

SUMMARY

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

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.

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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, we had (i) three full-time doctors and one part-time doctor with practising experience in the medical aesthetic service industry ranging from eight to 10 years; and (ii) 15 trained therapists with on average over seven years of experience in the medical aesthetic service industry and a majority of them had served our Group for on average five years. 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	4,852	4,848	2,736	2,840
Number of repeat clients	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	1,861	1,514	392	396
Number of referred clients	989	770	199	196
Referral rate	53.1%	50.9%	50.8%	49.5%

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 the 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 48 of this [REDACTED] for details.

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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>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
	(Unaudited)			
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 86 of this [REDACTED] for details.

OUR COMPETITIVE STRENGTHS

We believe our success is attributable to, among other things, (i) our medical aesthetic professional team; (ii) 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 82 of this [REDACTED].

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OUR AWARD

In May 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 100 of this [REDACTED] 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 102 of this [REDACTED] 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 deployed 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 102 of this [REDACTED] for details.

OUR 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 information technology infrastructure; (v) continue to attract and retain experienced personnel through training and professional development. See “Business — Our Business Strategies” beginning on page 84 of this [REDACTED].

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HIGHLIGHTS OF RISK FACTORS

We believe that there are certain risks involved in an investment in the Shares. See “Risk Factors” beginning on page 20 of this [REDACTED] 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 [REDACTED] and the [REDACTED], Mr. Patrick Ma and Mrs. Gigi Ma, through Sunny Bright, together hold [REDACTED]%, 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 125 of this [REDACTED] for details.

SUMMARY OF FINANCIAL INFORMATION

The following table sets forth a summary of our key financial information during the Track Record Period:

	Year ended 31 March		Three months ended	
			30 June	
	2015	2016	2015	2016
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(Unaudited)			
Results of operations:				
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 ^(Note)

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 [REDACTED]) further grew by 23.4%, from HK\$4.7 million for 1Q2016 to HK\$5.8 million for 1Q2017.

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	As at 31 March		As at
	2015	2016	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	2016
			<i>HK\$'000</i>
Financial position:			
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.

	Year ended 31 March		Three months ended	
	2015	2016	30 June	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Cash flows:				
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)	—	—

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	Year ended 31 March		Three months ended 30 June
	2015	2016	2016
Key financial ratios:			
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 [REDACTED] of HK\$[REDACTED] 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 133 of this [REDACTED] 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 four months ended 31 July 2016 was 10,178, and the number of active clients was 3,154 for the same period. We also employed two additional trained therapists along with our business growth. There was no change in the number of our doctors and the number of our medical aesthetic centres.

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

[REDACTED]

Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED] Share, being the mid-point of the indicative range of the [REDACTED] stated in this [REDACTED], the estimated total [REDACTED] are approximately HK\$[REDACTED], of which approximately: (i) HK\$[REDACTED] is directly attributable to the issue of [REDACTED] in the [REDACTED] and will be accounted for as a deduction from equity upon [REDACTED]; and (ii) HK\$[REDACTED] is chargeable as expenses to our profit and loss accounts for FY2017. Out of this amount, approximately HK\$[REDACTED] had been charged to our profit and loss account for 1Q2017 and the remaining amount of approximately HK\$[REDACTED] 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. **[REDACTED] should note that**

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our financial results for FY2017 will be adversely affected by the non-recurring [REDACTED] described above, and may not be comparable to the financial performance of our Group in the past.

REASONS FOR THE [REDACTED] 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 [REDACTED] will allow us to gain access to different fund raising means to implement our business expansion plan. Furthermore, we believe that a [REDACTED] status on [REDACTED] will enhance our corporate profile and recognition, which will assist our future business development and strengthen our competitiveness.

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

	For the six months ending						Approximate % of the total net proceeds
	From the Latest Practicable Date to	30 September		31 March		Total	
	31 March 2017	2017	31 March 2018	30 September 2018	31 March 2019		
(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)		
Expand our network of medical aesthetic centres in Hong Kong	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Broaden the variety of treatment services and product offering	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Refurbish our CWB Centre	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Upgrade our IT infrastructure	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
General working capital	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

STATISTICS OF THE [REDACTED]

[REDACTED]

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Notes:

1. The calculation of the [REDACTED] of the Shares is based on [REDACTED] Shares in issue immediately after completion of the [REDACTED] and the [REDACTED].
2. The unaudited pro forma adjusted combined net tangible assets attributable to owners of our Company per Share is calculated based on [REDACTED] Shares assumed to be in issue immediately upon completion of the [REDACTED] and the [REDACTED].

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.

During the Track Record Period, interim dividend 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 is 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.