

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 [REDACTED]. 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 [REDACTED] 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 [REDACTED]) 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 [REDACTED] for details.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of the results of operations and financial position of our Group in this [REDACTED] 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 [REDACTED].

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 [REDACTED], 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 [REDACTED] 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 [REDACTED] 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 [REDACTED] for details of the description and intended effects of these treatments.

FINANCIAL INFORMATION

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:

	<u>Year ended 31 March</u>				<u>Three months ended 30 June</u>			
	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 [REDACTED] for further details.

FINANCIAL INFORMATION

(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.

FINANCIAL INFORMATION

(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.

FINANCIAL INFORMATION

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 [REDACTED] 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.

FINANCIAL INFORMATION

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% <i>HK\$'000</i>	Hypothetical increase/ decrease by 7.0% <i>HK\$'000</i>	Hypothetical increase/ decrease by 10.0% <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

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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 30 June	
		2015	2016	2015	2016
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(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
[REDACTED]		—	—	—	[REDACTED]
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

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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) [REDACTED] incurred for 1Q2017 of HK\$[REDACTED] ([REDACTED] 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 [REDACTED] 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 [REDACTED], our adjusted net profit would increase by HK\$1.1 million, or 23.4% to HK\$5.8 million for 1Q2017.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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;

FINANCIAL INFORMATION

- (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 [REDACTED] 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 [REDACTED].

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

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 [REDACTED] expenses that will be accounted for as a deduction from equity upon [REDACTED]; (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:

	<u>As at 31 March</u>		<u>As at 30 June</u>
	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	<u>650</u>	<u>1,065</u>	<u>1,089</u>
Total	<u><u>1,289</u></u>	<u><u>1,696</u></u>	<u><u>1,685</u></u>

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 [REDACTED] for our inventory management policies.

The following table sets forth our inventory turnover days for the financial years/period indicated.

	<u>Year ended 31 March</u>		<u>Three months ended 30 June</u>
	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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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 [REDACTED] 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.

FINANCIAL INFORMATION

(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
	51,958	100.0	57,388	100.0	52,358	100.0

(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	51,958	100.0	57,388	100.0	52,358	100.0

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 [REDACTED] 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 [REDACTED].

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 [REDACTED], we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this [REDACTED].

Save as disclosed in this [REDACTED], 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 [REDACTED].

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.

FINANCIAL INFORMATION

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\$[REDACTED], HK\$[REDACTED] and HK\$[REDACTED] 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 [REDACTED] 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 [REDACTED] 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.

FINANCIAL INFORMATION

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 [REDACTED] of HK\$[REDACTED] 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 [REDACTED] in 1Q2017. Excluding such [REDACTED], 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 [REDACTED] for 1Q2017. Excluding such [REDACTED], the adjusted return on equity would be 97.5%.

FINANCIAL INFORMATION

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 [REDACTED] 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 [REDACTED]. 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 [REDACTED].

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.

[REDACTED]

Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED], 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 in FY2017. Out of this amount, approximately HK\$[REDACTED] had been charged to our profit and loss account in the 1Q2017. 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 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.**

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 [REDACTED]

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 [REDACTED].

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that save as disclosed in “[REDACTED]” in this section, up to the date of this [REDACTED], 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 [REDACTED] for further details.