

## SUMMARY OF THIS PROSPECTUS

*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk factors” of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### BUSINESS

The Group is principally engaged in the provision of comprehensive beauty and healthcare services at its network of service centres in Hong Kong predominantly under its widely known brandname “**Modern Beauty Salon** 現代美容中心”. Its services can be broadly categorised into (i) beauty and facial services; (ii) spa and massage services; (iii) slimming services; and (iv) fitness services. Sales attributable to the above beauty and healthcare services amounted to approximately HK\$316.0 million, HK\$369.9 million, HK\$436.2 million and HK\$141.7 million for each of the three years ended 31st March, 2005 and the four months ended 31st July, 2005, respectively, representing approximately 94.6%, 96.9%, 95.5% and 93.9% of the Group’s sales for the respective periods. To a lesser extent, the Group also engages in the sales of beauty products and equipment which sales amounted to approximately HK\$18.0 million, HK\$11.7 million, HK\$20.7 million and HK\$9.3 million for each of the three years ended 31st March, 2005 and the four months ended 31st July, 2005, respectively, representing approximately 5.4%, 3.1%, 4.5% and 6.1% of the Group’s sales for the respective periods.

The Group’s beauty and healthcare services are marketed under different tradenames, which include “**Modern Beauty Salon** 現代美容中心” (for beauty and facial services), “**be Sanctuary Spa**” (for spa and massage services), “**Slim Express** 大家歸瘦” (for slimming services) and “**Modern Fitness**” (for fitness services). The Group employs different marketing channels to promote its services. These channels include exhibitions, slimming competitions, press interviews, advertisements in television, newspapers, magazines and the Group’s own website. The Group has also appointed celebrities including Ms. Choi Siu Fan Ada (蔡少芬小姐), Ms. Cheung Man (張敏小姐), Ms. Tsang Po Yee Bowie (曾寶儀小姐) and Ms. Cheung Yui Ling (張睿玲小姐) as the Group’s spokespersons to promote its various service lines.

The Group promotes its beauty and healthcare services by offering prepaid packages with discounted pricing to customers. The Directors believe that this prepayment mode of operation enables the Group to enhance customer loyalty and establish long-term relationship with them. As at the Latest Practicable Date, the Group maintained a customer base of approximately 149,000 customers. The prepaid packages are recorded as deferred revenue from the date of sales of prepaid packages. Service income is only recognised when the treatments are delivered to customers from time to time and in the event that the prepaid package is not fully utilised in accordance with the terms of its relevant underlying agreements, over a period of not more than three years from the date of purchases. As at

## SUMMARY OF THIS PROSPECTUS

31st March, 2003, 2004, 2005 and 31st July, 2005, the accumulated prepaid packages amounted to approximately HK\$482.6 million, HK\$520.2 million, HK\$549.9 million and HK\$562.7 million, respectively. As at 31st March, 2003, 2004, 2005 and 31st July, 2005, the Group had approximately 52,000, 53,000, 55,000 and 57,000 customers with unexpired prepaid packages, respectively. Based on the Group's past operation history under the prepayment package business model, the Directors believe that the Group's future revenue can be secured.

With about 15 years of operation in Hong Kong, the Group has successfully developed a network of service centres with advanced beauty equipment and luxurious and resort style decoration, aiming at providing a relaxing and comfortable environment to customers.

As at the Latest Practicable Date, the Group operated 15 large-scale service centres in Hong Kong, the locations of which are shown in the following diagram. These service centres cover a gross floor area ranging from approximately 7,000 to 37,000 sq.ft. except one of the service centres located at Carnarvon Road with a saleable area of approximately 1,000 sq.ft. Majority of the Group's service centres are located in prime commercial districts in Hong Kong such as Causeway Bay, Admiralty, Wanchai, Central, Tsimshatsui and Mongkok.



## SUMMARY OF THIS PROSPECTUS

---

In April 2005, one of the Group's service centres has been certified by the British Standards Institution for operating a Quality Management System which complies with the requirements of ISO9001:2000 in the scope of the design and provision of facial and slimming services, and the provision of spa and body massage services. To maintain the provision of quality services to its customers, the Group also operates the Beauty Expert International College, which provides professional training courses on beauty and healthcare services to frontline beauty staff of the Group and the public. The Group was awarded the Superbrand Status by the Hong Kong Superbrands Council in 2004 and the Best of the Best for Executive 2005 by "Capital Magazine" for its quality services and "Caring Company" for 2004/05 by the Hong Kong Council of Social Service.

### PRINCIPAL STRENGTHS OF THE GROUP

The Directors believe that the Group has the following principal competitive advantages in the beauty and healthcare service industry in Hong Kong:

- its widely known brandnames;
- its network of large-scale service centres;
- its comprehensive range of quality beauty and healthcare services; and
- its experienced management team, sales force and well-trained beauticians.

### FUTURE PLANS AND PROSPECTS

The Group intends to further develop its business by opening additional large-scale beauty and healthcare service centres in Hong Kong and exploring business opportunities in the PRC. In addition, the Group also intends to put more resources in marketing and advertising activities in order to enhance further the recognition of the Group's brandnames. In connection with the Group's expansion, the Group also plans to upgrade its management information system. The Directors consider that the net proceeds from the Share Offer will be sufficient to finance the Group's following business plans:

#### **1. Expansion of the network of service centres in Hong Kong**

The Group will continue to expand its business by opening additional large-scale beauty and healthcare service centres. The Directors plan to open two, six and three service centres in Hong Kong and recruit approximately 65, 200 and 100 new staff to operate these new service centres in the years ending 31st March, 2006, 2007 and 2008 respectively. The Group's present service centres are primarily located in the commercial districts targeting customers from middle-to-high income groups including office ladies and females from upper class society. The Group intends to further expand its

## SUMMARY OF THIS PROSPECTUS

---

network of beauty and healthcare service centres to newly developed and populated residential districts such as the New Territories to broaden its customer base through the leasing of properties. In addition, the Group also plans to further develop the existing beauty and healthcare services for men to widen the Group's customer base.

### **2. Expansion of “be Sanctuary Spa” business in Hong Kong**

The Group opened its flagship “be Sanctuary Spa” service centre in Wanchai, Hong Kong in July 2004, which was awarded ISO9001:2000 Quality Certificate by the British Standards Institution in 2005. With the growing popularity of spa services in Hong Kong, the Directors believe that there are an increasing number of female customers who are willing to spend on spa treatments and that the Group's spa services are well-positioned to capture this business opportunity. During each of the three years ended 31st March, 2005 and the four months ended 31st July, 2005, the sales attributable to spa and massage services amounted to approximately HK\$71.7 million, HK\$87.5 million, HK\$88.3 million and HK\$32.0 million, respectively.

The Directors believe that with the opening of Hong Kong Disneyland in September 2005, the number of PRC visitors to Hong Kong will increase and lead to a stronger demand for beauty and healthcare services. The Group also intends to collaborate with renowned hotels or resorts or property developers in Hong Kong to provide beauty and healthcare services to their guests or residents. In addition, the Group plans to strategically ally with travel agencies to include “be Sanctuary Spa” service centres as one of the trips in Hong Kong tour package for overseas visitors.

### **3. Expansion to the PRC market**

With increasing purchasing power and improving living standards in the PRC, particularly in the major cities, the Directors believe that the beauty and healthcare service industry in the PRC has immense development potential. In the absence of large-scale and quality beauty and healthcare service centres in the PRC and given that the Group has successfully developed its beauty and healthcare service network in Hong Kong, the Directors believe that the Group is able to leverage on its past experiences, expertise and professional beautician teams in building up the beauty and healthcare service business in the PRC as an initial step for geographical expansion of the Group. In this connection, the Group has registered some of its brandnames in the PRC to facilitate its future penetration into the PRC beauty and healthcare service business.

### **4. Increase of marketing and advertising activities**

To secure a leading position in the beauty and healthcare service industry and maintain a competitive advantage in Hong Kong, the Directors believe that marketing and advertising activities are important in strengthening brand loyalty and recognition in the market. In this regard, the Directors intend to place additional efforts in the Group's marketing and advertising activities by implementing a series of strategies such as launching advertising campaign on media including television, radio, newspapers and magazines, and in selected stations of the Mass Transit Railway.

## 5. Upgrading of the Group's management information system

In connection with the increasing size of the Group's customer base and its future expansion in Hong Kong and other markets, the Directors plan to dedicate additional resources to enhance the Group's CASM. Details of CASM is set out in the sub-section headed "Management information system" of the section headed "Business" of this prospectus. The Directors believe that an upgraded system will enable the Group to retrieve information in a more timely and accurate manner for conducting management analysis on customers' preference and distribution and consumption pattern and to improve the operating efficiency. This will facilitate the Group to react promptly in respect of making operational and financial decisions and to capture any potential business opportunities.

## REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

The net proceeds from the Share Offer will strengthen the Group's capital base and will provide funding for achieving the Group's business strategy and carrying out its future plans as set out in the section headed "Future plans and prospects" of this prospectus.

Based on an Offer Price of HK\$0.98 (being the mid-point of the Offer Price range between the maximum indicative Offer Price of HK\$1.08 per Offer Share and the minimum indicative Offer Price of HK\$0.88 per Offer Share), the gross proceeds of the Share Offer are estimated to be approximately HK\$176.4 million, and the net proceeds of the Share Offer, after deducting related expenses payable by the Company, are estimated to be approximately HK\$161.9 million. To implement the Group's future plans, the Directors presently intend to apply such net proceeds of the Share Offer as follows:

- approximately HK\$57 million will be used for expansion of the network of service centres in Hong Kong. Out of the approximately HK\$57 million, approximately HK\$27 million will be used as capital expenditure, including leasehold improvements of approximately HK\$14 million, equipment and machinery of approximately HK\$10 million, furniture and fixtures of approximately HK\$2 million and computers of approximately HK\$1 million for new service centres for the three years ending 31st March, 2008. Approximately HK\$14 million will be used for renovation of the existing service centres, and the remaining capital of approximately HK\$16 million will be reserved for the opening of new service centres in 2009 and afterwards, subject to the economic or business conditions at that moment;
- approximately HK\$48 million will be used for the expansion of "**be Sanctuary Spa**" business. Out of the approximately HK\$48 million, approximately HK\$44 million will be used to collaborate with renowned hotels or property developers to provide spa treatment services to the hotel guests or residents by setting up spa corners in the hotels or the residents clubs or other places designated by the hotels or the property developers, which consists of leasehold improvements of approximately HK\$18 million, equipment and machinery of approximately HK\$18 million and furniture and fixtures of approximately HK\$8 million. The remaining approximately HK\$4 million will be used to ally with travel agencies to include "**be Sanctuary Spa**" service centres as one of the trips in Hong Kong tour package for overseas visitors;
- approximately HK\$29 million will be used for the launching of advertising campaign in the mass media to promote the Group's services and products and to enhance its brandnames

## SUMMARY OF THIS PROSPECTUS

---

and image to the public. These include engaging renowned celebrities as spokespersons of approximately HK\$7 million, producing advertisement series with specific themes of approximately HK\$9 million and posting advertisements in the mass media of approximately HK\$13 million;

- approximately HK\$7 million will be used for the assessment and examination of the beauty and healthcare service market in the PRC by setting up several small-scale beauty service centres in various selected locations to understand the customers' needs on beauty and healthcare services;
- approximately HK\$5 million will be used for upgrading of management information system of the Group to enhance the CASM (including the hardware costs and the software development costs); and
- the remaining balance of approximately HK\$15.9 million will be used for general working capital of the Group.

Should the Offer Price be fixed at HK\$0.88 or HK\$1.08 per Offer Share, being respectively the lowest and highest point of the indicative Offer Price range as stated in this prospectus, the net proceeds of the Share Offer, after deduction of all related expenses paid and payable by the Company, are estimated to be approximately HK\$144.4 million or HK\$179.5 million respectively. The Directors currently intend to apply the aforesaid net proceeds in the same manners and in the same proportion as shown above.

In the event that the Over-allotment Option is exercised in full, the net proceeds of the Share Offer to be received by the Company will be increased by approximately HK\$23.2 million or HK\$28.4 million, assuming the Offer Price is determined at the lowest and highest point of the stated range respectively. The Directors intend to apply such additional net proceeds in the same manners and in the same proportion as shown above.

To the extent that the net proceeds of the Share Offer are not immediately used for the above purposes, the Directors will place such proceeds on short term interest-bearing deposits with banks and/or financial institutions in Hong Kong for so long as the Directors consider it to be in the interest of the Group as a whole.

## RISK FACTORS

### Risks relating to the Group

- Expired prepaid beauty packages
- Large amount of deferred revenue
- Reliance on reputation in the industry
- Customer complaints and litigation
- Investing activities
- High operating leverage
- No assurance of success of planned business expansion
- Dependence on key personnel
- Non-renewal of leases or substantial increase in rent
- Reliance on a single geographical market
- Dividend policy
- Trade or service marks registration and possible infringement
- Service and product liability
- Services rendered by independent contractors

### Risks relating to the industry

- Competition
- Ability to identify and respond to changing trends
- Reliance on experienced, skilled and qualified staff
- Regulation of beauty industry in Hong Kong

---

## SUMMARY OF THIS PROSPECTUS

---

### **Risks relating to political and economic considerations**

- Political considerations of Hong Kong
- Economic considerations of Hong Kong

### **Risk relating to the Share Offer**

- Protection of interests of minority shareholders under the laws of the Cayman Islands

### **Risk relating to avian influenza**



# SUMMARY OF THIS PROSPECTUS

## TRADING RECORD

The table below summarises the combined results of the Group for each of the three years ended 31st March, 2005 and the four months ended 31st July, 2005, together with the unaudited comparative figures for the four months ended 31st July, 2004. The summary has been prepared as if the current structure of the Group had been in place throughout the period under review or from the respective dates of incorporation of the companies now comprising the Group. The summary should be read in conjunction with the accountants' report of the Group as set out in Appendix I to this prospectus.

	Year ended 31st March,			Four months ended 31st July,	
	2003	2004	2005	2004	2005
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>	<i>(audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales					
Provision of beauty and healthcare services	308,274	325,167	377,803	123,219	128,337
Sales attributable to the recognition of expired prepaid packages	7,772	44,750	58,394	16,297	13,317
Sales of products and equipment	<u>17,996</u>	<u>11,739</u>	<u>20,735</u>	<u>6,692</u>	<u>9,251</u>
	334,042	381,656	456,932	146,208	150,905
Other gains - net	3,202	9,092	9,019	2,571	7,126
Cost of inventories sold	(8,067)	(11,722)	(12,085)	(5,050)	(5,192)
Staff costs	(150,115)	(151,464)	(172,043)	(57,803)	(55,641)
Depreciation and amortisation	(24,526)	(24,228)	(20,569)	(5,897)	(7,983)
Occupancy costs	(55,409)	(48,177)	(42,069)	(14,066)	(15,361)
Other operating expenses	<u>(52,863)</u>	<u>(82,213)</u>	<u>(92,442)</u>	<u>(29,653)</u>	<u>(33,183)</u>
Profit before taxation	46,264	72,944	126,743	36,310	40,671
Taxation	<u>(7,269)</u>	<u>(11,453)</u>	<u>(21,572)</u>	<u>(5,662)</u>	<u>(6,545)</u>
Profit for the year/period attributable to equity holders of the Company	<u>38,995</u>	<u>61,491</u>	<u>105,171</u>	<u>30,648</u>	<u>34,126</u>
Dividends	<u>—</u>	<u>—</u>	<u>9,400</u>	<u>—</u>	<u>118,000</u>

# SUMMARY OF THIS PROSPECTUS

## SHARE OFFER STATISTICS

Combined net profit from ordinary activities attributable to shareholders of the Company for the year ended 31st March, 2005 .....	HK\$105.2 million	
Unaudited pro forma basic earnings per Share for the year ended 31st March, 2005 ( <i>Note 1</i> ) .....	HK14.6 cents	
	<b>Based on the Offer Price of</b>	
	<b>HK\$0.88</b>	<b>HK\$1.08</b>
Market capitalisation ( <i>Note 2</i> ) .....	HK\$633.6 million	HK\$777.6 million
Price/earnings multiple ( <i>Note 3</i> ) .....	6.0 times	7.4 times
Unaudited pro forma adjusted net tangible assets per Share ( <i>Note 4</i> ) .....	HK24.9 cents	HK29.8 cents

### Notes:

1. The unaudited pro forma basic earnings per Share is calculated by dividing the combined net profit from ordinary activities attributable to shareholders of the Company for the year ended 31st March, 2005 by a total of 720,000,000 Shares (assuming that the Shares in issue at the date of this prospectus and those Shares to be issued pursuant to the Share Offer had been listed since 1st April, 2004 and in issue throughout the year but without taking account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme).
2. The calculation of market capitalisation is based on 720,000,000 Shares in issue immediately after completion of the Share Offer but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option, any options which may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme or any Shares which may be allotted and issued or repurchased under the general mandates granted to the Directors for the allotment and issue or repurchase of Shares as referred to in the paragraph headed "Written resolutions of all the shareholders of the Company dated 20th January, 2006" in Appendix V to this prospectus.
3. The price/earnings multiple on a pro forma basis is based on the unaudited pro forma basic earnings per Share for the year ended 31st March, 2005 of HK14.6 cents per Share and the respective Offer Price of HK\$0.88 and HK\$1.08 per Offer Share.
4. The unaudited pro forma adjusted net tangible assets per Share has been arrived at after the adjustments referred to under the paragraph headed "Unaudited pro forma adjusted net tangible assets" in Appendix II to this prospectus and on the basis of 720,000,000 Shares.