical aesthetic service industry, we aim to leverage on our successful track record in the medical aesthetic service industry and expand our network of medical aesthetic centres in Hong Kong by establishing one new medical aesthetic centre in a prime location in Kowloon. See “Our Business Strategies — Expand our network of medical aesthetic centres in Hong Kong” in this section and “Statement of Business Objectives and Use of Proceeds” in this prospectus for further details.

Our expansion plan has been determined on the basis of, among others, the following factors:

- *Growing market.* During the Track Record Period, we experienced continued growth in the number of treatment sessions conducted, which increased from 27,953 in FY2015 to 28,374 in FY2016, and increased from 7,266 in 1Q2016 to 7,736 in 1Q2017. Although the increases in treatment sessions conducted were not particularly significant in percentage terms, we still recorded double-digit percentage growth in our treatment revenue, given the upward adjustment in our treatment prices in September 2014 and more clients opting for higher priced treatment items. As forecasted by Frost & Sullivan, the total revenue of the medical aesthetic service industry in Hong Kong will grow at a CAGR of 13.9% from 2015 up to 2020. In this regard, we believe the market demand for high quality, reliable non-surgical medical aesthetic services would continue to thrive in Hong Kong to support the opening of our new medical aesthetic centre in Kowloon.
- *Wider location coverage.* There are prime locations in Kowloon where well-established shopping complexes are situated and high spending consumers regularly visit, and we do not operate any medical aesthetic centre in Kowloon at present. We believe that by establishing a new medical aesthetic centre in a prime location in Kowloon would enable us to attract new clients in Kowloon as well as bring more convenience and flexibility to our existing clients to choose where to perform their treatments.

We value client satisfaction towards our services dearly. In order to maximize the available time slots to enable our clients to make treatment appointments, from an operational point of view, we have to start planning new medical aesthetic centre opening before our existing service capacity reaches a

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fairly saturated level. In addition, it takes time to identify a feasible location, which can satisfy our requirements for space, accessibility, and privacy, as well as to complete all necessary works to put the premises in an operative mode. The utilisation rate of our Central Centre, which was opened in April 2014, grew steadily from 32.6% for FY2015 to 39.7% for FY2016, and further increased to 47.8% for 1Q2017, and we believe this trend will continue. Therefore, our Directors consider that the opening of a new medical aesthetic centre in Kowloon in around mid-2017 is desirable in order to capture the anticipated growth in the medical aesthetic service industry.

CUSTOMERS

All of our clients during the Track Record Period were individual retail clients. Since we did not conduct any active marketing or advertising, our clients are mostly introduced to us through client referrals and/or word-of-mouth. The following table sets out the number of active clients, repeat clients and new clients during the periods indicated:

	Year ended 31 March		Three months ended 30 June	
	2015	2016	2015	2016
Repeat clients (<i>Note 1</i>)	2,991	3,334	2,344	2,444
New clients (<i>Note 2</i>)	1,861	1,514	392	396
Active clients (<i>Note 3</i>)	4,852	4,848	2,736	2,840

Notes:

1. Clients who have (i) made at least one purchase of services or products or received at least one treatment session in the relevant financial year/period; and (ii) have previously consulted us or made purchase of services or products in the past.
2. Clients who for the first time have made at least one purchase of services or products in the relevant financial year/period.
3. Clients who have made at least one purchase of services or products, or received at least one treatment session in the relevant financial year/period.

For FY2015, FY2016 and 1Q2017, revenue from our five largest clients was HK\$1.0 million, HK\$1.2 million and HK\$0.6 million, respectively, representing 1.4%, 1.5% and 2.4% of our revenue for the same periods. Our clients may choose to pay after each treatment or purchase prepaid package, and no credit period is granted to them from us. Payment can be settled by cash, EPS or credit cards. Certain credit card companies and commercial banks offer financing options to our clients. All of our five largest clients during the Track Record Period are Independent Third Parties.

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The table below sets out the breakdown of client numbers (by gender):

Gender	Year ended 31 March				Three months ended 30 June	
	2015		2016		2016	
	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>
Female	4,564	94.1	4,584	94.6	2,693	94.8
Male	<u>288</u>	<u>5.9</u>	<u>264</u>	<u>5.4</u>	<u>147</u>	<u>5.2</u>
Total	<u><u>4,852</u></u>	<u><u>100.0</u></u>	<u><u>4,848</u></u>	<u><u>100.0</u></u>	<u><u>2,840</u></u>	<u><u>100.0</u></u>

PREPAID PACKAGES

Depending on the needs of our clients and the diagnosis of our doctors based on their clinical experience, one-off treatment, multiple treatment sessions of a single treatment or multiple treatment courses may be recommended to our clients to achieve desired results. Our clients may choose to pay after each treatment or purchase prepaid package in respect of multiple treatment sessions and courses. The major characteristics of prepaid package include:

- generally, a discount of 10% to 25%, depending on the number of treatment sessions, is offered;
- the price of our prepaid packages ranges from HK\$500 to HK\$120,000, which is set based on the type and number of treatment sessions in each prepaid package;
- the number of treatment sessions in each prepaid package is designed based on recommendations from our doctors, and ranges from one to ten treatment sessions per each prepaid package;
- the validity period is three to 18 months from date of purchase;
- generally, the prepaid packages cannot be used for other treatment sessions not specified in the relevant formal contract; and
- subject to our approval and on a case-by-case basis, such as in the event that our doctor determine any abnormality to the client's skin condition after treatment, we may offer transfer of treatment to our client.

For FY2015, FY2016 and 1Q2017, the number of active clients receiving treatment services via prepaid packages were 3,471, 3,453 and 2,232, respectively, representing 71.5%, 71.2% and 78.6% of our active clients for the corresponding year/period.

Expiry, extension and refund

During the Track Record Period, some clients did not use the prepaid packages fully prior to expiration. We believe that this may be because such clients considered that they have already obtained the desired results or certain other personal reasons, such as a busy schedule. See “Financial Information — Description of components of combined statements of profit or loss and other comprehensive Income — Revenue — (v) Forfeited revenue from expired packages/cash coupons” in this prospectus for further details of the accounting treatment of revenue recognised from unutilised prepaid packages.

Generally, it is our policy that the prepaid packages cannot be extended. However, subject to our absolute discretion, and the approval of our centre manager on a case-by-case basis, and taking into account factors such as the specific client’s spending history and individual reasons, upon their request, we may allow clients to extend the validity period of the prepaid packages for an appropriate period. Examples of valid reasons include changes of skin/health condition of a client such as pregnancy or that the client will need to be away from Hong Kong temporarily.

Our medical aesthetic services are subject to a certain degree of health risks. Allergic reaction, undesirable or unexpected outcome, injury or death may occur as a result of undergoing medical aesthetic treatments. Where a client has experienced side-effects or developed skin problems after a particular treatment, subject to verification by our doctor, and the final approval of our director of sales and operation on a case-by-case basis, we may offer to transfer the unutilised balance of the prepaid package for another type of treatment or subject to the final approval of our chief executive officer, refund may be offered to our client.

Our Directors are of the view, and the Sole Sponsor concurs, that our Group has adequate capacity to provide the treatment services sold by way of prepaid packages based on the following factors:

- we have maintained sufficient service capacity at our medical aesthetic centres for performance of our treatment services. Specially, the overall utilisation rate of our treatment rooms was 59.2%, 60.1% and 65.5% for FY2015, FY2016 and 1Q2017, respectively. Our service capacity is expected to increase further upon completion of our expansion plan by establishing one new medical aesthetic centre in Kowloon in mid 2017 as detailed in “Statement of Business Objectives and Use of Proceeds” in this prospectus;
- during the Track Record Period and up to the Latest Practicable Date, our Group did not face any difficulty in attracting or retaining experienced personnel to provide treatment services to our clients, or in renewing our lease agreements in respect of our CWB Centre and Central Centre; and
- upon receipt of payment for prepaid cash coupons and prepaid packages from our clients, which are recorded as our deferred revenue, we have retained the relevant cash receipts as bank deposits to ascertain that sufficient funding is available from time to time for our delivery of services within the validity period of the prepaid package, and for our capital expenditure and working capital purposes.

Internal control measures to monitor and prevent excessive sales of prepaid packages

We have implemented a series of internal control measures to help prevent our staff from engaging in excessive sales of prepaid packages to our clients, including the followings:

- we have stated in our employee handbook and have communicated with all of our front-line staff that unfair trade practices (such as using harassment, coercion, or undue influence to impair clients' freedom of choice) are unlawful and are strictly prohibited in our Group;
- our prepaid packages are designed based on our experience and our doctors' assessment, such that the number of treatment sessions in each prepaid package commensurate with and can be reasonably utilised by our clients within the length of validity period;
- we have clear division of labour in our frontline operations, where sales of treatment services and prepaid packages can only be handled and concluded by our aesthetic service specialists, who may only sell prepaid packages specified in the Treatment List in our invoicing system with reference to our doctor's assessment and advice after face-to-face consultation;
- terms and conditions in respect of prepaid packages/cash coupons, such as the validity period and our policy on expired prepaid packages, are clearly set out in our sales memorandum and explained to our clients;
- our director of sales and operation monitors (i) the prepaid packages/cash coupons sales pattern by reviewing the sales report on a daily basis to identify any potential excessive sale by our aesthetic service specialists; and (ii) the status of utilisation of prepaid packages/cash coupons on a monthly basis for arranging treatment appointments for clients by our aesthetic service specialists;
- in order to avoid providing undue incentive to excessive selling of prepaid packages, we offer to our aesthetic service specialists remuneration scheme comprising basic salary, commissions and discretionary bonus which is based on a number of performance benchmarks, among which the commission is calculated at a fixed commission rate which applies uniformly across the sales of one-off treatment, prepaid packages and skin care products; and
- we have established procedures for recording and handling feedback and complaints to ensure timely and proper response is provided to our clients. See "Client feedback and complaint handling" in this section for details.

Based on the review of the implementation of the internal control measures set out above, as well as the fact that (a) the amount of forfeited revenue from expired prepaid packages/cash coupons remained at a low level and only accounted for 3.6%, 2.4% and 2.0% of our total revenue for FY2015, FY2016 and 1Q2017, respectively; and (b) during the Track Record Period and up to the Latest Practicable Date, our Group did not receive any unfavourable feedback or complaint related to our selling practice or expired prepaid packages, the Sole Sponsor is of the view that our Group has taken reasonable steps to formulate the necessary internal control measures to monitor and prevent excessive sales of prepaid packages.

SALES AND MARKETING

Our clients are mostly introduced to us through client referrals and/or word-of-mouth. During the Track Record Period, in promoting our medical aesthetic centres, we deployed certain means including search engine optimisation, instant messaging and maintaining our website at www.cosmax.com.hk. We also regularly publish the CosMagazine to maintain a close dialogue between our doctors and our clients on the improvement of skin conditions and/or the improvement of appearance.

As part of our client retention efforts, we launch the sale of prepaid cash coupons to clients normally from January to April of each year. We offer a discount of 20% of the face value of the prepaid cash coupons to our clients while the prepaid cash coupons can be redeemed for services equivalent to the face value of the prepaid cash coupons. In addition, the prepaid cash coupons can be redeemed for more than one type of services at client's choice with a validity period of 12 months from date of purchase. Receipts from prepaid cash coupons are recorded as deferred revenue in the combined statements of financial position at the point of sales. As at 31 March 2015, 31 March 2016 and 30 June 2016, the balance of deferred revenue attributable to prepaid cash coupons amounted to HK\$7.3 million, HK\$5.8 million and HK\$3.6 million, respectively.

OUR SUPPLIERS, PROCUREMENT AND INVENTORY MANAGEMENT

Major purchases and suppliers

Our major purchases of inventories and consumables are purchases of treatment consumables, skin care products and medications. Our cost of inventories and consumables amounted to HK\$7.5 million, HK\$8.1 million and HK\$2.5 million for FY2015, FY2016 and 1Q2017, respectively. Our treatment consumables include some of the prevailing treatment medications and injectables which are produced and marketed by international pharmaceutical companies, such as BOTOX®, Restylane®, JUVÉDERM®, Dysport® and TEOSYAL®, whereas all of the skin care products offered by us, including our private-label products, were supplied by distributors and trading companies and their countries of origin include the United States, Italy and France.

During the Track Record Period, we procured the supplies of medications from distributors and trading companies, who are usually engaged by pharmaceutical companies to market and arrange delivery of products. We directly settled payment with these distributors and trading companies. We consider that such arrangements are common among pharmaceutical companies.

We do not enter into long-term supply agreements for the purchase of treatment consumables, skin care products and medications. We have established on average five years of business relationship with our five largest suppliers during the Track Record Period. The average credit period on purchase of goods is 30 days. Settlements with suppliers are mainly in Hong Kong dollars by way of payment of cheques for purchases in Hong Kong or by way of wire transfer. During the Track Record Period, we have not experienced any material shortage or delay in the supply of inventories and consumables.

For FY2015, FY2016 and 1Q2017, the aggregate purchases from our five largest suppliers amounted to HK\$4.6 million, HK\$5.4 million and HK\$1.9 million, respectively, representing 59.9%, 63.8% and 74.9% of our respective total purchases. During the same periods, the purchases from our largest supplier amounted to HK\$1.8 million, HK\$2.2 million and HK\$0.6 million, respectively,

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accounting for 23.7%, 25.3% and 23.5% of our total purchases, respectively. None of our Directors, their associates or any Shareholder (which to the knowledge of our Directors owns more than 5% of our share capital) had any interest in any of our five largest suppliers during the Track Record Period.

For the sensitivity analysis in relation to changes in material costs, see “Financial Information — Description of components of combined statements of profit or loss and other comprehensive income — Cost of inventories and consumables” in this prospectus for details.

Procurement

Our marketing and business development department is primarily responsible for keeping abreast of the latest technologies and conducting market research on the latest and prevailing treatment technologies and skin care products. Upon identifying new and suitable treatment devices or skin care products, our marketing and business development department recommends the same to our doctors and senior management as well as prepares feasibility studies containing details of such technologies or skin care products and market price for the consideration of our doctors and senior management. From time to time, we are also approached by suppliers of treatment devices and skin care products and are given samples for trial. The approval of our chief executive officer and doctors must be obtained before we procure a new treatment device or product. The procurement process is then handled by our administration department. Designated treatment consumables are procured in accordance with the relevant treatment devices.

During the Track Record Period, we did not encounter any quality issue on our purchases or receive any defective products that would have had material impact on our business, financial condition or results of operations.

Inventory management

The inventory at our medical aesthetic centres mainly comprises treatment consumables, skin care products and medications, which amounted to HK\$1.3 million, HK\$1.7 million and HK\$1.7 million as at 31 March 2015 and 2016 and 30 June 2016, respectively.

We carry out overall inventory management through our integrated IT infrastructure, which records, among others, the stock level of our inventory and past purchase records, to facilitate decisions on minimising storage costs and risk of obsolete inventory.

Our administration and operations department regularly monitors the level of our treatment consumables, skin care products and medications and ensures sufficient stock level for approximately two months. We also have policies and procedures in place for the safety storage of our inventories. A stock take on inventories is carried out on a monthly basis.

SETTLEMENT AND CASH MANAGEMENT

Cash receipts at our medical aesthetic centres generally arise from income from the sale of treatment packages, prepaid cash coupons, skin care products and medications, and provision of consultation service. Clients normally pay by cash, EPS or credit cards.

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We have implemented a check and balance system to ensure that our sales receipts are accurately received and recorded. Our staff are expected to check our daily sales records in our IT infrastructure against all credit card slips and EPS slips generated from credit card machines and EPS terminals and actual cash receipts, and rectify any discrepancies noted, on a daily basis. Actual cash receipts will be arranged to be deposited to the bank on the next business day. The above documents will be sent back to the accounts department for further verification against the sales report generated from our IT infrastructure. Upon receiving bank statements, monthly bank reconciliation will be conducted to ensure the accuracy of proceeds received. Any reconciliation reports will be reviewed and approved by the head of our accounts department of our Group.

During the Track Record Period, we did not encounter any issues in connection with our sales receipt control and management policy which would have had material impact on our business, financial condition or results of operations.

QUALITY ASSURANCE

Providing quality non-surgical medical aesthetic services is one of our management priorities. To this end, we have adopted comprehensive and stringent quality assurance and control measures throughout our business processes that covers, among others, the following aspects:

Recruitment of professional staff

In selecting new doctors and therapists to join us, we assess, among others, their academic and professional qualifications, years of relevant experience as well as their character and integrity. In respect of doctors, we generally prefer to engage doctors with at least five years of practising experience in the medical aesthetic service industry prior to joining our Group, whereas for therapists, we generally prefer candidates who have obtained relevant beauty service qualifications or with at least two years of relevant experience in the medical aesthetic service industry.

Performance of consultation and treatments

The carrying out of consultation services that involve the practice of medicine, medical diagnosis, prescription of pharmaceutical products and medicines (each as defined under the Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong)) and certain types of treatments (such as injection of botulinum toxin type A and dermal fillers) constitute the practice of medicine and therefore must be carried out by registered medical practitioners pursuant to the Medical Registration Ordinance (Chapter 151 of the Laws of Hong Kong). Our doctors carry out consultation services and such certain treatment procedures which are specified under the relevant laws and regulations as well as selective treatment procedures perceived by our doctors as being high risk, whereas our trained therapists perform other selective treatment procedures as directed by our doctors. Based on our doctors' professional experience and judgment on the risk of severe complication, selective energy-based procedures are performed by doctors only if there is potential risk of irreversible organ or tissue damage including nerve injury, muscle burn, fat necrosis or skin necrosis.

Training

From time to time, our doctors attend industry conferences, seminars and workshops in Hong Kong and overseas as well as seminars organised by our suppliers on topics such as injection procedures and energy-based procedures.

We require our newly recruited therapists to undergo a six-month training programme provided by us prior to performing treatments as agreed by the doctors for our clients. During the six-month training period, theoretical and practical trainings are conducted by our training manager who has over 10 years of experience in the medical aesthetic service industry and has been our training manager since 2009. Our therapists must pass the final assessment by our doctors. With an aim to improve efficiency of our training process, we established our training centre, CosMax Academy, in April 2015 to provide centralised trainings to our therapists.

Our training course comprises three phases of training with increasing level of complexity, covering topics such as face cleansing, use of anaesthetic drugs for laser treatment, theoretical lessons on laser and other treatments, model role play and practice on laser machine operation. For each phase, our therapists must pass the knowledge-based written exams and the final practical hands-on assessment by our doctors before they can perform procedures covered in such phase on our clients. Upon completion of all phases of training, our trained therapists can obtain our internally issued certifications.

Our trained therapists undergo ongoing assessment by our doctors, and attend internal refresher training courses and trainings provided by medical device suppliers to keep abreast of the latest technology as well as to keep up with their service standards. Our doctors and trained therapists also attend periodic departmental meetings to share their experience in dealing with clients, discuss clients' feedback and exchange ideas on treatments and products.

In recognition of our achievement in manpower training and development and in fostering an organisational culture conducive to life-long learning, we were awarded the status of "Manpower Developer" under the "ERB Manpower Developer Award Scheme 2015-16" for two years from April 2016 to March 2018 by the Employees Retraining Board in 2016.

Procurement

Treatment devices/treatment consumables

We place great emphasis on ensuring that treatment devices to be introduced for use in our medical aesthetic centres are reliable and capable of delivering desired results for our clients. To this end, we have established policies and procedures to evaluate and assess treatment devices. Our marketing and business development department is primarily responsible for keeping abreast of the latest technologies and conducting market research on the latest and prevailing treatment technologies and skin care products. Periodic meetings are held among our management, doctors and marketing and business development department to discuss the latest technologies and skin care products, during which our marketing and business development department may recommend the types of treatment devices to procure. From time to time, suppliers of treatment devices visit us and demonstrate their treatment devices to us, which may also provide us with a trial period during which we can evaluate and assess the use and effectiveness of the treatment devices.

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When deciding whether to procure a new treatment device, we take into account factors such as (i) whether it is approved by national government agencies such as the FDA and/or whether such devices bear CE mark(s); (ii) whether there are similar devices on the market; (iii) whether it is complimentary to our existing treatment offerings; and (iv) our internal test results. The approval of our chief executive officer and doctors must be obtained before we procure a new treatment device.

For treatment consumables, including medications and injectables, we generally source from the relevant pharmaceutical companies, their authorised distributors, and/or other reputable suppliers in Hong Kong to ensure their authenticity and quality. Meanwhile, some treatment devices are required to complement with specific consumables (such as the replaceable tips and heads) to ensure the intended results, which are only available from the same supplier of the relevant treatment devices.

Skin care products

The skin care products offered by us are supplied by distributors and manufacturers, all of which are Independent Third Parties. The countries of origin of our skin care products include the United States, Italy and France. We select and source skin care products carefully based on factors such as the suppliers' background, credentials and reputation, product quality and cost. The approval of our chief executive officer and doctors must be obtained before we take in any new product for sale.

Internal control procedures to ensure the quality of our private-label skin care products and treatment consumables

In addition to our procurement procedures discussed above, we also implement the following quality control procedures for our private-label skin care products and treatment consumables:

- before placing order for a new type of skin care product, our doctors may review the ingredient list to ensure its contents and composition are safe for users and we may request two to three rounds of product samples for our inspection and testing to ensure its quality consistency. We may also perform short term trial of the skin care product among our staff to test its quality;
- we generally place small order sizes of our private-label skin care products and treatment consumables to avoid excess inventory and ensure the quality preservation;
- before accepting the product delivery, our sales and operations staff would perform sample check on the packaging to ensure that it is not physically damaged;
- for private-label skin care products, our sales and operations staff would inspect whether the private labels applied to containers are clear, unambiguous and in our agreed format and product specification;
- proper recording of the delivery date or manufacturing date of products, and periodic monitoring of stock level on our inventory management system are performed to ensure inventories have not expired and are safe for consumption; and
- all private-label skin care products and treatment consumables are stored at our premises according to the recommended storage conditions.

Standard operation procedures and clear division of labour

We implemented standard operation procedures at our medical aesthetic centres and a clear division of labour to improve operational and administrative efficiency and enhance the quality of our services. Our frontline staff mainly comprise (i) doctors and medical assistants; (ii) trained therapists; and (iii) aesthetic service specialists. Our doctors (assisted by medical assistants) and trained therapists are mainly responsible for performing treatments while our aesthetic service specialists are mainly responsible for sales and promotion. To monitor our client's satisfaction towards the treatment received, we contact the client within several days after the treatment by phone or text message to gather his/her feedback. We maintain a log book on feedback for management review. Such internal structure and well-defined responsibilities are established for the purpose of segregating the powers of operations, sales and client service to achieve effective check and balance.

Operational safety guidelines and manuals

We have implemented operational safety guidelines and manuals for performing treatment procedures and the use of treatment devices covering aspects including obtaining client consent, equipment requirements (such as safety goggles), explaining the sensation that the client may feel upon application of treatment devices on the skin, pre- and post-procedure examination of the client and emergency response protocols.

CLIENT FEEDBACK AND COMPLAINT HANDLING

We consider client feedback a valuable tool for improving our service. We take client feedback seriously and have in place procedures to ensure that feedback and complaints from clients get handled in a timely and appropriate manner. We have a number of channels for soliciting and receiving client feedback, such as comment collection surveys that we encourage clients to fill out, online survey at our website and post-treatment follow-up calls and text messages.

Upon receipt of unfavourable feedback through our various client feedback channels, our aesthetic service specialist who was responsible for serving such client will be responsible for handling the feedback and arrange follow-up consultation with doctor if necessary. Generally, after client's concerns have been addressed by our appointed aesthetic service specialist, the relevant customer service supervisor, medical aesthetic centre supervisor or manager will investigate the case and report the initial investigation findings to our director of sales and operation, who is responsible for creating and keeping the complaint log. Unfavourable feedback will be discussed during regular management meeting for discussing measures to avoid the same unfavourable feedback from happening. On a case-by-case basis, refund may be offered to the client subject to the final approval of our chief executive officer whereas treatment transfer may be offered the client subject to the final approval of our director of sales and operation or chief operations officer.

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For FY2015, FY2016, 1Q2017 and from 1 July 2016 to the Latest Practicable Date, 12, 14, two and nine unfavourable feedbacks were lodged at our client feedback register and feedback log sheet, respectively, representing 0.04%, 0.05%, 0.03% and 0.04% of the total number of treatments performed at our medical aesthetic centres. As at the Latest Practicable Date, save for five unfavourable feedbacks which were being handled and followed up, all of the unfavourable client feedbacks listed above had been properly addressed and satisfactorily resolved. The amount of refund to clients in resolving these unfavourable feedbacks were HK\$165,600, HK\$220,600, HK\$10,900 and HK\$14,300 for FY2015, FY2016, 1Q2017 and from 1 July 2016 to the Latest Practicable Date, respectively. The table below sets out a summary of the number and nature of unfavourable feedbacks we received for the periods indicated:

Nature of unfavourable feedbacks from clients	Year ended 31 March		Three months ended 30 June 2016	1 July 2016 to the Latest Practicable Date
	2015	2016	2016	Date
Result of treatment not up to expectation	9	9	2	4
Unsatisfactory staff services/ miscommunication	3	5	—	5
Total	12	14	2	9

Among the total amount of refund to clients during the Track Record Period, we refunded an aggregate of HK\$26,200 to our clients as a result of unfavourable feedbacks which had been lodged in the form of a complaint with the Hong Kong Consumer Council. The following table sets out the details of such unfavourable feedbacks:

Lodge date of unfavourable feedback	Nature of unfavourable feedbacks	Refund amount (HK\$)
29 March 2014	Result of our treatment not up to expectation	HK\$16,200
28 March 2015	Result of our treatment not up to expectation	HK\$10,000

Our Directors confirm that, save as disclosed above, there was no other unfavourable feedback which had been lodged in the form of a complaint with the Hong Kong Consumer Council or the Hong Kong Medical Council during the Track Record Period. Our Directors also confirm that save for the refund as disclosed above, we did not incur further expenses in resolving the unfavourable feedbacks from clients during the Track Record Period and up to the Latest Practicable Date.

Our Directors further confirm that during the Track Record Period, we did not receive any complaint or unfavourable feedback which had a material impact on our business and operation.

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INFORMATION TECHNOLOGY

Our IT infrastructure is built upon the point of sale (POS) system purchased from a third party vendor, with whom we worked closely to develop additional modules and customise certain applications to suit our business operations. During the Track Record Period, our IT system, has enabled us to enhance the productivity and efficiency of our operations through the following functions:

System Module	Features	Key functions
POS system	Our POS system records and stores all sales data related to treatments, prescription, medication, prepaid packages/cash coupons and skin care products. The system also records the status of utilisation of the prepaid packages/cash coupons sold	<ul style="list-style-type: none"> — Generating sales report which allows our sales and marketing team to perform various analysis, such as client spending patterns and the popularity of our treatments — Providing printed labels for the prescribed medication for use by the dispensing unit and automatically updating our inventory records on medication — Monitoring the status of utilisation of prepaid packages/ cash coupons for arranging treatment appointments for clients by our aesthetic service specialists — Providing snapshots for our management to monitor the sales performance of our staff
Appointment module	Our appointment module provides a centralised register for our aesthetic service specialists and customer service officers to initiate, amend and cancel treatment bookings	<ul style="list-style-type: none"> — Allowing our front-line staff to access real-time booking data to manage bookings and respond to clients' enquiries in a timely manner — Enabling management to monitor and understand the utilisation rate and available capacity of our medical aesthetic centres

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System Module	Features	Key functions
Inventory management module	Our inventory management module records the type and amount of inventories we maintain	— This system is linked to our POS system and appointment module. When a treatment is performed, the relevant amount of treatment consumables used is deducted automatically from the inventory record, which enables us to monitor inventory level in a timely manner

In order to meet the increasing demand of our services, we intend to enhance and upgrade our IT system by:

- Developing the human resources management system to manage our roster and booking schedule and improve the efficiency for payroll calculation;
- Developing the customer relationship management system, which includes a web portal for clients to gain access to information in relation to their purchased packages and schedule treatment bookings. The system also allows more sophisticated client data analysis;
- Setting up the interface between our accounting system and our POS system, which improves the efficiency for our financial reporting function;
- Developing a doctor module to digitise and centralise medical records for online retrieval by doctors, and support graphical illustration;
- Developing a diagnosis module with a photo relational database management system (RDBMS) for comparison of clients' photos taken before and after treatments;
- Enhancing our inventory management module by introducing new functions, such as re-stock alert and close-to-expiry alert; and
- Enhancing our POS system by strengthening the functions related to sales refund, package transfer and sales authentication.

RESEARCH AND DEVELOPMENT

We do not engage in any proprietary medical aesthetic research and development. In order to keep ourselves abreast of the latest industry and market trends as well as technological developments, our marketing and business development department and our doctors attend and participate in industry exhibitions, events, seminars and conferences in Hong Kong and overseas from time to time.

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EMPLOYEES

As at the Latest Practicable Date, we had 78 employees in Hong Kong. The following tables shows a breakdown of our employees by function:

Function	Number of employees
Management	2
Doctors	4 ^(Note)
Medical assistants	6
Training manager, trained therapists and trainee therapists	19
Sales and operations	24
Marketing and business development	4
Human resources, administration and IT	11
Accounts	8
Total	78

Note: Excluding our Servicing Doctor who works on a part-time basis.

For FY2015, FY2016 and 1Q2017, our total staff cost was HK\$28.7 million, HK\$29.4 million and HK\$7.8 million, respectively, representing 38.8%, 35.3% and 32.4% of our total revenue, respectively.

We generally recruit our employees and staff through the posting of job advertisements on recruitment websites. In particular, our doctors are recruited through internal referrals or the posting of job advertisements in the HKMA News issued by the Hong Kong Medical Association. The remuneration package of our employees includes basic salary, commission and discretionary performance bonus. In order to incentivise our staff for their contribution to improve our business performance, we have formulated an incentive scheme for certain front-line employees with their commission linked to the amount of sales of our services and products. We offer a fixed commission rate which applies uniformly across all services and products we offer, including the sales of one-off treatment, prepaid packages and skin care products.

We have not established a labour union. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material dispute with our employees or disruption to our operations due to labour dispute and we had not experienced any difficulty in the recruitment and retention of employees.

MARKET AND COMPETITION

According to the Frost & Sullivan Report, the competition among the non-surgical medical aesthetic service providers in Hong Kong is fierce. There are over 300 medical aesthetic centres providing non-surgical medical aesthetic services in Hong Kong and the market is relatively fragmented. Due to the regulatory restrictions on advertising or promotion of services by doctors, we believe the success of service providers in the industry depends on their reputation, track record and word-of-mouth passed on by satisfied clients.

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Our Group is among the 12 providers of non-surgical medical aesthetic services in Hong Kong with revenue in 2015 between HK\$50 million and HK\$100 million, with a market share of approximately 2.7% in terms of revenue, as indicated by the Frost & Sullivan Report. We believe that the key factors contributing to our success and competitiveness include our professional services, capability of offering superior client experience, competent management team and broad range of treatment procedures, which results in the consistently high percentage of repeat clients and the above industry-average new client referral rate achieved by us during the Track Record Period.

PROPERTIES

As at the Latest Practicable Date, we leased five properties in Hong Kong, which were used as our medical aesthetic centres, office premises and training centre. The following table sets forth certain details of our leased properties as at the Latest Practicable Date:

No.	Location	Usage	Duration of subsisting lease agreement
1.	Soundwill Plaza, No. 38, Russell Street, Causeway Bay	Medical aesthetic centre	2 October 2015 to 1 October 2018
2.	Club Lusitano, No. 16 Ice House Street, Central	Medical aesthetic centre	1 March 2014 to 28 February 2017 (<i>Note</i>)
3.	Leighton Centre, No. 77 Leighton Road, Causeway Bay	Two office premises (our headquarters)	(i) 21 December 2014 to 20 December 2017 (ii) 21 October 2016 to 20 December 2017
4.	Qualipak Tower, No. 122 Connaught Road West, Sheung Wan	Training centre	8 April 2015 to 7 April 2017

Note: The relevant landlord had indicated its willingness to renew the relevant tenancy. As at the Latest Practicable Date, the negotiation was still in progress, which was subject to market conditions.

For FY2015, FY2016 and 1Q2017, our property rental and related expenses amounted to HK\$8.8 million, HK\$9.4 million and HK\$2.4 million, respectively, representing 11.9%, 11.3% and 10.0% of our revenue, respectively. During the Track Record Period, we did not experience any material difficulties in renewing our lease agreements or finding new premises of our business operations.

As at 30 June 2016, no single property interest forming part of our non-property activities had a carrying amount of 15% or more of our total assets. Accordingly, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule thereto, which require a valuation report with respect to all of our interests in land or buildings, pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

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INTELLECTUAL PROPERTY

We operate our business under the brand name “CosMax”, which we believe embodies our established reputation for quality services and products. As at the Latest Practicable Date, our Group had registered seven trademarks, which are material to our business, in Hong Kong. Our other intellectual property rights include our copyrights with respect to the CosMagazine published by us as well as our domain names. See “Statutory and General Information — B. Further Information about the Business of our Company — 2. Intellectual property rights of our Group” in Appendix IV to this prospectus for details of our material intellectual property rights.

During the Track Record Period, we were not aware of any infringement of our intellectual property rights. We believe that we have taken all reasonable measures to protect our intellectual property rights and deter any such infringement.

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

We believe that the health and safety of our employees are important to our business and have implemented certain procedures and guidelines in respect of the operation of treatment devices and the disposal of medical waste.

We maintain records of all workplace accidents. During the Track Record Period, none of our employees was involved in any material workplace accident or suffered any material injury in the course of his/her employment, and we were not subject to any disciplinary action with respect to occupational safety.

Our Directors are of the view that the annual cost of compliance with applicable environmental laws and regulations was not material during the Track Record Period and the cost of such compliance is not expected to be material going forward.

INSURANCE

We maintain insurance coverage for our assets, product liability, public liability, money in premises, employees’ compensation, medical insurance for our employees as well as institutional professional indemnity insurance in respect of the provision of medical aesthetic services. In addition, our registered medical practitioners, as members of the Medical Protection Society, maintain professional malpractice liability insurance, which includes indemnity, advice and legal representation in relation to claims, investigations and proceedings arising from or in connection with their professional practices. However, there is no assurance that such insurance coverage will adequately protect us from the risks involved in our business operations. See “Risk Factors — Risks Relating to our Business — Our insurance coverage may not be sufficient to cover all risks involved in our business operations” and “Risk Factors — Risks Relating to our Business — Our registered medical practitioners and other staff members may be subject to investigations, claims or legal proceedings relating to professional misconduct or negligence, which may subject us to substantial liabilities and harm our reputation” in this prospectus for further details.

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For FY2015, FY2016 and 1Q2017, our total insurance cost amounted to HK\$0.4 million, HK\$0.4 million and HK\$0.1 million, respectively. Our Directors believe that our insurance coverage is sufficient, adequate and in line with the industry norm. We will continue to review and assess our risk portfolio and make necessary and appropriate adjustments to our insurance coverage.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, no material insurance claim had been filed by our Group.

LEGAL COMPLIANCE AND PROCEEDINGS

Licences

Our Group has obtained two Industrial, Scientific and Medical Electronic Machine Licences in respect of certain treatment devices. As at the Latest Practicable Date, such licences remained valid and were in full force and effect.

As at the Latest Practicable Date, all of our registered medical practitioners had obtained the necessary qualifications required of them for their medical practice.

Legal compliance

Our Directors confirmed that (i) we had not been involved in any incidents of material non-compliance with the applicable laws and regulations in Hong Kong and (ii) none of the members of our Group had been subject to any proceedings brought under, or received any written complaints or warnings in relation to, any of the laws or regulations applicable to our Group's business as summarised in "Regulatory Overview" in this prospectus during the Track Record Period and up to the Latest Practicable Date.

Each of our doctors has confirmed that during the Track Record Period and up to the Latest Practicable Date, he/she has (a) complied with the Hong Kong Medical Code of Professional Conduct; and (b) not been involved in any actual, pending or threatened litigation or claims against or associated with his/her medical practice. See "Regulatory Overview — Laws and Regulations — Regulations on medical practitioners and medical facilities — Hong Kong Medical Code of Professional Conduct" in this prospectus for details of the Hong Kong Medical Code of Professional Conduct.

Legal proceedings

To the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, none of the members of our Group was engaged in any litigation, arbitration or claim of material importance, and our Directors were not aware of any pending or threatened litigation, arbitration or claim of material importance against our Group which, in the opinion of our Directors, would have a material adverse effect on our financial condition or results of operations.

INTERNAL CONTROL AND RISK MANAGEMENT

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. In accordance with the applicable laws and regulations, we have established an internal control system, covering areas such as corporate governance, risk management, operations, management, legal matters, finance and audit. We believe that our internal control system is sufficient in terms of comprehensiveness, practicability and effectiveness.

In preparation for the Listing, we engaged an internal control consultant to conduct an evaluation of our internal control system and have implemented certain suggestions and recommendations proposed by the internal control consultant to improve and enhance our internal control system. To strengthen our internal control and ensure future compliance with the applicable laws and regulations (including the GEM Listing Rules) after the Listing, we have adopted the following additional internal control measures:

- (1) our Board will continuously monitor, evaluate and review our internal control system to ensure compliance with the applicable legal and regulatory requirements and will adjust, refine and enhance our internal control system as appropriate;
- (2) Ms. Au Kar Po Marian, our chief operations officer, will be responsible for overseeing our internal control system in general and will act as the chief coordinator of matters relating to legal, regulatory and financial reporting compliance. Upon receipt of any query or report relating to legal, regulatory and financial reporting compliance, Ms. Au Kar Po Marian will look into the matter and, if considered necessary or appropriate, seek advice, guidance or recommendation from professional advisers and report to our Board. For further information about the qualifications and experience of Ms. Au Kar Po Marian, see “Directors and Senior Management — Senior Management” in this prospectus;
- (3) we will appoint Shenwan Hongyuan Capital (H.K.) Limited as our compliance adviser upon Listing to advise our Group on matters relating to compliance with the GEM Listing Rules;
- (4) if necessary, we may consider arranging our Directors, members of senior management and relevant employees to attend trainings on the legal and regulatory requirements applicable to our business operations from time to time; and
- (5) if necessary, we may consider appointing external Hong Kong legal advisers to advise us on matters relating to compliance with the GEM Listing Rules and the applicable Hong Kong laws and regulations.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board of Directors consists of two executive Directors and three independent non-executive Directors. Our Board is responsible for and has general powers for the management and conduct of the business of our Group. The table below sets forth certain information in respect of the members of our Board of Directors of our Company.

Members of our Board

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and Responsibilities	Relationship with other Directors and senior management
Executive Directors						
Ms. LAI Ka Yee Gigi (黎珈而)	45	July 2009	6 July 2016	Executive Director, chairlady of the Board, and chief executive officer	Overall management, branding and strategic planning, marketing and development of our Group	Sister-in-law of Mr. Barry Ma
Mr. MA Ting Wai Barry (馬庭偉)	51	June 2011	25 July 2016	Executive Director, IT and business development director	Overseeing the development and maintenance of our Group's IT systems, business expansion and strategic planning	Brother-in-law of Mrs. Gigi Ma
Independent non-executive Directors						
Mr. CHENG Fu Kwok David (鄭輔國)	68	19 December 2016	19 December 2016	Independent non-executive Director	Providing independent judgment on our strategy, performance, resources and standard of conduct	Nil
Mr. CHENG Yuk Wo (鄭毓和)	56	19 December 2016	19 December 2016	Independent non-executive Director	Providing independent judgment on our strategy, performance, resources and standard of conduct	Nil
Mr. LI Wai Kwan (李偉君)	44	19 December 2016	19 December 2016	Independent non-executive Director	Providing independent judgment on our strategy, performance, resources and standard of conduct	Nil

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Ms. LAI Ka Yee Gigi (黎珈而) (with former name Lai Chi, Gigi (黎姿)), aged 45, is an executive Director, chairlady of our Board and our chief executive officer. She is also the chairlady of the nomination committee and a member of the remuneration committee. She is responsible for the overall management, branding and strategic planning, marketing and development of our Group. Mrs. Gigi Ma joined our Group in July 2009 and was appointed as a Director on 6 July 2016, re-designated as an executive Director and appointed as chairlady of the Board and our chief executive officer on 19 December 2016. She is also a director of Coresmax, Ocean Grand, CMM (Central), Cos Max Limited, G Max, CMM, Cos Max Academy Limited, CM Technology and CMP.

Before founding our Group, Mrs. Gigi Ma was active in the film and television entertainment industry between 1985 and 2008. She withdrew from the film and television entertainment industry in late 2008 and has since devoted her full effort to the development of our business in the medical aesthetic service industry. Mrs. Gigi Ma attended secondary school education in Hong Kong and is the sister-in-law of Mr. Barry Ma.

Mrs. Gigi Ma had been a director of Fieldly Investment Limited (田美投資有限公司) (“**Fieldly Investment**”), a private company incorporated in Hong Kong, which was dissolved by striking off pursuant to section 291 of the predecessor Companies Ordinance (Chapter 32 of the laws of Hong Kong) as in force before 3 March 2014 on 21 June 2002. Prior to its dissolution, Fieldly Investment was used by Mrs. Gigi Ma to enter into contracts with a media company. It ceased its activities and was subsequently dissolved by striking off. Pursuant to section 291 of the abovementioned ordinance, where the Registrar of Companies has reasonable cause to believe that a company is not carrying on business or in operation, the Registrar may strike the name of the company off the register after the expiration of a specified period. Mrs. Gigi Ma confirmed that Fieldly Investment was solvent and dormant immediately prior to and at the time of its dissolution.

Mr. MA Ting Wai Barry (馬庭偉), aged 51, is an executive Director and our Group’s IT and business development director and is principally responsible for overseeing the Group’s business expansion and the development and maintenance of IT systems in relation to our Group’s business operations. Mr. Barry Ma was appointed as a Director on 25 July 2016 and was re-designated as our executive Director on 19 December 2016.

Mr. Barry Ma is actively involved in developing the IT infrastructure of the Group, integrating different departments with the IT platforms, with a view to enhance operation efficiency. He also performs a vital role in monitoring and evaluating the Group’s business and strategic planning.

Mr. Barry Ma graduated from the University of Southern California with a Bachelor of Science degree in Computer Science in December 1987. After moving back to Hong Kong from overseas, from February 1992, Mr. Barry Ma served in the sales and marketing function of various IT equipment and computer software companies in Hong Kong, including (i) Chevalier (Computer) Limited; (ii) AMP Products Pacific Limited; (iii) AT&T Asia/Pacific Inc.; and (iv) Adobe Systems Benelux BV. Since November 2000, Mr. Barry Ma worked in the IT and financial services businesses by co-founding and acting as the director of (i) MIPASO Technology Limited, a private company incorporated in Hong Kong and principally engages in providing software development and application services; and (ii) Eaglemont Consulting Limited, a private company incorporated in Hong Kong and principally engages in providing consultancy services on IT and finance. He is an entrepreneur with extensive experience in

DIRECTORS AND SENIOR MANAGEMENT

the IT, financial and digital media fields and direct investments and business development, bringing to the Group his sound know-how in strategic planning. Mr. Barry Ma is the brother-in-law of Mrs. Gigi Ma.

Independent non-executive Directors

Mr. CHENG Fu Kwok David (鄭輔國), aged 68, was appointed as an independent non-executive Director on 19 December 2016. Mr. Cheng graduated from the University of Hong Kong in November 1975 with a Bachelor Degree in Social Sciences. He has extensive experience in banking, corporate finance and shipfinance. Mr. Cheng has retired from the Head of Shipfinance in the Shipfinance Department of Credit Agricole CIB with effective from 1 May 2014 and was the Senior Advisor to the Global Shipping Group of that bank from June 2014 to June 2016. He is now the Honorary Chairman of Credit Agricole Asia Shipfinance Limited. Credit Agricole CIB and Credit Agricole Asia Shipfinance Limited are third parties independent of the Company and not connected persons of the Company. Mr. Cheng is a member of the Working Group on Transportation under the Hong Kong Economic Development Commission, and a member of Hong Kong Maritime and Port Board, and he is the chairman of the Promotion and External Relations Committee of the Maritime and Port Board. In May 2015, Mr. Cheng was conferred the Distinction of “Chevalier de l’Ordre National du Mérite” by the French Government. Mr. Cheng has been an independent non-executive director of Singamas Container Holdings Limited (Stock Code: 716) since 1 November 2012.

Mr. CHENG Yuk Wo (鄭毓和), aged 56, was appointed as an independent non-executive Director on 19 December 2016. He is the chairman of the audit and remuneration committees and a member of the nomination committee. Mr. Cheng has been a member and fellow of the Institute of Chartered Accountants in England and Wales since December 1987 and August 1998 respectively and a fellow of the Hong Kong Institute of Certified Public Accountants since January 1999, and a member of the Institute of Chartered Accountants of Ontario, Canada since November 1990. Mr. Cheng has over 30 years of experience in auditing, finance and business management. He has been the sole proprietor of Erik Cheng & Co., Certified Public Accountants in Hong Kong since 1999.

Mr. Cheng also serves as a director of Chiu Chow Chamber of Commerce, Honorary Director of Hong Kong Rehabilitation Power, the Adjudicator of Registration of Persons Tribunal, Security Bureau, The Government of the HKSAR, and a board member of Chartered Professional Accountants of Canada International — Hong Kong Chapter.

Mr. Cheng graduated from the University of Kent, England with a Bachelor’s degree in Accounting in July 1983 and a Master’s degree in Accounting and Finance from the London School of Economics, England in August 1984.

Mr. Cheng currently acts as an independent non-executive director of a number of companies listed on the Stock Exchange, namely, CSI Properties Limited (Stock Code: 497), HKC (Holdings) Limited (Stock Code: 190), C.P. Lotus Corporation (Stock Code: 121), Chong Hing Bank Limited (Stock Code: 1111), Top Spring International Holdings Limited (Stock Code: 3688), Liu Chong Hing Investment Limited (Stock Code: 194), Goldbond Group Holdings Limited (Stock Code: 172), Chia Tai Enterprises International Limited (Stock Code: 3839), DTXS Silk Road Investment Holdings Company Limited (Stock Code: 620) and CPMC Holdings Limited (Stock Code: 906).

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Mr. Cheng had acted as an executive director of Huanxi Media Group Limited (formerly known as 21 Holdings Limited) (Stock Code: 1003) from May 2010 to December 2013 and as an independent non-executive director of the same Company from October 2007 to April 2010 before he was re-designated as an executive director in May 2010, and an independent non-executive director of Imagi International Holdings Limited (Stock Code: 585) during the period between July 2010 and January 2016.

Mr. LI Wai Kwan (李偉君), aged 44, was appointed as an independent non-executive Director on 19 December 2016. He is a member of our audit committee and remuneration committee.

Mr. Li has many years of experience in finance and investment management. He has been the chief financial officer of Zhuhai Dahengqin Company Limited* (珠海大橫琴股份有限公司), which is principally engaged in primary land development, since December 2013. From March 2005 to September 2006, he worked for Esprit Holdings Limited, which is listed on the Main Board of the Stock Exchange (“**Main Board**”) (stock code: 330) and principally engaged in retail and wholesale distribution of lifestyle products, and he served as a vice president of operational finance and a vice president of finance in Asia Pacific region from March 2005 to July 2006 and from August 2006 to September 2006 respectively, and he was responsible for finance and operational matters. From October 2006 to September 2010, he was a vice president of China Agri-Industries Holdings Limited, which is listed on the Main Board (stock code: 606) and principally engaged in processing on agricultural products, and he was responsible for finance and investment matters. He was a managing director of COFCO Agricultural Investment Fund Management Company Limited, which is principally engaged in asset management, from September 2010 to October 2011, and he was responsible for managing overall business and investment matters. He was a managing director of Origo Partners Plc, whose shares are listed on alternative investment market of the London Stock Exchange and principal business is private equity investment, from November 2011 to January 2013, and he was responsible for investment matters.

Mr. Li is an executive committee member and treasurer of the Hong Kong — ASEAN Economic Cooperation Foundation since 2015 and an executive director of the Certified Management Accountants Australia Hong Kong Branch since 2016. Mr. Li was a member of the general committee and the chairman of the investor relations committee of The Chamber of Hong Kong Listed Companies from 2008 to 2010. He was appointed as an honorary vice chairman of China Enterprise Reputation & Credibility Association (Overseas) in 2009. He was the chairman of the partnership and promotion committee of the Hong Kong Investor Relations Association from 2009 to 2010. He was a member of the Organising Committee of Directors of the Year Awards 2010 organised by the Hong Kong Institute of Directors. He was a member of finance committee of the Hong Kong Housing Authority from 2010 to 2012.

Mr. Li graduated from University of Toronto in Canada with a bachelor of commerce degree in November 1995. He further obtained a master of business administration degree from York University in Canada in November 1996. He was admitted as a certified member of the Certified General Accountants Association of Canada in October 2002. He became a chartered financial analyst of the Association for Investment Management and Research in September 2001 and a certified public accountant of the HKICPA in October 2004. In addition, he was admitted as an associate of the Institute of Chartered Accountant in England and Wales in June 2008 and a fellow member of Association of Chartered Certified Accountants in April 2010 and a chartered professional accountant member of the Chartered

DIRECTORS AND SENIOR MANAGEMENT

Professional Accountants of British Columbia, Canada in June 2015. In December 2015, he became a member of Hong Kong Business Accountants Association. He has been an independent non-executive director of K W Nelson Interior Architect Group Limited (stock code: 8411) since 18 November 2016.

Save as disclosed in this prospectus, as at the Latest Practicable Date, each of our Directors (i) did not hold other positions in our Company or other members of our Group; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company; and (iii) did not hold and had not held any other directorships in listed public companies in the three years prior to the Latest Practicable Date. As at the Latest Practicable Date, save for Mrs. Gigi Ma's (including her deemed interests) interests in the Shares which are disclosed in "Share Capital" and "Statutory and General Information — C. Further Information about Directors, Substantial Shareholders and Experts — 1. Disclosure of Interests — (a) Interests of Directors and chief executive in shares, underlying shares and debentures of our Company and its associated corporations" in Appendix IV to this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters relating to the appointment of our Directors that need to be brought to the attention of our Shareholders, nor is there any information relating to our Directors that is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 17.50(2) of the GEM Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below shows certain information in respect of the senior management of our Company.

Name	Age	Date of joining our Group	Date of appointment to present position	Position	Roles and Responsibilities	Relationship with other Directors and senior management
AU Kar Po Marian (區嘉寶)	53	June 2016	2 June 2016	Chief Operations Officer	Devise and supervise the execution of business strategies in the long-term growth of the company	Nil
LAM Chi Wei Jullie (林芷蕙)	42	August 2012	1 April 2014	Director of Sales and Operation	Formulate and implement sales strategies to drive the sales growth and achievement of sales targets	Nil
TSANG Chui Ying (曾翠櫻)	33	January 2012	1 September 2016	Financial controller	Financial reporting and planning, treasury and financial control	Nil

Ms. AU Kar Po Marian (區嘉寶), aged 53, has been the Chief Operations Officer of our Company since June 2016. Ms. Au is primarily responsible for devising and supervising the execution of business strategies in the long-term growth of our Company.

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Ms. Au has over 25 years' experience in sales and operation in the health and beauty industry, including over six years of experience in working in companies providing medical aesthetic services. Prior to joining our Group, Ms. Au was the regional business development manager at Lisbeth Enterprises Limited trading as Phillip Wain International mainly responsible for undertaking business development activities from July 2015 to May 2016. Ms. Au had also worked at other different medical aesthetic and/or slimming and beauty companies since August 1988.

Ms. Au graduated from the University of Guelph, Ontario, Canada with a Bachelor Degree in Applied Science in June 1985. Ms. Au has not held any directorships in any public listed companies in the past three years.

Ms. LAM Chi Wei Jullie (林芷蕙), aged 42, joined our Group as senior sales and operation manager in August 2012. She was then promoted as the Director of Sales & Operation of our Group in April 2014. Ms. Lam is primarily responsible for formulating and implementing sales strategies to drive the sales growth and achieving sales targets for our Group.

Ms. Lam has 10 years of experience in sales and/or marketing in the health and beauty industry. Prior to joining our Group, Ms. Lam was a Centre Manager at Reenex Clinique Limited and Reenex Medical Clinique Limited, medical aesthetic solutions providers, from 2009 to 2012.

Ms. Lam obtained Bachelor of Business Administration from the University of Management & Technology, Virginia, the United States in September 2014. Ms. Lam also obtained a Diploma in Corporate Training Professionals from Quality Tourism Services Association in November 2013. Ms. Lam has not held any directorships in any public listed companies in the past three years.

Ms. TSANG Chui Ying (曾翠櫻), aged 33, joined our Group in January 2012 and became our senior account manager in February 2014. She is now the financial controller of our Group. She is primarily responsible for financial reporting and planning, treasury and financial control, Ms. Tsang was admitted as a member of the HKICPA in November 2009.

Ms. Tsang graduated from the Lingnan University with a Bachelor degree in Business Administration majoring in accounting in November 2006. Prior to joining our Group, Ms. Tsang was previously employed by Deloitte Touche Tohmatsu from September 2006 to May 2010. She was then employed by Cargill Hong Kong Limited as an accountant from May 2010 to January 2012. She has not held any directorships in any public listed companies in the past three years.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, none of the above members of senior management has been a director of in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus.

COMPANY SECRETARY

Mr. LO Tai On (羅泰安), aged 62, was appointed as our company secretary on 12 September 2016. He is responsible for corporate secretarial duties and corporate governance matters in relation to the Company.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lo is a member of HKICPA. Mr. Lo has over 25 years of experience in the field of company secretarial services. He is a director of Fair Wind Secretarial Services Limited, a secretarial company rendering company secretarial services. Mr. Lo is also currently the company secretary of a number of companies listed on the Stock Exchange.

COMPLIANCE OFFICER

Mr. Barry Ma has been appointed as the compliance officer of our Company. His biography is set out in “Board of Directors — Executive Directors” in this section.

BOARD COMMITTEES

Audit Committee

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and paragraph C.3.3 and C.3.7 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The audit committee consists of three independent non-executive Directors being Mr. Cheng Fu Kwok David, Mr. Cheng Yuk Wo and Mr. Li Wai Kwan. Mr. Cheng Yuk Wo, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules, serves as the chairman of the audit committee. The primary duties of the audit committee are to assist the Board in providing an independent view of the effectiveness of our Group’s financial reporting process, internal control and risk management systems, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

Remuneration Committee

The Company established a remuneration committee with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The remuneration committee consists of one executive Director and chairlady of our Board and two independent non-executive Directors, being Mrs. Gigi Ma, Mr. Cheng Yuk Wo and Mr. Li Wai Kwan. Mr. Cheng Yuk Wo, an independent non-executive Director, serves as the chairman of the remuneration committee. The primary duties of the remuneration committee include but without limitation, the following (i) making recommendations to our Directors on the policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) making recommendations to the Board on the terms of the individual remuneration package of executive Directors and senior management; (iii) making recommendations to the Board on the remuneration of independent non-executive Directors; and (iv) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

Nomination Committee

The Company also established a nomination committee with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

The nomination committee consists of one executive Director and chairlady of our Board and two independent non-executive Directors, namely Mrs. Gigi Ma, Mr. Cheng Fu Kwok David and Mr. Cheng Yuk Wo. Mrs. Gigi Ma serves as the chairlady of the nomination committee. The primary function of the nomination committee include, without limitation, reviewing the structure, size and composition of the Board, assessing the independence of independent non-executive Directors and making recommendations to the Board on matters relating to the appointment of Directors.

Corporate governance functions

For the purpose of performing the corporate governance functions in accordance with provision D.3 of the Corporate Governance Code, our Board has adopted written terms of reference in accordance with provision D.2 of the Corporate Governance Code which provide for, among others, (i) developing and reviewing our Group's policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of our Directors and senior management; (iii) reviewing and monitoring our Group's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and our Directors; and (v) reviewing our Company's compliance with the Corporate Governance Code and disclosure in the annual reports of our Company.

COMPLIANCE ADVISER

We have agreed to appoint Shenwan Hongyuan Capital (H.K.) Limited as our compliance adviser (the "**Compliance Adviser**") upon Listing pursuant to Rule 6A.19 of the GEM Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the requirements under the GEM Listing Rules and applicable Hong Kong laws. Pursuant to Rule 6A.23 of the GEM Listing Rules, the Compliance Adviser will advise our Company, among others, in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where our Company proposes to use the proceeds of the Placing in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry to the Company regarding unusual movements in the price or trading volume of the Shares or any other matters in accordance with Rule 17.11 of the GEM Listing Rules.

The term of the appointment of the Compliance Adviser will commence on the Listing Date and is expected to end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date.

DIRECTORS AND SENIOR MANAGEMENT

Deviation from provision of the Corporate Governance Code

Provision A.2.1 of the Corporate Governance Code states that the roles of Chairman and chief executive should be separate and should not be performed by the same individual. Mrs. Gigi Ma is the Chairlady of our Board and our chief executive officer. As Mrs. Gigi Ma has been leading our Group as our Group's chief executive officer and sole director of each of our Major Subsidiaries during the Track Record Period (or since the establishment of the relevant Major Subsidiaries if they were incorporated after commencement of the Track Record Period) and up to the Latest Practicable Date and her personal profile and role as disclosed in "Board of Directors — Executive Directors" in this section, our Board believes that it is in the best interest of our Group to continue to have Mrs. Gigi Ma acting as our chief executive officer and leader of our Board for more effective management and planning of our Group. Therefore, our Board considers that the deviation from provision A.2.1 of the Corporate Governance Code is appropriate in the circumstances and currently does not propose to separate the functions of Chairman and our chief executive officer.

As of the Latest Practicable Date and to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, except for the deviation from provision A.2.1 of the Corporate Governance Code mentioned above, our Directors do not expect there will be any deviation from the provisions in the Corporate Governance Code under Appendix 15 to the GEM Listing Rules upon Listing.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration of our Directors and senior management

For FY2015, FY2016 and 1Q2017, the aggregate remuneration (including fees, salaries, contribution to defined contribution benefit plans and performance bonuses) paid to our Directors were in aggregate approximately HK\$3.6 million, HK\$2.4 million and HK\$0.6 million respectively.

Mr. Barry Ma, an executive Director, has not received any remuneration for his acting as our Group's IT and business development director during the Track Record Period. Being the brother of Mr. Patrick Ma and brother-in-law of Mrs. Gigi Ma, each a Controlling Shareholder, Mr. Barry Ma was invited to participate in our management without any remuneration, which he duly accepted, to a large extent, because of the family relationship and the fact that he has derived income from his own businesses and investments. His main role primarily involved overseeing our Group's business expansion and the development and maintenance of our IT infrastructure, given his knowledge and experience in these areas, as well as providing leadership and advice in connection with our business development. Given that (i) we have teams of dedicated operational and IT staff who have proven experience and expertise in implementing the business plans laid down by the executive Directors, (ii) Mr. Barry Ma communicates with our staff from time to time to monitor the implementation progress, and (iii) formal management meeting amongst our executive Directors and senior management staff is held on a monthly basis to discuss on our Group's operations, we are of the view that Mr. Barry Ma is able to devote sufficient time to serve our Group and discharge his duties and responsibilities as an executive Director whilst taking care of his own businesses and investments. Going forward, in line with the existing arrangement, Mr. Barry Ma will not receive any salary for his role as our Group's IT and business development director or as an executive Director after the Listing, but he may receive performance-

DIRECTORS AND SENIOR MANAGEMENT

based bonus to be determined by our Board based on the recommendation of the remuneration committee of the Board, which will take into account, among other things, Mr. Barry Ma's performance and contribution to our Group, the financial performance of our Group and the market conditions.

Details of our Directors' remuneration are set out in Note 8 to the Accountants' Report as set out in Appendix I to this prospectus.

For FY2015, FY2016 and 1Q2017, the aggregate remuneration (including fees, salaries, contribution to defined contribution benefit plans and performance bonuses) paid to the five highest paid individuals, excluding our Directors were in aggregate approximately HK\$9.8 million, HK\$10.1 million and HK\$2.8 million respectively.

Details of our five highest paid individuals are set out in Note 9 to the Accountants' Report as set out in Appendix I to this prospectus.

Our Group did not pay any remuneration to our Directors or the five highest paid individuals as an inducement to join or upon joining our Company or as a compensation for loss of office during the Track Record Period. No Directors waived or agreed to waive his remuneration during the Track Record Period. Save as disclosed in this paragraph headed "Remuneration of our Directors and senior management", no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors, senior management and the five highest paid individuals during the Track Record Period.

Under the arrangement currently in force, the aggregate emoluments (excluding performance bonuses and share-based payments) payable by our Group to our Directors for the year ending 31 March 2017 are expected to be approximately HK\$3.40 million.

Share Option Scheme

The Share Option Scheme was conditionally adopted pursuant to the written resolutions of the sole Shareholder passed on 19 December 2016. The rules of the Share Option Scheme are in compliance with Chapter 23 of the GEM Listing Rules and other relevant rules and regulations. See "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this prospectus for details.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Placing and the Capitalisation Issue, Mr. Patrick Ma and Mrs. Gigi Ma, through Sunny Bright, together hold 75%, of our Company's entire issued share capital (without taking into account the Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), and will remain as our Group's Controlling Shareholders. For details regarding the shareholding interest of the Controlling Shareholders, see "Substantial Shareholders" in this prospectus.

Our Controlling Shareholders have confirmed that none of them and their respective associates is interested in any business which competes or is likely to compete, directly or indirectly with the business of our Group.

Our Controlling Shareholder, Mrs. Gigi Ma, is an executive Director, chairlady of our Board and chief executive officer of our Company and also the sole director of Coresmax and each of our Major Subsidiaries. For further details, see "Directors and Senior Management" in this prospectus.

Our Controlling Shareholder, Mr. Patrick Ma, is the spouse of Mrs. Gigi Ma and the brother of Mr. Barry Ma, an executive Director. Mr. Patrick Ma has been involved in direct investment in various industries, from which he gained extensive experience in investments and business development. Mr. Patrick Ma also acted as one of the directors of Oriental Press Group Limited (formerly known as Oriental Daily News Limited), a company incorporated in Hong Kong and was listed on the Stock Exchange in August 1987 (stock code: 0018.HK), during the period from August 1979 to May 1992. Since the founding of our Group in 2009, Mr. Patrick Ma has not been a director of any members of our Group, and he does not intend to act as a director of our Company upon Listing for the following reasons:

- (a) Mr. Patrick Ma has only been a passive investor in our Group, and our business is managed by a professional team under the leadership of the executive Directors. Given our Group has a higher proportion of female clients and our business in the provision of medical aesthetic services is generally perceived to be focused on women, Mr. Patrick Ma believes that Mrs. Gigi Ma, his spouse and the chairlady of our Group, is in a better position to understand our business and our clients' needs, and to give guidance on our future directions. Together with Mr. Barry Ma, his brother and an executive Director, who is responsible for overseeing our business expansion and development and maintenance of our IT systems, Mr. Patrick Ma is confident that he can fully rely on their expertise to manage our business; and
- (b) Mr. Patrick Ma's investment in our Group is only one of his many investments in different industries, the daily management of which are handled by different professional management teams. Mr. Patrick Ma has to allocate his time to oversee these investments and communicate with the management teams to monitor the latest development of these investments. Mr. Patrick Ma believes that, with his current commitments and investments, he is presently unable to devote sufficient time and attention to duly discharge the duties of a director of our Company.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

The Directors consider that our Group is capable of carrying on its business independently from the Controlling Shareholders and their associates after Listing for the following reasons:

Management independence

Our management and operational decisions are made by our Board and our senior management team. Our Board comprises two executive Directors and three independent non-executive Directors. Despite that Mrs. Gigi Ma, an executive Director, chairlady of our Board and our chief executive officer, is the sole director of Coresmax and each of our Major Subsidiaries, and is also a Controlling Shareholder and the spouse of Mr. Patrick Ma who is also a Controlling Shareholder, we consider that our Board and our senior management team will function independently from our Controlling Shareholders because:

- (a) each Director is aware of his/her fiduciary duties as a Director which require, amongst others, that he or she acts for the benefit and in the best interests of our Company;
- (b) in the event that any Director or any of his/her close associates has a material interest in any transaction or arrangement or there is an actual or potential conflict of interest arising out of any transaction or arrangement to be entered into between our Group and any of our Directors or their respective associates, Director(s) shall fully disclose such matters to the Board and abstain from voting at the relevant meeting of the Board in respect of such transactions and shall not be counted in the quorum. Our Group has also adopted certain corporate governance measures for conflict situation, details of which are set out in “Corporate Governance Measures” in this section; and
- (c) all our senior management members are independent from our Controlling Shareholders. They have substantial experience in the industry we engaged in and have served our Group for a period of time during which they have demonstrated their capability of discharging their duties independently from our Controlling Shareholders.

Operational independence

Our Group has established our own organisational structure comprising individual departments, each with specific areas and responsibilities. As at the Latest Practicable Date, our Group does not have and does not intend to enter into any connected transaction or continuing connected transaction which will continue on Listing. In the event our Group enters into any connected transactions or continuing connected transactions after Listing, such transactions will only be entered into or conducted on normal commercial terms or better terms to our Group and on terms which are fair and reasonable and in the interests of our Company and our Shareholders as a whole and we will then also comply with all the applicable requirements under the GEM Listing Rules in relation to connected transactions and/or (as the case may be) continuing connected transactions.

Financial independence

We have an independent financial system and make financial decisions according to our own business needs. As at the Latest Practicable Date, (i) we did not have any outstanding loans or borrowings from any of our Controlling Shareholders or any of their respective associates; and (ii) there

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

was no bank borrowings for which any of our Controlling Shareholders has provided personal guarantee. Our Directors confirm that we will not rely on our Controlling Shareholders for financing after the Listing as we expect that our working capital will be funded by our operating income and bank borrowings.

NON-COMPETITION DEED

In order to avoid any future competition between our Group and the Controlling Shareholders, our Controlling Shareholders have executed the Deed of Non-Competition with our Company (for itself and as trustee for its subsidiaries) on 19 December 2016 as covenants (collectively, the “Covenants”). Pursuant to the Deed of Non-Competition, each of the Covenants has irrevocably and unconditionally undertaken to our Company (for itself and as trustee for its subsidiaries) that, subject to the exceptions below, during the period that the Deed of Non-Competition remain effective, she/he/it shall not, and shall procure that her/his/its associates (other than any members of our Group) not to, directly or indirectly, carry on, participate in, be engaged, interested directly or indirectly, either for their own account or in conjunction with or on behalf of or for any other person in any business in competition with or likely to be in competition with the existing business activity of any member of our Group (“**Restricted Business**”) in Hong Kong (“**Territory**”).

Each of the Covenantor(s) further undertakes that if she/he/it or her/his/its associates other than any members of our Group is offered or becomes aware of any business opportunity which may be a Restricted Business (“**Relevant Business Opportunity**”), she/he/it shall (and she/he/it shall procure her/his/its close associates to) notify our Company in writing and our Company shall have a right of first refusal to take up such Relevant Business Opportunity via any member of our Group (“**Right of First Refusal**”). Our Company shall, within two months after receipt of the written notice (or such longer period if our Company is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Covenants whether our Company will exercise the Right of First Refusal or not.

Our Company shall only exercise the Right of First Refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such Relevant Business Opportunity), and where required under the GEM Listing Rules, our independent Shareholders. The relevant Covenantor(s) who is/are Director(s) and any other conflicting Directors (if any) shall abstain from voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest (including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the Right of First Refusal).

Notwithstanding the undertakings as stated above, nothing shall restrict the Covenants and her/his/its respective close associates from:

- (i) investing, participating or be engaged in any Restricted Business outside the Territory where the Right of First Refusal is not exercised by our Company within the time period specified above, provided that the principal terms on which the Covenants or her/his/its relevant close associate invests, participates or engages in such Restricted Business outside the Territory are substantially the same as or not more favorable than those disclosed to our Company. Subject to the above, if the Covenants or her/his/its relevant close associate

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

decide to invest, participate or be engaged in such Restricted Business outside the Territory, whether directly or indirectly, the terms of such investment, participation or engagement must be disclosed to our Company and the Directors in writing as soon as practicable; and

- (ii) acquiring or holding or controlling the exercise of equity securities carrying voting rights less than 5% of the total issued share capital of a publicly listed company where a principal business of such company or its subsidiary is the Restricted Business and provided that neither the Covenantors nor her/his/its close associates participates in the management of such company.

The Deed of Non-Competition is conditional upon the fulfilment of the following conditions:

- (i) the Stock Exchange granting the approval for the listing of, and permission to deal in, our Shares; and
- (ii) the fulfilment of the conditions precedent under the Underwriting Agreement (including waiver of any conditions precedent by the Underwriters, if applicable) and the Underwriting Agreement not being terminated.

If any of such conditions is not fulfilled on or before the date agreed between the Underwriters and our Company or the Underwriters and our Company have agreed to terminate the Underwriting Agreement thereafter, the Deed of Non-Competition shall become null and void and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-Competition.

The Deed of Non-Competition shall terminate on the date on which our Shares shall cease to be listed and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of our Shares on the Stock Exchange due to any reason) and shall cease to have any effect on the Covenantor(s) on the date when the Covenantors and their close associates (individually or taken as a whole) ceases to be interested in 30% (or such other amount as may from time to time be specified in the GEM Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the issued share capital of the Company directly or indirectly.

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that she/he/it fully comprehends her/his/its obligations to act in the best interests of our Company and our Shareholders as a whole.

To avoid potential conflicts of interest and to safeguard the interests of our Shareholders, our Company will implement the following measures:

- (a) our Controlling Shareholders will make an annual confirmation as to compliance with her/his/its undertaking under the Deeds of Non-Competition for inclusion in the annual report of our Company;
- (b) our Board is committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on our Board which can effectively exercise

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

independent judgment. Our Company has appointed three independent non-executive Directors. Our Directors believe that our independent non-executive Directors are of sufficient calibre, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. See “Director and Senior Management” in this prospectus for further details of our independent non-executive Directors;

- (c) our Company has agreed to appoint Shenwan Hongyuan Capital (H.K.) Limited as our compliance adviser, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors’ duties and internal controls. See “Directors and Senior Management — Compliance Adviser” in this prospectus for further details in relation to the appointment of compliance adviser;
- (d) our Controlling Shareholders undertake to provide all information requested by our Group which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-Competition; and
- (e) our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with the Deed of Non-Competition; and (ii) all the decisions taken in relation to whether to pursue the new opportunity under the Deed of Non-competition.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective close associates and our Group and to safeguard the interests of our Shareholders.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Placing and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the following persons/entities will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

Name	Capacity/ Nature of Interest	Shares held immediately prior to the completion of the Placing and the Capitalisation Issue		Shares held immediately following the completion of the Placing and the Capitalisation Issue	
		Number of Shares	Approximate percentage of shareholding interest of our Company	Number of Shares	Approximate percentage of shareholding interest of our Company
Mr. Patrick Ma	Interest of a controlled corporation and interest of spouse	2	100% (Note 1)	300,000,000 (L)	75% (Note 2)
Mrs. Gigi Ma	Interest of a controlled corporation and interest of spouse	2	100% (Note 1)	300,000,000 (L)	75% (Note 2)
Sunny Bright	Beneficial owner	2	100%	300,000,000 (L)	75%
CSI Capital Management Limited	Beneficial owner	Nil	Nil	20,000,000 (L)	5%
CITIC Securities International Company Limited	Interest in a controlled corporation (Note 3)	Nil	Nil	20,000,000 (L)	5%
CITIC Securities Company Limited	Interest in a controlled corporation (Note 4)	Nil	Nil	20,000,000 (L)	5%

Notes:

- Each of Mr. Patrick Ma and Mrs. Gigi Ma is beneficially interested in 50% of the issued share capital of Sunny Bright and Sunny Bright beneficially owns 100% of the issued share capital of our Company as at the Latest Practicable Date. Mrs. Gigi Ma is the spouse of Mr. Patrick Ma. Therefore, each of Mrs. Gigi Ma and Mr. Patrick Ma is deemed to be interested 100% of the issued share capital of our Company pursuant to the SFO.
- Each of Mr. Patrick Ma and Mrs. Gigi Ma is beneficially interested in 50% of the issued share capital of Sunny Bright and Sunny Bright beneficially owns 75% of the issued share capital of our Company. Mrs. Gigi Ma is the spouse of Mr. Patrick Ma. Therefore, each of Mr. Patrick Ma and Mrs. Gigi Ma is deemed to be interested in all the Shares held by Sunny Bright for the purpose of the SFO.

SUBSTANTIAL SHAREHOLDERS

3. Such 20,000,000 Shares are registered in the name of CSI Capital Management Limited, a company wholly owned by CITIC Securities International Company Limited. Accordingly, CITIC Securities International Company Limited is deemed to be interested in all such 20,000,000 Shares under the SFO.
4. Such 20,000,000 Shares are registered in the name of CSI Capital Management Limited. As stated in Note 3 above, CITIC Securities International Company Limited is deemed to be interested in all such 20,000,000 Shares under the SFO. CITIC Securities International Company Limited is wholly owned by CITIC Securities Company Limited. Accordingly, by virtue of the SFO, CITIC Securities Company Limited is deemed to be interested in all such 20,000,000 Shares to which CITIC Securities International Company Limited is deemed to be interested under the SFO.
5. The letter “L” denotes the entity/person’s long position in the Shares.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Placing and the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the issued voting shares of any other members of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

SHARE CAPITAL

Without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased pursuant to the Issue Mandate and Repurchase Mandate, the share capital of our Company immediately following the Placing and the Capitalisation Issue will be as follows:

<i>Authorised share capital</i>	Total nominal value
2,000,000,000 Shares of HK\$0.01 each	HK\$20,000,000.00
<i>Shares in issue or to be issued, fully paid or credited as fully paid:</i>	
2 Shares in issue as at the date of this prospectus	HK\$0.02
299,999,998 Shares to be issued under the Capitalisation Issue	HK\$2,999,999.98
<u>100,000,000</u> Shares to be issued under the Placing	<u>HK\$1,000,000.00</u>
<i>Total</i>	
<u>400,000,000</u> Shares	<u>HK\$4,000,000.00</u>

MINIMUM PUBLIC FLOAT

The minimum level of public float to be maintained by our Company at all times after Listing under the GEM Listing Rules is 25% of its share capital in issue from time to time.

RANKING

The Placing Shares will rank *pari passu* in all respects with all our Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on our Shares after the date of this prospectus, save for entitlements under the Capitalisation Issue.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. See “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus for details of the principal terms of the Share Option Scheme.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

The Directors have been granted the Issue Mandate, being a general unconditional mandate to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares upon exercise of any subscription rights attached to any warrants or convertible securities or pursuant to the exercise of any options which might be granted under the Share Option Scheme or any other option scheme(s) or other similar arrangements or under the Placing or any scrip dividends in accordance with the Articles or a specific authority granted by the Shareholders, Shares or securities or options convertible into Shares and to make or grant offers and agreements which or might require Shares to be allotted with an aggregate nominal value not exceeding the sum of:

- (a) 20% of the aggregate number of Shares in issue immediately following the completion of the Placing and the Capitalisation Issue (without taking into account Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme); and
- (b) the aggregate number of Shares repurchased by the Company (if any) pursuant to the general mandate to repurchase Shares referred to “General Mandate to Repurchase Shares” in this section.

This Issue Mandate will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and the Articles or the Cayman Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked, varied or renewed by an ordinary resolution of the Shareholders in general meeting.

See “Statutory and General Information — A. Further Information about our Company and our subsidiaries — 5. Written resolutions of our Shareholders passed on 19 December 2016” in Appendix IV to this prospectus for further details of this Issue Mandate.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

The Directors have been granted the Repurchase Mandate, being a general unconditional mandate to exercise all the powers of the Company to repurchase Shares of not more than 10% of the aggregate number of Shares in issue following the completion of the Placing and the Capitalisation Issue (without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme). This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, and such repurchases are made in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in “Statutory and General Information — A. Further information about our Company and our subsidiaries — 6. Repurchase of our Shares” in Appendix IV to this prospectus.

The Repurchase Mandate will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and the Articles or the Cayman Companies Law or any other applicable law of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked, varied or renewed by an ordinary resolution of the Shareholders in general meeting.

For further details of this general mandate, see “Statutory and General Information — A. Further information about our Company and our subsidiaries — 6. Repurchase of our Shares” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Cayman Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in “Summary of the Constitution of our Company and the Cayman Islands Company Law” in Appendix III to this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with our audited combined financial statements, including the notes thereto, as set out in the Accountants' Report as set out in Appendix I to this prospectus. Our Group's combined financial statements have been prepared in accordance with the HKFRS. You should read the entire Accountants' Report as set out in Appendix I to this prospectus and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depends on a number of risks and uncertainties over which we do not have control. See "Risk Factors" and "Forward-looking Statements" for further details.

Our financial year begins on 1 April and ends on 31 March. All references to "FY2015", "FY2016", "1Q2016" and "1Q2017" mean the financial years ended 31 March 2015 and 2016, the three months ended 30 June 2015 and 2016, respectively.

OVERVIEW

We are a medical aesthetic service provider in Hong Kong and operate two medical aesthetic centres in the prime locations of Causeway Bay and Central under our brand "CosMax". We offer a broad range of non-surgical medical aesthetic services and skin care products to our clients with an aim to improve their skin conditions as well as to enhance their physical appearance. See "Business — Overview" for an overview of our business.

We recorded an increase in total revenue by 12.7%, from HK\$74.0 million for FY2015 to HK\$83.4 million for FY2016. Our revenue further grew by 18.8%, from HK\$20.2 million for 1Q2016 to HK\$24.0 million for 1Q2017, as we continued to see growth in the demand of our medical aesthetic services. We also recorded an increase in net profit by 37.0%, from HK\$13.5 million for FY2015 to HK\$18.5 million for FY2016. Our net profit (excluding Listing expenses) further grew by 23.4%, from HK\$4.7 million for 1Q2016 to HK\$5.8 million for 1Q2017.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial conditions have been and will continue to be affected by the following major factors.

Growth of the medical aesthetic service industry in Hong Kong

Our revenue growth and results of operations are highly affected by the market demand of medical aesthetic services in Hong Kong. Such demand is determined by an interplay of a number of factors such as the consumer spending patterns, the prospects of Hong Kong's economy and continuous influx of medical tourists.

FINANCIAL INFORMATION

According to the Frost & Sullivan Report, the total revenue of the medical aesthetic service industry in Hong Kong had grown at a CAGR of 12.5% from HK\$2.7 billion in 2011 to HK\$4.2 billion in 2015, and will continue to grow at a CAGR of 13.9% to HK\$8.1 billion in 2020. Such growth was supported by the factors as mentioned above, as well as the technological advancement and increasing market acceptance of medical aesthetic service. As an established medical aesthetic service provider, we believe that we are well-positioned to capture the growth of the medical aesthetic service industry in Hong Kong.

Costs of operations

As a medical aesthetic service provider, our business involves the incurrence of various fixed overheads and costs relating to our premises, devices and staff. We need to generate sufficient revenue to cover these fixed costs in order to break even or become profitable. Our ability to control our cost of operations, especially staff costs and rental expenses, significantly affects our business and results of operations.

In respect of staff costs, it is our approach to offer competitive wages and other staff benefits to recruit and retain quality medical practitioners and supporting staff. Our staff costs, which include salaries, bonuses, and other employee benefits, increased from HK\$28.7 million for FY2015 to HK\$29.4 million for FY2016, and accounted for 48.2% and 47.6% of our total cost of operations for FY2015 and FY2016 respectively.

As our medical aesthetic centres are located at prime locations including Central and Causeway Bay, rental rates tend to be expensive and we expect that rental expenses will continue to be a significant part of our cost of operations. Rental and related expenses increased from HK\$8.8 million for FY2015 to HK\$9.4 million for FY2016, and accounted for 14.7% and 15.2% of our total cost of operations for FY2015 and FY2016 respectively. Given the high portion of fixed costs of operations, our margin and profitability of operations will be affected substantially by variance of our revenue. See “Description of components of combined statements of profit or loss and other comprehensive income” for sensitivity analysis on our profit before tax for hypothetical changes in our major costs of operation.

Retention of our doctors and trained therapists

The stability of our service provision and revenue from treatment services depends largely on our ability to retain our front-line staff, in particular, our doctors and trained therapists. For FY2015 and FY2016, our revenue from treatment services accounted for over 85% of our total revenue, and our doctors and trained therapists contributed approximately 40% and 60% of our revenue from treatment services, respectively, during the same period. During the Track Record Period, our Group did not experience any material adverse impact on our operations or fluctuation in revenue due to the departure of our doctors or trained therapist. However, in the event of our doctors and/or trained therapist resigning, and we are not able to find suitable replacements at comparable remuneration level and in a timely manner, we may experience a decrease in revenue and/or increase in staff costs, which in turn may bring adverse impact on our results of operation.

FINANCIAL INFORMATION

Regulations of the medical aesthetic service industry

Our businesses are subject to certain rules and regulations in relation to medical practitioners, trade description and safety of consumer goods, medical advertisement, importation and dealing in pharmaceutical products, drugs and skin care products and clinical waste disposal. Any changes in compliance standards, or any new laws or regulations may have significant impact on our business model or render it more restrictive for us to conduct our businesses. It is very important for us to adapt to such changes within a short period of time, and the failure to sufficiently and promptly respond to such changes may affect our financial condition and results of operations. Further, compliance with new rules, laws and regulations may increase our operating costs and in turn, lower our profit margins.

Ability to maintain an established industry reputation

We believe an established reputation for being a safe, reliable and quality service provider is of vital importance in the medical aesthetic service industry. Given that medical aesthetic procedures inherently entail certain risks, clients and potential clients would only choose a service provider who can perform the desired medical aesthetic procedures safely and effectively.

In addition, owing to the personalised nature of medical aesthetic services, it is very important for us to strive to enhance client satisfaction with our quality services to meet the specific needs of our clients. We believe that by establishing a good reputation, we can retain our existing clients and broaden the client base through referrals and word-of-mouth. For FY2015 and FY2016, the number of repeat clients we served was 2,991 and 3,334 respectively, representing 61.6% and 68.8% of the number of clients we served in the respective periods. We believe that the ability to maintain an established reputation has and will continue to affect our revenue growth and results of operations.

Ability to enhance the variety and quality of our services

The medical aesthetic technology has been advancing quickly and it is expected that new devices and know-how will continue to emerge. In order to maintain our competitiveness, we are keen to ensure that we are kept abreast of the latest technology. Our doctors also constantly explore suitable devices through our suppliers from time to time in order to ensure that our clients are provided with broad range of the most recent treatment devices.

On the other hand, the ability to maintain and enhance the quality of our services is also important and has a significant impact on our results of operations. We are committed to provide professional trainings to our trained therapists in order to provide quality services to our clients. Our trainings included both theoretical and practical trainings and our training program has been specifically formulated by our doctors and training manager. In April 2015, we have also established our own training centre to strengthen the quality of our trainings offered to our staff. We are of the view that the ability to keep abreast of the latest trend in medical aesthetic services and to offer quality service will impact our client traffic, revenue growth and financial performance.

BASIS OF PRESENTATION

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 13 September 2016. The companies now comprising the Group were under the common control of the Controlling Shareholder before and after the Reorganisation. Accordingly, the

FINANCIAL INFORMATION

financial information has been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period. No adjustments have been made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation. See Note 2.1 to the Accountants' Report in Appendix I to this prospectus for details.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of the results of operations and financial position of our Group in this prospectus is based on the combined financial statements prepared in accordance with the HKFRS issued by the HKICPA. We have set out below certain critical accounting policies that are significant to the preparation of our combined financial statements. Details of other significant accounting policies are set forth in Note 3 to the Accountants' Report in Appendix I to this prospectus.

Revenue recognition

Our revenue is mainly derived from the provision of treatment services and consultation services, prescription and dispensing of medical products as well as the sales of skin care products. Revenue is recognised on the following basis:

- (i) For one-off treatment, revenue is recognised immediately when the treatment is performed. Receipts in respect of prepaid packages are recognised as deferred revenue in the combined statement of financial position, and are recognised as revenue according to the relevant proportion of treatments being rendered to our clients;
- (ii) Revenue from the provision of consultation services is recognised when the relevant services are rendered to our clients;
- (iii) Revenue from the prescription and dispensing of medical products and the sale of skin care products is recognised when the products are sold to our clients; and
- (iv) Forfeited revenue in respect of any unutilised prepaid packages is recognised in profit or loss upon expiry of the service period of our prepaid packages.

Property, plant and equipment

Our property, plant and equipment primarily consists of treatment devices. Property, plant and equipment, are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on a straight-line basis at the following annual rates:

— Leasehold improvements	Over the shorter of the lease terms and 20%
— Furniture and fixtures	20%
— Treatment devices	20%
— Tools and equipment	25%
— Office equipment	20%
— Motor vehicles	20%
— Computer equipment	20%

FINANCIAL INFORMATION

Income tax

Income tax comprises current and deferred tax.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on applicable tax rates (and tax laws) at the end of each financial year/period. Hong Kong profits tax has been provided at a rate of 16.5%. Our Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands pursuant to the regulations of the Cayman Islands and the British Virgin Islands.

Deferred tax is provided on all temporary differences at the end of each financial year/period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In applying the accounting policies set forth in Note 3 to the Accountants' Report set out in Appendix I to this prospectus, we are required to make judgements, estimates and assumptions on certain accounting items. The estimates and associated assumptions are based on our historical experience and various other relevant factors that we believe are reasonable under the circumstances. The determination of these items requires management's judgements based on information and financial data that may change in the future periods, and as a result, actual results could differ significantly from those estimates. When reviewing our financial information, you should consider (i) our selection of significant accounting policies; (ii) the judgement and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. See Note 4 to the Accountants' Report set out in Appendix I to this prospectus for details.

SUMMARY OF RESULTS OF OPERATIONS

Combined statements of profit or loss and other comprehensive income

	Year ended 31 March		Three months ended 30 June	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
			(Unaudited)	
Revenue	74,000	83,352	20,195	23,960
Other income and gain	771	345	93	29
Cost of inventories and consumables	(7,543)	(8,081)	(1,982)	(2,509)
Staff costs	(28,678)	(29,391)	(6,893)	(7,753)
Property rental and related expenses	(8,780)	(9,406)	(2,309)	(2,388)
Depreciation	(6,593)	(6,174)	(1,618)	(1,497)
Other operating expenses	(7,945)	(8,694)	(1,732)	(3,521)
Profit before tax	15,232	21,951	5,754	6,321
Income tax expense	(1,737)	(3,463)	(1,054)	(1,361)
Profit for the year/period	<u>13,495</u>	<u>18,488</u>	<u>4,700</u>	<u>4,960</u>

FINANCIAL INFORMATION

DESCRIPTION OF COMPONENTS OF COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Our revenue is mainly derived from the provision of medical aesthetic services, which include treatment services, consultation services, as well as the prescription and dispensing of medical products. In addition, we sell skin care products to our clients. Our total revenue amounted to HK\$74.0 million for FY2015 and HK\$83.4 million for FY2016, representing a growth rate of 12.7%. Our total revenue amounted to HK\$20.2 million for 1Q2016 and HK\$24.0 million for 1Q2017, representing a growth rate of 18.8%.

Set forth below is a breakdown of our revenue during the Track Record Period:

	Year ended 31 March				Three months ended 30 June			
	2015		2016		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(Unaudited)							
Treatment services	63,882	86.3	74,081	88.9	17,828	88.3	21,655	90.4
Consultation services	773	1.0	613	0.7	175	0.9	162	0.7
Prescription and dispensing of medical products	2,487	3.4	2,797	3.4	708	3.5	676	2.8
Sale of skin care products	4,199	5.7	3,842	4.6	967	4.8	981	4.1
Forfeited revenue from expired packages/cash coupons	<u>2,659</u>	<u>3.6</u>	<u>2,019</u>	<u>2.4</u>	<u>517</u>	<u>2.5</u>	<u>486</u>	<u>2.0</u>
Total revenue	<u><u>74,000</u></u>	<u><u>100.0</u></u>	<u><u>83,352</u></u>	<u><u>100.0</u></u>	<u><u>20,195</u></u>	<u><u>100.0</u></u>	<u><u>23,960</u></u>	<u><u>100.0</u></u>

(i) Revenue from treatment services

During the Track Record Period, most of our revenue was derived from treatment services. Revenue from treatment services amounted to HK\$63.9 million for FY2015, HK\$74.1 million for FY2016, HK\$17.8 million for 1Q2016 and HK\$21.7 million for 1Q2017; representing 86.3%, 88.9%, 88.3% and 90.4% of our total revenue for the respective years/periods.

FINANCIAL INFORMATION

(A) Breakdown by type of treatment provided

Set forth below is a breakdown of our revenue from treatment services by the type of treatment provided:

	Year ended 31 March				Three months ended 30 June			
	2015		2016		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(Unaudited)							
Energy-based procedures	51,753	81.0	57,309	77.4	13,843	77.6	16,099	74.3
Injection procedures	9,756	15.3	14,445	19.5	3,285	18.4	4,789	22.1
Other treatments	<u>2,373</u>	<u>3.7</u>	<u>2,327</u>	<u>3.1</u>	<u>700</u>	<u>4.0</u>	<u>767</u>	<u>3.6</u>
Total revenue from treatment services	<u><u>63,882</u></u>	<u><u>100.0</u></u>	<u><u>74,081</u></u>	<u><u>100.0</u></u>	<u><u>17,828</u></u>	<u><u>100.0</u></u>	<u><u>21,655</u></u>	<u><u>100.0</u></u>

Energy-based procedures

Energy-based procedures accounted for a majority of our revenue from treatment services in the Track Record Period. Revenue from energy-based procedures amounted to HK\$51.8 million for FY2015, HK\$57.3 million for FY2016, HK\$13.8 million for 1Q2016 and HK\$16.1 million for 1Q2017, representing 81.0%, 77.4%, 77.6% and 74.3% of our total revenue from treatment services for the respective years/periods.

The energy-based procedures that generated most revenue include (i) CosMax Medical Laser; (ii) Fraxel; (iii) MesoWave Ultra Activator; (iv) Thermage CPT; (v) Fractional MRF Program; (vi) Ulthera; and (vii) Liposonix. See “Business — Our services and products — Non-surgical medical aesthetic services — Energy-based procedures” in this prospectus for details of the description and intended effects of these treatments.

Injection procedures

Revenue from injection procedures amounted to HK\$9.8 million for FY2015, HK\$14.4 million for FY2016, HK\$3.3 million for 1Q2016 and HK\$4.8 million for 1Q2017, representing 15.3%, 19.5%, 18.4% and 22.1% of our total revenue from treatment services for the respective years/periods.

The injection procedures that generated most revenue include (i) injection of dermal fillers such as hyaluronic acid, Restylane®, JUVÉDERM®, and TEOSYAL®; and (ii) injection of botulinum toxin type A. See “Business — Our Services and Products — Non-surgical medical aesthetic services — Injection procedures” in this prospectus for details of the description and intended effects of these treatments.

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Other treatments

Other treatments mainly include chemical peels, wart removal, comedone extraction and wound care. Revenue from these treatments amounted to HK\$2.4 million for FY2015, HK\$2.3 million for FY2016, HK\$0.7 million for 1Q2016 and HK\$0.8 million for 1Q2017, representing 3.7%, 3.1%, 4.0% and 3.6% of our total revenue from treatment services for the respective years/periods.

(B) Breakdown by doctors and trained therapists

Set forth below is a breakdown of our revenue from treatment services performed by doctors and trained therapists:

	Year ended 31 March				Three months ended 30 June			
	2015		2016		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(Unaudited)							
Doctors	24,514	38.4	29,814	40.2	7,049	39.5	9,469	43.7
Trained therapists	<u>39,368</u>	<u>61.6</u>	<u>44,267</u>	<u>59.8</u>	<u>10,779</u>	<u>60.5</u>	<u>12,186</u>	<u>56.3</u>
Total revenue from treatment services	<u><u>63,882</u></u>	<u><u>100.0</u></u>	<u><u>74,081</u></u>	<u><u>100.0</u></u>	<u><u>17,828</u></u>	<u><u>100.0</u></u>	<u><u>21,655</u></u>	<u><u>100.0</u></u>

As at the Latest Practicable Date, our clients were served by our Servicing Doctors and 14 trained therapists. During the Track Record Period, the percentage of revenue from treatment services contributed by our doctors and trained therapists remained relatively stable, roughly at 40% for doctors and 60% for trained therapists. All injection procedures we provide are performed by our doctors, whilst energy-based procedures can be performed by either our doctors or trained therapists, depending on the risk and complexity of the treatment. See “Business — Quality Assurance — Performance of consultation and treatments” in this prospectus for further details.

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(C) Average revenue per client

The following table illustrates our total revenue from treatment services, number of clients who received at least one treatment session in the relevant financial period, and average revenue from treatment services per client for the years/periods indicated:

	Year ended 31 March		Three months ended 30 June	
	2015	2016	2015 (Unaudited)	2016
Total revenue from treatment services (HK\$'000)	63,882	74,081	17,828	21,655
Number of clients who received at least one treatment session	4,003	4,082	2,367	2,506
Average revenue per client for treatment services (HK\$)	15,958	18,148	7,532	8,641

The average revenue per client for treatment services increased by 13.7% from HK\$15,958 for FY2015 to HK\$18,148 for FY2016. Such increase was driven by an upward adjustment in our treatment price list in September 2014, as well as more clients choosing treatments of higher prices. The average revenue per client increased by 14.7% from HK\$7,532 for 1Q2016 to HK\$8,641 for 1Q2017, which was mainly attributable to the increase in the number of treatments conducted by our clients, as well as more clients choosing treatments of higher prices.

(D) Average revenue per treatment

The following table illustrates our total revenue from treatment services, total number of treatment sessions conducted, and average revenue per treatment session for the years/periods indicated:

	Year ended 31 March		Three months ended 30 June	
	2015	2016	2015 (Unaudited)	2016
Total revenue from treatment services (HK\$'000)	63,882	74,081	17,828	21,655
Number of treatment sessions conducted	27,953	28,374	7,266	7,736
Average revenue per treatment session (HK\$)	2,285	2,611	2,454	2,799

The average revenue per treatment session increased by 14.3% from HK\$2,285 for FY2015 to HK\$2,611 for FY2016. Such increase was driven by an upward adjustment in our treatment price list in September 2014, as well as more clients choosing treatments of higher prices. The average revenue per treatment session increased by 14.1% from HK\$2,454 for 1Q2016 to HK\$2,799 for 1Q2017, which was mainly attributable to more clients choosing treatments of higher prices.

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(ii) Revenue from consultation services

Our first-time clients are required to attend medical consultation with our doctors, during which our doctors will perform examination as well as assess and/or make a diagnosis on the client's skin conditions and recommend suitable treatment services to our clients based on their specific conditions, needs and concerns. After the first visit, follow up consultation sessions will also be provided where appropriate so as to keep track of our clients' condition.

During the Track Record Period, the fees we charged for first time consultation and follow-up consultation was at a fixed price of HK\$600 and HK\$300 respectively. For new clients who are referred by existing clients, our first time consultation fee is priced at HK\$300 but can be waived during our promotion periods.

Revenue from consultation services amounted to HK\$0.8 million for FY2015, HK\$0.6 million for FY2016, HK\$0.2 million for 1Q2016 and HK\$0.2 million for 1Q2017; representing 1.0%, 0.7%, 0.9% and 0.7% of our total revenue for the respective years/periods.

(iii) Revenue from prescription and dispensing of medical products

Based on our clients' specific needs, requirements and skin conditions following consultations, our doctors may prescribe medication and/or recommend skin care products to our clients which are dispensed at our medical aesthetic centres.

Revenue from prescription and dispensing of medical products amounted to HK\$2.5 million for FY2015, HK\$2.8 million for FY2016, HK\$0.7 million for 1Q2016 and HK\$0.7 million for 1Q2017; representing 3.4%, 3.4%, 3.5% and 2.8% of our total revenue for the respective years/periods.

(iv) Revenue from sale of skin care products

The skin care products we sell include cleanser, toner, serum, moisturiser, eye care product, ultraviolet (UV) protection product and mask. During the Track Record Period and up to the Latest Practicable Date, we offer two lines of private label skin care products, namely "CosMax" and "Cospeutic", to treat a range of skin conditions. In order to provide more choices and meet the individual needs of our clients, we also sell several other selected brands of skin care products provided by third party manufacturers.

Revenue from sale of skin care products amounted to HK\$4.2 million for FY2015, HK\$3.8 million for FY2016, HK\$1.0 million for 1Q2016 and HK\$1.0 million for 1Q2017; representing 5.7%, 4.6%, 4.8% and 4.1% of our total revenue for the respective periods.

(v) Forfeited revenue from expired packages/cash coupons

We offer prepaid packages to our clients in connection with our treatments. When designing the number of service sessions in a prepaid package, we take into account, among other things, our doctors' assessment and also the protocols recommended by the suppliers of treatment devices in respect of the number of optimal sessions which should be taken to achieve the desired results. Our IT infrastructure record and stores sales data related to prepaid packages/cash coupons as well as records the status of utilisation of the prepaid packages/cash coupons sold, which allows us to monitor the status of utilisation of prepaid packages/cash coupons for arranging appointments for clients.

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In addition, we also offer prepaid cash coupons to our clients from January to April each year as part of our marketing and promotion activities, which carry a fixed dollar amount and can be redeemed for any type of treatment services and/or prepaid packages at our clients' choice.

Receipts from prepaid packages and prepaid cash coupons are recorded as deferred revenue in the combined statements of financial position at the point of sales, and are recognised as revenue in the combined statements of profit or loss when the relevant treatments are rendered to our clients from time to time. Our prepaid packages have a validity period ranging from three months to 18 months from the date of purchase, while the validity period of our prepaid cash coupons is 12 months from the date of purchase. Upon expiration of the validity period, the remaining deferred revenue in respect of the prepaid packages not utilised or the prepaid cash coupons not redeemed will be recognised as forfeited revenue. We may extend the validity period of unutilised prepaid packages for our clients on a case-by-case basis at our sole discretion. See "Business — Prepaid Packages — Expiry, extension and refund" in this prospectus for details of our extension policy.

Forfeited revenue from expired packages/cash coupons amounted to HK\$2.7 million for FY2015, HK\$2.0 million for FY2016, HK\$0.5 million for 1Q2016 and HK\$0.5 million for 1Q2017; representing only 3.6%, 2.4%, 2.5% and 2.0% of our total revenue for the respective years/periods.

Other income and gain

Set forth below is a breakdown of our Group's other income and gain during the Track Record Period:

	Year ended 31 March		Three months ended 30 June	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
			(Unaudited)	
Interest income	286	297	82	15
Insurance compensation	430	5	—	—
Exchange gain	25	—	—	—
Others	30	43	11	14
Total	771	345	93	29

Interest income represented interest received for the deposits placed at banks.

Insurance compensation for FY2015 represented the amount received during the year in respect of a workplace accident that happened in 2012 involving the injury suffered by an employee who hurt herself at work. All claim from this employee was fully settled and the amount received from the insurance company under our labour insurance plan represented full compensation of the medical expenses and the employee's salaries for the period during which she was not able to work.

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Cost of inventories and consumables

Our cost of inventories and consumables used comprised the cost of skin care products, medication, as well as the cost of treatment consumables used. Examples of treatment consumables include dermal fillers and botulinum toxin type A for our injection procedures, as well as transducers and tips of certain treatment devices which have to be replaced after the treatment procedure.

The cost of inventories and consumables as a percentage of revenue remained relatively stable at 10.2%, 9.7%, 9.8% and 10.5% for FY2015, FY2016, 1Q2016 and 1Q2017 respectively.

For illustration purpose, we set out below a sensitivity analysis of the estimated increase/decrease in our profit before tax for the respective years/periods with reference to a hypothetical change in the cost of inventories and consumables during the Track Record Period. The sensitivity analysis is performed with reasonably possible changes based on historical fluctuations, and assuming all other factors remain unchanged:

	Hypothetical increase/ decrease by 5.0%	Hypothetical increase/ decrease by 7.0%	Hypothetical increase/ decrease by 10.0%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Decrease/Increase in our profit before tax for:			
FY2015	377	528	754
FY2016	404	566	808
1Q2017	125	176	251

Staff costs

Set forth below is a breakdown of our staff costs during the Track Record Period:

	Year ended 31 March				Three months ended 30 June			
	2015		2016		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
(Unaudited)								
Salaries and commissions								
— Doctors	8,959	31.2	9,201	31.3	2,212	32.1	2,768	35.7
— Front-line staff	8,232	28.7	9,319	31.7	2,104	30.5	2,353	30.4
— Director	3,600	12.6	2,400	8.2	600	8.7	600	7.7
— Management, administration and back office staff	6,912	24.1	7,379	25.1	1,686	24.5	1,839	23.7
MPF and other staff benefits	975	3.4	1,092	3.7	291	4.2	193	2.5
	28,678	100.0	29,391	100.0	6,893	100.0	7,753	100.0

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Staff costs represented the largest portion of our operating expenses during the Track Record Period. For FY2015, FY2016, 1Q2016 and 1Q2017, our staff costs amounted to HK\$28.7 million, HK\$29.4 million, HK\$6.9 million and HK\$7.8 million, respectively, representing 48.2%, 47.6%, 47.4% and 43.9% of our total cost of operations for the same year/period.

For certain members of our staff such as our doctors and front-line employees, we formulated competitive remuneration package which includes a fixed monthly salary and an incentive scheme tied to various key performance indicators like the number of packages sold or number of treatments conducted. Our intention is to incentivise our staff for their contribution to improve our business performance.

During the Track Record Period, we employed three full-time doctors. Our front-line staff include our trained therapists, medical assistants, aesthetic service specialists and other employees that engage in the daily operations at our medical aesthetic centres. Management, administration and back office staff include our senior management, accounting staff and other back office team members. As at 31 March 2015, 31 March 2016 and 30 June 2016, we had 55, 66 and 72 employees respectively.

For illustration purpose, we set out below a sensitivity analysis of the estimated increase/decrease in our profit before tax for the respective periods with reference to a hypothetical change in staff costs during the Track Record Period. The sensitivity analysis is performed with reasonably possible changes based on historical fluctuations, and assuming all other factors remain unchanged:

	Hypothetical increase/ decrease by 2.0% HK\$'000	Hypothetical increase/ decrease by 5.0% HK\$'000	Hypothetical increase/ decrease by 8.0% HK\$'000
Decrease/Increase in our profit before tax for:			
FY2015	574	1,434	2,294
FY2016	588	1,470	2,351
1Q2017	155	388	620

Property rental and related expenses

Property rental and related expenses amounted to HK\$8.8 million, HK\$9.4 million, HK\$2.3 million and HK\$2.4 million for FY2015, FY2016, 1Q2016 and 1Q2017, respectively, which represented rental payments for our medical aesthetic centres, CosMax Academy, namely our training centre, and office premises of our headquarters. All of our property rental and related expenses are fixed at the rate as stipulated in the rental agreements with no variable component.

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For illustration purpose, we set out below a sensitivity analysis of the estimated increase/decrease in our profit before tax for the respective periods with reference to a hypothetical change in property rental and related expenses during the Track Record Period. The sensitivity analysis is performed with reasonably possible changes based on historical fluctuations, and assuming all other factors remain unchanged:

	Hypothetical increase/ decrease by 5.0% HK\$'000	Hypothetical increase/ decrease by 7.0% HK\$'000	Hypothetical increase/ decrease by 10.0% HK\$'000
Decrease/Increase in our profit before tax for:			
FY2015	439	615	878
FY2016	470	658	941
1Q2017	119	167	239

Depreciation

Depreciation amounted to HK\$6.6 million, HK\$6.2 million, HK\$1.6 million and HK\$1.5 million for FY2015, FY2016, 1Q2016 and 1Q2017, respectively, which primarily represented depreciation expenses for our property, plant and equipment, including treatment devices and the leasehold improvements of our medical aesthetic centres.

Other operating expenses

Other operating expenses amounted to HK\$8.0 million, HK\$8.7 million, HK\$1.7 million and HK\$3.5 million for FY2015, FY2016, 1Q2016 and 1Q2017, respectively. The following table sets forth a breakdown of other expenses for the periods indicated:

	Year ended 31 March	Three months ended			
		2015	2016	30 June	2015
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Card commission	1	1,841	1,861	323	394
Marketing and promotion	2	1,893	945	232	225
Repair and maintenance	3	1,115	1,217	186	329
Listing expenses		—	—	—	820
Professional fees	4	343	974	58	760
Exchange losses	5	—	644	6	—
Donation	6	184	578	301	10
Insurance		350	370	89	92
Subscription fees	7	260	270	67	69
Others	8	1,959	1,835	470	822
		7,945	8,694	1,732	3,521

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Notes:

1. Card commission represented commission charged by the card payment processing banks for sales settled by credit cards
2. Marketing and promotion expenses were mainly related to publishing of our CosMagazine, internet advertising, website hosting costs and free trials of skin care products
3. Repair and maintenance expenses were mainly incurred for our treatment devices
4. Professional fees mainly included audit fees, tax filing fees, and fees incurred for the engagement of a part time doctor through a contract for service arrangement
5. Exchange losses were related to the RMB deposits maintained by our Group for treasury management
6. It is our policy that the maximum amount of donation to charitable organisations for the year is limited to 5% of our profit for the immediately preceding year.
7. Subscription fees represented fees paid for our doctors for their MPS membership
8. Others included recruitment expenses, printing, stationery, office supplies, travelling and other miscellaneous expenses

Taxation

Income tax expense comprises current tax and deferred tax. Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, our Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands. Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at a rate of 16.5% during the Track Record Period.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Comparison of 1Q2016 and 1Q2017

Revenue

Our revenue increased by HK\$3.8 million, or 18.8%, from HK\$20.2 million for 1Q2016 to HK\$24.0 million for 1Q2017.

(i) Revenue from treatment services

Revenue from treatment services increased by HK\$3.9 million, or 21.9%, from HK\$17.8 million for 1Q2016 to HK\$21.7 million for 1Q2017. Such increase was mainly driven by the growth in revenue derived from our injection procedures, which increased by HK\$1.5 million, or 45.5%, from HK\$3.3 million for 1Q2016 to HK\$4.8 million for 1Q2017 as a result of the launch of new injection procedures in September 2015, namely TEOSYAL[®], which is mainly for skin rejuvenation. The revenue derived from our energy-based procedures also recorded a growth 16.7%, from HK\$13.8 million for 1Q2016 to HK\$16.1 million for 1Q2017.

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We recorded a growth in both the number of clients who received our treatment services, from 2,367 for 1Q2016 to 2,506 for 1Q2017, as well as the average revenue per client who received our treatment services, from HK\$7,532 for 1Q2016 to HK\$8,641 for 1Q2017. We believe that such increase was primarily driven by the increase in client demand as a result of our quality services.

(ii) Revenue from consultation services

Revenue from consultation services remained stable at HK\$0.2 million for both 1Q2016 and 1Q2017. The number of consultations provided to our clients remained relatively stable at 383 and 378 for 1Q2016 and 1Q2017, respectively.

(iii) Revenue from prescription and dispensing of medical products

Revenue from prescription and dispensing of medical products remained stable at HK\$0.7 million for both 1Q2016 and 1Q2017. We recorded a relatively stable level of the number of clients receiving prescription and dispensing services at 1,745 and 1,741 for 1Q2016 and 1Q2017, respectively. The average revenue per client who received our prescription and dispensing services also remained stable at HK\$406 and HK\$388 for 1Q2016 and 1Q2017, respectively.

(iv) Revenue from sale of skin care products

Revenue from sale of skin care products remained stable at HK\$0.1 million for both 1Q2016 and 1Q2017. The number of clients who made at least one purchase of skin care products increased from 690 for 1Q2016 to 731 for 1Q2017, whilst the average spending per client on skin care products decreased from HK\$1,401 for 1Q2016 to HK\$1,342 for 1Q2017.

(v) Forfeited revenue from expired packages

Forfeited revenue from expired packages remained stable at HK\$0.5 million for both 1Q2016 and 1Q2017.

Cost of inventories and consumables

Cost of inventories and consumables increased by HK\$0.5 million, or 25.0%, from HK\$2.0 million for 1Q2016 to HK\$2.5 million for 1Q2017. Such increase was primarily attributable to the increase in consumption of treatment consumables in line with our growth in revenue from treatment services during the period.

Staff costs

Staff costs increased by HK\$0.9 million, or 13.0%, from HK\$6.9 million for 1Q2016 to HK\$7.8 million for 1Q2017. Such increase was primarily attributable to the hiring of additional staff along with the expansion of our Group. The total number of our staff increased from 58 as at 30 June 2015 to 72 as at 30 June 2016.

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Property rental and related expenses

Property rental and related expenses increased by HK\$0.1 million, or 4.3%, from HK\$2.3 million for 1Q2016 to HK\$2.4 million for 1Q2017. Such increase was primarily attributable to the increase in monthly rental charge for our CWB Centre upon the renewal of lease terms in October 2015.

Depreciation

Depreciation decreased by HK\$0.1 million, or 6.3%, from HK\$1.6 million for 1Q2016 to HK\$1.5 million for 1Q2017. Such decrease was mainly attributable to the decrease in depreciation expenses related to certain leasehold improvements and treatment devices which had been fully depreciated by the end of 1Q2016.

Other operating expenses

Other operating expenses increased by HK\$1.8 million, or 105.9%, from HK\$1.7 million for 1Q2016 to HK\$3.5 million for 1Q2017. Such increase was primarily attributable to:

- (i) Increase in card commission by HK\$0.1 million, from HK\$0.3 million for 1Q2016 to HK\$0.4 million for 1Q2017. There was no material change in the card commission rate for 1Q2017 as compared to that of 1Q2016, and the increase in card commission for 1Q2017 was driven by the increased sale during the period;
- (ii) Increase in repair and maintenance expenses for our medical devices by HK\$0.1 million, from HK\$0.2 million for 1Q2016 to HK\$0.3 million for 1Q2017;
- (iii) Increase in professional fees by HK\$0.7 million, from HK\$0.1 million for 1Q2016 to HK\$0.8 million for 1Q2017 which was mainly attributable to the increase in audit fees and the engagement of a new part time doctor through a service contract in June 2015;
- (iv) Listing expenses incurred for 1Q2017 of HK\$0.8 million (nil for 1Q2016); and
- (v) Increase in other expenses by HK\$0.3 million, from HK\$0.5 million for 1Q2016 to HK\$0.8 million for 1Q2017. Such increase was mainly related to the expenses incurred in connection with the registration of our trademarks.

Income tax expenses

Income tax expenses increased by HK\$0.3 million, or 27.3%, from HK\$1.1 million for 1Q2016 to HK\$1.4 million for 1Q2017. Our effective tax rates for 1Q2016 and 1Q2017 was 18.3% and 21.5% respectively. The increase in effective tax rate for 1Q2017 was primarily because the listing expenses incurred for 1Q2017 were non-deductible for Hong Kong tax purpose.

Net profit

As a result of the foregoing, our net profit increased by HK\$0.3 million, or 6.4%, from HK\$4.7 million for 1Q2016 to HK\$5.0 million for 1Q2017. Excluding the non-recurring expenses incurred in connection with the Listing, our adjusted net profit would increase by HK\$1.1 million, or 23.4% to HK\$5.8 million for 1Q2017.

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Comparison of FY2015 and FY2016

Revenue

Our revenue increased by HK\$9.4 million, or 12.7%, from HK\$74.0 million for FY2015 to HK\$83.4 million for FY2016.

(i) Revenue from treatment services

Revenue from treatment services increased by HK\$10.2 million, or 16.0%, from HK\$63.9 million for FY2015 to HK\$74.1 million for FY2016. Such increase was mainly driven by the growth in revenue derived from our injection procedures, which increased by HK\$4.6 million, or 46.9%, from HK\$9.8 million for FY2015 to HK\$14.4 million for FY2016 as a result of the launch of new injection procedures; TEOSYAL[®], in September as mentioned above. The revenue derived from our energy-based procedures also recorded a growth 10.6%, from HK\$51.8 million for FY2015 to HK\$57.3 million for FY2016.

The average revenue per client who received our treatment services increased from HK\$15,958 for FY2015 to HK\$18,148 for FY2016. We also recorded an increase in number of treatment sessions conducted from 27,953 for FY2015 to 28,374 for FY2016.

(ii) Revenue from consultation services

Revenue from consultation services decreased by HK\$0.2 million, or 25.0%, from HK\$0.8 million for FY2015 to HK\$0.6 million for FY2016. Such decrease was attributable to the decrease in the number of consultations from 1,750 for FY2015 to 1,437 for FY2016.

(iii) Revenue from prescription and dispensing of medical products

Revenue from prescription and dispensing of medical products increased by HK\$0.3 million, or 12.0%, from HK\$2.5 million for FY2015 to HK\$2.8 million for FY2016. Such increase was mainly driven by the increase in revenue from the prescription of medical sets recommended by our doctors in FY2016. The medical sets include combinations of medication and/or skin care products chosen by our doctors for improving skin conditions.

(iv) Revenue from sale of skin care products

Revenue from sale of skin care products decreased by HK\$0.4 million, or 9.5%, from HK\$4.2 million for FY2015 to HK\$3.8 million for FY2016. Such decrease was attributable to the replacement of skin care products by the new medical set prescribed by our doctors in FY2016 as discussed above.

(v) Forfeited revenue from expired packages

Forfeited revenue from expired packages decreased by HK\$0.7 million, or 25.9%, from HK\$2.7 million for FY2015 to HK\$2.0 million for FY2016.

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Other income and gain

Other income and gain decreased by HK\$0.5 million, or 62.5%, from HK\$0.8 million for FY2015 to HK\$0.3 million for FY2016. Such decrease was attributable to the one-off insurance compensation received in FY2015 in respect of the injury suffered by an employee at work. See “Description of Components of Combined Statements of Profit or Loss and Other Comprehensive Income — Other income and gain” in this section for details.

Cost of inventories and consumables

Our cost of inventories and consumables increased by HK\$0.6 million, or 8.0%, from HK\$7.5 million for FY2015 to HK\$8.1 million for FY2016. Such increase was primarily attributable to the increase in consumption of treatment consumables in line with the increase in the number of treatments performed for FY2016 as mentioned above, partly offset by the decrease in the amount of skin care products sold in the same financial year.

Staff costs

Staff costs increased by HK\$0.7 million, or 2.4%, from HK\$28.7 million for FY2015 to HK\$29.4 million for FY2016. Such increase was primarily attributable to the hiring of additional staff along with the expansion of our Group, which was partly offset by the decrease in director’s remuneration for FY2016. The total number of our staff increased from 55 as at 31 March 2015 to 66 as at 31 March 2016.

Property rental and related expenses

Property rental and related expenses increased by HK\$0.6 million, or 6.8%, from HK\$8.8 million for FY2015 to HK\$9.4 million for FY2016. Such increase was primarily attributable to (i) the increase in monthly rental charge for our CWB Centre upon the renewal of lease terms in October 2015; and (ii) the additional rental charge for CosMax Academy, which commenced operation since April 2015.

Depreciation

Depreciation decreased by HK\$0.4 million, or 6.1%, from HK\$6.6 million for FY2015 to HK\$6.2 million for FY2016. Such decrease was mainly attributable to the decrease in depreciation expenses related to certain leasehold improvements and treatment devices which had been fully depreciated by the end of FY2015.

Other operating expenses

Other operating expenses increased by HK\$0.8 million, or 10.1%, from HK\$7.9 million for FY2015 to HK\$8.7 million for FY2016. Such increase was mainly attributable to:

- (i) Decrease in marketing and promotion expenses by HK\$1.0 million, from HK\$1.9 million for FY2015 to HK\$0.9 million for FY2016, as we incurred one-off expenses for the grand opening of our Central Centre in FY2015;

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- (ii) Increase in professional fees by HK\$0.7 million, from HK\$0.3 million for FY2015 to HK\$1.0 million for FY2016 as a result of the engagement of a new part time doctor through a contract for service arrangement in FY2016;
- (iii) Exchange losses of HK\$0.6 million incurred in FY2016 resulting from the RMB deposits maintained by our Group for treasury management; and
- (iv) Increase in donation by HK\$0.4 million, from HK\$0.2 million for FY2015 to HK\$0.6 million for FY2016.

Income tax expenses

Income tax expenses increased by HK\$1.8 million, or 105.9%, from HK\$1.7 million for FY2015 to HK\$3.5 million for FY2016. Such increase was primarily due to the utilisation of tax losses and deductible temporary differences brought forward from prior periods in FY2015, leading to a lower effective tax rate of 11.4% for FY2015 than that of 15.8% for FY2016.

Net profit

As a result of the foregoing, our net profit increased by HK\$5.0 million, or 37.0%, from HK\$13.5 million for FY2015 to HK\$18.5 million for FY2016.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to satisfy our working capital needs and capital expenditure needs. We have historically financed our working capital and capital expenditure needs primarily through cash flows generated from our operating activities.

Going forward, we believe our liquidity requirements will be satisfied using a combination of cash generated from operating activities and the net proceeds from the Placing based on our current and anticipated levels of operations and conditions in the markets and industry. For details of our future plans, see “Statement of Business Objectives and Use of Proceeds” in this prospectus.

We regularly monitor our liquidity requirements to ensure that we maintain sufficient cash resources for our working capital needs and capital expenditure needs. During the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulties in settling our obligations in the normal course of business which would have had a material impact to our business, financial condition or results of operations.

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The following table summarises, for the respective year/period indicated, our combined statements of cash flows:

	FY2015	FY2016	1Q2016	1Q2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Net cash generated from operating activities	32,022	9,293	2,343	29,395
Net cash used in investing activities	(15,562)	(2,179)	(2,024)	(966)
Net cash used in financing activities	<u>(10,600)</u>	<u>(10,600)</u>	<u>—</u>	<u>—</u>
Net increase/(decrease) in cash and cash equivalents	5,860	(3,486)	319	28,429
Cash and cash equivalents at beginning of the year/period	<u>26,877</u>	<u>32,737</u>	<u>32,737</u>	<u>29,251</u>
Cash and cash equivalents at the end of the year/period	<u><u>32,737</u></u>	<u><u>29,251</u></u>	<u><u>33,056</u></u>	<u><u>57,680</u></u>

Cash flows from operating activities

Our sources of cash inflow from operating activities mainly include the receipts of payment for our prepaid packages and prepaid cash coupons. Our cash outflow from operations is principally for salary payments, rental payments, purchases of inventories, and the payments of other operating expenses.

For FY2015, our net cash generated from operating activities amounted to HK\$32.0 million. The net cash generated was mainly attributable to (i) our profit before tax of HK\$15.2 million; (ii) adjusted for non-cash expenses such as depreciation of HK\$6.6 million; (iii) cash inflow from the increase in deferred revenue of HK\$14.4 million; (iv) cash inflow from the decrease in prepayments, deposits and other receivables of HK\$2.6 million; (v) cash outflow in respect of Hong Kong profits tax paid of HK\$4.1 million; (vi) cash outflow from the increase in pledged time deposits of HK\$2.1 million and (vii) cash outflow from the increase in amount due from related parties of HK\$0.4 million.

For FY2016, our net cash generated from operating activities amounted to HK\$9.3 million. The net cash generated was mainly attributable to (i) our profit before tax of HK\$22.0 million; (ii) adjusted for non-cash expenses such as depreciation of HK\$6.2 million; (iii) cash inflow from the increase in deferred revenue of HK\$5.4 million; (iv) cash inflow from the increase in other payables and accruals of HK\$0.4 million; (v) cash inflow from the increase in trade payables of HK\$0.3 million; (vi) cash outflow in respect of Hong Kong profits tax paid of HK\$1.1 million; and (vii) cash outflow from the increase in amount due from related parties of HK\$24.0 million.

For 1Q2017, our net cash generated from operating activities amounted to HK\$29.4 million. The net cash generated was mainly attributable to (i) our profit before tax of HK\$6.3 million; (ii) adjusted for non-cash expenses such as depreciation of HK\$1.5 million; (iii) cash inflow from the decrease in amount due from related parties of HK\$24.4 million; (iv) cash inflow from the increase in other payables and accruals of HK\$1.3 million; (v) cash inflow from the decrease in trade receivables of HK\$0.7 million; (vi) cash inflow from the increase in trade payables of HK\$0.4 million; and (vii) cash outflow from the decrease in deferred revenue of HK\$5.0 million.

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Cash flows from investing activities

For FY2015, FY2016 and 1Q2017, our net cash used in investing activities amounted to HK\$15.6 million, HK\$2.2 million and HK\$1.0 million respectively, which were mainly attributable to the purchase of property, plant and equipment during the respective years/period.

Cash flows from financing activities

For both FY2015 and FY2016, our net cash used in financing activities were HK\$10.6 million, which represented the dividend paid in the respective years.

For 1Q2017, there was no net cash flow used in or generated from our financing activities.

Net current (liabilities)/assets

	As at 31 March	As at 30 June	As at 31 October
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)
Current assets			
Inventories	1,289	1,696	1,685
Trade receivables	1,268	1,190	489
Prepayments, deposits and other receivables	4,524	3,083	3,328
Due from related parties	567	24,523	102
Tax recoverable	1,213	115	113
Pledged time deposits	3,618	3,449	3,455
Cash and cash equivalents	32,737	29,251	57,680
Total current assets	45,216	63,307	66,852
Current liabilities			
Trade payables	466	727	1,088
Other payables and accruals	2,975	3,384	4,659
Deferred revenue	51,958	57,388	52,358
Provision for restoration costs	497	433	433
Tax payable	74	1,359	2,897
Total current liabilities	55,970	63,291	61,435
Net current (liabilities)/assets	(10,754)	16	5,417

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Our net current liabilities position of HK\$10.8 million as at 31 March 2015 was primarily attributable to the cash outflows in connection with financing our capital expenditures of HK\$15.6 million. Such expenditures were mainly related to additions of treatment devices and leasehold improvements for the Central Centre which commenced operation in April 2014. We did not experience any negative impact on our operations as a result of our net current liabilities position, as we maintained sufficient amount of cash to settle the necessary operating costs and expenses in delivering the services and treatments arising out of the deferred revenue.

We recorded net current assets of HK\$16,000 as at 31 March 2016 as compared to the net current liabilities of HK\$10.8 million as at 31 March 2015. The improvement in our net current assets position by HK\$10.8 million was primarily attributable to the cash flows generated from our operations, which included (i) the net profit for the year of HK\$18.5 million; (ii) non-cash expense of depreciation amounting to HK\$6.2 million; partly offset by (iii) dividend payment of HK\$10.6 million; and (iv) capital expenditures of HK\$2.2 million. The change in our net current assets position for FY2016 was reflected in our combined statement of financial position, mainly as: (i) the increase in amounts due from related parties by HK\$24.0 million; (ii) the increase in deferred revenue by HK\$5.4 million; (iii) the decrease in cash and cash equivalents by HK\$3.5 million; (iv) the increase in tax payable by HK\$1.3 million; (v) the decrease in prepayments, deposits and other receivables by HK\$1.4 million; (vi) the decrease in tax recoverable by HK\$1.1 million; and (vii) the increase in other payables and accruals by HK\$0.4 million.

Our net current assets position further improved by HK\$5.4 million, from HK\$16,000 as at 31 March 2016 to HK\$5.4 million as at 30 June 2016. The improvement in our net current assets position was primarily attributable to the cash flows generated from our operations, which included (i) the net profit for the period of HK\$5.0 million; (ii) non-cash expense of depreciation amounting to HK\$1.5 million; partly offset by (iii) capital expenditures of HK\$1.0 million. The change in our net current assets position for 1Q2017 was reflected in our combined statement of financial position, mainly as: (i) the increase in cash and cash equivalents by HK\$28.4 million; (ii) the decrease in deferred revenue by HK\$5.0 million; (iii) the decrease in amounts due from related parties by HK\$24.4 million; (iv) the increase in tax payable by HK\$1.5 million; (v) the increase in other payables and accrual by HK\$1.3 million; and (vi) the decrease in trade receivables by HK\$0.7 million.

Our net current assets increased by HK\$0.4 million, from HK\$5.4 million as at 30 June 2016 to HK\$5.8 million as at 31 October 2016. Such increase was reflected in our combined statement of financial position, mainly as: (i) the decrease in cash and cash equivalents by HK\$3.7 million; (ii) the increase in prepayments, deposits and other receivables by HK\$3.0 million mainly attributable to the increase in prepayment for the portion of Listing expenses that will be accounted for as a deduction from equity upon Listing; (iii) the increase in tax payable by HK\$1.1 million; (iv) the decrease in other payables and accruals by HK\$0.8 million; (v) the decrease in deferred revenue by HK\$0.8 million; (vi) the decrease in trade payables by HK\$0.4 million; and (vii) the increase in trade receivables by HK\$0.3 million.

FINANCIAL INFORMATION

DESCRIPTION OF SELECTED ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

Inventories

Our inventories include skin care products, medication as well as consumables used in treatments.

The following table sets forth a breakdown of our inventories as at the dates indicated:

	As at 31 March		As at 30 June
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Skin care products	321	293	341
Medication	318	338	255
Treatment consumables	650	1,065	1,089
Total	1,289	1,696	1,685

The increase in inventories from HK\$1.3 million as at 31 March 2015 to HK\$1.7 million as at 31 March 2016 and 30 June 2016 was due to the increased level of treatment consumables maintained by our Group as a result of the expected increase in our business volume for treatment services. We generally maintain inventories sufficient for our operations for coming two months. See “Business — Our Suppliers, Procurement and Inventory management — Inventory management” in this prospectus for our inventory management policies.

The following table sets forth our inventory turnover days for the financial years/period indicated.

	Year ended 31 March		Three months ended 30 June
	2015	2016	2016
Turnover of inventory (days) ^(Note)	59.9	67.4	60.6

Note: Calculated as the average inventory divided by the cost of inventories and consumables used and multiplied by 365 for FY2015 and FY2016, or 90 for 1Q2017.

Inventory turnover days increased from 59.9 days for FY2015 to 67.4 days for FY2016, which was mainly due to the increased level of treatment consumables maintained by our Group as discussed above. Inventory turnover days decreased to 60.6 days for 1Q2017, which was comparable to that of FY2015.

There was no impairment in relation to our inventories during the Track Record Period. As at 31 October 2016, approximately 69.0% of our inventory balance as at 30 June 2016 had been subsequently used. Out of our inventory as at 30 June 2016 remaining unused as at 31 October 2016, which amounted to approximately HK\$523,000, (i) 70.1% was medication and treatment consumables, of which 71.3% had an expiry date within one year; and (ii) 29.9% was skin care products, all of which had a shelf life of more than one year.

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Trade receivables

A majority of our treatment services are conducted through the sales of prepaid packages, where the full amounts of the prepaid packages are settled upfront by our clients with cash, credit cards or EPS and are recognised as deferred revenue in our statement of financial position. Our trade receivables primarily consisted of amounts due from card payment processing banks, which are generally due for settlement within a week after the trade date for clients choosing upfront full payments and within a month after the trade date for clients choosing payments by monthly installment. The balance of our trade receivables amounted to HK\$1.3 million, HK\$1.2 million and HK\$0.5 million as at 31 March 2015, 31 March 2016 and 30 June 2016, respectively.

The following table sets forth our trade receivables turnover days for the years/period indicated.

	FY2015	FY2016	1Q2017
Turnover of trade receivables (days) <i>(Note)</i>	4.5	5.4	3.2

Note: Calculated as the average trade receivables divided by revenue and multiplied by 365 for FY2015 and FY2016, or 90 for 1Q2017.

Our average trade receivables turnover days for FY2015, FY2016 and 1Q2017 were 4.5 days, 5.4 days and 3.2 days, respectively, which is in line with our experience for the settlement of transactions by card processing banks.

The following table sets forth an aged analysis of our trade receivables, based on invoice date, as of the dates indicated:

	As at 31 March		As at 30 June
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	1,268	1,169	489
1 to 3 months	—	21	—
	1,268	1,190	489

It is our Group's policy to make provision on trade receivables when they are considered uncollectible. In determining the recoverability of a trade receivable, our Group considers various factors, including any change in credit quality of the counterparty from the date credit was initially granted up to the end of each reporting period.

During the Track Record Period, no impairment in respect of our trade receivables was considered necessary. As at 31 August 2016, all of our trade receivables as at 30 June 2016 had been subsequently settled.

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Prepayments, deposits and other receivables

The following table sets forth a breakdown of prepayments, deposits and other receivables as at the dates indicated:

	As at 31 March		As at 30 June
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments	845	723	637
Deposits	4,577	4,578	4,572
Other receivables	136	4	253
	5,558	5,305	5,462

Prepayments included the prepaid maintenance costs of our treatment devices, and other miscellaneous prepayments such as insurance expenses. The balance of prepayments amounted to HK\$0.8 million, HK\$0.7 million and HK\$0.6 million as at 31 March 2015, 31 March 2016 and 30 June 2016, respectively.

Deposits mainly included rental deposits for the lease of our medical aesthetic centres, training centre, and office premises. It also included other deposits such as service deposits for the payment gateway of card processing banks and EPS and deposits for utilities. The balance of deposits remained relatively stable at HK\$4.6 million as at 31 March 2015, 31 March 2016 and 30 June 2016.

Due from related parties

The following table sets forth a breakdown of amounts due from related parties as at the dates indicated:

	As at 31 March		As at 30 June
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mrs. Gigi Ma	—	23,938	—
Mr. Lai Ying	471	332	—
Other related companies	96	253	102
	567	24,523	102

All balances due from related parties were unsecured, interest-free and repayable on demand. As at 31 August 2016, all balances due from related parties had been settled.

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Trade payables

Trade payables primarily consist of the outstanding payables on inventories. The credit period granted by our suppliers is normally 30 days. The balance of trade payables increased from HK\$0.5 million as at 31 March 2015 to HK\$0.7 million as at 31 March 2016. Such increase was in line with the increase in inventory level maintained by us as discussed above. The balance of trade payables further increased to HK\$1.1 million as at 30 June 2016. Such increase was related to the bulk purchase of treatment consumables for certain energy-based treatment device close to the end of 30 June 2016.

The following table sets forth our trade payables turnover days for the financial years/period indicated:

	Year ended 31 March		Three months ended 30 June
	2015	2016	2016
Turnover of trade payables (days) ^(Note)	20.6	26.9	32.6

Note: Calculated as the average trade payables divided by the cost of inventories and consumables and multiplied by 365 for FY2015 and FY2016, or 90 for 1Q2017

The increase in our trade payables turnover days is in line with the increase in the balance of trade payables as discussed above.

The following table sets forth an aged analysis of our trade payables, based on invoice date, as at the dates indicated.

	As at 31 March		As at 30 June
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	466	727	1,088

As at 31 August 2016, all of our trade payables as at 30 June 2016 had been subsequently settled.

Deferred revenue

We offer prepaid packages to our clients in connection with our treatments, as well as prepaid cash coupons which can be redeemed for any type of treatment services or prepaid packages within the validity period. Receipts from the sales of prepaid packages and prepaid cash coupons are recorded as deferred revenue in the combined statements of financial position at the point of sales, and are recognised as revenue in the combined statements of profit or loss awarding to the relevant proportion of treatments being delivered to our clients from time to time.

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Our prepaid packages have a validity period ranging from three months to 18 months from the date of purchase, while the validity period of our prepaid cash coupons is 12 months from the date of purchase. Upon expiration of the validity period, the remaining deferred revenue in respect of the prepaid packages not utilised or the prepaid cash coupons not redeemed will be recognised as forfeited revenue. However, at our sole discretion, we may extend the validity period of the unutilised prepaid packages on a case-by-case basis. Any remaining deferred revenue in respect of the unutilised prepaid packages upon the expiration of the extended validity period will be recognised as forfeited revenue. See “Business — Prepaid Packages” in this prospectus for details of the policies of the sales of our prepaid packages.

(i) Movement of deferred revenue

The following table sets forth a movement of the balance of deferred revenue for the years/period indicated:

	Year ended 31 March		Three months ended 30 June
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year/period	37,594	51,958	57,388
Receipts from sales of one-off treatments, treatment packages and prepaid cash coupons, net ^(Note 1)	81,528	82,383	17,316
Revenue recognised upon provision of treatment services ^(Note 2)	(63,882)	(74,081)	(21,655)
Revenue recognised upon the retail sales of products ^(Note 2)	(623)	(853)	(205)
Forfeited revenue recognised	(2,659)	(2,019)	(486)
At the end of the year/period	51,958	57,388	52,358

Note 1: Net receipts from sale of treatment packages and prepaid cash coupons included refunds in respect of unutilised packages of HK\$0.2 million, HK\$0.2 million and HK\$10,900 for FY2015, FY2016 and 1Q2017 respectively.

Note 2: Revenue attributable to sale of treatment services or products through redemption of prepaid cash coupons was recognised based on the discounted value of the prepaid cash coupons.

The balance of deferred revenue increased by HK\$5.4 million, from HK\$52.0 million as at 31 March 2015 to HK\$57.4 million as at 31 March 2016. Such increase was mainly attributable to the increase in the sales of prepaid packages and prepaid cash coupons in FY2016. The balance decreased by HK\$5.0 million to HK\$52.4 million as at 30 June 2016, which was mainly due to the utilisation of prepaid packages for 1Q2017, and the decrease in sales of prepaid cash coupons.

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(ii) Breakdown by prepaid package and prepaid cash coupon

The following table sets forth a breakdown of the balance of deferred revenue as at the dates indicated:

	As at 31 March				As at 30 June	
	2015		2016		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Prepaid packages	44,657	85.9	51,626	90.0	48,795	93.2
Prepaid cash coupons	7,301	14.1	5,762	10.0	3,563	6.8
	<u>51,958</u>	<u>100.0</u>	<u>57,388</u>	<u>100.0</u>	<u>52,358</u>	<u>100.0</u>

(iii) Aged analysis

The following table sets forth an aged analysis of our deferred revenue, based on the date of purchase of the relevant prepaid package or prepaid cash coupons by our clients, as at the dates indicated:

	As at 31 March				As at 30 June	
	2015		2016		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Within 6 months	30,668	59.0	39,016	68.0	31,733	60.6
7 to 12 months	13,725	26.4	8,204	14.3	9,592	18.3
13 to 18 months	4,768	9.2	4,150	7.2	5,320	10.2
19 to 24 months	1,954	3.8	4,146	7.2	3,425	6.5
25 to 30 months	706	1.4	1,320	2.3	1,429	2.7
More than 30 months	137	0.2	552	1.0	859	1.7
Total deferred revenue	<u>51,958</u>	<u>100.0</u>	<u>57,388</u>	<u>100.0</u>	<u>52,358</u>	<u>100.0</u>

The aged analysis illustrates the length of time that the relevant deferred revenue has been recorded in the combined statements of financial position since its initial recognition. As at 31 March 2015, 31 March 2016 and 30 June 2016, 94.6%, 89.5% and 89.1% of our deferred revenue aged less than 18 months respectively. Deferred revenue that aged over 18 months was attributable to those prepaid packages that had been extended at our discretion taking into account certain client specific reasons, such as pregnancy and skin allergy. See “Business — Prepaid packages — Expiry, extension and refund” in this prospectus for details of our extension policy.

FINANCIAL INFORMATION

Other payables and accruals

The following table sets forth a breakdown of other payables and accruals as at the dates indicated:

	As at 31 March		As at 30 June
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accrual for staff costs	1,086	1,291	1,584
Receipt in advance	240	270	239
Provision for annual leave	675	750	699
Provision for long service payment	68	127	143
Others	906	946	1,994
	2,975	3,384	4,659

Other payables and accruals mainly included accrual for staff costs, provision for annual leaves and accruals for miscellaneous operating expenses. The balance of other payables and accruals increased by HK\$0.4 million from HK\$3.0 million as at 31 March 2015 to HK\$3.4 million as at 31 March 2016. Such increase was mainly attributable to the increase in accrual for staff costs. The balance further increased by HK\$1.3 million to HK\$4.7 million as at 30 June 2016, which was mainly due to the accrual for expenses incurred in connection with the Listing.

WORKING CAPITAL SUFFICIENCY

Our Directors confirm that, taking into consideration the financial resources presently available to us, including banking facilities and other internal resources, and the estimated net proceeds from the Placing, we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus.

Save as disclosed in this prospectus, our Directors are not aware of any other factors that would have a material impact on our Group's liquidity. For details of the funds necessary to meet our existing operations and to fund our future plans, see "Statement of Business Objectives and Use of Proceeds" in this prospectus.

INDEBTEDNESS

We did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, hire purchase commitments, liabilities under acceptance or acceptance credit or any guarantee or other material contingent liability outstanding as at 31 October 2016.

Our Directors confirm that we do not expect to raise material external debt financing in the near future.

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CAPITAL EXPENDITURES

Capital expenditures during the Track Record Period

The following table sets forth a breakdown of our capital expenditures during the Track Record Period:

	Year ended 31 March		Three months ended 30 June
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold improvements	2,348	328	203
Treatment devices	9,465	1,599	720
Computer equipment	1,312	71	27
Furniture and fixtures	188	46	8
Tools and equipment	529	135	2
Motor vehicles	1,720	—	—
Office equipment	1	3	6
	15,563	2,182	966

Planned capital expenditures in relation to our business strategies

For the three years ending 31 March 2017, 2018 and 2019, the estimated capital expenditures for the implementation of our business strategies will amount to HK\$1.8 million, HK\$30.6 million and HK\$8.8 million respectively, which are primarily used for establishing our new medical aesthetic centre, and refurbishing the CWB Centre. Our Group's projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and regulatory environment. See "Statement of Business Objectives and Use of Proceeds" in this prospectus for further information.

CONTRACTUAL COMMITMENTS

Capital commitment

As at 31 March 2015, 31 March 2016 and 30 June 2016, our Group had no material capital commitment.

FINANCIAL INFORMATION

Operating lease commitments

The following table sets forth our total future minimum lease payments in respect of rented premises under non-cancellable operating lease arrangements as at the dates indicated:

	As at 31 March		As at 30 June
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within one year	5,161	7,688	7,110
In the second to fifth year, inclusive	4,085	7,234	5,853
	9,246	14,922	12,963

Operating lease commitments represent rentals payable by our Group for our medical aesthetic centres, training centre and office premises of our headquarters. Leases for these premises are negotiated for terms ranging from two to three years and rentals are fixed throughout the lease terms. See “Business — Properties” in this prospectus for information of our leased properties.

KEY FINANCIAL RATIOS

	Year ended 31 March		Three months ended 30 June
	2015	2016	2016
Net profit margin ^(Note 1)	18.2%	22.2%	20.7%
Current ratio ^(Note 2)	0.8 time	1.0 time	1.1 times
Quick ratio ^(Note 3)	0.8 time	1.0 time	1.1 times
Return on equity ^(Note 4)	124.3%	98.6%	83.7%
Return on total assets ^(Note 5)	19.7%	22.0%	22.8%
Interest coverage ratio ^(Note 6)	N/A	N/A	N/A
Net debt to equity ^(Note 7)	Net cash	Net cash	Net cash
Gearing ratio ^(Note 8)	Nil	Nil	Nil

For illustrative purpose:

Adjusted net profit margin ^(Note 9 & 12)	24.1%
Adjusted return on equity ^(Note 10 & 12)	97.5%
Adjusted return on total assets ^(Note 11 & 12)	26.5%

Notes:

1. Net profit margin equals our net profit for the year/period divided by revenue for the year/period.
2. Current ratio equals our current assets divided by current liabilities as at the end of the year/period.
3. Quick ratio equals our current assets less inventories divided by current liabilities as at the end of the year/period.
4. Return on equity equals net profit for the year/annualised net profit for the period divided by total equity as at the end of the year/period.

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5. Return on total asset equals net profit for the year/annualised net profit for the period divided by total assets as at the end of the year/period.
6. Interest coverage ratio equals profit before interest and tax for the year/period divided by interest expenses of the same year/period.
7. Net debt to equity ratio equals net debt divided by total equity as at the end of the year/period. Net debt includes all interest-bearing loans and obligations under finance leases, net of cash and cash equivalents.
8. Gearing ratio equals total debt divided by total equity as at the end of the year/period. Total debt includes all interest-bearing loans and obligations under finance leases.
9. Adjusted net profit margin equals adjusted net profit for the period divided by revenue for the period.
10. Adjusted return on equity equals annualised adjusted net profit for the period divided by total equity as at the end of the period.
11. Adjusted return on total assets equals annualised adjusted net profit for the period divided by total assets as at the end of the period.
12. Adjusted net profit for the period is calculated by excluding Listing expenses of HK\$0.8 million from net profit for the period.

Net profit margin

Net profit margin was 18.2%, 22.2% and 20.7% for FY2015, FY2016 and 1Q2017, respectively. The increase in net profit margin from 18.2% for FY2015 to 22.2% for FY2016 was principally due to the growth in our revenue and our effort to control operating costs. The decrease in net profit margin from 22.2% for FY2016 to 20.7% for 1Q2017 was mainly due to non-recurring expenses incurred in connection with the Listing in 1Q2017. Excluding such Listing expenses, the adjusted net profit margin would be 24.1%.

Current ratio and quick ratio

Our current ratio and quick ratio were 0.8 time, 1.0 time and 1.1 times as at 31 March 2015, 31 March 2016 and 30 June 2016, respectively.

The increase in current ratio and quick ratio was due to the proportionately larger increase in current assets than our current liabilities, mainly as a result of the increase in cash and bank balance arising from our provision of services and the sales of prepaid packages.

Return on equity

Our return on equity was 124.3%, 98.6% and 83.7% for FY2015, FY2016 and 1Q2017, respectively. The decrease in return on equity for FY2016 was mainly due to the enlarged equity base, attributable to the increase in our retained earnings from the operating profits generated in FY2015 and FY2016. The decrease in return on equity for 1Q2017 was primarily due to the non-recurring expenses incurred in connection with the Listing for 1Q2017. Excluding such Listing expenses, the adjusted return on equity would be 97.5%.

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Return total assets

Our return on total assets was approximately 19.7%, 22.0% and 22.8% for FY2015, FY2016 and 1Q2017, respectively. The increase in return on total assets for FY2016 and 1Q2017 was mainly attributable to the increase in our net profit for FY2016 and 1Q2017. Excluding the non-recurring expenses incurred in connection with the Listing in 1Q2017, the adjusted return on total assets for 1Q2017 would be 26.5%, which is higher than that of FY2016.

Interest coverage ratio

Such ratio is not applicable as we did not incur any interest expense during the Track Record Period.

Net debt to equity and gearing ratio

As we did not have any debts during the Track Record Period, our Group maintained a net cash position and our gearing ratio was nil as at 31 March 2015, 31 March 2016 and 30 June 2016.

RELATED PARTY TRANSACTIONS

Our Group entered into certain related party transactions with its related parties during the Track Record Period, details of which are set out in Note 27 to the Accountants' Report in Appendix I to this prospectus. Our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to our Group than terms available to independent third parties and were fair and reasonable and in the interest of our Shareholders as a whole.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

Currency risk

During the Track Record Period, for the purpose of treasury management, our Group maintained certain of our bank deposits in Renminbi, with an intent to earn a higher interest yield than deposits that are denominated in Hong Kong dollar. Such balances exposed us to exchange rate risk. For FY2015 and FY2016, we incurred net exchange gain of HK\$25,000 and net exchange losses of HK\$0.6 million respectively in respect of such Renminbi deposits. As at the Latest Practicable Date, our Group did not have any bank balances that are denominated in foreign currency, and had no plan in the future to maintain any of our bank balances in foreign currency.

Credit risk

Our receivable balances are monitored on an ongoing basis. As our cash receipts are usually collected through the sales of prepaid packages, we do not have significant exposure to bad debts.

In respect of our exposure to credit risk arising from other major financial assets, such as pledged time deposits and cash and cash equivalents, as our deposits are placed with banks with good reputation, we consider the credit risk to be minimal.

FINANCIAL INFORMATION

Liquidity risk

In order to manage liquidity risk, we maintain a level of cash and cash equivalents we considered adequate to finance our Group's operations and mitigate the effects of fluctuations in cash flows. We also regularly review our major funding positions to ensure that we have adequate financial resources to meet our financial obligations. For details of the maturity profile of our Group's financial liabilities, see Note 32 to the Accountants' Report in Appendix I to this prospectus.

Capital management

Our Group's main objectives with respect to capital management are to maintain a solid and stable financing structure to support its on-going business growth in order to maximise shareholders' return.

Our Group regularly reviews and manages our capital structure and makes adjustments to it in light of changes in economic conditions and the mix of our assets. To maintain or adjust our capital structure, our Group may adjust the dividend payment to the shareholders, return capital to the shareholders, or issue new shares. Our Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

DISTRIBUTABLE RESERVES

As at 30 June 2016, our Company had no distributable reserves available for distribution to our Shareholders.

LISTING EXPENSES

Based on the Placing Price of HK\$0.7 per Placing Share, being the mid-point of the indicative range of the Placing Price stated in this prospectus, the estimated total Listing expenses are approximately HK\$23.9 million, of which approximately: (i) HK\$7.7 million is directly attributable to the issue of Placing Shares in the Listing and will be accounted for as a deduction from equity upon Listing; and (ii) HK\$16.2 million is chargeable as expenses to our profit and loss accounts in FY2017. Out of this amount, approximately HK\$0.8 million had been charged to our profit and loss account in the 1Q2017. The remaining amount of approximately HK\$15.4 million is expected to be charged to our profit and loss account for FY2017. The actual amounts to be recognised to the profit and loss of our Group or to be capitalised are subject to adjustments based on audit and changes in variables and assumptions. **Prospective investors should note that our financial results for FY2017 will be adversely affected by the non-recurring Listing expenses described above, and may not be comparable to the financial performance of our Group in the past.**

DIVIDEND

Under the Companies Law and our Articles, dividends may be paid out of the profits of our Company, or subject to solvency of our Company, out of sums standing to the credit of our share premium account. However, no dividend shall exceed the amount recommended by our Directors.

During the Track Record Period, interim dividends of HK\$10.6 million had been declared and paid for each of FY2015 and FY2016.

FINANCIAL INFORMATION

We currently do not have a formal dividend policy or a fixed dividend distribution ratio. The declaration, payment and the amount of dividends are dependent on the results of operations, cash flows, financial condition, future prospects and other factors that our Directors may consider relevant. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. There can be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that save as disclosed in “Listing Expenses” in this section, up to the date of this prospectus, there had been no material adverse change in our financial or trading position since 30 June 2016, being the date to which the latest audited financial statements of our Group were made up.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus for further details.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

Our objective is to enhance our market share in the medical aesthetic service industry and continue to strengthen our competitive strengths. See “Business — Our Business Strategies” in this prospectus for details of our business strategies.

IMPLEMENTATION PLANS

We will endeavour to achieve the following milestone events during the period from the Latest Practicable Date to 31 March 2019. The respective scheduled completion times are based on certain bases and assumptions as set out in “Bases and Key Assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out under “Risk Factors” in this prospectus. Therefore, there is no assurance that our business plans will materialise in accordance with the estimated time frame and that our future plans will be accomplished at all.

For the period from the Latest Practicable Date to 31 March 2017

<i>Business strategies</i>	<i>Implementation plans</i>	<i>Sources of funding</i>
Expand our network of medical aesthetic centres in Hong Kong	— Confirm the lease of the new medical aesthetic centre at a selected location in Kowloon	Listing proceeds of HK\$1.1 million
	— Commence renovation works	Listing proceeds of HK\$1.8 million
	— Identify and recruit experienced doctors and therapists	Our internal resources
Continue to attract and retain experienced personnel through training and professional development	— Provide training to our doctors and therapists	Our internal resources
	— Arrange our doctors to attend overseas medical aesthetic conference and exposition	Our internal resources

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

For the six months ending 30 September 2017

<i>Business strategies</i>	<i>Implementation plans</i>	<i>Sources of funding</i>
Expand our network of medical aesthetic centres in Hong Kong	— Complete the renovation works and commence operation of the new medical aesthetic centre	Listing proceeds of HK\$5.2 million
	— Procure treatment devices for the new medical aesthetic centre	Listing proceeds of HK\$12.0 million
	— Identify and recruit experienced doctors and therapists for the new medical aesthetic centre	Our internal resources
Broaden the variety of treatment services and product offering	— Procure new treatment devices for body contouring	Listing proceeds of HK\$4.8 million
Continue to attract and retain experienced personnel through training and professional development	— Provide training to our doctors and therapists and arrange our doctors to attend overseas medical aesthetic conference and exposition	Our internal resources
	— Recruit one experienced therapists for each of CWB Centre and Central Centre to cope with continuous growth	Our internal resources

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

For the six months ending 31 March 2018

<i>Business strategies</i>	<i>Implementation plans</i>	<i>Sources of funding</i>
Broaden the variety of treatment services and product offering	— Procure new treatment devices for medical laser	Listing proceeds of HK\$1.4 million
	— Source new treatment devices to broaden the variety of our treatment services	Listing proceeds of HK\$1.5 million
Refurbish our CWB Centre	— Design new center layout and carry out renovation work	Listing proceeds of HK\$3.7 million
Upgrade our IT infrastructure	— Develop our human resources management system	Listing proceeds of HK\$0.9 million
	— Develop and upgrade our POS system by introducing the doctor module and diagnosis module	Listing proceeds of HK\$1.1 million
Continue to attract and retain experienced personnel through training and professional development	— Provide training to our doctors and trained therapists and arrange our doctors to attend overseas medical aesthetic conference and exposition	Our internal resources

For the six months ending 30 September 2018

<i>Business strategies</i>	<i>Implementation plans</i>	<i>Sources of funding</i>
Broaden the variety of treatment services and product offering	— Procure new treatment devices for medical laser	Listing proceeds of HK\$0.7 million
	— Source new treatment devices to broaden the variety of our treatment services	Listing proceeds of HK\$1.5 million
Upgrade our IT infrastructure	— Develop and upgrade our POS system by enhancing our inventory management module	Listing proceeds of HK\$1.1 million
	— Develop and upgrade our accounting system	Listing proceeds of HK\$1.4 million

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

<i>Business strategies</i>	<i>Implementation plans</i>	<i>Sources of funding</i>
Continue to attract and retain experienced personnel through training and professional development	— Provide to our doctors and therapists and arrange our doctors to attend overseas medical aesthetic conference and exposition	Our internal resources
	— Recruit experienced therapists for our medical aesthetic centres	Our internal resources

For the six months ending 31 March 2019

<i>Business strategies</i>	<i>Implementation plans</i>	<i>Sources of funding</i>
Broaden the variety of treatment services and product offering	— Procure new treatment devices for medical laser	Listing proceeds of HK\$0.7 million
	— Source new treatment devices to broaden the variety of our treatment services	Listing proceeds of HK\$1.5 million
Upgrade our IT infrastructure	— Complete the upgrade of our POS system	Listing proceeds of HK\$1.1 million
	— Develop our customer relationship management system	Listing proceeds of HK\$0.8 million
Continue to attract and retain experienced personnel through training and professional development	— Provide training to our doctors and therapists and arrange our doctors to attend overseas medical aesthetic conference and exposition	Our internal resources

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

BASES AND KEY ASSUMPTIONS

Our Directors have adopted the following principal assumptions in the preparation of the implementation plan up to 31 March 2019.

- (a) there will be no material change in the existing political, legal, fiscal or economic conditions in Hong Kong;
- (b) there will be no outbreak of contagious diseases or occurrence of *force majeure* events or natural disasters in Hong Kong, which would materially disrupt our business operations or cause substantial loss, damage or destruction to our properties or facilities;
- (c) there will be no material change in the existing laws, regulations, policies or industry standards in Hong Kong or any part of the world relating or applicable to us;
- (d) there will be no material change in the bases or rates of taxation in Hong Kong or in any other places in which any member of our Group operates or will operate or is incorporated;
- (e) the Placing will be completed in accordance with and as described in “Structure of the Placing” in this prospectus;
- (f) our Group is able to retain our key management personnel, doctors, employees, clients and suppliers;
- (g) our Group will not be materially affected by any risk factors set out in “Risk Factors” in this prospectus;
- (h) there will be no change in the effectiveness of any licences and permits obtained by us;
- (i) we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate; and
- (j) our Group will be able to continue its operations in substantially the same manner as our Group had been operating during the Track Record Period and our Group will be able to carry out the development plans without disruptions adversely affecting its operations or business objectives in any way.

REASONS FOR THE PLACING AND USE OF PROCEEDS

Our Directors believe that the Listing could enhance our capital base and the net proceeds from the Placing will strengthen our financial position and enable us to implement our business objectives set out in this section. As at 30 June 2016, we had a cash and cash equivalent balance of approximately HK\$57.7 million, which was mainly attributable to the cash receipts from sales of prepaid packages and prepaid cash coupons. Accordingly, we also recorded deferred revenue amounting to approximately HK\$52.3 million as at 30 June 2016. Our Directors consider that it is prudent not to deploy the aforesaid cash resources to implement our business strategies as we need to have sufficient cash available to settle the necessary operating expenses in delivering our treatment services arising out of the prepaid packages and redemption of services using the prepaid cash coupons. Therefore, despite the

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

fact that the estimated total listing expenses amount to approximately HK\$23.9 million, our Directors believe obtaining a public listing status is the best way for us to gain access to the capital market to fund our current expansion plans and business development in the future. Furthermore, we believe that, through going public, we can enhance our corporate profile and increase market awareness towards the brand of our medical aesthetic centres, and prepare ourselves in a better position to recruit and retain talents by offering an equity-based incentive program, such as share option scheme, to our staff.

Based on the Placing Price of HK\$0.7 per Share, being the mid-point of the indicative range of the Placing Price stated in this prospectus, the net proceeds of the Placing, after deduction of underwriting fees and other expenses payable by our Company in relation to the Placing, are estimated to be approximately HK\$46.1 million. Our Company currently intends to use the net proceeds from the Placing as follows:

	From the Latest Practicable Date to					Approximate % of the total net proceeds	
	For the six months ending						
	31 March 2017	30 September 2017	31 March 2018	30 September 2018	31 March 2019	Total	
	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	
Expand our network of medical aesthetic centres in Hong Kong	2.9	17.2	—	—	—	20.1	43.6%
Broaden the variety of treatment services and product offering	—	4.8	2.9	2.2	2.2	12.1	26.3%
Refurbish our CWB Centre	—	—	3.7	—	—	3.7	8.0%
Upgrade our IT infrastructure	—	—	2.0	2.5	1.9	6.4	13.9%
General working capital	0.8	0.8	0.8	0.7	0.7	3.8	8.2%
	<u>3.7</u>	<u>22.8</u>	<u>9.4</u>	<u>5.4</u>	<u>4.8</u>	<u>46.1</u>	<u>100.0%</u>

To the extent that the net proceeds from the Placing are not immediately required for the above purposes and to the extent permitted by applicable laws and regulations, if we are unable to effect any part of our future plans as intended, it is the present intention of our Directors that such net proceeds be placed in short-term interest bearing deposit accounts held with authorised financial institutions in Hong Kong. In the event that we would require additional financing apart from the net proceeds from the issue of the Placing Shares for our future plans, the shortfall will be financed by our internal resources and bank financing as appropriate.

In the event that the Placing Price is fixed at HK\$0.6 or HK\$0.8 (being the respective low-end and high-end of the indicative range of the Placing Price as stated in this prospectus), the net proceeds of the Placing to be received by our Company are approximately HK\$36.5 million and HK\$55.6 million, respectively, after deduction of all underwriting fees and expenses paid and payable by us in relation to the Placing. We currently intend to apply the aforesaid net proceeds in the same manner and in the same proportion as shown above.

THE CORNERSTONE INVESTMENT

We have entered into a cornerstone investment agreement (the “**Cornerstone Investment Agreement**”) with CSI Capital Management Limited (the “**Cornerstone Investor**”) and the Joint Lead Managers, pursuant to which the Cornerstone Investor has agreed to subscribe at the Placing Price for 20.0% of the Placing Shares offered pursuant to the Placing which equals to 5.0% of the total issued Shares of our Company immediately upon the Listing subject to adjustment so that the aggregate subscription price payable by the Cornerstone Investor (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) (the “**Cornerstone Investment**”) shall be capped at HK\$20,000,000. Assuming a Placing Price of HK\$0.6, HK\$0.7 and HK\$0.8 (being the minimum, mid-point and maximum of the indicative Placing Price range stated in this prospectus), the total amount of the Cornerstone Investment (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) will be HK\$12.0 million, HK\$14.0 million and HK\$16.0 million, respectively.

The Cornerstone Investor is incorporated in BVI and also registered in Hong Kong under Part 16 of the Companies Ordinance as a registered non-Hong Kong company. Its principal business activity is investment and securities trading. The Cornerstone Investor is wholly owned by CITIC Securities International Company Limited, which in turn is wholly owned by CITIC Securities Company Limited, a joint stock company listed on the Main Board of the Stock Exchange (Stock Code: 6030) and Shanghai Stock Exchange (Ticker: 600030). CITIC Securities Company Limited is principally engaged in investment banking business, brokerage business, trading business, provision of asset management services and investment business.

The offer of the Placing Shares to the Cornerstone Investor forms part of the Placing. The Cornerstone Investor will not subscribe for any Placing Shares under the Placing other than pursuant to the Cornerstone Investment Agreement.

To the best knowledge of our Company, the Cornerstone Investor is an Independent Third Party and not an existing Shareholder, our connected person or our close associate. The Placing Shares to be subscribed for by the Cornerstone Investor will be counted towards the public float of our Company and will rank *pari passu* in all respects with the other fully paid Placing Shares then in issue and to be listed on the Stock Exchange. Immediately following the completion of the Placing, the Cornerstone Investor will not have any board representation in our Company, and will not become a substantial shareholder of our Company upon the Listing.

CONDITIONS PRECEDENT

The subscription obligation of the Cornerstone Investor is subject to the following conditions precedent:

- (a) the Underwriting Agreement having been entered into, having become effective and unconditional by no later than the respective time and date specified therein, and not having been terminated, in accordance with their respective original terms (or as subsequently waived, to the extent it may be waived, by the relevant parties thereto);
- (b) the Placing Price having been agreed between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company in connection with the Placing;

CORNERSTONE INVESTOR

- (c) the Cornerstone Investor's and our Company's respective representations, warranties, acknowledgments and undertakings are true and accurate in all material respects and not misleading and there having been no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor and our Company;
- (d) the listing committee of the Stock Exchange having granted or agreed to grant the approval for the listing of, and permission to deal in, the Shares on GEM and such approval or permission not having been revoked; and
- (e) no laws having been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated under the Cornerstone Investment Agreement and there having been no order or injunction of a court of competent jurisdiction in effect precluding or prohibiting consummation of the transactions contemplated under the Cornerstone Investment Agreement.

RESTRICTIONS ON DISPOSAL BY THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed that, without the prior written consent of each of our Company and the Joint Lead Managers, it will not at any time during the period of six months following the Listing Date dispose of (as defined in the Cornerstone Investment Agreement) any of the Shares to be subscribed for by it pursuant to the Cornerstone Investment Agreement (including any shares of our Company which are derived from such cornerstone investor's shares pursuant to any rights issue, capitalisation issue or any other form of capital reorganisation).

The Cornerstone Investor may transfer the Shares so subscribed in certain limited circumstances, such as transfer to a wholly-owned subsidiary of such Cornerstone Investor, provided prior to such transfer, that such wholly-owned subsidiary undertakes in writing to, and the Cornerstone Investor undertakes in writing to procure that such wholly-owned subsidiary will, abide by the restrictions on disposals imposed on the Cornerstone Investor.

UNDERWRITING

UNDERWRITERS

Joint Bookrunners and Joint Lead Managers

Shenwan Hongyuan Capital (H.K.) Limited
Get Nice Securities Limited
Opus Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company is offering initially 100,000,000 Placing Shares for subscription by way of placing to selected professional, institutional or other investors in Hong Kong at the Placing Price on and subject to the terms and conditions in the Underwriting Agreement and this prospectus.

Subject to, among other conditions, the Listing Division granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may fall to be issued pursuant to the Capitalisation Issue and options that may be granted under the Share Option Scheme) and to certain other conditions set out in the Underwriting Agreement being fulfilled or waived on or before the dates and times specified in the Underwriting Agreement, the Underwriters have agreed to subscribe or procure subscribers for their respective applicable proportions of the Placing Shares on the terms and conditions of the Underwriting Agreement and this prospectus.

Grounds for Termination

The obligations of the Underwriters to subscribe or procure subscribers for the Placing Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. The Joint Lead Managers (for themselves and on behalf of the Underwriters) shall have the right, in their reasonable opinion, to terminate the underwriting arrangements with immediate effect pursuant to the Underwriting Agreement by notice in writing given to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (the “**Termination Time**”), if any of the following events shall occur prior to the Termination Time:

- (a) there has come to the notice of the Joint Lead Managers:
 - (i) that any statement contained in this prospectus and other Placing Documents (as defined in the Underwriting Agreement) and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Placing (including any supplement or amendment thereto) (together the “**Relevant Documents**”) was, when it was issued, or has become, untrue, incorrect or misleading in any respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents is not fair and honest and based on reasonable assumptions; or

UNDERWRITING

- (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of publication of the respective Relevant Document, constitute an omission from any of the Relevant Documents; or
- (iii) any breach of any of the obligations imposed or to be imposed upon any party to the Underwriting Agreement (other than on the part of any of the Underwriters); or
- (iv) any event, act or omission which gives or is likely to give rise to any liability of any of the Warrantor (as defined in the Underwriting Agreement) pursuant to the indemnity provisions in the Underwriting Agreement; or
- (v) any material adverse change, or any development involving a prospective material adverse change, in the assets, liabilities, conditions, business affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition (financial or otherwise), or performance of our Group taken as a whole; or
- (vi) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the warranties as set out in the Underwriting Agreement given by the Warrantor; or
- (vii) the approval by the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) our Company withdraws any of the Placing Documents (and/or any other documents issued or used in connection with the Placing) or the Placing; or
- (ix) any person (other than the Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Placing Documents or to the issue of any of the Placing Documents; or
- (x) any event, act or omission which gives or is likely to give rise to any material liability of any member of our Group pursuant to the indemnification provisions in the Underwriting Agreement; or
- (xi) that a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (xii) an authority or a political body or organisation in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any of our Directors and senior management members of our Group as set out in the section headed "Directors and Senior Management" of this prospectus; or

UNDERWRITING

- (b) there shall develop, occur, exist or come into effect:
- (i) any local, national, regional or international event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriters (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1), Ebola disease or such related or mutated forms) or interruption or delay in transportation); or
 - (ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets); or
 - (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the Nasdaq Global Market, the Nasdaq National Market, the Tokyo Stock Exchange, the Shanghai Stock Exchange and the Shenzhen Stock Exchange; or
 - (iv) any new law, or any change or development involving a prospective change in existing laws or any event or circumstance likely to result in a change in or development involving a prospective change in (or in the interpretation or application thereof by any court or other competent authority of) existing laws, in each case, in or affecting any of Hong Kong, the PRC, the United States, Cayman Islands, the BVI, the European Union (or any member thereof) or any other jurisdictions relevant to any member of our Group or the Placing (the “**Specific Jurisdictions**”); or
 - (v) the imposition of any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or otherwise), the PRC, New York (imposed at the United States federal or New York state level or otherwise), London or any other Specific Jurisdiction, or any disruption in commercial banking or securities settlement or clearance services or procedures or matters in any of the Specific Jurisdictions; or
 - (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for the United States or the European Union (or any member thereof) on Hong Kong, the PRC, Cayman Islands, the BVI, the European Union (or any member thereof) or any of the Specific Jurisdictions; or

UNDERWRITING

- (vii) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws (including, without limitation, any material devaluation of the Hong Kong dollars against any foreign currencies), or the implementation of any exchange control, in any of the Specific Jurisdictions or affecting an investment in the Shares; or
- (viii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (ix) any litigation or claim of any third party being threatened or instigated against any member of our Group or any of the Covenantors (as defined in the Underwriting Agreement); or
- (x) any of the Directors and senior management members of our Company as set out in the “Directors and Senior Management” section of this prospectus being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (xi) the chairlady or chief executive officer of our Company vacating his or her office; or
- (xii) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or
- (xiii) a contravention by any member of our Group or any Director of the Predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force before 3 March 2014, the Companies Ordinance, the GEM Listing Rules or any other laws applicable to the Placing; or
- (xiv) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Placing Shares pursuant to the terms of the Placing; or
- (xv) non-compliance of this prospectus (and/or any other documents used in connection with the Placing) or any aspect of the Placing with the GEM Listing Rules or any other laws applicable to the Placing; or
- (xvi) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (and/or any other documents used in connection with the Placing) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the GEM Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or

UNDERWRITING

(xviii) any loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(xix) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement or any resolution passed for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or

(xx) the investment commitments by any cornerstone investor(s) after signing of agreement(s) with such cornerstone investor(s), have been withdrawn, terminated or cancelled;

and which, with respect to any of paragraphs (i) through (xx) above, individually or in the aggregate in the reasonable opinion of the Joint Lead Managers (for themselves and on behalf of the Underwriters):

- (a) has or is or will or could be expected to have a material adverse effect on the assets, liabilities, general affairs, management, business, shareholders' equity, profits, losses, results of operations, financial, trading or other condition or position or prospects or risks of our Company or our Group taken as a whole or on any present or prospective shareholder in his, her or its capacity as such; or
- (b) makes or will make or may make it inadvisable, inexpedient or impracticable for the Placing to proceed or to market the Placing or shall otherwise result in a material interruption to or material delay thereof; or
- (c) has or will have the effect of making any material part of the Underwriting Agreement (including underwriting) incapable of performance substantially in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Placing or pursuant to the underwriting thereof.

Fees, Commission and Expenses

Pursuant to the Underwriting Agreement, the Placing Shares are being offered for subscription, subject to the terms and conditions in this prospectus, at the Placing Price of HK\$0.6 to HK\$0.8 per Placing Share. The Underwriters will receive an underwriting commission of 4.4% of the aggregate Placing Price of all Placing Shares, out of which they will pay any sub-underwriting commissions. Assuming the Placing Price is HK\$0.7, being the mid-point of the indicative Placing Price range, the total underwriting commission, fees and expenses relating to the Placing and Listing (including the GEM Listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees, and printing), are estimated to be approximately HK\$23.9 million, all of which is expected to be incurred for the year ending 31 March 2017.

UNDERWRITING

UNDERWRITERS' INTEREST IN OUR COMPANY

Save as provided for under the Underwriting Agreement, the Underwriters do not have any shareholding interests in any member of our Group nor have any right or option to subscribe for or nominate persons to subscribe for any Shares.

SPONSOR AND ITS INDEPENDENCE

Shenwan Hongyuan Capital (H.K.) Limited as the Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules.

COMPLIANCE ADVISER'S AGREEMENT

Pursuant to a compliance adviser's agreement dated 23 December 2016 and made between the Sole Sponsor and our Company (the "**Compliance Adviser's Agreement**"), our Company has appointed the Sole Sponsor, and the Sole Sponsor has agreed to act, as the compliance adviser to our Company for the purpose of the GEM Listing Rules for a fee from the Listing Date until the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year after the Listing Date or until the Compliance Adviser's Agreement is terminated pursuant to its terms and conditions.

SPONSOR'S INTERESTS IN OUR COMPANY

The Sole Sponsor, being our Company's compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules, will also receive a financial advisory fee from our Company during the term of its appointment as the compliance adviser of our Company. Save for (i) the advisory and documentation fees to be paid to the Sole Sponsor as the sponsor to the Placing; (ii) the fee to be paid to the Sole Sponsor as our Company's compliance adviser pursuant to the requirements under Rules 6A.19 of the GEM Listing Rules; and (iii) the underwriting commission to be paid to the Sole Sponsor for acting as an Underwriter to the Placing, neither the Sole Sponsor nor any of its close associates has or may have, as a result of the Placing, any interest in any class of securities in our Company or any of its subsidiaries (including options or rights to subscribe for such securities).

No director or employee of the Sole Sponsor who is involved in providing advice to our Company has or may have, as a result of the Placing, any interest in any class of securities of our Company or any of our subsidiaries (including options or rights to subscribe for such securities that may be subscribed for or purchased by any such director or employee pursuant to the Placing).

No director or employee of the Sole Sponsor has a directorship in our Company or any of our subsidiaries.

UNDERWRITING

UNDERTAKINGS

Undertaking by us to the Stock Exchange under the GEM Listing Rules

Under Rule 17.29 of the GEM Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the Listing Date), except in any of the circumstances provided for under Rule 17.29 of the GEM Listing Rules or pursuant to the Placing.

Undertaking by our Controlling Shareholders to the Stock Exchange under the GEM Listing Rules

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, our Controlling Shareholders have jointly and severally undertaken to each of our Company and the Stock Exchange that, save as permitted under the GEM Listing Rules, they shall not, and shall procure the relevant registered holder(s) shall not:

- (i) at any time in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which any of us is shown by this prospectus to be the beneficial owner (direct or indirect interest); and
- (ii) at any time in the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of our Controlling Shareholders would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company.

Nothing in the undertakings given above shall prevent any of our Controlling Shareholders from using the Shares beneficially owned by she/he/it as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan.

The restrictions and undertakings mentioned above shall not apply to any Shares acquired by any of our Controlling Shareholders after the Listing Date.

Our Controlling Shareholders have further jointly and severally undertaken to each of our Company and the Stock Exchange that within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, they shall:

- (i) when any of our Controlling Shareholders pledges or charges any Shares beneficially owned by any of them (directly or indirectly) in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Rule 13.18(1) of

UNDERWRITING

the GEM Listing Rules), immediately inform our Company in writing of such pledge or charge together with the number of Shares so pledged or charged by providing details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and

- (ii) having pledged or charged any Shares under sub-paragraph (i) above, when any of our Controlling Shareholders becomes aware that any pledgee or chargee has disposed of or intends to dispose of any such Shares, immediately inform our Company in writing and of the number of securities affected.

Other undertakings

Undertaking by us

Our Company has undertaken to and covenanted with the Sole Sponsor and the Underwriters that, except pursuant to the Placing, the Capitalisation Issue and any options which may be granted under the Share Option Scheme, we will not, and will procure that our subsidiaries will not, without the prior written consent of the Joint Lead Managers and unless in compliance with the requirements of the GEM Listing Rules, and each of our Controlling Shareholders and executive Directors has undertaken to and covenanted with the Sole Sponsor and the Underwriters that he, she or it will procure our Company not to, without the prior approval of the Stock Exchange, the Joint Lead Managers and prior notification to the Sole Sponsor and the Joint Lead Managers, save as pursuant to the Placing, the Capitalisation Issue and the grant of any option under the Share Option Scheme, or the issue of Shares upon exercise of any option granted under the Share Option Scheme, (a) within the First Six-Month Period, issue or agree to issue (conditionally or unconditionally) any shares or securities of, or grant or agree to grant (conditionally or unconditionally) any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into, or exchange for any securities of, our Company or any of our major subsidiaries; and (b) at any time during the Second Six-Month Period, issue or grant (conditionally or unconditionally) any options or right to subscribe for or otherwise convert into or exchange for shares or securities in our Company or any of our major subsidiaries so as to result in any of our Controlling Shareholders (together with any of their close associates) either individually or taken together with the others of them cease to be a controlling shareholder (within the meaning of the GEM Listing Rules) of our Company or cease to hold, directly or indirectly, a controlling interest of over 30% or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer in any of the companies controlled by him, her or it or any of their close associates which owns any Shares or our Company ceasing to hold a controlling interest of over 30%, directly or indirectly, in any of such major subsidiaries.

Each of our Company, our Controlling Shareholders and our executive Directors has undertaken to and covenanted with the Sole Sponsor and the Underwriters that save with the prior approval of the Stock Exchange, the Sole Sponsor and the Joint Lead Managers, no member of our Group will during the First Six-Month Period purchase any Shares.

UNDERWRITING

Undertaking by our Controlling Shareholders

Each of our Controlling Shareholders, pursuant to the Underwriting Agreement, has agreed and undertaken to the Sole Sponsor, the Joint Lead Managers, our Company and the Underwriters that, except pursuant to the Placing, it, he or she will not, without the prior written consent of the Joint Lead Managers and unless in compliance with the requirements of the GEM Listing Rules:

- (a) at any time during the First Six-Month Period:
 - (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, cause our Company to repurchase, any of the share or debt capital or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein whether now owned or hereinafter acquired, owned directly by our Controlling Shareholders (including holding as a custodian) or with respect to which our Controlling Shareholders have beneficial ownership (collectively the “**Lock-up Shares**”) (the foregoing restriction is expressly agreed to preclude our Controlling Shareholders from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Lock-up Shares even if such Shares would be disposed of by someone other than our Controlling Shareholders, respectively, except otherwise allowed under Rule 13.18 of the GEM Listing Rules; such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Lock-up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares); or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of any such capital or securities or any interest therein; or
 - (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
 - (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (i) or (ii) or (iii) above, whether any such transaction described in paragraph (i) or (ii) or (iii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise;

UNDERWRITING

- (b) at any time during the Second Six-month Period, he, she or it will not enter into any of the foregoing transactions in paragraphs (a)(i) or (a)(ii) or (a)(iii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances or any other transactions, our Controlling Shareholders will cease to be a controlling shareholder (as the term is defined in the GEM Listing Rules) of our Company;
- (c) until the expiry of the Second Six-Month Period, in the event that he, she or it enters into any such transactions or agrees or contracts to, or publicly announces an intention to enter into any such transactions, he, she or it will take all reasonable steps to ensure that he, she or it will not create a disorderly or false market in the securities of our Company; and
- (d) at any time during the First Six-Month Period or the Second Six-Month Period (where applicable), (i) our Controlling Shareholders will, if any of them pledges or charges any Shares or other securities of our Company in respect of which he, she and/or it is/are the beneficial owner(s), immediately inform our Company, the Joint Lead Managers and, if required, the Stock Exchange of any such pledges or charges and the number of Shares or other securities of our Company so pledged or charged, and (ii) our Controlling Shareholders will, if any of them receives any indication, either verbal or written, from any such pledgee or chargee of Shares or other securities of our Company that such Shares or other securities of our Company will be disposed of, immediately inform our Company, the Joint Lead Managers and, if required, the Stock Exchange of any such indication.

Each of our Controlling Shareholders has jointly and severally undertaken to and covenanted with our Company and the Underwriters that, except pursuant to the Placing, the Capitalisation Issue and any options which may be granted under the Share Option Scheme, he, she or it will not, and (where applicable) will procure that its subsidiaries will not, without the prior written consent of the Joint Lead Managers and unless in compliance with the requirements of the GEM Listing Rules, he, she or it shall not and shall procure that the relevant registered holder(s) that:

- (i) within the First Six-Month Period, he, she or it will not, and will procure that none of his, her or its close associates will, sell, transfer, dispose of or enter into any agreement to dispose of or otherwise create any right (including without limitation the creation of any option, pledge, charge or other encumbrance or rights) on any of the securities of our Company or any interests therein owned by him, her or it or any of their close associates or in which he, she, or it or any of their close associates is, directly or indirectly interested immediately after the completion of the Placing (or any other shares or securities of or interest in our Company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise), or sell, transfer, dispose of or enter into any agreement to dispose of or otherwise create any right (including the creation of any option, pledge, charge or other encumbrance or rights) on any shares or interest in any of their close associates which is the beneficial owner (directly or indirectly) of any of such securities or any interests therein as aforesaid (or any other shares or securities of or interest in our Company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise); and

UNDERWRITING

- (ii) save with the prior written consent of the Sole Sponsor and Joint Lead Managers and prior notification to the Sole Sponsor and the Joint Lead Managers, within a further six months commencing on the expiry of the First Month Period, he, she and it will not, and will procure that none of his, her or its close associates will sell, transfer, dispose of or enter into any agreement to dispose of or otherwise create any rights (including the creation of any option, pledge, charge or other encumbrance or rights) on any securities of our Company or any interests therein referred to in sub-clause (a) above or sell, transfer, dispose of or enter into any agreement to dispose of or create any rights (including the creation of any option, pledge, charge or other encumbrance or rights) on any shares in any of their close associates which is the beneficial owner of such securities of our Company or any interests therein as aforesaid if, immediately following such disposal or creation of rights, any of our Controlling Shareholders (together with his, her or its close associates), either individually or taken together with the others, would, directly or indirectly, cease to be a controlling shareholder (within the meaning of the GEM Listing Rules) of our Company or cease to hold, directly or indirectly, a controlling interest of over 30% or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer, in any of their close associates which owns such securities of our Company or interests as aforesaid.

STRUCTURE OF THE PLACING

PLACING PRICE

The Placing Price will not be more than HK\$0.8 per Placing Share and will not be less than HK\$0.6 per Placing Share. Subscribers, must pay, on application, the maximum Placing Price of HK\$0.8 per Placing Share plus 1.0% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee, amounting to a total of HK\$4,040.31 for one board lot of 5,000 Placing Shares.

The Placing Price is expected to be fixed pursuant to the Price Determination Agreement between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on Friday, 30 December 2016 (or such later date as may be agreed between our Company and the Joint Lead Managers). If our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Placing Price by the Price Determination Date or such later date as may be agreed between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters), or the Price Determination Agreement is not signed, the Placing will not become unconditional and will not proceed. Prospective investors of the Placing Shares should be aware that the Placing Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative range of the Placing Price as stated in this prospectus.

If, the Joint Lead Managers (for themselves and on behalf of the Underwriters) and with the consent of our Company consider it appropriate (for instance, if the level of interest is below the indicative Placing Price range), the indicative Placing Price range may be reduced below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, our Company shall, as soon as practicable following the decision to make such reduction, and in any event not later than 9:00 a.m. on the Price Determination Date publish an announcement on the reduction of the indicative Placing Price range on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.miricor.com.

The level of indications of interest in the Placing and the basis of allocations of the Placing Shares will be announced on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.miricor.com on or before Monday, 9 January 2017.

THE PLACING

100,000,000 Placing Shares are being offered in the Placing, representing in aggregate 25% of our Company's enlarged share capital immediately after the completion of the Placing and the Capitalisation Issue (without taking into account any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme).

SWHY, Get Nice and Opus Capital are the Joint Bookrunners and Joint Lead Managers of the Placing. A total of 100,000,000 Placing Shares will be offered under the Placing, which will be conditionally placed with professional, institutional and other investors. The Placing is fully underwritten by the Underwriters, subject to the terms and conditions of the Underwriting Agreement.

STRUCTURE OF THE PLACING

It is expected that the Underwriters or selling agents nominated by it on its behalf will conditionally place the Placing Shares at the Placing Price with professional, institutional and other investors. Such professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

CONDITIONS OF THE PLACING

Acceptance of all applications for the Placing Shares is conditional upon:

(a) Listing

The Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

(b) Underwriting Agreement

The obligations of the Underwriters under the Underwriting Agreement becoming unconditional in all respects. This requires that (i) the Underwriting Agreement is not terminated in accordance with its terms or otherwise prior to 8:00 a.m. on the Listing Date, which is expected to be Tuesday, 10 January 2017; and (ii) all other conditions set out in the Underwriting Agreement are fulfilled, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event, not later than Sunday, 29 January 2017, being the date which is 30th day after the date of this prospectus.

(c) Price Determination Agreement

The Price Determination Agreement between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) being entered into on or before the Price Determination Date.

BASIS OF ALLOCATION

Allocation of the Placing Shares to investors pursuant to the Placing will be effected in accordance with the “book-building” process, undertaken by the Underwriters. Final allocation of the Placing Shares pursuant to the Placing is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell its Placing Shares after the Listing. Such allocation is generally intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a broad shareholder base for the benefit of our Company and our Shareholders as a whole. In particular, the Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, that not more than 50% of the Shares in public hands at the time of Listing will be owned by the three largest public Shareholders. There will not be any preferential treatment in the allocation of the Placing Shares to any persons.

No allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed, without the prior written consent of the Stock Exchange. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

STRUCTURE OF THE PLACING

COMMENCEMENT OF DEALINGS

Dealings in the Shares on GEM are expected to commence on Tuesday, 10 January 2017. Our Shares will be traded in board lots of 5,000 Shares each and are freely transferable.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus on GEM and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on GEM or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

In respect of the dealings in the Shares which may be settled through CCASS, investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

The following is the text of a report, prepared for the inclusion in this prospectus, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.



22/F, CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

30 December 2016

The Directors
Miricor Enterprises Holdings Limited
Shenwan Hongyuan Capital (H.K.) Limited

Dear Sirs,

We set out below our report on the financial information of Miricor Enterprises Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) comprising the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended 31 March 2015 and 2016, and the three months ended 30 June 2016 (the “Track Record Period”), and the combined statements of financial position of the Group as at 31 March 2015 and 2016 and 30 June 2016, and together with the notes thereto (the “Financial Information”), and the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity, the combined statement of cash flows for the three months ended 30 June 2015 (the “Interim Comparative Information”), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the prospectus of the Company dated 30 December 2016 (the “Prospectus”) in connection with the listing of the Shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 6 July 2016. Pursuant to a group reorganisation (the “Reorganisation”) as set out in note 2.1 of Section II below, which was completed on 13 September 2016, the Company became the holding company of the subsidiaries now comprising the Group. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company, as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the date of this report, the Company had direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Group have adopted 31 March as their financial year end date. The statutory financial statements of the companies now comprising the Group have been prepared in accordance with the relevant accounting principles applicable to these companies in the countries/jurisdictions in which they were incorporated and/or established. Details of their statutory auditors during the Track Record Period are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the “Directors”) have prepared the combined financial statements of the Group (the “Underlying Financial Statements”) in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The Underlying Financial Statements for each of the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Directors’ responsibility

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the financial position of the Group as at 31 March 2015 and 2016 and 30 June 2016, and of the financial performance and cash flows of the Group for the Track Record Period then ended.

Review conclusion in respect of the Interim Comparative Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Combined statements of profit or loss and other comprehensive income

	<i>Section II Notes</i>	<u>Year ended 31 March</u>		<u>Three months ended 30 June</u>	
		2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i>
REVENUE	6	74,000	83,352	20,195	23,960
Other income and gain	6	771	345	93	29
Cost of inventories and consumables		(7,543)	(8,081)	(1,982)	(2,509)
Staff costs		(28,678)	(29,391)	(6,893)	(7,753)
Property rentals and related expenses		(8,780)	(9,406)	(2,309)	(2,388)
Depreciation		(6,593)	(6,174)	(1,618)	(1,497)
Other expenses		<u>(7,945)</u>	<u>(8,694)</u>	<u>(1,732)</u>	<u>(3,521)</u>
PROFIT BEFORE TAX	7	15,232	21,951	5,754	6,321
Income tax expense	10	<u>(1,737)</u>	<u>(3,463)</u>	<u>(1,054)</u>	<u>(1,361)</u>
PROFIT FOR THE YEAR/PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD ATTRIBUTABLE TO OWNER OF THE COMPANY		<u>13,495</u>	<u>18,488</u>	<u>4,700</u>	<u>4,960</u>

Combined statements of financial position

	<i>Section II</i> <i>Notes</i>	31 March		30 June
		2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
NON-CURRENT ASSETS				
Property, plant and equipment	13	17,632	13,628	13,096
Goodwill	14	4,305	4,305	4,305
Deposits	17	1,034	2,222	2,134
Deferred tax assets	24	425	650	695
Total non-current assets		<u>23,396</u>	<u>20,805</u>	<u>20,230</u>
CURRENT ASSETS				
Inventories	15	1,289	1,696	1,685
Trade receivables	16	1,268	1,190	489
Prepayments, deposits and other receivables	17	4,524	3,083	3,328
Due from the ultimate holding company	18	5	5	5
Due from related parties	18	562	24,518	97
Tax recoverable		1,213	115	113
Pledged time deposits	19	3,618	3,449	3,455
Cash and cash equivalents	19	<u>32,737</u>	<u>29,251</u>	<u>57,680</u>
Total current assets		<u>45,216</u>	<u>63,307</u>	<u>66,852</u>
CURRENT LIABILITIES				
Trade payables	20	466	727	1,088
Other payables and accruals	21	2,975	3,384	4,659
Deferred revenue	22	51,958	57,388	52,358
Provision for reinstatement costs	23	497	433	433
Tax payable		<u>74</u>	<u>1,359</u>	<u>2,897</u>
Total current liabilities		<u>55,970</u>	<u>63,291</u>	<u>61,435</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>(10,754)</u>	<u>16</u>	<u>5,417</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				
		<u>12,642</u>	<u>20,821</u>	<u>25,647</u>

		<u>31 March</u>		<u>30 June</u>
	<i>Section II</i>	2015	2016	2016
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES				
Deferred tax liabilities	24	708	935	801
Provision for reinstatement costs	23	<u>1,074</u>	<u>1,138</u>	<u>1,138</u>
Total non-current liabilities		<u>1,782</u>	<u>2,073</u>	<u>1,939</u>
Net assets		<u>10,860</u>	<u>18,748</u>	<u>23,708</u>
EQUITY				
Issued capital	25	—	—	—
Reserves	26	<u>10,860</u>	<u>18,748</u>	<u>23,708</u>
Total equity		<u>10,860</u>	<u>18,748</u>	<u>23,708</u>

Combined statements of changes in equity

	<i>Section II Notes</i>	Issued capital <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i> <i>(Note 26)</i>	Retained profits <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 April 2014		—	5,000	2,965	7,965
Profit for the year and total comprehensive income for the year		—	—	13,495	13,495
Interim 2015 dividend	<i>11</i>	—	—	(10,600)	(10,600)
At 31 March 2015 and 1 April 2015		—	5,000*	5,860*	10,860
Profit for the year and total comprehensive income for the year		—	—	18,488	18,488
Interim 2016 dividend	<i>11</i>	—	—	(10,600)	(10,600)
At 31 March 2016 and 1 April 2016		—	5,000*	13,748*	18,748
Profit for the period and total comprehensive income for the period		—	—	4,960	4,960
At 30 June 2016		—	5,000*	18,708*	23,708
(Unaudited)					
At 1 April 2015		—	5,000	5,860	10,860
Profit for the period and total comprehensive income for the period		—	—	4,700	4,700
At 30 June 2015		—	5,000	10,560	15,560

* These reserve accounts comprise the combined reserves of HK\$10,860,000, HK\$18,748,000 and HK\$23,708,000 in the combined statements of financial position as at 31 March 2015 and 2016 and 30 June 2016, respectively.

Combined statements of cash flows

	<i>Section II</i>	<u>Year ended 31 March</u>		<u>Three months ended</u>	
		<u>2015</u>	<u>2016</u>	<u>30 June</u>	<u>2016</u>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		15,232	21,951	5,754	6,321
Adjustments for:					
Depreciation	7	6,593	6,174	1,618	1,497
Interest income	6	(286)	(297)	(82)	(15)
Loss on disposal/write-off of items of property, plant and equipment	7	10	9	—	1
		21,549	27,837	7,290	7,804
Decrease/(increase) in inventories		(104)	(407)	(205)	11
Decrease/(increase) in trade receivables		(749)	78	886	701
Decrease/(increase) in prepayments, deposits and other receivables		2,576	253	191	(157)
Increase in trade payables		80	261	255	361
Increase/(decrease) in other payables and accruals		615	409	(568)	1,275
Increase/(decrease) in deferred revenue		14,364	5,430	(4,697)	(5,030)
Decrease/(increase) in amount due from related parties		(355)	(23,956)	(875)	24,421
Decrease/(increase) in pledged time deposits		(2,139)	169	(16)	(6)
Cash generated from operations		35,837	10,074	2,261	29,380
Interest received		286	297	82	15
Hong Kong profits tax paid		(4,101)	(1,078)	—	—
Net cash flows from operating activities		32,022	9,293	2,343	29,395
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment		(15,563)	(2,182)	(2,024)	(966)
Proceeds from disposal of items of property, plant and equipment		1	3	—	—
Net cash flows used in investing activities		(15,562)	(2,179)	(2,024)	(966)

	<u>Year ended 31 March</u>		<u>Three months ended</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
<i>Section II</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Notes</i>				
(Unaudited)				
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	<u>(10,600)</u>	<u>(10,600)</u>	<u>—</u>	<u>—</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at beginning of year/period	<u>5,860</u>	<u>(3,486)</u>	<u>319</u>	<u>28,429</u>
	<u>26,877</u>	<u>32,737</u>	<u>32,737</u>	<u>29,251</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD				
	<u>32,737</u>	<u>29,251</u>	<u>33,056</u>	<u>57,680</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	23,235	19,851	23,415	48,273
Non-pledged time deposits with original maturity of less than three months when acquired	<u>9,502</u>	<u>9,400</u>	<u>9,641</u>	<u>9,407</u>
Cash and cash equivalents as stated in the combined statements of financial position	<u>19</u> <u>32,737</u>	<u>29,251</u>	<u>33,056</u>	<u>57,680</u>

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Room 1605, 16th Floor., Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong.

The Company is an investment holding company. During the Track Record Period, the Company's subsidiaries were principally engaged in the provision of medical aesthetic services, and the sale of skin care products in Hong Kong (the "Relevant Business").

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure — Reorganisation" in the Prospectus. The Company became the holding company of the subsidiaries now comprising the Group upon completion of the Reorganisation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies incorporated in Hong Kong (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	Place and date of incorporation and place of business	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Coresmax Group Holdings Limited ¹	British Virgin Islands ("BVI") 6 July 2016	US\$1	100	—	Investment holding
Ocean Grand Development Limited ² 海揚發展有限公司	Hong Kong 24 March 1994	HK\$5,000,000	—	100	Provision of management services
G Max Group Limited ²	Hong Kong 17 July 2009	HK\$1	—	100	Provision of management services
Cos Max Limited ²	Hong Kong 18 February 2005	HK\$1	—	100	Sale of skin care products
Cos Max Medical Centre Limited ²	Hong Kong 2 December 2009	HK\$1	—	100	Provision of medical aesthetic services
Cos Max Medical Centre (Central) Limited ²	Hong Kong 26 February 2014	HK\$1	—	100	Provision of medical aesthetic services
CM Technology Development Limited ²	Hong Kong 1 April 2014	HK\$1	—	100	Provision of management services
CMIP Limited ¹ 名權有限公司	BVI 10 April 2014	US\$1	—	100	Owner of trademarks
Cos Max Academy Limited ³	Hong Kong 1 April 2015	HK\$1	—	100	Provision of management services

¹ No audited financial statements have been prepared since incorporation as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.

² The statutory financial statements of these entities for the years ended 31 March 2015 and 31 March 2016, prepared under the Hong Kong Financial Reporting Standard for Private Entities (“HKFRSPE”) issued by the HKICPA, were audited by Lui & Mak Certified Public Accountants, certified public accountants registered in Hong Kong.

³ No statutory financial statements have been prepared for the entity since its incorporation.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed “Reorganisation” in the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in the Prospectus, the Company became the holding company of the companies now comprising the Group on 13 September 2016. The Companies now comprising the Group were under the common control of Sunny Bright Group Holdings Limited, the Controlling Shareholder and the ultimate holding company of the Group, before and after the Reorganisation. Accordingly, for the purpose of this report, the Financial Information has been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the Track Record Period and the three months ended 30 June 2015 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or business first came under the common control of the Controlling Shareholder, where this is a shorter period. The combined statements of financial position of the Group as at 31 March 2015 and 2016 and 30 June 2016 have been prepared to present the assets and liabilities of the subsidiaries and/or business using the existing book values from the controlling shareholders’ perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on combination.

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 April 2016, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Track Record Period and the period covered by the Interim Comparative Information.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information.

HKFRS 9	<i>Financial Instruments</i> ²
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
HKFRS 15	<i>Revenue from Contracts with Customers</i> ²
HKFRS 16	<i>Leases</i> ³
Amendments to HKAS 7	<i>Disclosure Initiative</i> ¹
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i> ¹
Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> ²
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15</i> ²

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standards introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group performed a high-level assessment of the impact of the adoption of HKFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2018. Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The management of the Group is in the process of making an assessment of the potential impact of the application of HKFRS 15 and it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the detailed review is performed by the Group.

HKFRS 16 *Leases* was issued by the HKICPA in May 2016. HKFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. For lessee accounting, the standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. For lessor accounting, the standard substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group expects to adopt HKFRS 16 on 1 April 2019. Based on the Group's undiscounted operating lease commitment of HK\$12,963,000 as set out in note 29 to the Financial Information, the adoption is expected to have an impact on the financial position and financial performance of the Group and the detailed assessment is still in progress.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of combination

This Financial Information includes the financial statements of the Company and its subsidiaries now comprising the Group for the Track Record Period. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

As explained in note 2.1 of Section II above, the acquisition of subsidiaries under common control has been accounted for using the merger accounting. The acquisition of subsidiaries not under common control is accounted for using the acquisition method as explained below under “Business combinations and goodwill”.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investment in a subsidiary is stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations other than those under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, goodwill and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Track Record Period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;

- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture and fixtures	20%
Treatment devices	20%
Tools and equipment	25%
Office equipment	20%
Motor vehicles	20%
Computer equipment	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Financial assets*Initial recognition and measurement*

Financial assets are all classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement of loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation and the loss arising from impairment are recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's combined statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each of the Track Record Period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether

significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent measurement of loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the combined statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs of disposal.

Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the combined statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Track Record Period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the combined statement of profit or loss and other comprehensive income.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the periods of the Track Record Period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the periods of the Track Record Period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the periods of the Track Record Period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the periods of the Track Record Period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the periods of the Track Record Period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) from the rendering of services, when the services have been rendered to clients. Receipt in respect of unutilised prepaid packages for which the relevant services have not been rendered are deferred and recognised as deferred revenue in the combined statement of financial position. Any unutilised prepaid packages upon expiry of the service period are fully recognised in profit or loss;
- (ii) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the clients, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and
- (iii) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Retirement benefit scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Dividends

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and article of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currency transactions

The Financial Information is presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the periods of the Track Record Period. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

4. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the periods of the Track Record Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year/period, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from change or improvements in the provision of services, or from a change in the market demand for the service output of the asset, the expected usage of the asset, the expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Adjustment of depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each of the periods of the Track Record Period based on changes in circumstances.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

5. OPERATING SEGMENT INFORMATION

The Group has one reportable operating segment, namely, the non-surgical medical aesthetic services segment, and is principally engaged in the provision of medical aesthetic services; and the sale of skin care products in Hong Kong. Information reported to the Group's management, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and therefore no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Information about geographical areas

Since all of the Group's revenue and profit were generated from the provision of medical aesthetic services and the sale of skin care products in Hong Kong and all of the Group's non-current assets were located in Hong Kong during the Track Record Period, no geographical segment information in accordance with HKFRS 8 *Operating Segments* is presented.

Information about major clients

Since no revenue derived from sales to a single client of the Group has individually accounted for over 10% of the Group's total revenue during the Track Record Period, no information about major clients in accordance with HKFRS 8 *Operating Segments* is presented.

6. REVENUE, OTHER INCOME AND GAIN

Revenue represents the value of services rendered; and the net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of revenue, other income and gain is as follows:

	Year ended 31 March		Three months ended 30 June	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (Unaudited)	2016 HK\$'000
Revenue				
Treatment services	63,882	74,081	17,828	21,655
Skin care products	4,199	3,842	967	981
Medical consultation services	773	613	175	162
Prescription and dispensing of medical products	2,487	2,797	708	676
Revenue recognised from unutilised prepaid packages	2,659	2,019	517	486
	<u>74,000</u>	<u>83,352</u>	<u>20,195</u>	<u>23,960</u>
Other income and gain				
Bank interest income	286	297	82	15
Foreign exchange differences, net	25	—	—	—
Insurance compensation	430	5	—	—
Others	30	43	11	14
	<u>771</u>	<u>345</u>	<u>93</u>	<u>29</u>

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Year ended 31 March		Three months ended 30 June	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (Unaudited)	2016 HK\$'000
Minimum lease payments under operating leases	7,099	7,649	1,883	1,936
Employee benefit expenses (including directors' remuneration (note 8)):				
Salaries, bonuses and other allowances	27,996	28,626	6,708	7,565
Retirement benefit scheme contributions (defined contribution scheme)	682	765	185	188
	<u>28,678</u>	<u>29,391</u>	<u>6,893</u>	<u>7,753</u>
Auditors' remuneration	105	132	32	377
Listing expenses	—	—	—	820
Depreciation	6,593	6,174	1,618	1,497
Loss on disposal/write-off of items of property, plant and equipment	10	9	—	1
Foreign exchange differences, net	(25)	644	6	—
	<u>(25)</u>	<u>644</u>	<u>6</u>	<u>—</u>

8. DIRECTORS' REMUNERATION

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors at any time during the Track Record Period since the Company was only incorporated subsequent to the end of the Track Record Period on 6 July 2016.

Subsequent to the end of the Track Record Period, Ms. Lai Ka Yee Gigi and Mr. Ma Ting Wai Barry were appointed as executive directors of the Company on 6 July 2016 and 25 July 2016, respectively.

An executive director received remuneration from the subsidiaries now comprising the Group for her appointment as director of these subsidiaries. The remuneration of the director as recorded in the financial statements of the subsidiaries is set out below:

	Year ended 31 March		Three months ended 30 June	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Fees	—	—	—	—
Other emoluments:				
Salaries, allowances and benefits in kind	2,400	2,400	600	600
Performance related bonuses	1,200	—	—	—
Retirement benefit scheme contributions (defined contribution scheme)	18	18	5	5
	<u>3,618</u>	<u>2,418</u>	<u>605</u>	<u>605</u>

(a) Non-executive directors and independent non-executive directors

The Company did not have any non-executive directors and independent non-executive directors at any time during the Track Record Period and the three months ended 30 June 2015.

(b) Executive directors

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Performance related bonuses HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
Year ended 31 March 2015					
Ms. Lai Ka Yee Gigi	—	2,400	1,200	18	3,618
Mr. Ma Ting Wai Barry	—	—	—	—	—
	<u>—</u>	<u>2,400</u>	<u>1,200</u>	<u>18</u>	<u>3,618</u>
Year ended 31 March 2016					
Ms. Lai Ka Yee Gigi	—	2,400	—	18	2,418
Mr. Ma Ting Wai Barry	—	—	—	—	—
	<u>—</u>	<u>2,400</u>	<u>—</u>	<u>18</u>	<u>2,418</u>

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Performance related bonuses <i>HK\$'000</i>	Retirement benefit scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Three months ended 30 June 2016					
Ms. Lai Ka Yee Gigi	—	600	—	5	605
Mr. Ma Ting Wai Barry	—	—	—	—	—
	—	600	—	5	605
Three months ended 30 June 2015 (Unaudited)					
Ms. Lai Ka Yee Gigi	—	600	—	5	605
Mr. Ma Ting Wai Barry	—	—	—	—	—
	—	600	—	5	605

There were no arrangements under which a director waived or agreed to waive any remuneration during the Track Record Period and the three months ended 30 June 2015.

During the Track Record Period and the three months ended 30 June 2015, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included one director of the Company during the Track Record Period and the three months ended 30 June 2015, details of whose remuneration are set out in note 8 of this section.

Details of the remuneration of the remaining four non-director highest paid employee for each of the periods of the Track Record Period and the three months ended 30 June 2015 are analysed as follows:

	<u>Year ended 31 March</u>		<u>Three months ended 30 June</u>	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Salaries and allowances	9,739	9,865	2,392	2,722
Performance related bonuses	—	150	—	20
Retirement benefit scheme contributions	70	72	18	18
	<u>9,809</u>	<u>10,087</u>	<u>2,410</u>	<u>2,760</u>

The number of the non-director highest paid employee whose remuneration fell within the following bands for the Track Record Period and three months ended 30 June 2015:

	Year ended 31 March		Three months ended 30 June	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (Unaudited)	2016 HK\$'000
Nil to HK\$1,000,000	1	1	3	3
HK\$1,000,001 to HK\$1,500,000	—	—	1	1
HK\$2,000,001 to HK\$2,500,000	1	1	—	—
HK\$2,500,001 to HK\$3,000,000	1	1	—	—
HK\$4,000,001 to HK\$4,500,000	1	1	—	—
	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

10. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at a rate of 16.5% during the Track Record Period and the three months ended 30 June 2015.

The major components of the income tax expense for the Track Record Period and the three months ended 30 June 2015 are as follows:

	Year ended 31 March		Three months ended 30 June	
	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000 (Unaudited)	2016 HK\$'000
Current				
— Charge for the year/period	2,138	3,461	1,210	1,540
Deferred tax (<i>note 24</i>)	(401)	2	(156)	(179)
Total tax charge for the year/period	<u>1,737</u>	<u>3,463</u>	<u>1,054</u>	<u>1,361</u>

A reconciliation of the tax expense applicable to profit before tax at the Hong Kong statutory rate to the tax expense at the Group's effective tax rate is as follows:

	Year ended 31 March		Three months ended 30 June	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Profit before tax	<u>15,232</u>	<u>21,951</u>	<u>5,754</u>	<u>6,321</u>
Tax at the statutory tax rate of 16.5%	2,513	3,622	949	1,043
Income not subject to tax	(51)	(49)	(13)	(2)
Expenses not deductible for tax	70	198	97	232
Temporary differences utilised from previous periods	(446)	(96)	—	—
Tax losses not recognised	—	—	—	38
Tax losses utilised from previous periods	(318)	(130)	—	—
Others	<u>(31)</u>	<u>(82)</u>	<u>21</u>	<u>50</u>
Tax charge at the Group's effective rate	<u>1,737</u>	<u>3,463</u>	<u>1,054</u>	<u>1,361</u>

11. DIVIDENDS

	Year ended 31 March		Three months ended 30 June	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Interim dividend	<u>10,600</u>	<u>10,600</u>	<u>—</u>	<u>—</u>

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the basis of preparation of the results of the Group for the Track Record Period and the three months ended 30 June 2015 as disclosed in note 2.1 of this section.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Treatment devices HK\$'000	Tools and equipment HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Computer equipment HK\$'000	Total HK\$'000
31 March 2015								
At 1 April 2014:								
Cost	7,068	1,164	11,389	740	116	503	834	21,814
Accumulated depreciation	(5,314)	(452)	(6,407)	(419)	(37)	(151)	(361)	(13,141)
Net carrying amount	<u>1,754</u>	<u>712</u>	<u>4,982</u>	<u>321</u>	<u>79</u>	<u>352</u>	<u>473</u>	<u>8,673</u>
At 1 April 2014, net of accumulated depreciation								
depreciation	1,754	712	4,982	321	79	352	473	8,673
Additions	2,348	188	9,465	529	1	1,720	1,312	15,563
Depreciation provided during the year	(1,670)	(252)	(3,605)	(252)	(23)	(444)	(347)	(6,593)
Disposal	—	(2)	—	(1)	—	—	(8)	(11)
At 31 March 2015, net of accumulated depreciation	<u>2,432</u>	<u>646</u>	<u>10,842</u>	<u>597</u>	<u>57</u>	<u>1,628</u>	<u>1,430</u>	<u>17,632</u>
At 31 March 2015:								
Cost	9,416	1,348	20,854	1,267	117	2,223	2,057	37,282
Accumulated depreciation	(6,984)	(702)	(10,012)	(670)	(60)	(595)	(627)	(19,650)
Net carrying amount	<u>2,432</u>	<u>646</u>	<u>10,842</u>	<u>597</u>	<u>57</u>	<u>1,628</u>	<u>1,430</u>	<u>17,632</u>
31 March 2016								
At 31 March 2015 and 1 April 2015:								
Cost	9,416	1,348	20,854	1,267	117	2,223	2,057	37,282
Accumulated depreciation	(6,984)	(702)	(10,012)	(670)	(60)	(595)	(627)	(19,650)
Net carrying amount	<u>2,432</u>	<u>646</u>	<u>10,842</u>	<u>597</u>	<u>57</u>	<u>1,628</u>	<u>1,430</u>	<u>17,632</u>
At 1 April 2015, net of accumulated depreciation								
depreciation	2,432	646	10,842	597	57	1,628	1,430	17,632
Additions	328	46	1,599	135	3	—	71	2,182
Depreciation provided during the year	(1,456)	(225)	(3,393)	(229)	(22)	(445)	(404)	(6,174)
Disposal	—	(8)	—	(3)	—	—	(1)	(12)
At 31 March 2016, net of accumulated depreciation	<u>1,304</u>	<u>459</u>	<u>9,048</u>	<u>500</u>	<u>38</u>	<u>1,183</u>	<u>1,096</u>	<u>13,628</u>
At 31 March 2016:								
Cost	9,740	1,376	22,229	1,375	118	2,223	2,123	39,184
Accumulated depreciation	(8,436)	(917)	(13,181)	(875)	(80)	(1,040)	(1,027)	(25,556)
Net carrying amount	<u>1,304</u>	<u>459</u>	<u>9,048</u>	<u>500</u>	<u>38</u>	<u>1,183</u>	<u>1,096</u>	<u>13,628</u>

	Furniture							Total
	Leasehold improvements	and fixtures	Treatment devices	Tools and equipment	Office equipment	Motor vehicles	Computer equipment	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
30 June 2016								
At 31 March 2016 and 1 April 2016:								
Cost	9,740	1,376	22,229	1,375	118	2,223	2,123	39,184
Accumulated depreciation	(8,436)	(917)	(13,181)	(875)	(80)	(1,040)	(1,027)	(25,556)
Net carrying amount	<u>1,304</u>	<u>459</u>	<u>9,048</u>	<u>500</u>	<u>38</u>	<u>1,183</u>	<u>1,096</u>	<u>13,628</u>
At 1 April 2016, net of accumulated depreciation								
depreciation	1,304	459	9,048	500	38	1,183	1,096	13,628
Additions	203	8	720	2	6	—	27	966
Depreciation provided during the period	(354)	(51)	(815)	(59)	(5)	(111)	(102)	(1,497)
Disposal	—	(1)	—	—	—	—	—	(1)
At 30 June 2016, net of accumulated depreciation	<u>1,153</u>	<u>415</u>	<u>8,953</u>	<u>443</u>	<u>39</u>	<u>1,072</u>	<u>1,021</u>	<u>13,096</u>
At 30 June 2016:								
Cost	9,943	1,375	22,949	1,377	124	2,223	2,150	40,141
Accumulated depreciation	(8,790)	(960)	(13,996)	(934)	(85)	(1,151)	(1,129)	(27,045)
Net carrying amount	<u>1,153</u>	<u>415</u>	<u>8,953</u>	<u>443</u>	<u>39</u>	<u>1,072</u>	<u>1,021</u>	<u>13,096</u>

14. GOODWILL

HK\$'000

Cost and carrying amount at 1 April 2014, 31 March 2015,
1 April 2015, 31 March 2016, 1 April 2016 and 30 June 2016

4,305

On 26 December 2009, the Group acquired the business of Health Max Laser and Medical Skin Care Limited (“Health Max”), a company controlled by Mr. Lai Ying, the sibling of Ms. Lai Ka Yee Gigi. Health Max was engaged in the provision of medical aesthetic services.

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the non-surgical medical aesthetic service cash-generating unit of HK\$4,305,000 for impairment testing.

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a 21-month period. Assumptions were used in the value in use calculation. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

- Revenue is estimated based on the business trend in the industry of medical aesthetic operation, historical average spending per client and client cover, taking into account the number of treatment rooms in each medical aesthetic centre, centre locations, market conditions and economic outlook.
- Cost of inventories sold is estimated based on rate of increase in revenue and the expected market conditions.
- The growth rate used to extrapolate the cash flows beyond the 21-month period is 3% for each of the periods of the Track Record Period.
- The discount rate used is before tax and reflects specific risks relating to the cash-generating unit. The discount rate applied to the cash flow projections is 15% for each of the periods of the Track Record Period.

15. INVENTORIES

	31 March		30 June
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000
Skin care products	321	293	341
Consumables and other supplies	968	1,403	1,344
	<u>1,289</u>	<u>1,696</u>	<u>1,685</u>

16. TRADE RECEIVABLES

	31 March		30 June
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000
Credit card receivables	1,268	1,190	489

The Group's trading terms with its clients are mainly on cash and/or credit card settlement. The credit period is generally 2 to 30 days for credit card settlement for the respective financial institutions. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancement over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables, based on the invoice date, is as follows:

	31 March		30 June
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000
Within 1 month	1,268	1,169	489
1 to 3 months	—	21	—
	<u>1,268</u>	<u>1,190</u>	<u>489</u>

An aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	31 March		30 June
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000
Neither past due nor impaired	1,252	1,104	475
1 to 3 months past due	16	86	14
	<u>1,268</u>	<u>1,190</u>	<u>489</u>

Receivables that were neither past due nor impaired relate to a number of receivables due from financial institutions in respect of credit card settlements for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a financial institution that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 March		30 June
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000
Prepayments	845	723	637
Deposits	4,577	4,578	4,572
Other receivables	136	4	253
	<u>5,558</u>	<u>5,305</u>	<u>5,462</u>
Analysed into:			
Non-current portion	1,034	2,222	2,134
Current portion	4,524	3,083	3,328
	<u>5,558</u>	<u>5,305</u>	<u>5,462</u>

None of the above assets is either past due or impaired. Financial assets included in the above balances relate to receivables for which there was no recent history of default.

18. BALANCES WITH THE ULTIMATE HOLDING COMPANY AND RELATED PARTIES

An analysis of the amounts due from the ultimate holding company and related parties is as follows:

	31 March		30 June
	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000
Due from the ultimate holding company	<u>5</u>	<u>5</u>	<u>5</u>
Due from related parties	<u>562</u>	<u>24,518</u>	<u>97</u>

None of the amounts due from the ultimate holding company and related parties is neither past due nor impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

Particulars of the amount due from the ultimate holding company are as follows:

31 March 2015

	31 March 2015 HK\$'000	Maximum amount outstanding during the year HK\$'000	1 April 2014 HK\$'000
Sunny Bright Group Holdings Limited	<u>5</u>	<u>5</u>	<u>5</u>

31 March 2016

	31 March 2016	Maximum amount outstanding during the year	1 April 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sunny Bright Group Holdings Limited	<u>5</u>	<u>5</u>	<u>5</u>

30 June 2016

	30 June 2016	Maximum amount outstanding during the period	1 April 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sunny Bright Group Holdings Limited	<u>5</u>	<u>5</u>	<u>5</u>

Particulars of the amounts due from related parties are as follows:

31 March 2015

	31 March 2015	Maximum amount outstanding during the year	1 April 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Due from related parties			
Mr. Lai Ying**	471	471	122
Cox Max Holdings Limited^	82	82	76
Cheer Beauty Group Limited^	<u>9</u>	<u>9</u>	<u>9</u>
	<u>562</u>		<u>207</u>

31 March 2016

	31 March 2016	Maximum amount outstanding during the year	1 April 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Due from related parties			
Ms. Lai Ka Yee Gigi*	23,938	23,938	—
Mr. Lai Ying**	332	614	471
Cos Max Holdings Limited^	87	87	82
Cheer Beauty Group Limited^	9	9	9
Sunny Bright Medical Limited^	20	20	—
Solar Solution Development Limited^	21	21	—
Jing Ying (HK) Limited^	<u>111</u>	<u>111</u>	<u>—</u>
	<u>24,518</u>		<u>562</u>

30 June 2016

	30 June 2016	Maximum amount outstanding during the period	1 April 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Due from related parties			
Ms. Lai Ka Yee Gigi*	—	24,929	23,938
Mr. Lai Ying**	—	490	332
Cos Max Holdings Limited^	97	97	87
Cheer Beauty Group Limited^^	—	9	9
Sunny Bright Medical Limited^	—	20	20
Solar Solution Development Limited^	—	21	21
Jing Ying (HK) Limited^	—	111	111
	<u>97</u>	<u>111</u>	<u>111</u>
	<u>97</u>		<u>24,518</u>

* Ms. Lai Ka Yee Gigi is a director of the Company

** Mr. Lai Ying is the sibling of Ms. Lai Ka Yee Gigi

^ These related companies were jointly controlled by Ms. Lai Ka Yee Gigi and Mr. Ma Ting Keung Patrick, the spouse of Ms. Kai Ka Yee Gigi.

^^ This related company was controlled by Ms. Lai Ka Yee Gigi.

The above balances with related parties are non-trade in nature, unsecured, interest-free and have no fixed terms of repayment. Subsequent to the end of the Track Record Period, the above balances with related parties were settled in full.

19. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	<u>31 March</u>		<u>30 June</u>
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and bank balances	23,235	19,851	48,273
Time deposits	<u>13,120</u>	<u>12,849</u>	<u>12,862</u>
	36,355	32,700	61,135
Less: Pledged time deposits, pledged for credit card facilities	<u>(3,618)</u>	<u>(3,449)</u>	<u>(3,455)</u>
Cash and cash equivalents	<u>32,737</u>	<u>29,251</u>	<u>57,680</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between 1 month and 12 months depending on the immediate cash requirements of the Group, and earns interest at the respective time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

20. TRADE PAYABLES

	31 March		30 June
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Third party suppliers	466	727	1,088

An aged analysis of the trade payables as at the end of each of the Track Record Period, based on the invoice date, is as follows:

	31 March		30 June
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Within 1 month	466	727	1,088

The trade payables are non-interest-bearing and generally have average settlement terms of 30 days.

21. OTHER PAYABLES AND ACCRUALS

	31 March		30 June
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Other payables and accruals	2,735	3,114	4,420
Receipt in advance	240	270	239
	<u>2,975</u>	<u>3,384</u>	<u>4,659</u>

Other payables are non-interest-bearing and have average terms of 1 to 3 months.

22. DEFERRED REVENUE

	31 March		30 June
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Deferred revenue	51,958	57,388	52,358

The movements in deferred revenue are as follows:

	31 March		30 June
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year/period	37,594	51,958	57,388
Receipts from sales of one-off treatments, treatment packages and prepaid cash coupons, net	81,528	82,383	17,316
Revenue recognised upon the provision of services	(63,882)	(74,081)	(21,655)
Revenue recognised upon the sales of products	(623)	(853)	(205)
Revenue recognised from unutilised prepaid packages	(2,659)	(2,019)	(486)
At the end of the year/period	<u>51,958</u>	<u>57,388</u>	<u>52,358</u>

23. PROVISION FOR REINSTATEMENT COSTS

The provision for reinstatement costs represents management's best estimate of the Group's liabilities of the costs of dismantling and removing the leasehold improvements and restoring the leased premises which they are currently located back to their original state of condition if and when the Group vacates these leased premises.

		<i>HK\$'000</i>		
		<u>1,571</u>		
		<u>1,571</u>		
At 1 April 2014, 31 March 2015, 1 April 2015, 31 March 2016, 1 April 2016 and 30 June 2016		<u>1,571</u>		
		<u>31 March</u>		<u>30 June</u>
		2015	2016	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Analysed into:				
Non-current portion		1,074	1,138	1,138
Current portion		<u>497</u>	<u>433</u>	<u>433</u>
		<u>1,571</u>	<u>1,571</u>	<u>1,571</u>

24. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Track Record Period and the three months ended 30 June 2015 are as follows:

Deferred tax assets

	Depreciation in excess of related depreciation allowance <i>HK\$'000</i>	Losses available for offsetting against future taxable profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2014	—	—	—
Deferred tax credited to profit or loss during the year (<i>note 10</i>)	<u>425</u>	<u>782</u>	<u>1,207</u>
At 31 March 2015 and 1 April 2015	425	782	1,207
Deferred tax credited/(charged) to profit or loss during the year (<i>note 10</i>)	<u>225</u>	<u>(540)</u>	<u>(315)</u>
At 31 March 2016 and 1 April 2016	650	242	892
Deferred tax credited to profit or loss during the period (<i>note 10</i>)	<u>45</u>	<u>87</u>	<u>132</u>
At 30 June 2016	<u>695</u>	<u>329</u>	<u>1,024</u>

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation HK\$'000
At 1 April 2014	684
Deferred tax charged to profit or loss during the year (<i>note 10</i>)	<u>806</u>
At 31 March 2015 and 1 April 2015	1,490
Deferred tax credited to profit or loss during the year (<i>note 10</i>)	<u>(313)</u>
At 31 March 2016 and 1 April 2016	1,177
Deferred tax credited to profit or loss during the period (<i>note 10</i>)	<u>(47)</u>
At 30 June 2016	<u><u>1,130</u></u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the combined statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	<u>31 March</u>		<u>30 June</u>
	<u>2015</u>	<u>2016</u>	<u>2016</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net deferred tax assets recognised in the combined statements of financial position	425	650	695
Net deferred tax liabilities recognised in the combined statements of financial position	<u>(708)</u>	<u>(935)</u>	<u>(801)</u>
	<u>(283)</u>	<u>(285)</u>	<u>(106)</u>

The Group had tax losses arising in Hong Kong of HK\$5,526,000, HK\$1,468,000 and HK\$2,223,000 as at 31 March 2015 and 2016 and 30 June 2016, respectively, subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also had deductible temporary differences of HK\$3,163,000, HK\$3,943,000 and HK\$4,217,000 as at 31 March 2015 and 2016 and 30 June 2016, respectively.

Deferred tax assets have not been recognised in respect of the following items:

	<u>31 March</u>		<u>30 June</u>
	<u>2015</u>	<u>2016</u>	<u>2016</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Tax losses	789	—	231
Deductible temporary differences	<u>587</u>	<u>5</u>	<u>5</u>
	<u>1,376</u>	<u>5</u>	<u>236</u>

Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

25. ISSUED CAPITAL

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability company on 6 July 2016 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each, of which 1 subscriber share was issued and allotted to Mr. Ma Ting Keung Patrick and another 1 subscriber share was issued and allotted to Ms. Lai Ka Yee Gigi.

There was no authorised and issued capital as at 31 March 2015 and 2016 and 30 June 2016 since the Company has not yet been incorporated.

26. RESERVES

The amounts of the Group's reserves and the movements therein during each of the periods of the Track Record Period are presented in the combined statements of changes in equity on page I-6 of this report.

Merger reserve

The merger reserve represents reserves arising from the Reorganisation.

27. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group, including directors' remuneration as disclosed in note 8 to the Financial Information, is as follows:

	<u>Year ended 31 March</u>		<u>Three months ended 30 June</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Short term employee benefits	4,853	3,786	880	1,015
Post-employment benefits	<u>53</u>	<u>54</u>	<u>14</u>	<u>14</u>
	<u>4,906</u>	<u>3,840</u>	<u>894</u>	<u>1,029</u>

28. PLEDGE OF ASSETS

Details of the Group's credit card facilities granted by financial institutions, which are secured by the assets of the Group, are included in note 19 to this report.

29. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases its medical aesthetic centres, office premises and a car park space under operating lease arrangements. Leases for these properties are negotiated for terms ranging from 1 month to 3 years.

As at the end of each of the periods of the Track Record Period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 March		30 June
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Within one year	5,161	7,688	7,110
In the second to fifth years, inclusive	4,085	7,234	5,853
	<u>9,246</u>	<u>14,922</u>	<u>12,963</u>

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Track Record Period are as follows:

Financial assets

	31 March		30 June
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Loans and receivables:			
Trade receivables	1,268	1,190	489
Financial assets included in prepayments, deposits and other receivables (note 17)	4,713	4,582	4,825
Due from the ultimate holding company	5	5	5
Due from related parties	562	24,518	97
Pledged time deposits	3,618	3,449	3,455
Cash and cash equivalents	32,737	29,251	57,680
	<u>42,903</u>	<u>62,995</u>	<u>66,551</u>

Financial liabilities

	31 March		30 June
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Financial liabilities at amortised cost:			
Trade payables	466	727	1,088
Financial liabilities included in other payables and accruals	679	621	1,995
	<u>1,145</u>	<u>1,348</u>	<u>3,083</u>

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts			Fair values		
	31 March		30 June	31 March		30 June
	2015	2016	2016	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets						
Deposits, non-current portion	1,034	2,222	2,134	893	1,923	1,844

Management has assessed that the fair values of cash and cash equivalents, pledged time deposits, trade receivables, trade payables, the current portion of financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and amounts due from the ultimate holding company and related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

Fair value hierarchy

At the end of each of the periods of the Track Record Period, the Group had no financial assets or financial liabilities measured at fair value.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise pledged time deposits and cash and cash equivalents. The Group has various other financial assets and liabilities such as trade receivables, deposits and other receivables, trade payables, other payables and accruals and balances with shareholders and related parties.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Details in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 16 to the Financial Information. The credit risk of the Group's other financial assets, which comprise pledged time deposits and cash and cash equivalents, deposits and other receivables and amounts due from shareholders and related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

In order to manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of each of the periods of the Track Record Period, based on the contractual undiscounted payments, was as follow:

	<u>Less than 1 year</u>		
	<u>31 March</u>		<u>30 June</u>
	<u>2015</u>	<u>2016</u>	<u>2016</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	466	727	1,088
Financial liabilities included in other payables and accruals	<u>679</u>	<u>621</u>	<u>1,995</u>
	<u>1,145</u>	<u>1,348</u>	<u>3,083</u>

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise the shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, return capital to the shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

Capital of the Group comprises all components of shareholder's equity.

III. SIGNIFICANT EVENT AFTER THE TRACK RECORD PERIOD

On 19 December 2016, the Company conditionally adopted a share option scheme and further details of the share option scheme are set out in the section headed "Share Option Scheme" in Appendix IV to the Prospectus.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 30 June 2016.

Yours faithfully,

Ernst & Young
Certified Public Accountants
 Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following information sets out in this appendix does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for information purpose only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets of the Group prepared in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the Placing on the combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2016 as if the Placing had taken place on 30 June 2016. The unaudited pro forma statement of adjusted combined net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Placing been completed as at 30 June 2016 or any future dates.

	Combined net tangible assets attributable to owners of the Company as at 30 June 2016 HK\$'000 (Note 1)	Estimated net proceeds from the Placing HK\$'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company HK\$'000	Unaudited pro forma adjusted combined net tangible assets per Share HK\$ (Note 3)
Based on Placing Price of HK\$0.6 per share	19,403	36,500	55,903	0.14
Based on Placing Price of HK\$0.8 per share	19,403	55,620	75,023	0.19

Notes:

1. The combined net tangible assets attributable to the owners of the Company as at 30 June 2016 is arrived at after deducting goodwill of HK\$4,305,000 from the audited combined net assets of HK\$23,708,000 as at 30 June 2016, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Placing are based on the indicative Placing Price of HK\$0.6 and HK\$0.8 per Share, being the lower end to higher end of the indicative range of the Placing Price as stated in the prospectus, after deduction of the estimated underwriting fees and other related expenses payable by our Company.
3. The unaudited pro forma adjusted combined net tangible assets attributable to owners of our Company per Share is arrived at after the adjustment referred to in note (2) above and based on the 400,000,000 Shares assumed to be in issue immediately upon the completion of the Placing and the Capitalisation Issue.
4. No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2016.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



22/F, CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

30 December 2016

To the Directors of Miricor Enterprises Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Miricor Enterprises Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma combined net tangible assets as at 30 June 2016 and related notes as set out on page II-1 of the prospectus issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II to the prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the placing of shares of the Company on the Group’s financial position as at 30 June 2016 as if the transaction had taken place at 30 June 2016. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the period ended 30 June 2016, on which an accountants’ report has been published.

Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and with reference to Accounting Guideline (“AG”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 7.31 of the Listing Rules and with reference to AG 7 issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the placing of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

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

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,

Ernst & Young

Certified Public Accountants

Hong Kong

30 December 2016

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 6 July 2016 under the Companies Law. The Company's constitutional documents consist of its Memorandum of association and its Articles.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 19 December 2016 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting

two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled. The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same,

either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then 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. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his

appointment and be subject to re-election at such meeting and any Director appointed 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.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary

resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine), or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in

proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company. Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers published daily and circulating generally in Hong Kong and in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid

up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the

directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his

duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 2 August 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where

it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(q) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in "B. Documents Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 6 July 2016. Our registered office is at Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. We have established a principal place of business in Hong Kong at Room 1605, 16/F, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong and have registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 19 September 2016. Mr. Barry Ma has been appointed as our authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it is subject to the relevant laws of the Cayman Islands and the Memorandum of Association and the Articles of Association. Accordingly, our corporate structure and Articles are subject to the Cayman Companies Law and other relevant laws of the Cayman Islands. A summary of our Articles and Memorandum of Association is set out in Appendix III to this prospectus.

2. Change in Share Capital of our Company***(a) Increase in authorised share capital***

At the time of incorporation, the Company had an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On incorporation of our Company, one subscribed Share was allotted and issued as fully paid to an initial subscriber and such Share was transferred to Mrs. Gigi Ma on the same day, and another Share was allotted and issued to Mr. Patrick Ma. The authorised share capital of our Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of a further 1,962,000,000 Shares pursuant to a resolution of our Shareholders referred to in paragraph 3 below and subject to the conditions contained herein.

Immediately following completion of the Placing and the Capitalisation Issue (taking no account of any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), our authorised share capital will be HK\$20,000,000.00 divided into 2,000,000,000 Shares, of which 400,000,000 Shares will be issued fully paid or credited as fully paid, and 1,600,000,000 Shares will remain unissued.

Save as disclosed in this paragraph and in “3. Our Corporate Reorganisation” in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

(b) Founder Shares

Our Company has no founder shares, management shares or deferred shares.

3. Our Corporate Reorganisation

In preparing for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. See “History, Reorganisation and Corporate Structure — Reorganisation” in this prospectus for further details.

4. Changes in the Share Capital of our Subsidiaries

The subsidiaries of our Company are listed in the Accountants’ Report of our Company, the text of which is set out in Appendix I to this prospectus.

Save for the alterations mentioned in “History, Reorganisation and Corporate Structure” in this prospectus, there has been no other alteration in the share capital of our subsidiaries within the two years immediately preceding the issue of this prospectus.

5. Written resolutions of our Shareholders passed on 19 December 2016

On 19 December 2016, resolutions in writing were passed by our Shareholders pursuant to which, amongst others:

- (a) our Company approved and adopted the Memorandum with immediate effect and the Articles with effect from the Listing Date;
- (b) The authorised share capital of our Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of a further 1,962,000,000 Shares;
- (c) conditional on both (i) the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), and such listing and permission not subsequently having been revoked prior to the commencement of dealing in the Shares; (ii) the final Hong Kong dollar Placing Price having been fixed on or around the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreement:
 - (i) the Placing was approved and our Directors were authorised to allot and issue the Placing Shares pursuant to the Placing to rank pari passu with the then existing Shares in all respects;
 - (ii) the Listing was approved;
 - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in “D. Share Option Scheme” in this Appendix, were approved and adopted and our Directors were authorised, at their absolute discretion but subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares

thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

- (iv) conditional further on the share premium account of our Company being credited as a result of the Placing, our Directors were authorised to capitalise an amount of HK\$2,999,999.98 standing to the credit of the share premium account of our Company and that the said sum be applied in paying up in full at par 299,999,998 Shares, such Shares to be allotted and issued, credited as fully paid at par to the shareholder(s) whose name(s) appear on the register of members of our Company at the close of business on 19 December 2016 (or as they may direct) in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the then existing issued Shares, and the aforesaid issue and allotment of Shares was approved, and our Directors were authorised to give effect to such capitalisation and issue and allotment of Shares;
- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any scrip dividend schemes or similar arrangements providing for allotment and issue of Shares in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Articles or Association or pursuant to a specific authority granted by our Shareholders in general meeting or pursuant to the Placing or the Capitalisation Issue, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities, and to make or grant offers, agreements or options which might require the exercise of such power, with the number of Shares (or underlying Shares) involved in aggregate not exceeding 20% of the aggregate number of Shares in issue immediately following completion of the Placing and the Capitalisation Issue (without taking into account any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme), subject to adjustment for each consolidation or sub-division of Shares the record date of which falls within the period when this general mandate remains in effect so that the maximum number of Shares that may be issued pursuant to the authority granted hereunder as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or sub-division shall be the same and the said approval shall be limited accordingly, such mandate to remain in effect until the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and Articles or the Cayman Companies Law or any applicable laws of the Cayman Islands to be held; or

- (iii) the time when such mandate is revoked, varied or renewed by an ordinary resolution of our Shareholders in general meeting.
- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares in aggregate not exceeding 10% of the aggregate number of Shares in issue immediately following completion of the Placing and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon exercise of any options which may be granted under the Share Option Scheme), subject to adjustment for each consolidation or sub-division of Shares the record date of which falls within the period when this general mandate remains in effect so that the maximum number of Shares that may be repurchased pursuant to the authority granted hereunder as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or sub-division shall be the same and the said approval shall be limited accordingly, such mandate to remain in effect until the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and Articles or the Cayman Companies Law or any applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked, varied or renewed by an ordinary resolution of our Shareholders in general meeting.
- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by including the number of Shares which are repurchased pursuant to the exercise of the repurchase mandate in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate number Shares in issue immediately following completion of the Placing and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon exercise of any options which may be granted under the Share Option Scheme).

6. Repurchase of our Shares

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase of Shares by our Company.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies whose primary listing is on the GEM Board to repurchase securities on the Stock Exchange subject to certain restrictions, a summary of which is set out below:

- (i) Shareholder's approval

The GEM Listing Rules provide that all proposed repurchases of shares, which must be fully paid up in the case of shares, by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(Note: Pursuant to the written resolutions passed by our Shareholders on 19 December 2016, the Repurchase Mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate number of shares our Company in issue immediately following completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme), and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or the Cayman Companies Law or any other applicable laws of the Cayman Islands to be held or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.)

(ii) Source of funds

Any repurchase by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws and rules and regulations of the Cayman Islands and the GEM Listing Rules. Our Company may not repurchase its own Shares on the Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits, share premium or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase, and in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased. Subject to satisfaction of the solvency test prescribed by the Cayman Companies Law, a repurchase may also be made out of capital.

(iii) Connected parties

The GEM Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a "core connected person" (as defined in the GEM Listing Rules), which includes a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or an associate of any of them, and a core connected person shall not knowingly sell Shares to our Company on the Stock Exchange.

(b) Exercise of the Repurchase Mandate

On the basis of 400,000,000 Shares in issue immediately after completion of the Placing and the Capitalisation Issue, our Directors would be authorised under the Repurchase Mandate to repurchase up to 40,000,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid-up.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) Funding of repurchases

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their associates (as defined in the GEM Listing Rules), has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Articles and the applicable law and regulations in force in the Cayman Islands from time to time.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the listing of the Shares pursuant to the Repurchase Mandate. At present, so far as is known to the Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase the Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules).

No core connected person has notified our Company that he/she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this prospectus and are or may be material in relation to the business of our Company taken as a whole:

- (a) the reorganisation agreement dated 13 September 2016 entered into between Coresmax and Sunny Bright;
- (b) the Deed of Indemnity;
- (c) the Deed of Non-Competition;
- (d) a cornerstone investment agreement dated 21 December 2016 entered into among our Company, CSI Capital Management Limited, and the Joint Lead Managers, pursuant to which CSI Capital Management Limited has agreed to subscribe for such number of Shares as described in “Cornerstone Investor” in this prospectus; and
- (e) the Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademark

As at the Latest Practicable Date, our Group had registered the following trademarks which we consider are material to our business:

Trademark	Class	Registration number	Registration Date	Expiry Date	Place of registration	Registrant
CosMax	3, 35, 44	300629721	28 April 2006	27 April 2026	Hong Kong	CMIP
COSPEUTIC cospeutic Cospeutic	3, 35	301861623	17 March 2011	16 March 2021	Hong Kong	CMIP
CosMax+	3, 16, 35, 44	302982989	2 May 2014	1 May 2024	Hong Kong	CMIP
CosMax+ <small>A Z A D K W Y</small>	41	303465810	8 July 2015	7 July 2025	Hong Kong	CMIP
科 斯 迈 科 斯 邁	3, 44	303465829	8 July 2015	7 July 2025	Hong Kong	CMIP
科 斯 迈 科 斯 邁	16, 35, 41	303782980	20 May 2016	19 May 2026	Hong Kong	CMIP
卓 珈	3, 16, 35, 41, 44	303801942	10 June 2016	09 June 2026	Hong Kong	CMIP

As at the Latest Practicable Date, our Group had applied for the registration of the following trademarks in Hong Kong which we consider are material to our business, the registrations of which were still in process:

Trademark	Classes	Application No.	Application Date	Place of Application	Applicant
Miricor	3, 16, 35, 41, 44	303861379	8 August 2016	Hong Kong	CMIP
CosMax+ <small>Medical - Anesthetic</small>	3, 16, 35, 41, 44	303887137	30 August 2016	Hong Kong	CMIP

(b) Domain names

As at the Latest Practicable Date, our Group had registered the following domain names which we consider are material to our business:

Domain name	Registrant	Registration Date	Expiry Date
cosmax.com.hk	Cos Max Limited	15 October 2005	18 October 2018
coresmax.com	CMIP	6 June 2016	6 June 2017
miricor.com	CMIP	27 July 2016	3 March 2018

C. FURTHER INFORMATION ABOUT DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

1. Disclosure of Interests

(a) Interests of Directors and chief executive in shares, underlying shares and debentures of our Company and its associated corporations

Immediately following completion of the Placing and the Capitalisation Issue (without taking account any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme), the interests and short positions of our Directors or chief executive of our Company in Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the Stock Exchange, would have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules to be notified to our Company and the Stock Exchange, will be as follows:

a. Long position in the Shares

Name	Capacity/ nature of interest	Number of Shares held/ interested immediate following completion of the Placing and the Capitalisation Issue	Percentage of shareholding immediately following completion of the Placing and the Capitalisation Issue
Mrs. Gigi Ma	Interest of a controlled corporation (<i>Note 1</i>)	300,000,000	75%

Notes:

- Such 300,000,000 Shares are registered in the name of Sunny Bright, a company beneficially owned as to 50% by Mrs. Gigi Ma and 50% by Mr. Patrick Ma, and Mr. Patrick Ma is the spouse of Mrs. Gigi Ma. Therefore, Mrs. Gigi Ma is deemed to be interested in all the Shares held by Sunny Bright under the SFO.

b. Long position in the shares of associated corporations

Name	Name of associated corporation	Capacity/ nature of interest	Number of share(s) held/ interested	Percentage of shareholding
Mrs. Gigi Ma	Sunny Bright	Beneficial owner and interest of spouse	2	100%

Mrs. Gigi Ma is the legal and beneficial owner of 1 issued ordinary share of Sunny Bright, representing 50% of the issued share capital of Sunny Bright. Mr. Patrick Ma is the legal and beneficial owner of the other 1 issued ordinary share of Sunny Bright, representing the remaining 50% of the issued share capital of Sunny Bright. As Mr. Patrick Ma is the spouse of Mrs. Gigi Ma, Mrs. Gigi Ma is deemed to be interested in all the interest registered in Mr. Patrick Ma's name in Sunny Bright. Accordingly, together with the 50% shareholding interest in Sunny Bright registered in Mrs. Gigi Ma's name, Mrs. Gigi Ma is taken to be interested in 100% of the issued share capital of Sunny Bright.

(b) Interests of substantial and other Shareholders in the Shares and underlying Shares

So far as is known to our Directors and taking no account any Shares which may be issued pursuant to options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following completion of the Placing and the Capitalisation Issue, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be directly or indirectly interested in 10% or more of the issued voting shares of any other member of our Group:

Long position in the Shares

Name	Capacity/nature of interest	Number of share held/ interested	Percentage of shareholding
Sunny Bright	Beneficial Owner	300,000,000	75%
Mr. Patrick Ma	Interest in a controlled corporation and interest of spouse (<i>Note 1</i>)	300,000,000	75%
CSI Capital Management Limited	Beneficial owner	20,000,000	5%
CITIC Securities International Company Limited	Interest in a controlled corporation (<i>Note 2</i>)	20,000,000	5%

Name	Capacity/nature of interest	Number of share held/ interested	Percentage of shareholding
CITIC Securities Company Limited	Interest in a controlled corporation (<i>Note 3</i>)	20,000,000	5%

Notes:

1. Such 300,000,000 Shares are registered in the name of Sunny Bright, a company beneficially owned as to 50% by Mrs. Gigi Ma and 50% by Mr. Patrick Ma. Mrs. Gigi Ma is the spouse of Mr. Patrick Ma. Accordingly, Mr. Patrick Ma is deemed to be interested in all the Shares held by Sunny Bright under the SFO.
2. Such 20,000,000 Shares are registered in the name of CSI Capital Management Limited, a company wholly owned by CITIC Securities International Company Limited. Accordingly, CITIC Securities International Company Limited is deemed to be interested in all such 20,000,000 Shares under the SFO.
3. Such 20,000,000 Shares are registered in the name of CSI Capital Management Limited. As stated in Note (2) above, CITIC Securities International Company Limited is deemed to be interested in all such 20,000,000 Shares under the SFO. CITIC Securities International Company Limited is wholly owned by CITIC Securities Company Limited. Accordingly, by virtue of the SFO, CITIC Securities Company Limited is deemed to be interested in all such 20,000,000 Shares to which CITIC Securities International Company Limited is deemed to be interested under the SFO.

2. Particulars of Directors' service agreements

- (a) Each of the executive Directors has entered into a service agreement with our Company effective from the Listing Date, which may be terminated in accordance with the terms of the individual service agreement. Pursuant to their respective service agreements, Mrs. Gigi Ma and Mr. Barry Ma are entitled to a monthly salary of HK\$300,000 and HK\$0, respectively and a performance bonus to be determined by our Company.
- (b) Each of the independent non-executive Director has entered into a letter of appointment with our Company for a fixed term of three years commencing from the Listing Date, which may be terminated in accordance with the terms of the individual letter of appointment. Each of Mr. Cheng Fu Kwok David, Mr. Cheng Yuk Wo and Mr. Li Wai Kwan is entitled to an annual director's fees of HK\$0.18 million. Save for the director's fee, none of our independent non-executive Director is expected to receive any other remuneration for holding his office as an independent non-executive Director.

3. Remuneration of Directors

- (a) The aggregate amount of fees, salaries, contributions to retirement benefit scheme contributions, discretionary, bonuses, housing and other benefits in kind granted to the Directors in respect of each of FY2015, FY2016 and 1Q2017 were approximately HK\$3.6 million, HK\$2.4 million and HK\$0.6 million, respectively.

- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2017 will be approximately HK\$3.40 million.
- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

HK\$

Executive Directors

Mrs. Gigi Ma	3.6 million
Mr. Barry Ma	0

Independent non-executive Directors

Mr. Cheng Fu Kwok David	0.18 million
Mr. Cheng Yuk Wo	0.18 million
Mr. Li Wai Kwan	0.18 million

- (d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of FY2015, FY2016 and 1Q2017.
- (e) The remuneration of our Directors was determined by reference to their qualification, experience and duties and responsibilities with our Group and prevailing market rate.
- (f) None of our Directors or any past directors of any members of our Group has been paid any sum of money for each of FY2015, FY2016 and 1Q2017 as (1) an inducement to join or upon joining our Company; or (2) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any members of our Group.

4. Agency fees or commissions received

Save as disclosed in “Underwriting — Fees, Commission and Expenses” in this Prospectus, and in “E. Other Information — 3. Sponsor” in this Appendix, none of our Directors or the experts named in “E. Other Information — 8. Consents of experts” in this Appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under Note 27 to the Accountants’ Report of our Company set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed herein:

- (a) taking no account of any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandate as referred to in “A. Further information about our Company and our subsidiaries” in this Appendix, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Placing and the Capitalisation Issue, have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly interested in 10% or more of the nominal value or number of shares in issue or any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries;
- (b) taking no account of any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, none of our Directors or chief executive of our Company has any interest or short position in shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;
- (c) none of the Directors or the experts named in “E. Other Information — 7. Qualifications of experts” in this Appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of the Directors or the experts named in “E. Other Information — 7. Qualifications of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (e) save as disclosed in this Prospectus, none of the Directors or the experts named in “E. Other Information — 7. Qualifications of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the GEM Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the 5 largest clients or the 5 largest suppliers of our Group; and
- (g) none of our Directors has any existing or proposed service contracts with any member of our Group which are not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme. Conditionally approved and adopted by a written shareholder's resolution of our Company dated 19 December 2016, it does not form part of, nor was it intended to be part of the Share Option Scheme, nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

(a) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 19 December 2016:

(i) Purpose of Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers of our Group and to promote the success of the business of our Group.

(ii) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his/her contribution or potential contribution to the development and growth of our Group.

(iii) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher 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 closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option. For the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five Business Days, the Placing Price shall be used as the closing price for any Business Day falling within the period before the Listing.

(iv) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.0.

(v) Maximum number of Shares

- (aa) subject to sub-paragraphs (ii) and (iii) below, 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 our 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 our Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 40,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 40,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (bb) the 10% limit as mentioned above may be refreshed at any time by obtaining approval of our Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the GEM Listing Rules in this regard.
- (cc) subject to sub-paragraph (dd) below, our Company may seek separate approval of our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted

and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, such other information required under the GEM Listing Rules.

- (dd) the aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(vi) *Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon exercise of options granted to any 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. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his/her close associates abstaining from voting. In such event, our Company must send a circular to our Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the GEM Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) *Grant of options to certain connected persons*

- (aa) Any grant of an option to a Director, chief executive or Substantial Shareholder (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (bb) Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - a. representing in aggregate over 0.1% of the Shares in issue; and
 - b. having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such further grant of options is required to be approved by Shareholders at a general meeting of our Company. Our Company shall send a circular to our Shareholders containing all information as required under the GEM Listing Rules in this regard. The

grantee, his associates and all core connected persons of our Company shall abstain from voting in favour at such general meeting. Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective close associates is also required to be approved by Shareholders in the aforesaid manner.

(viii) Restrictions on the times of grant of options

- (aa) An offer for the grant of options may not be made after any inside information (as defined in the SFO) has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the GEM Listing Rules and the SFO. In particular, no option may be granted during the period commencing one month immediately before the earlier of:
- a. the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for approving our Company's results for any annual, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and
 - b. the deadline for our Company to announce its results for any annual, half-year or quarterly period under the GEM Listing Rules, or other interim period (whether or not required under the GEM Listing Rules).
- (bb) Further to the restrictions in paragraph (aa) above, no option may be granted on any day on which financial results of our Company are published and:
- a. during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - b. during the period of 30 days immediately preceding the publication date of the quarterly results and half-yearly results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) Time of exercise of 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 subject to the provisions of early termination thereof.

(x) Performance targets

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no minimum holding period or performance target which must be achieved before any of the options can be exercised.

(xi) Ranking of shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xii) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below has arisen, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his/her death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his/her death or within such period of 12 months following his/her death, then his/her personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiv) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he/she subsequently ceases to be an employee of our Group on any one or more of the grounds that he/she has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his/her option shall lapse automatically (to the extent not already exercised) on the date of cessation of his/her employment with our Group.

(xv) Rights on cessation of employment for other reasons

In the event that the grantee is an employee of our Group at the date of grant and he/she subsequently ceases to be an employee of our Group for any reason other than his/her death or the termination of his/her employment on one or more of the grounds specified in (xiv) above, the option (to the extent not already exercised) shall lapse on the expiry of three

months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(xvi) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party) or issue or allotment of Shares, as part of a scrip dividend scheme or similar schemes or an issue and allotment of Shares pursuant to the Share Option Scheme or any other share option scheme of our Company or member of our Group, such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices of any unexercised option; and/or the method of exercise of the options; and/or the number of Shares subject to the Share Option Scheme, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the GEM Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time, provided that any alteration shall give a grantee as near as possible the same proportion of the issued share capital of our Company as that to which he/she was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xvii) Rights of general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his/her legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(xviii) Rights on winding-up

In the event a notice is given by our Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his/her legal personal representative(s)) shall be entitled to exercise all or any of his/her options at any time not later than 2 Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as

soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xix) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“**Suspension Date**”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or willful default on the part of our Company or any of its officers.

(xx) Lapse of options

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the date on which the Board exercises our Company’s right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);

- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xiv), (xv), (xvii), (xviii) or (xix) above;
- (dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of our Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his/her creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his/her integrity or honesty;
- (ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (gg) subject to the compromise or arrangement as referred to in paragraph (xix) become effective, the date on which such compromise or arrangement becomes effective.

(xxi) Cancellation of options granted but not exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(xxii) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by our Shareholders in general meeting.

(xxiii) Alteration to the Share Option Scheme

- (aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 23.03 of the GEM Listing Rules shall not be made except with the prior approval of our Shareholders in general meeting.
- (bb) Any alteration to any terms of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of the GEM Listing Rules or any guidelines issued by the Stock Exchange from time to time.

(xxiv) Termination of Share Option Scheme

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxv) Conditions of the Share Option Scheme

The Share Option Scheme is conditional on the Stock Exchange granting the listing of, and permission to deal in, the Shares that may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, and commencement of dealings in the Shares on the Stock Exchange.

(b) Present status of the Share Option Scheme

Application has been made to the Stock Exchange for the listing of, and permission to deal in 40,000,000 Shares which fall to be issued upon exercise of any options which may be granted under the Share Option Scheme.

As at the date of this Prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION**1. Tax and other indemnities**

Our Controlling Shareholders have entered into the Deed of Indemnity in favour of our Company (for ourselves and as trustee for other Group members) referred to in paragraph “B. Further Information about the Business of our Company — 1. Summary of material contracts” in this Appendix, pursuant to which our Controlling Shareholders have given indemnities in favour of our Group from and against, among other things, (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) to any member of our Group on or before the Listing Date; (b) any tax liability which might be payable by any member of our Group in respect of, amongst other matters, any income, profits or gains earned, accrued or received up to the Listing Date; (c) claims, payments, suits, damages, settlement payments, and any associated costs and expenses, losses, costs, charges, liabilities, fines and penalties which any member of the Group may incur or suffer as a result of or arising from or in connection with any failure to comply with relevant laws and regulations or in connection with any legal proceedings which has occurred on or prior to the Listing Date; and (d) the reasonable costs and expenses incurred in connection with the actions, claims, legal or arbitration proceedings related thereto any damages, losses, liabilities, claims, expenses and costs arising from any eviction or restraint from use or early termination of any lease prior to expiry of its term in respect of any property leased by our Group, including all costs for relocation from any such property in case of our Group being subject to any eviction or restraint from use of such property as a result of the implementation of the Reorganisation or failure to obtain landlord’s and/or mortgagee’s consent in respect of the lease of such properties or breach of user conditions.

Our Controlling Shareholders will, however, not be liable under the Deed of Indemnity for taxation to the extent that, among others:

- (a) to the extent that provision, reserve or allowance has been made for such taxation liability in the audited accounts of any member of our Group for each of FY2015, FY2016 and 1Q2017; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date of Deed of Indemnity; or
- (c) to the extent any provisions or reserve made for taxation in the audited accounts of our Group or any member of our Group up to 30 June 2016 which is finally established to be an over-provision or an excessive reserve then the amount of any such provision or reserve shall be applied to reduce our Controlling Shareholders' liability by an amount not exceeding such over-provision or excess reserve; or
- (d) the taxation liability arises in the ordinary course of business of our Group after the Listing Date.

In the event that our Controlling Shareholders have indemnified our Group of any tax liability and payment arising from any additional assessment by any tax authority pursuant to the Deed of Indemnity referred to above, our Company shall disclose such fact and relevant details by way of an announcement immediately after the payment of indemnification by our Controlling Shareholders.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

To the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, none of the members of our Group was engaged in any litigation, arbitration or claim of material importance, and our Directors were not aware of any pending or threatened litigation, arbitration or claim of material importance or claim against of our Group which, in the opinion of our Directors, would have a material adverse effect on our financial condition or results of operations.

3. Sponsor

The Sponsor has made an application on behalf of our Company to the Stock Exchange for listing of and permission to deal in the Shares in issue and to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under the GEM Listing Rules.

The fee payable by our Company to the Sponsor to act as sponsor in relation to the Listing is HK\$4,000,000, and the Sponsor will be reimbursed for their expenses properly incurred in connection with the Placing.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$42,588 and are payable by our Company.

5. Promoter

Our Company has no promoter within two years preceding the date of this prospectus, no amount or benefit has been paid or given to the promoter in connection with the Placing or the related transactions described in this prospectus.

6. Compliance Adviser

Our Company has agreed to appointed Shenwan Hongyuan Capital (H.K.) Limited as our compliance adviser upon Listing in compliance with Rule 6A.19 of the GEM Listing Rules.

7. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which are contained in this prospectus:

Name	Qualifications
Shenwan Hongyuan Capital (H.K.) Limited	A licensed corporation to engage in type 6 (advising on corporate finance) regulated activity under the SFO
Ernst & Young	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Mr. Jeevan Hingorani	Barrister-at-law of Hong Kong
Frost & Sullivan	Industry consultant

8. Consents of experts

Each of the parties listed in “E. Other Information — 7. Qualifications of experts” in this Appendix has given and has not withdrawn its/his written consent to the issue of this Prospectus, with the inclusion of its/his letters and/or reports and/or opinions and/or summary thereof (as the case may be) and/or references to its/his name included herein in the form and context in which they respectively appear.

9. Binding effect

This Prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Registration procedures

The principal register of members of our Company in the Cayman Islands will be maintained by Codan Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained by Tricor Investor Services Limited, our Hong Kong Share Registrar. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Hong Kong Share Registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

11. No material adverse change

Save as disclosed in “Financial Information — No material adverse change” in this Prospectus, our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Company or our subsidiaries since 30 June 2016 (being the date to which the latest audited consolidated financial statements of our Group were made up) and up to the Latest Practicable Date.

12. Taxation of holders of Shares**(a) Hong Kong**

Dealings in Shares registered on our Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

Under the present laws of the Cayman Islands, there is no stamp duty payable in Cayman Islands on transfers of Shares.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or parties involved in the Placing accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

13. Miscellaneous

- (a) Save as disclosed in this prospectus:
 - (i) within the two years immediately preceding the date of this prospectus:
 - (aa) no share or loan capital of our Company or any of its subsidiaries has been issued, agreed to be issued or is proposed or intended to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of its subsidiaries; and
 - (cc) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any shares or debenture of our Company or any of its subsidiaries;
 - (ii) no founders, management or deferred shares or any debentures of our Company have been issued or agreed to be issued;
 - (iii) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
 - (iv) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this Prospectus;
 - (v) none of the experts named in “E. Other Information — 7. Qualifications of experts” in this Appendix:
 - (aa) is interested beneficially or non-beneficially in any securities in any member of our Group, including the Shares; or
 - (bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares;
 - (vi) our Company and our subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;
 - (vii) no company within our Group is presently listed on any stock exchange or traded on any trading system;
 - (viii) our Group has no outstanding convertible debt securities; and

(ix) the English text of this prospectus shall prevail over the Chinese text.

14. Bilingual Prospectus

The English language and Chinese language versions of this Prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (i) the written consents referred to in “Statutory and General Information — E. Other Information — 8. Consents of experts” in Appendix IV to this prospectus; and (ii) copies of the material contracts referred to in “Statutory and General Information — B. Further Information About The Business of Our Company — I. Summary of material contracts” in Appendix IV to this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Iu, Lai & Li Solicitors & Notaries at Rooms 2201, 2201A & 2202, 22nd Floor, Tower I, Admiralty Centre, No. 18 Harcourt Road, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association;
- (b) the Articles of Association;
- (c) the accountants’ report of our Company prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (d) the letter on unaudited pro forma financial information issued by Ernst & Young, the text of which is set out in Appendix II to this prospectus;
- (e) the audited financial statements of the companies comprising our Group for each of FY2015, FY2016 and 1Q2017;
- (f) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law as referred to in Appendix III to this prospectus;
- (g) the Companies Law;
- (h) the legal opinion prepared by Counsel;
- (i) the Frost & Sullivan Report;
- (j) the service contracts and appointment letters referred to in “Statutory and General Information — C. Further Information About Directors, Substantial Shareholders and Experts — 2. Particulars of Directors’ service agreements” in Appendix IV to this prospectus;
- (k) the rules of the Share Option Scheme;

- (l) the material contracts referred to in “Statutory and General Information — B. Further Information About The Business of Our Company — 1. Summary of material contracts” in Appendix IV to this prospectus; and
- (m) the written consents referred to in “Statutory and General Information — E. Other Information — 8. Consents of experts” in Appendix IV to this prospectus.



Miricor Enterprises Holdings Limited
卓珈控股集團有限公司