

RISK FACTORS

An [REDACTED] in our Shares involves various risks. You should carefully consider all the information in this [REDACTED] and, in particular, the risks and uncertainties described below before making an [REDACTED] 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 [REDACTED] of our Shares could decline and you may lose all or part of your [REDACTED]. You should seek professional advice from your relevant advisers regarding your prospective [REDACTED] 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 [REDACTED] 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 [REDACTED] 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 [REDACTED] 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 [REDACTED], 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

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does 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 [REDACTED] 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 [REDACTED] 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 [REDACTED] 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 [REDACTED] 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 [REDACTED] 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 [REDACTED] 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 [REDACTED] 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.

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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 [REDACTED] 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.

[REDACTED]

RISK FACTORS

[REDACTED]

RISK FACTORS

[REDACTED]

RISK FACTORS

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