

必瘦 PERFECT
站 SHAPE

PERFECT SHAPE (PRC) HOLDINGS LIMITED

必瘦站（中國）控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1830



**GLOBAL
OFFERING**

Sole Sponsor



China Everbright Capital Limited

Sole Global Coordinator, Sole Bookrunner, Sole Lead Manager



China Everbright Securities (HK) Limited

IMPORTANT

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



PERFECT SHAPE (PRC) HOLDINGS LIMITED

必瘦站(中國)控股有限公司

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares	:	250,000,000 (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	25,000,000 Shares (subject to adjustment)
Number of International Placing Shares	:	225,000,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK\$1.80 per Offer Share payable in full on application in Hong Kong dollars, subject to refund, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%
Nominal Value	:	HK\$0.10 each
Stock Code	:	1830

Sole Sponsor



China Everbright Capital Limited

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager



China Everbright Securities (HK) Limited

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

A copy of this prospectus, having attached thereto the documents specified in "Documents delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents in this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company on the Price Determination Date. The Price Determination Date is expected to be on or about Friday, 16 December 2011 and, in any event, not later than Saturday, 17 December 2011. The Offer Price will be not more than HK\$1.80 per Offer Share and is currently expected to be not less than HK\$1.35 per Offer Share unless otherwise announced. Investors applying for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$1.80 for each Offer Share together with a brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$1.80.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offer — Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be offered, sold, pledged or transferred, except pursuant to an exemption from, or in a transaction not in the United States subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable state securities laws.

IMPORTANT

MIXED MEDIA OFFER

Our Company will be relying on section 9A of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing **WHITE** or **YELLOW** Application Forms without them being accompanied by a printed prospectus. The contents of this prospectus are identical to the electronic form prospectus. From 9:00 a.m. on Tuesday, 13 December 2011 until 12:00 noon on Friday, 16 December 2011, an electronic form of this prospectus can be accessed and downloaded from the websites of our Company at www.perfectshape.com.hk under the “Investor Relations > HKIPO Prospectus” section and the Stock Exchange at www.hkexnews.hk, under the “HKExnews > Listed Company Information > Latest Listed Company Information” section, respectively.

Members of the public who wish to obtain a copy of this printed prospectus may obtain a copy, free of charge, upon request during normal business hours from 9:00 a.m. on Tuesday, 13 December 2011 until 12:00 noon on Friday, 16 December 2011 at the following locations:

1. any of the following addresses of the Sole Sponsor and the Hong Kong Underwriters:

China Everbright Capital Limited

17th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

China Everbright Securities (HK) Limited

36th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

Sun Hung Kai Investment Services Limited

42/F, The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

VC Brokerage Limited

28/F The Centrium
60 Wyndham Street
Central
Hong Kong

2. the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong

IMPORTANT

3. any of the following branches of The Hongkong and Shanghai Banking Corporation Limited:

	Branch name	Address
Hong Kong Island	North Point Branch	G/F, Winner House, 306–316 King’s Road, North Point, Hong Kong
Kowloon	Pioneer Centre Branch	Shop 218, 2/F, Pioneer Centre, 750 Nathan Road, Kowloon
New Territories	Tai Wai Branch	Shops 42–44, MTR Tai Wai Station, Sha Tin, New Territories

Details of where printed prospectus may be obtained will be displayed prominently at every location where Application Forms may be lodged.

During normal business hours from 9:00 a.m. on Tuesday, 13 December 2011 until 12:00 noon on Friday, 16 December 2011, at least three copies of this printed prospectus will be available for inspection at every location where the **WHITE** or **YELLOW** Application Forms are distributed as set out in the section headed “How to Apply for Hong Kong Offer Shares” of this prospectus.

EXPECTED TIMETABLE⁽¹⁾

If there is any change to the following expected timetable of the Hong Kong Public Offer, our Company will issue an announcement in Hong Kong to be published in The Standard (in English) and the Sing Tao Daily (in Chinese).

Application lists open⁽²⁾ 11:45 a.m. on Friday, 16 December 2011

Latest time to lodge **WHITE** and **YELLOW** Application

Forms and to give **electronic application instructions**

to HKSCC⁽³⁾ 12:00 noon on Friday, 16 December 2011

Application lists close 12:00 noon on Friday, 16 December 2011

Expected Price Determination Date ⁽⁴⁾ Friday, 16 December 2011

Announcement of (i) the Offer Price; (ii) the indication of
the level of interest in the International Placing;

(iii) the level of applications in the Hong Kong Public Offer;

(iv) the basis of allotment of Hong Kong Offer Shares
under the Hong Kong Public Offer; and

(v) the number of Offer Shares reallocated, if any,
between the Hong Kong Public Offer and

the International Placing to be published on
the Stock Exchange's website at www.hkexnews.hk

and our Company's website

at www.perfectshape.com.hk and in The Standard
(in English) and the Sing Tao Daily (in Chinese)

on or before Thursday, 22 December 2011

Results of allocations in the Hong Kong Public Offer

(with successful applicants' identification documents
numbers, where appropriate) to be available through
a variety of channels (see "How to Apply for
Hong Kong Offer Shares

— VI. Publication of results") from Thursday, 22 December 2011

Results of allocations for the Hong Kong Public Offer

to be available at www.tricor.com.hk/ipo/result,

with a "search by ID" function Thursday, 22 December 2011

Despatch of share certificates or deposit of share

certificates into CCASS and refund cheques in
respect of wholly or partially unsuccessful

applications or wholly successful applications (if applicable)

on or before^{(5) (6) (7) (8)} Thursday, 22 December 2011

Dealings in the Offer Shares on the Stock Exchange

to commence on Friday, 23 December 2011

EXPECTED TIMETABLE⁽¹⁾

- (1) All dates and times refer to Hong Kong local dates and times, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the “Structure of the Global Offering” in this prospectus.
- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 16 December 2011, the application lists will not open or close on that day. Further information is set forth in “How to Apply for Hong Kong Offer Shares — III. Applying by using a white or yellow application form — 6. Effect of bad weather on the opening of the Application Lists” in this prospectus.
- (3) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to Apply for Hong Kong Offer Shares — IV. Applying by giving electronic application instructions to HKSCC” in this prospectus.
- (4) Please note that the Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Friday, 16 December 2011 and, in any event, not later than Saturday, 17 December 2011. If, for any reason, the Offer Price is not agreed between the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering (including the Hong Kong Public Offer) will not proceed and will lapse. Notwithstanding that the Offer Price may be less than the maximum Offer Price of HK\$1.80 per Share, applicants must pay the maximum Offer Price of HK\$1.80 per Share at the time of application, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, but will be refunded the surplus application monies, without interest, as set out in “How to Apply for Hong Kong Offer Shares” in this prospectus.
- (5) Share certificates for the Offer Shares are expected to be issued on Thursday, 22 December 2011 but will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Hong Kong Public Offer has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated.
- (6) Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the applicant is made by joint applicants, part of the Hong Kong identity card number or passport number of the first named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Bank may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate the refund cheque.
- (7) Applicants who have applied on **WHITE** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offer and have indicated in their application forms that they wish to collect any refund cheques and share certificates in person from our Company’s Hong Kong Share Registrar, Tricor Investor Services Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, may do so between 9:00 a.m. to 1:00 p.m. on Thursday, 22 December 2011. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporation’s chop. Identification and (where applicable) authorisation documents acceptable to our Company’s Hong Kong Share Registrar, Tricor Investor Services Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, must be produced at the time of collection. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offer may collect their refund cheques, if any, in person but may not elect to collect their share certificates, which will be deposited into CCASS for the credit of their designated CCASS

EXPECTED TIMETABLE⁽¹⁾

Participant's stock account or CCASS Investor Participant's stock account, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

- (8) Uncollected share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms. Further information is set out in "How to Apply for Hong Kong Offer Shares — VII. Despatch/Collection of share certificates and refund cheques" in this prospectus.

You should read carefully "Underwriting," "How to Apply for Hong Kong Offer Shares" and "Structure of the Global Offering" in this prospectus for additional information regarding the Global Offering, including the conditions to Global Offering, how to apply for Hong Kong Offer Shares, the expected timetable, the effects for bad weather and the despatch of share certificates and the refund of application monies.

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This prospectus is issued by our Company solely in connection with the Hong Kong Public Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision.

Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus and the Application Forms. Any information or representation not made in this prospectus and the Application Forms must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other parties involved in the Global Offering.

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SUMMARY

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 and is qualified in its entirety by, and should be read in conjunction with, the full text in this prospectus. You should read the whole document including the appendices hereto, which constitute an integral part in this prospectus, before you decide to invest in our Offer Shares.

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

OVERVIEW

We are a well-established slimming and beauty service provider and operate under the well-known brand name “Perfect Shape 必瘦站”, targeting mid to high-end clients in the PRC, Hong Kong and Macau. We have our origin in Hong Kong and experienced substantial growth in the PRC market during the Track Record Period. Through years of development, we have established our “Perfect Shape 必瘦站” brand as a well-recognised icon for the provision of quality and effective slimming services. Our brand recognition can be proved by the various achievements we have accomplished over the years such as “Superbrands Hong Kong Award” and “PRC Consumer’s Most Favourable Hong Kong Brands”. As part of our advertising and promotional campaigns to enhance brand recognition, we sponsored large-scale beauty contests in Hong Kong and were the “Miss Hong Kong Pageant 2008 Official Slimming Centre” for Miss Hong Kong Pageant 2008, the “Preferred Slimming Centre” for Miss Chinese International Pageant 2009 and the slimming consultant for Miss Asia Pageant (PRC Division) 2009. Contributing to our successful expansion in the PRC, we achieved a sustaining growth in the past years. Our revenue increased from HK\$236.3 million for the year ended 31 March 2009 to HK\$309.0 million for the year ended 31 March 2011, representing a CAGR of 14.4%. For the four months ended 31 July 2011, our revenue increased to HK\$134.5 million from HK\$100.9 million for the same period in 2010. Our profit attributable to equity holders increased from HK\$28.6 million for the year ended 31 March 2009 to HK\$50.3 million for the year ended 31 March 2011, representing a CAGR of 32.6%. For the four months ended 31 July 2011, our profit attributable to equity holders increased to HK\$28.9 million from HK\$14.3 million for the same period in 2010.

Our Services and Products

We offer around 100 types of slimming treatments in terms of the body parts, the equipment, the slimming products and massage techniques used which not only focus on weight loss management but also emphasise on body shaping and maintenance. We take pride in the provision of tailor-made slimming services. We recommend the most suitable slimming treatments to our clients based upon our clients’ goals and physical conditions. Our slimming consultants and nutritionists are involved in the implementation process and closely monitor the progress of and follow up with each client throughout the whole slimming programme. We also offer around 80 types of beauty treatments including medical beauty treatments which can be further categorised into treatments with focus on individual

SUMMARY

parts of the body such as facial treatments, neck treatments, eye treatments, hand treatments and breast treatments, spa and massage services with different machinery and beauty products used to cater for the needs of different clients. Revenue from provision of slimming and beauty services accounted for HK\$143.3 million, HK\$148.5 million, HK\$203.0 million and HK\$83.7 million, representing 60.6%, 63.2%, 65.7% and 62.2% of our total revenue, for the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, respectively.

In order to complement our services, we sell around 10 types of slimming and beauty products at our service centres. We source our slimming and beauty products from independent manufacturers and the finished products are labelled and sold under our brands. Revenue from the sales of slimming and beauty products accounted for HK\$7.0 million, HK\$13.6 million, HK\$32.8 million and HK\$15.6 million, representing 3.0%, 5.8%, 10.6% and 11.6% of our total revenue, for the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, respectively. In view of the growing demand of high-end slimming and beauty products in the PRC, our Directors consider that sales of slimming and beauty products will be one of the engines driving our future growth.

Our Service Centres and Members

We have strong presence in the PRC, Hong Kong and Macau. As at the Latest Practicable Date, we, being one of the premium Hong Kong brands for slimming and beauty services, operated 57 service centres, of which 44 of them are located in 10 major cities in the PRC, namely Shanghai, Guangzhou, Shenzhen, Beijing, Dongguan, Foshan, Chengdu, Nanjing, Tianjin and Chongqing; 12 in Hong Kong; and one in Macau. Our service centres are mainly located in the prime commercial districts in the PRC. For example, we operate flagship centres in Plaza 66 (恒隆廣場), Dongfang Plaza (東方廣場), Zhengjia Plaza (正佳廣場), and Jinguanghua Plaza (金光華廣場), which are high-end shopping malls located in Shanghai, Beijing, Guangzhou and Shenzhen, respectively. We classify our service centres into two categories, namely flagship centres and standard centres. Our service centres which are located in prestigious shopping malls or high-end departmental stores in prime locations are classified as flagship centres, and the others are classified as standard centres. All standard and flagship centres are operated by ourselves and there is no material difference in the services provided by our standard and flagship centres. As at the Latest Practicable Date, the average size of our flagship centres and standard centres is about 425 sq.m. and 195 sq.m., respectively.

SUMMARY

Set out below is a list of our service centres as at the Latest Practicable Date:

Location	Number of service centres		Total
	Standard centres	Flagship centres	
PRC			
● Shanghai	10	2	12
● Guangzhou	7	3	10
● Shenzhen	4	2	6
● Beijing	5	1	6
● Dongguan	3	—	3
● Foshan	1	—	1
● Chengdu	2	—	2
● Nanjing	1	—	1
● Tianjin	1	—	1
● Chongqing	2	—	2
Hong Kong (Note)	9	3	12
Macau	1	—	1
Total	46	11	57

Note: Our service centres in Hong Kong were located at Central, Causeway Bay, Mongkok, Tsuen Wan, Tsim Sha Tsui, Tuen Mun, Yuen Long, Shatin and Tai Po.

The following table sets out the number of additions and closures of our service centres during the Track Record Period and up to the Latest Practicable Date.

PRC

	Years ended 31 March			From 1 April 2011 up to the Latest Practicable Date
	2009	2010	2011	
Number of service centres at the beginning of the relevant period	—	1	6	30
Addition of service centres during the relevant period	1	5	24	14
Number of service centres at the end of the relevant period	1	6	30	44

SUMMARY

Hong Kong

	Years ended 31 March			From 1 April
	2009	2010	2011	2011 up to the Latest Practicable Date
Number of service centres at the beginning of the relevant period	20	20	14	15
Addition of service centres during the relevant period	1	2	4	—
Closure of service centres during the relevant period	1	8	3	3
Number of service centres at the end of the relevant period	20	14	15	12

In view that the slimming and beauty market in Hong Kong has saturated and we face increasing competition from other market players, we reduced the number of our service centres in Hong Kong during the Track Record Period and up to the Latest Practicable Date, and revenue derived from Hong Kong market decreased accordingly. At the same time, we continued to reallocate our financial and human resources from Hong Kong market to expand our operation in the PRC market.

Macau

We operated one service centre in Macau during the Track Record Period and up to the Latest Practicable Date.

Our Group has nearly eight years, four years and three years of operating history in Hong Kong, Macau and the PRC, respectively. We have a well-established client base, which is vital for our business growth. As at the Latest Practicable Date, we had around 38,000 members in the PRC, 48,000 members in Hong Kong and 4,000 members in Macau. Our well-established client base brings confidence to our new clients and provides us with new market opportunities through word-of-mouth referrals. The number of active members as at 31 March 2011, defined as members who received slimming and beauty services in our service centres in that year, were 17,714 in the PRC, 9,105 in Hong Kong and 2,269 in Macau, respectively. Among these active members, 12,623 members in the PRC, 4,231 members in Hong Kong and 890 members in Macau, had unutilised prepaid packages with our Group as at 31 March 2011.

We believe that we have successfully built up our “Perfect Shape 必瘦站” brand which distinguishes us from our competitors. The success of our “Perfect Shape 必瘦站” brand enables us to charge premium prices and position our services towards the higher end of the market. Furthermore, it also lays a solid foundation for our further expansion in the PRC.

SUMMARY

Forfeited Income

We promote our slimming and beauty services by offering prepaid packages with discounted pricing to clients. Our Directors believe that this prepayment mode of operation enables us to enhance customer loyalty and establish long-term relationship with our clients. For the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, we sold prepaid packages in the amount of HK\$229.2 million, HK\$232.5 million, HK\$306.2 million and HK\$118.3 million, respectively. Our prepaid packages have a validity period of one year. As part of our loyalty programme, with the view to promote through word-of-mouth and encourage sales of new premium packages as well as to enhance customer loyalty and establish long-term relationship with our clients, we may, at our discretion, allow our clients to upgrade their existing slimming and beauty packages to new premium slimming and beauty packages before the expiry of the existing packages. The Directors believe that the upgrade arrangement also provides an option for the clients to experience the latest slimming technology without sacrificing the unutilised value of their existing packages. No upgrade is allowed after the expiry of the existing packages. In the event of package upgrade, contract of the existing package will be terminated and a new contract will be signed between us and the relevant client on the new premium package. Clients are required to pay the difference between the new premium package and the unutilised existing package value. Upon the signing of new contract, the new premium package will have a validity period of one year from the date of the new contract. For details of our loyalty programme, please refer to “Business — Marketing — Marketing and sales — Loyalty programme to clients” in this prospectus. We record these prepaid packages as deferred revenue in the balance sheet at the point of sales. Deferred revenue as at 31 March 2009, 2010, 2011 and 31 July 2011 were HK\$118.3 million, HK\$122.4 million, HK\$148.7 million and HK\$147.0 million, respectively. For financial reporting purposes, we recognise prepaid packages as our sales revenue from time to time in the income statement when the service treatments are delivered to clients. The amount which represents services yet to be rendered will be recorded as liability. As clients are not entitled to enjoy services after expiry date, we fully recognise prepaid packages over one year from the date of purchase as revenue from expired prepaid packages in the income statement. For the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, revenue recognised upon the expiry of prepaid packages amounted to HK\$86.0 million, HK\$72.8 million, HK\$73.3 million and HK\$35.1 million, representing 36.4%, 31.0%, 23.7% and 26.1% of our revenue, respectively. During the Track Record Period, we strictly implemented our revenue recognition policy and no prepaid packages were extended or renewed upon expiry date.

We believe the combination of our (i) well-recognised brand name with strong presence in the PRC, Hong Kong and Macau; (ii) successful track record in brand management and strong execution capability in developing fast-growing and enormous PRC market; and (iii) well-established client base provides us with the strategic advantage necessary to become one of the market leaders in the PRC.

SUMMARY

Our Expansion in the PRC

With a population of approximately 1.3 billion in the PRC, our Directors believe that the slimming and beauty market in the PRC has vast development potential. Demand for slimming and beauty services is expected to continue to elevate with the rapid growth of the PRC economy and the sustainable improvement of general living standard in the PRC. According to the Euromonitor Report, the market size of beauty centres is estimated to grow from approximately RMB91.3 billion in 2010 to approximately RMB243.1 billion in 2015, with a CAGR of 21.6%, by sales value of services.

In order to capture vast business opportunities arising from the fast-growing and enormous slimming and beauty market in the PRC, we opened our first service centre in Shenzhen in 2009. Since then, we aggressively expanded our service centres network under our well-known brand name “Perfect Shape 必瘦站” in the PRC and successfully achieved the following impressive operational and financial performance:

- the same store sales of our service centres in the PRC, which represent four service centres established prior to 1 January 2010, increased by 87.3% from HK\$7.9 million in the first quarter of 2010 to HK\$14.8 million in the first quarter of 2011;
- the total number of our slimming and beauty service centres in the PRC increased by 43 times from one in a single city as at 31 March 2009 to 44 in 10 cities as at the Latest Practicable Date;
- our number of members in the PRC increased by about 62 times from around 600 as at 31 March 2009 to around 38,000 as at the Latest Practicable Date;
- our revenue contributed from our PRC operation increased by 85 times from HK\$1.9 million for the year ended 31 March 2009 (representing 0.8% of our total revenue during the same year) to HK\$162.9 million for the year ended 31 March 2011 (representing 52.7% of our total revenue during the same year);
- the net profit attributable to our equity holders increased by 70.5% from HK\$29.5 million for the year ended 31 March 2010 to HK\$50.3 million for the year ended 31 March 2011.

Upon the Listing, we will continue to expand our business operation in the PRC aggressively. In order to capitalise the robust growth in the PRC slimming and beauty market, we plan to open 106 new service centres in the PRC during the four years ending 31 March 2015.

Benefiting from the sustainable growth in the slimming and beauty service market and implementation of our aggressive expansion plan in the PRC, we target to increase the percentage of revenue contribution from our PRC operation over our total revenue to around 80% for the year ending 31 March 2012.

SUMMARY

Recent Market Developments

Regardless of the recent tightening monetary policy in the PRC, global economic uncertainties and the euro zone sovereign debt crisis which resulted in adverse market conditions and the shrinking global consumer confidence index, there had been no material change in revenue and net profit from our Hong Kong and Macau operations. On the contrary, revenue and net profit from our PRC operations experienced continuous growth which was benefited from the prosperous domestic demands in the PRC.

Our Directors confirm that there has been no material adverse change in our financial or trading position since 31 October 2011 and up to the Latest Practicable Date.

OUR COMPETITIVE STRENGTHS

We believe our rapid growth and strong market position are largely attributable to the following principal competitive strengths:

- Strong execution capability in developing fast-growing and enormous slimming and beauty market in the PRC
- Well-recognised brand with strong presence in the PRC, Hong Kong and Macau
- Effective client segmentation approach
- Strong operating cash inflows and capital strength driving future growth
- Strong management team with successful track record for the delivery of a sustainable growth and profitability

OUR BUSINESS STRATEGIES

Our business objective is to rapidly increase our market share in the fast-growing PRC slimming and beauty industry with enormous development potential and become one of the largest providers of slimming services in the PRC. In order to achieve this, we plan to pursue the following strategies:

- Further strengthen our strong presence in the PRC by expanding our service centres network under our well-known brand name “Perfect Shape 必瘦站”
- Strengthen brand appeal
- Refine client segmentation and enhance client base
- Drive operational efficiencies
- Promote our slimming and beauty products
- Pursue future growth opportunities

SUMMARY

HISTORICAL FINANCIAL INFORMATION

The combined financial data set forth below presents the summary of combined financial information of our Group for the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011 extracted from the Accountant's Report as set out in Appendix I to this prospectus.

Combined statements of comprehensive income

	Year ended 31 March			Four months ended 31 July	
	2009	2010	2011	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Revenue	236,273	234,857	308,976	100,875	134,499
Other income	212	130	384	71	54
Other (losses)/gains — net	(1,024)	21	1,580	68	660
Cost of inventories and consumables	(1,925)	(4,928)	(7,450)	(2,478)	(2,240)
Employee benefit expenses	(86,631)	(78,665)	(85,648)	(28,878)	(31,318)
Marketing expenses	(46,899)	(47,315)	(56,420)	(24,286)	(23,091)
Depreciation	(16,516)	(15,143)	(16,494)	(5,515)	(5,658)
Operating lease rentals	(20,055)	(20,389)	(29,875)	(8,138)	(12,106)
Other operating expenses	(28,764)	(32,858)	(49,590)	(13,855)	(21,767)
Operating profit	34,671	35,710	65,463	17,864	39,033
Interest income	4	25	238	19	596
Profit before income tax	34,675	35,735	65,701	17,883	39,629
Income tax expense	(6,092)	(6,216)	(15,441)	(3,581)	(10,743)
Profit for the year/period attributable to equity holders of the Company	<u>28,583</u>	<u>29,519</u>	<u>50,260</u>	<u>14,302</u>	<u>28,886</u>
Other comprehensive (loss)/income:					
Net fair value (losses)/gains on available-for-sale financial assets	—	—	(15)	—	74
Disposal of available-for-sale financial assets	—	—	—	—	(197)
Currency translation differences	—	—	465	(146)	796
Total other comprehensive income/ (loss) for the year/period	<u>—</u>	<u>—</u>	<u>450</u>	<u>(146)</u>	<u>673</u>
Total comprehensive income for the year/period attributable to equity holders of the Company	<u>28,583</u>	<u>29,519</u>	<u>50,710</u>	<u>14,156</u>	<u>29,559</u>
Dividends	—	5,000	39,369	—	—

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Combined Balance Sheets

	As at 31 March			As at
	2009	2010	2011	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS				
Non-current assets				
Property, plant and equipment	20,109	26,493	32,403	34,298
Available-for-sale financial assets	—	—	9,943	4,864
Deposits and prepayments	7,714	6,071	15,109	17,912
Deferred income tax assets	<u>3,451</u>	<u>4,214</u>	<u>12,897</u>	<u>15,632</u>
	<u>31,274</u>	<u>36,778</u>	<u>70,352</u>	<u>72,706</u>
Current assets				
Inventories	511	1,018	1,068	668
Trade receivables	17,412	11,810	8,103	8,980
Other receivables, deposits and prepayments	5,620	9,740	20,825	22,135
Amounts due from related companies	33	82	290	328
Amounts due from directors	68,338	38,359	37,268	36,678
Amount due from a shareholder	—	29,106	—	—
Financial assets at fair value through profit or loss	—	10,093	46,760	6,055
Cash and cash equivalents	<u>26,280</u>	<u>48,183</u>	<u>74,206</u>	<u>139,849</u>
	<u>118,194</u>	<u>148,391</u>	<u>188,520</u>	<u>214,693</u>
Total assets	<u><u>149,468</u></u>	<u><u>185,169</u></u>	<u><u>258,872</u></u>	<u><u>287,399</u></u>
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Combined share capital	457	457	457	457
Other reserves	—	49	1,664	3,548
Retained earnings	<u>12,529</u>	<u>36,999</u>	<u>46,725</u>	<u>74,400</u>
Total equity	<u>12,986</u>	<u>37,505</u>	<u>48,846</u>	<u>78,405</u>

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	As at 31 March			As at
	2009	2010	2011	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	275	599	2,622	4,224
Provision for reinstatement costs	<u>1,648</u>	<u>1,413</u>	<u>1,292</u>	<u>1,392</u>
	<u>1,923</u>	<u>2,012</u>	<u>3,914</u>	<u>5,616</u>
Current liabilities				
Provision for reinstatement costs	403	713	424	599
Trade payables	454	615	1,503	1,142
Accruals and other payables	11,983	16,934	22,264	16,822
Deferred revenue	118,323	122,433	148,672	146,970
Tax payable	3,313	4,957	14,781	18,790
Amount due to a related company	83	—	—	—
Amount due to a director	—	—	15,791	16,378
Amount due to a shareholder	<u>—</u>	<u>—</u>	<u>2,677</u>	<u>2,677</u>
	<u>134,559</u>	<u>145,652</u>	<u>206,112</u>	<u>203,378</u>
Total liabilities	<u>136,482</u>	<u>147,664</u>	<u>210,026</u>	<u>208,994</u>
Total equity and liabilities	<u>149,468</u>	<u>185,169</u>	<u>258,872</u>	<u>287,399</u>
Net current (liabilities)/assets	<u>(16,365)</u>	<u>2,739</u>	<u>(17,592)</u>	<u>11,315</u>
Total assets less current liabilities	<u>14,909</u>	<u>39,517</u>	<u>52,760</u>	<u>84,021</u>

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Selected combined statements of cash flows

	Year ended 31 March			Four months
	2009	2010	2011	ended 31 July
	HK\$'000	HK\$'000	HK\$'000	2011
Net cash generated from operating activities	19,262	52,948	93,547	24,695
Net cash (used in)/generated from investing activities	(10,101)	(31,045)	(69,060)	39,328
Net cash generated from financing activities	97	—	—	—
Net increase in cash and cash equivalents	9,258	21,903	24,487	64,023
Cash and cash equivalents at end of the year/period	26,280	48,183	74,206	139,849

DIVIDENDS AND DIVIDEND POLICY

During the Track Record Period, the dividends distributed by the companies now comprising our Group amounted to nil, HK\$5.0 million, HK\$39.4 million and nil, respectively.

In November 2011, special cash dividends of HK\$88,500,000 in total were declared by the Hong Kong and Macau Group companies. Pursuant to the shareholders' resolutions of the following Group companies all dated 3 November 2011, (i) Perfect Shape & Skin declared special cash dividends of HK\$5,000,000; (ii) Perfect Shape & Skin SS declared special cash dividends of HK\$1,000,000; (iii) Perfect Shape & Skin TW declared special cash dividends of HK\$738,835; (iv) Perfect Shape & Spa MOS declared special cash dividends of HK\$500,000; (v) Perfect Shape Holdings declared special cash dividends of HK\$12,000,000; (vi) Perfect Skin Medical declared special cash dividends of HK\$2,800,000; (vii) Perfect Shape & Skin Management declared special cash dividends of HK\$22,000,000; (viii) Perfect Shape Advertising declared special cash dividends of HK\$500,000; (ix) Perfect Shape Investment Shanghai declared special cash dividends of HK\$36,000,000; and (x) Perfect Shape Macau declared special cash dividends of HK\$7,961,165 (MOP8,200,000), for payment to their respective shareholders. The above special cash dividends will be fully settled prior to the Listing. Save for the above, no dividend was approved or declared by our Company during the Track Record Period and up to the Latest Practicable Date.

The special cash dividends of HK\$88,500,000 in total were declared out of our Group's retained profits, which were generated by shareholders' equity and management efforts of our existing Shareholders during the Track Record Period. Therefore, our Directors consider the dividends represented investment returns and rewards to our existing Shareholders due to their past contributions to our Group during the Track Record Period. We had carefully considered and assessed our working capital position before

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declaration of the special cash dividends and in view of our cash and cash equivalents position of HK\$139.8 million as at 31 July 2011, our Directors consider that our Company's internal resources are sufficient to cover the full payment of the special cash dividends.

Following the Listing, subject to the relevant law and the Articles, we, through a general meeting, may declare dividends in any currency but no dividends shall be declared in excess of the amount recommended by our Board. The Articles provide that dividends may be declared and paid out of our profit, realised or unrealised, or from any reserve set aside from profits which our Directors determine is no longer needed. With the approval of the Shareholders, we may also declare dividends out of a share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law. Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in the PRC. In the PRC, the laws require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from HKFRS and accepted accounting principles in other jurisdictions. The PRC laws also require companies (including foreign investment enterprises) to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries in the PRC may also be restricted if they incur debts or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries in the PRC may enter into in the future.

Subject to the availability of our cash and distributable reserves, investment requirements, our cash flows and working capital requirements and the approval of our Shareholders, our Directors currently intend to declare and recommend all annual distributable profit, if any, from ordinary activities as dividends starting from the full financial year ending 31 March 2013.

CLIENT COMPLAINTS AND CLAIMS

Due to the nature of slimming industry and subjective views on the level of satisfaction of slimming services provided, on occasions, we receive client complaints. Further, as we charge our clients by way of prepaid packages which sometimes lead to disputes arising from requests for refund for prepayment. Client complaints are usually in relation to one or more of the following areas: (i) unsatisfactory results of our services; (ii) physical injury caused by our services; (iii) disputes over payment method (e.g. credit card instalment etc.); (iv) unsatisfactory staff services; (v) unsatisfactory treatment progress; (vi) client's change of mind; (vii) subsequent argument on the terms of contracts; and (viii) dispute over implementation outcome of our refundable programmes.

Our customer service department is responsible for handling client complaints. In order to ensure prompt and proper handling of client complaints, we have implemented relevant internal guidelines which we strictly require our staff to follow. All complaints received have to be reported to our principal office in Hong Kong. Upon receiving a complaint, we carefully review its contents and understand its backgrounds from the relevant staff and service centres.

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Some of our clients file complaints with consumer protection authorities. There were one, 74, 22 and four complaints against us filed by our clients with the Hong Kong Consumer Council, and seven, six, one and two complaints against us filed by our clients with the Macau Consumer Council for the years ended 31 March 2009, 2010 and 2011 and the period from 1 April 2011 to the Latest Practicable Date, respectively. With respect to complaints in the PRC, clients may request consumer associations or organisations to conduct mediation; and/or file complaints with the local branches of administration for industry and commerce (the “Local AICs”); and/or apply for arbitration or commence legal proceedings against us. The Directors confirm that we had not received any notification from any consumer association and organisations or the Local AICs, or any notifications of arbitration or legal proceedings from arbitration tribunals or courts in relation to client complaints in the PRC during the Track Record Period and up to the Latest Practicable Date. Some of the complaints substantiate into claims and litigation against us. There were 12 Hong Kong Consumer Council cases which substantiated into legal proceedings and overlapped with the Hong Kong Small Claims Tribunal cases. For the years ended 31 March 2009, 2010, 2011 and the period from 1 April 2011 up to the Latest Practicable Date, there were 15, 29, four and nil Hong Kong Small Claims Tribunal cases, and one, two, nil and one Hong Kong District Court cases, against us filed by our clients and one ex-employee, respectively. Major grounds of complaints by claimants in the Hong Kong Small Claims Tribunal cases include unsatisfactory services of our staff and unsatisfactory results of our services. There were three claims which involved two clients and one claim involved one ex-employee filed against us with the Hong Kong District Court and all of them were in relation to personal injuries caused in the course of receiving slimming services and in the course of her employment respectively. The number of complaints and legal proceedings against us filed by our clients were insignificant as they accounted for only 0.14%, 0.47%, 0.09% and 0.02% of the number of active members of our Group for the years ended 31 March 2009, 2010, 2011 and the period from 1 April 2011 up to the Latest Practicable Date, respectively.

We offer free treatments, refunds and/or compensation for settlement purpose. We usually pay compensation to our clients in the circumstances that the clients incur injuries during the course of treatments and upon provision of medical proof of injuries. Subject to discretion and approval of our senior management, we may refund to our clients if valid reasons can be demonstrated such as physically unfit for treatments, non-fulfilment of expected slimming results, relocation of work and address and financial difficulties problems etc. We review the grounds of the requests for refund on a case-by-case basis. For the years ended 31 March 2009, 2010, 2011 and the period from 1 April 2011 up to the Latest Practicable Date, the total amount of compensation paid by us in relation to all claims involved our Group including complaints filed with the Hong Kong Consumer Council and Macau Consumer Council were HK\$0.2 million, HK\$0.5 million, nil and HK\$3,000, respectively; and the total amount in relation to legal proceedings against us were HK\$0.9 million, HK\$1.1 million, HK\$0.1 million and HK\$0.6 million, respectively. Total compensation/refunds, including those in relation to Hong Kong Consumer Council and Macau Consumer Council and legal proceedings, made by us in relation to handling clients complaints were HK\$1.8 million, HK\$1.9 million, HK\$2.4 million and HK\$2.3 million, respectively.

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Among the 68 client complaints which were unsettled or remained idle, one, 47, 18 and two client complaints were filed against our Group for the years ended 31 March 2009, 2010 and 2011 and for the period from 1 April 2011 up to the Latest Practicable Date, respectively. The above 68 client complaints were unsettled and remained idle as 42 of such complainants did not accept the offer made by us in relation to settlement; 21 of such complainants had asked for unreasonable terms of settlement which were not acceptable to us according to our policy; and five of such complainants were not contactable. We had followed our internal guidelines in handling these 68 client complaints. We had proactively contacted the relevant clients within three days upon receiving notification from the Hong Kong Consumer Council and been taking active approach to attempt to resolve the matter within one month of notification from the Hong Kong Consumer Council. However, we are unable to anticipate and it is beyond our control when such complainants will reach amicable settlement with us while we, according to our internal policy, have every intention to settle these complaints by making reasonable offers to all of them. The Directors confirm that there has been no follow-up action from the Hong Kong Consumer Council in relation to our Group's handling of the 68 complaints within the past one month before the Latest Practicable Date. The maximum potential claims arising from the said client 68 complaints amounted to HK\$2.8 million, which is immaterial as compared to our revenue.

As at the Latest Practicable Date, there were five out of the 48 legal proceedings filed against us at the Hong Kong Small Claims Tribunal which remained inactive as the Hong Kong Small Claims Tribunal has adjourned without assigning the days for further hearings for such five cases. The Hong Kong Small Claims Tribunal has granted the claimants the application for leave to discontinue for 22 cases. In respect of the said five adjourned inactive actions and 22 actions which the Hong Kong Small Claims Tribunal granted the claimants the application for leave to discontinue, the total amount of claims involved was HK\$0.7 million plus costs and interests. We have applied to the Hong Kong Small Claims Tribunal for dismissal of such actions for want of prosecution in October 2011 and we expect the same can be completed by the end of the first quarter of 2012.

The Directors confirm that all complaints filed by our clients to the Hong Kong Consumer Council and the Macau Consumer Council and legal proceedings for the three years ended 31 March 2009, 2010 and 2011 and the period from 1 April 2011 up to the Latest Practicable Date were not related to complaints in relation to difficulty in making reservation of our Group's service treatments and we had not conducted sales through excessive and/or improper techniques and/or misrepresentation and/or mis-selling practices in respect of the complaints filed by our clients.

Taking into account the amount involved in each matter (as compared with our sales), the chance of successful defence by us, and the likelihood of settlement between the parties, our Directors believe that these outstanding complaints and legal proceedings should not have material negative impact upon our business or financial position or impact to our operation or reputation. The Controlling Shareholders will provide an indemnity in relation to all claims, payments, suits, damages, settlement payments and any associated costs and expenses which would be incurred or suffered by us as a result of any complaint, litigation,

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arbitration and/or legal proceedings against any member of our Group which was issued and/or accrued and/or arising from any act of any member of our Group on or before the Listing Date.

For details of the complaints and legal proceedings filed by clients, please refer to “Business — Client Complaints” and “Business — Regulatory Compliance and Legal Proceedings — Legal proceedings” in this prospectus.

LEGAL AND REGULATORY COMPLIANCES

We were not in full compliance with certain applicable laws and regulations in the PRC in relation to (i) social insurances and housing provident fund contributions and (ii) fire safety matters. As at the Latest Practicable Date, we had taken remedial actions to rectify the relevant non-compliances. Save as disclosed in “Risk Factors — We have not paid certain social insurances and housing provident fund contributions for and on behalf of our employees during the Track Record Period” and “Risk Factors — Some of our service centres in the PRC have not fully complied with the relevant fire safety laws and regulations”, as confirmed by our legal advisors, we have obtained the relevant licences, permits, approvals and certificates necessary to conduct our operations in the PRC, Hong Kong and Macau and have complied in all material aspects with applicable laws and regulations in these jurisdictions. For details of such non-compliances, please refer to “Risk Factors — We have not paid certain social insurances and housing provident fund contributions for and on behalf of our employees during the Track Record Period” and “Risk Factors — Some of our service centres in the PRC have not fully complied with the relevant fire safety laws and regulations” in this prospectus.

HISTORICAL NON-COMPLIANCE

“More Slim” incident

In May 2008, despite provision of clean testing reports issued by qualified accreditation centres supplied by the relevant supplier, we were notified by the Hong Kong Department of Health that samples of our “More Slim” slimming products were detected to contain prohibited pharmaceutical substances of “Sibutramine” and proved to be in breach of the Pharmacy and Poisons Regulations (Chapter 138A of the Laws of Hong Kong) and we were ordered to immediately suspend sales and conduct recall within seven days of all such products in Hong Kong. The aggregate amount involved in the product recall of “More Slim” products is HK\$1.3 million. The Directors believed that we had been deceived by the relevant supplier in the incident. As an immediate response, we ceased procurement from the relevant supplier and sales of all relevant products at our service centres.

“EnerDay” incident

We sold “EnerDay” products for a three-month period from September to November in 2007 with total sales amount of HK\$149,000. After that, we began to source slimming products from the same supplier of “EnerDay” products and sold slimming products of the supplier under our proprietary brand of “More Slim”.

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In around September 2008, it was reported that a female felt unwell and was sent for medication after taking “EnerDay” slimming products purchased at our service centre, and the said “EnerDay” slimming products were subsequently discovered to contain “Sibutramine”. The Hong Kong Department of Health had conducted shop investigation on the relevant service centre and attempted to collect samples of “EnerDay” products for examination in early September 2008. Since we had ceased sales of “EnerDay” products since December 2007, there had been no stock of “EnerDay” available for sale at any of our service centres and no “EnerDay” products were found. Save for the aforesaid, the Hong Kong Department of Health had not ordered any suspension of sales and product recall of “EnerDay” products nor commenced any proceedings against us in this regard, and had closed its case on “EnerDay” products in February 2009.

Our Directors confirmed that they did not receive further notifications and/or investigations from the Hong Kong Department of Health in respect of the above incidents, and there was not any claim or legal proceeding against us in relation to the said incidents. Our Directors confirm that, save as disclosed above, there had not been any suspension of sales and product recall incidents which have resulted in complaints or injuries to our clients during the Track Record Period. Moreover, given the small quantity of products involved, the said incidents had not caused material impact on our operations and financial condition. Save for the said incidents, our Directors confirm that none of our products put on sales were found to be sub-standard, contaminated by plasticizers, EDHP or other harmful substances, or in breach of applicable laws and regulations during the Track Record Period.

After the above two incidents, to strengthen quality assurance of our products, in addition to careful selection of our suppliers of slimming and beauty products and provision of testing reports by our suppliers, we engage the independent quality testing institutes to conduct testing on every batch of product. Generally, we engage the independent quality testing institutes on a batch-by-batch basis. We will get quotations from testing institutes on our list of preferential independent quality testing institutes, who are usually based in the PRC, before receiving such products. Depending on the institute’s experience in conducting testing on that particular batch of products, the quotation given to us and the time required to conduct testing and issue a testing report, we will select one independent quality testing institute to conduct testing. Only when the testing report produced is clean will we send the products to our service centres for sales.

During the Track Record Period, we had engaged four independent accredited quality testing institutes and we mainly engage two preferential independent quality testing institutes since 2010, one of which is established under the law and authorised by the PRC Government with over 60 years of experience in testing. The other preferential independent quality testing institute is a branch testing institute founded by a national chemical testing center in Shenzhen, with branch offices in Europe, Hong Kong and other major cities in the PRC.

In the event that products of our suppliers were found to be sub-standard or in breach of applicable laws and regulations and result in injuries to end-customers, both our suppliers, as the manufacturers, and we, as the retailer, might be subject to product liability

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claims from end-customers. Since we do not maintain product liability insurance, we may be affected by any injuries to our clients as a result of consumption of such products. Please refer to “Risk Factors — As we source our slimming and beauty products from our suppliers, we may not be able to effectively control product qualities and may be subject to product liability claims” in this prospectus for further details.

USE OF PROCEEDS

Assuming an Offer Price of HK\$1.58 per Offer Share (being the mid-point of the indicative Offer Price range of HK\$1.35 to HK\$1.80 per Offer Share), after deduction of the underwriting fees and estimated expenses payable by us in connection with the Global Offering, the net proceeds of the Global Offering are estimated to be HK\$363.0 million. Our Directors presently intend to apply the net proceeds as follows:

(1) Expansion of service centres network in the PRC under our well-known brand name “Perfect Shape 必瘦站”

We will apply HK\$254.0 million (or 70% of the net proceeds of the Global Offering) for the expansion of our service centres network in the PRC under our well-known brand name of “Perfect Shape 必瘦站”, which we expect will continue to enjoy rapid growth and present enormous potential for our development.

In order to increase our market presence, we intend to establish (i) an additional 78 new service centres making a total of 112 service centres in the first-tier cities, namely Shanghai, Guangzhou, Shenzhen and Beijing; and (ii) an additional 28 new service centres making a total of 38 service centres in second and lower-tier cities, including but not limited to Hangzhou, Wuhan, Chongqing, Ningbo, Shenyang, Dongguan, Foshan, Chengdu, Nanjing and Tianjin by 31 March 2015.

The following table sets out our expansion plan in the PRC for the years ending 31 March 2015:

Location	No. of new service centres to be opened for the year ending 31 March			
	2012	2013	2014	2015
First-tier cities	7	25	23	23
Second and lower-tier cities	<u>3</u>	<u>5</u>	<u>10</u>	<u>10</u>
Total:	<u>10</u>	<u>30</u>	<u>33</u>	<u>33</u>

The estimated total expenses for setting up of the 106 service centres under the brand name of “Perfect Shape 必瘦站” in the PRC will be HK\$254.4 million by 31 March 2015. The estimated total cost per service centre in the PRC is HK\$2.4 million, of which HK\$1.8 million will be used for fixed assets including leasehold improvement and equipment, HK\$240,000 will be used for rental deposits and

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expenses, HK\$71,400 will be used for initial staff cost and HK\$288,600 will be used for general working capital. Other than the net proceeds of the Global Offering, where necessary, we will apply our internally generated financial resources as additional funding for the expansion of our service centres network in the PRC.

(2) Brand promotion and marketing

We will apply HK\$54.5 million (or 15% of the net proceeds of the Global Offering) for promotion of our brands and marketing activities which will be budgetted for the years ending 31 March 2012 and 2013, of which 20% will be used for engagement of spokespersons, 15% will be used for outdoor billboards advertisements, and 65% for the other advertising activities through various channels including television, radio, newspapers, magazines and promotional events in the PRC and Hong Kong. Our marketing manager will formulate annual budget to be approved by the Board. We will review its implementation on a half-yearly basis and make necessary adjustment to our budget for brand promotion and marketing.

(3) Upgrading our management information system and building up an electronic CRM platform

In order to enhance our operational efficiency to optimise customer satisfaction, and strengthen our customer database management for better sales and marketing and fostering customer loyalty, we will apply HK\$18.2 million (or 5% of the net proceeds of the Global Offering) to upgrade our management information system and build up an electronic CRM platform. Our electronic CRM platform enables us to analyse clients' information such as spending power and purchase patterns.

(4) General working capital

A balance of HK\$36.3 million (or 10% of net proceeds of the Global Offering) will be retained as our general working capital.

In the event that the Offer Price is set at the high end of the indicative Offer Price range, being HK\$1.80 per Offer Share, the net proceeds from the Global Offering (assuming that the Over-allotment Option is not exercised) will increase to HK\$416.3 million. In that case, our Directors intend to apply the additional net proceeds for the expansion of our operations in the PRC.

In the event that the Offer Price is set at the low end of the indicative Offer Price range, being HK\$1.35 per Offer Share, the net proceeds from the Global Offering (assuming that the Over-allotment Option is not exercised) will decrease to HK\$307.2 million. The amount of net proceeds proposed to be used for the expansion of our operations in the PRC will be reduced after full utilisation of our general working capital. Any shortfall is intended to be financed by internal resources of our Group.

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Should the Over-allotment Option be exercised in full (assuming an Offer Price of HK\$1.58 per Offer Share, being the mid-point of the indicative range of Offer Price), we will receive additional net proceeds of HK\$56.9 million. Our Directors intend to apply the additional net proceeds for the expansion of our operations in the PRC.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes, it is the present intention of our Directors that such proceeds will be placed on short term deposits with licensed banks and/or authorised financial institutions in Hong Kong and/or the PRC.

RISK FACTORS

Our Directors consider that there are certain risks involved in our Group's operations and industry, the details of such risks are set out in "Risk Factors" in this prospectus. The risks can be broadly categorised as follows:

Risks relating to our Group

- Our success depends on the market recognition of our brand names and we may be adversely affected by negative publicity.
- We are subject to client complaints, claims and legal proceedings in the course of our operations.
- Our revenue from expired prepaid service packages may not recur in the future.
- We have large amount of deferred revenue and high operating leverage.
- We may not be able to sustain or manage our future growth and implement our business expansion plans in the PRC.
- It takes time for our new service centres to break even or reach the same level of profitability as mature service centres.
- Our success depends on our ability to attract and retain key personnel and qualified staff.
- We face possible infringement of our intellectual property rights.
- Any non-renewal of leases or substantial increase in rent may affect our business and financial performance.
- Lessors of certain PRC sub-leased properties have not provided written authorisations by the property owners in relation to the sub-lease.
- As we source our slimming and beauty products from our suppliers, we may not be able to effectively control product qualities and may be subject to product liability claims.

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- We may not have sufficient insurance coverage.
- We have not paid certain social insurances and housing provident fund contributions for and on behalf of our employees during the Track Record Period.
- We may be required to pay additional profits tax under enquiry by the Inland Revenue Department.
- Some of our service centres in the PRC have not fully complied with the relevant fire safety laws and regulations.
- Some of our slimming programmes are refundable and may potentially affect our financial performance.
- We may not be able to effectively control the attitude of our staff in sales of service packages to clients.
- Our revenue from our operations in Hong Kong declined during the Track Record Period.
- We incurred net current liabilities during the Track Record Period.
- We may suffer loss due to our investment decisions in financial assets.
- We will be controlled by our Controlling Shareholders, whose interests may differ from those of our other Shareholders.

Risks relating to our industry

- We face competition in the slimming and beauty industry.
- We require various permits, approvals and licences for the operation of our business in the PRC, Hong Kong and Macau. Any termination of or failure to renew any or all of the licences, approval and permits could adversely affect our business and operations.
- We may be adversely affected by a lack of growth in the consumer market or there is a general market downturn.
- Changes in regulatory regimes in the jurisdictions in which we operate may have an adverse effect on us.

Risks relating to the PRC

- Our results of operations and financial condition are highly susceptible to changes in the PRC political, economic and social conditions.

SUMMARY

- Restrictions imposed by the PRC Government on currency conversion and exchange rate fluctuation may limit our ability to remit dividends and affect our business.
- PRC regulation on direct investments and loans by offshore holding companies to PRC entities may delay or limit our ability to use the proceeds of the Global Offering to make additional capital contributions or loans to our PRC operating businesses.
- The PRC Labour Contract Law may cause our labour costs to increase and we may be liable for fines and penalties for any material breach of this law.
- Interpretation of PRC laws and regulations involves uncertainty.
- Dividends payable by us to our foreign investors and gain on the sale of our Shares may become subject to withholding taxes under the CIT Law.

Risks relating to the Global Offering

- We are incorporated under Cayman Islands law and Cayman Islands law may not offer the same protections to minority shareholders as the laws of other jurisdictions.
- There has been no prior public market for our Shares and the liquidity and market price of our Shares may be volatile.
- Any future issuance of Shares by us may dilute shareholding and future sales of a substantial number of Shares may adversely affect the price of the Shares.
- There are risks associated with forward-looking statements contained in this prospectus.
- We cannot guarantee the accuracy of facts and other statistics derived from various official government publications contained in this prospectus.
- We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering.

SUMMARY

STATISTICS FOR THE GLOBAL OFFERING

	Based on an indicative Offer Price per Share of HK\$1.35	Based on an indicative Offer Price per Share of HK\$1.80
Market capitalisation of the Shares (<i>Note 1</i>)	HK\$1,350 million	HK\$1,800 million
Unaudited pro forma adjusted net tangible assets per Share (<i>Notes 2 and 3</i>)	HK\$0.39	HK\$0.49

Notes:

- (1) The calculation of market capitalisation is based on 1,000,000,000 Shares expected to be in issue following completion of the Global Offering and the Capitalisation Issue, without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or the option which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company.
- (2) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to the paragraphs under “Unaudited Pro Forma Adjusted Combined Net Tangible Assets” in Appendix II to this prospectus and on the basis of 1,000,000,000 Shares in issue immediately upon completion of the Global Offering and the Capitalisation Issue but without taking into account of any Shares which may be allotted and issued upon exercise of the Over-allotment Option or the option which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by the Company.
- (3) In November 2011, certain companies now comprising the Group declared special interim dividends totaling HK\$88.5 million to their respective shareholders. The unaudited pro forma adjusted net tangible assets per Share as presented above has not taken into account of these special interim dividends. Had the special interim dividend been taken into account, the unaudited pro forma adjusted net tangible assets value per Share would be HK\$0.30 (assuming an Offer Price of HK\$1.35) and HK\$0.41 (assuming an Offer Price of HK\$1.80), respectively.
- (4) No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to 31 July 2011.

DEFINITIONS AND GLOSSARY

In this prospectus, unless the context otherwise requires, the following terms and expressions have the meanings set below.

“Application Form(s)”	WHITE Application Form(s) and YELLOW Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offer
“Application Lists”	the application lists for the Hong Kong Public Offer
“Articles of Association” or “Articles”	the articles of association of our Company conditionally adopted on 5 December 2011 by the Shareholders and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing Snow Skin”	北京雪肌美容美體有限公司, a company incorporated in the PRC with limited liability on 12 February 2010 under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“Board” or “Board of Directors”	the board of Directors
“Business Day”	any day (other than Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of part of the share premium account of our Company upon completion of the Global Offering referred to in “Further Information about our Group — Written resolutions of our Shareholders passed on 5 December 2011” in Appendix V to this prospectus
“CAGR”	compound annual growth rate
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

DEFINITIONS AND GLOSSARY

“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CEO”	the Chief Executive Officer
“China Everbright” or “Sole Sponsor”	China Everbright Capital Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) activities
“China Everbright Securities” or “Sole Global Coordinator” or “Sole Bookrunner” or “Sole Lead Manager”	China Everbright Securities (HK) Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) activities
“CIT”	corporate income tax
“Company” or “our Company”	Perfect Shape (PRC) Holdings Limited 必瘦站(中國)控股有限公司, a company incorporated in the Cayman Islands with limited liability on 11 March 2011
“Companies Law” or “Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“connected person(s) ”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules, and in the context of this prospectus means the controlling shareholders of our Company, namely Dr. Au-Yeung Kong, Ms. Au-Yeung Hung, Ms. Au-Yeung Wai, Sure Sino Investments, Market Event Holdings and Earlson Holdings and “Controlling Shareholder” means any one of them
“CRM”	customer relationship management, a business strategy aiming to understand, anticipate and manage the needs of existing and prospective customers which entails all aspects of interaction a company has with its customers

DEFINITIONS AND GLOSSARY

“Deed of Indemnity”	a deed of indemnity entered into between the Controlling Shareholders and our Company dated 5 December 2011, details of which are set out in “Other Information — Tax and other indemnity” in Appendix V to this prospectus
“Deed of Non-competition”	a deed of non-competition entered into between the Controlling Shareholders and our Company dated 5 December 2011
“Director(s)”	director(s) of the Company
“Dr. Au-Yeung” or “Founder” or “Chairman”	Dr. Au-Yeung Kong, an executive Director, the chairman and CEO of our Group and a Controlling Shareholder
“Dr. Face”	Dr. Face Limited (formerly known as Perfect Shape & SPA (Hunghom) Limited), a company incorporated in Hong Kong with limited liability on 8 November 2007 and an indirect wholly-owned subsidiary of the Company
“Earlson Holdings”	Earlson Holdings Limited, a company incorporated in the BVI on 17 March 2011 under the laws of the BVI with limited liability, an investment holding company, and is held as to 100% by Ms. Au-Yeung Wai, and is one of our Controlling Shareholders
“EPS”	electronic payment system
“Euromonitor”	Euromonitor International Plc, an Independent Third Party, which engages in the provision of international market intelligence including consumer products, services and lifestyles
“Euromonitor Report”	a report prepared by Euromonitor on the slimming and beauty market of the PRC, which was commissioned by us
“GDP”	gross domestic product
“GFA”	gross floor area
“Global Offering”	the Hong Kong Public Offer and the International Placing
“Group”, “we” and “us”	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require), or where the context refers to any time prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses operated by such subsidiaries at the relevant time or (as the case may be) their predecessors

DEFINITIONS AND GLOSSARY

“Guangzhou Emma Consultancy”	廣州愛瑪企業管理諮詢有限公司, a company incorporated in the PRC with limited liability on 15 October 2010 and an indirect wholly-owned subsidiary of the Company
“Guangzhou Perfect Shape”	廣州必瘦站纖體美容有限公司, a company incorporated in the PRC with limited liability on 14 July 2009 and an indirect wholly-owned subsidiary of the Company
“Guangzhou Shape Perfect”	廣州瘦必站纖體美容有限公司, a company incorporated in the PRC with limited liability on 26 November 2009 and an indirect wholly-owned subsidiary of the Company
“Hong Kong Consumer Council”	the Consumer Council (消費者委員會) of Hong Kong, a body corporate established under the Consumer Council Ordinance (Cap. 216 of the Laws of Hong Kong) to protect and promote the interests of consumers of goods and services
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Slimming and Beauty Companies”	the 20 companies, namely Dr. Face, Perfect Shape & Skin, Perfect Shape & Skin CNT, Perfect Shape & Skin SS, Perfect Shape & Skin TKO, Perfect Shape & Skin TM, Perfect Shape & Skin TW, Perfect Shape & Skin YL, Perfect Shape & Spa, Perfect Shape & Spa CWB, Perfect Shape & Spa KT, Perfect Shape & Spa MK, Perfect Shape & Spa MOS, Perfect Shape & Spa NP, Perfect Shape & Spa TP, Perfect Shape & Spa TST, Perfect Shape & Spa TW, Perfect Shape Holdings, Perfect Skin Medical, Slim Model, Slimming Medical, all incorporated in Hong Kong and are the indirect wholly-owned subsidiaries of our Company
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges & Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Public Offer”	the offer of the Hong Kong Offer Shares for subscription by the members of the public in Hong Kong (subject to adjustment as described in “Structure of the Global Offering” in this prospectus) for cash at the Offer Price, payable in full on application, and subject to the terms and conditions stated in this prospectus and the Application Forms

DEFINITIONS AND GLOSSARY

“Hong Kong Offer Shares”	the 25,000,000 new Shares being initially offered by the Company at the Offer Price pursuant to the Hong Kong Public Offer, representing 10% of the initial number of the Offer Shares, subject to reallocation as described in “Structure of the Global Offering” in this prospectus
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Underwriters”	the underwriters listed in “Underwriting — Underwriters for the Global Offering — Hong Kong Underwriters” in this prospectus, being the underwriters of the Hong Kong Public Offer
“Hong Kong Underwriting Agreement”	the conditional Hong Kong Public Offer underwriting agreement dated 12 December 2011 entered into between, among others, our Company, Sole Sponsor and the Hong Kong Underwriters relating to the Hong Kong Public Offer, particulars of which are summarised in “Underwriting” in this prospectus
“Independent Third Party(ies)”	persons or companies which are independent of and not connected with any of our Directors, chief executive, Substantial Shareholders of our Company or any of its subsidiaries and their respective associates, and “Independent Third Party” means any of them
“International Placing”	the conditional placing of the International Placing Shares at the Offer Price to professional, institutional and private investors as set out in “Structure of the Global Offering” in this prospectus
“International Placing Shares”	the 225,000,000 new Shares expected to be initially offered for subscription pursuant to the International Placing, representing 90% of the initial number of the Offer Shares, subject to adjustment and the Over-allotment Option as described in “Structure of the Global Offering” in this prospectus
“International Underwriter”	the underwriter of the International Placing, who is currently expected to enter into the International Underwriting Agreement to underwrite the International Placing and listed in “Underwriting — Underwriters for the Global Offering — International Underwriter” in this prospectus
“International Underwriting Agreement”	the conditional international placing underwriting agreement relating to the International Placing and expected to be entered into by, among others, our Company, Sole Sponsor and the International Underwriter on or about the Price Determination Date, particulars of which are summarised in “Underwriting” in this prospectus

DEFINITIONS AND GLOSSARY

“IRD”	the Inland Revenue Department of Hong Kong
“Latest Practicable Date”	Wednesday, 7 December 2011, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the sub-committee of the board of directors of the Stock Exchange responsible for listing
“Listing Date”	the date, expected to be on or about Friday, 23 December 2011, on which our Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (as amended from time to time)
“Macau”	the Macau Special Administrative Region of the PRC
“Macau Consumer Council”	Macao SAR Government Consumer Council, a body established under the guardianship of the Secretariat for Economy and Finance of Macau, with the objective to voice its opinion regarding policies defined by the Macao government’s administration in respect of protecting consumer rights and promoting necessary measures for the protection of those rights
“Macau Legal Advisor”	Rui Afonso Lawyers’ Office, the legal advisor of our Company as to Macau laws
“Main Board”	the stock exchange (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Market Event Holdings”	Market Event Holdings Limited, a company incorporated in the BVI on 16 February 2011 under the laws of the BVI with limited liability, an investment holding company, and is held as to 100% by Ms. Au-Yeung Hung, and is one of our Controlling Shareholders
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company (as amended from time to time)
“MOP”	Macau Patacas, the lawful currency of Macau

DEFINITIONS AND GLOSSARY

“MPH”	The Ministry of Public Health of the PRC (中華人民共和國衛生部)
“NPC” or “National People’s Congress”	National People’s Congress of the PRC (中華人民共和國全國人民代表大會) and its Standing Committee
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.003%, and the Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering, to be determined as further described in “Structure of the Global Offering - Determination of the Offer Price” in this prospectus
“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company to the Sole Global Coordinator, exercisable at any time from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offer, to require our Company to allot and issue up to an aggregate of 37,500,000 additional new Shares, representing 15% of the initial Offer Shares, at the Offer Price per Share to cover, among others, over-allocations in the International Placing, if any, and/or the obligations of the Sole Global Coordinator to return securities borrowed under the Stock Borrowing Agreement
“PBC”	People’s Bank of China (中國人民銀行), the central bank of the PRC
“PBC Rate”	the exchange rate for foreign exchange transactions published daily by PBC
“Perfect Shape Advertising”	Perfect Shape Advertising Company Limited 必瘦站廣告有限公司, a company incorporated in Hong Kong with limited liability on 29 June 2007 and a direct wholly-owned subsidiary of the Company
“Perfect Shape & Skin”	Perfect Shape & Skin Limited 諾貝爾醫學纖體美顏中心有限公司, a company incorporated in Hong Kong with limited liability on 3 December 2003 and an indirect wholly-owned subsidiary of the Company

DEFINITIONS AND GLOSSARY

“Perfect Shape & Skin CNT”	Perfect Shape & Skin (CNT) Limited 諾貝爾醫學纖體美顏中心(中環)有限公司, a company incorporated in Hong Kong with limited liability on 5 December 2006 and an indirect wholly-owned subsidiary of the Company
“Perfect Shape & Skin Management”	Perfect Shape & Skin Management Co. Limited 諾貝爾醫學管理有限公司, a company incorporated in Hong Kong with limited liability on 19 September 2006 and a direct wholly-owned subsidiary of the Company
“Perfect Shape & Skin SS”	Perfect Shape & Skin (SS) Limited 諾貝爾醫學纖體美顏中心(上水)有限公司, a company incorporated in Hong Kong with limited liability on 6 December 2006 and an indirect wholly-owned subsidiary of the Company
“Perfect Shape & Skin TKO”	Perfect Shape & Skin (TKO) Limited 諾貝爾醫學纖體美顏中心(將軍澳)有限公司, a company incorporated in Hong Kong with limited liability on 2 August 2006 and an indirect wholly-owned subsidiary of the Company
“Perfect Shape & Skin TM”	Perfect Shape & Skin (TM) Limited 諾貝爾醫學纖體美顏中心(屯門)有限公司, a company incorporated in Hong Kong with limited liability on 6 December 2006 and an indirect wholly-owned subsidiary of the Company
“Perfect Shape & Skin TW”	Perfect Shape & Skin (TW) Limited 諾貝爾醫學纖體美顏中心(荃灣)有限公司, a company incorporated in Hong Kong with limited liability on 24 November 2005 and an indirect wholly-owned subsidiary of the Company
“Perfect Shape & Skin YL”	Perfect Shape & Skin (YL) Limited 諾貝爾醫學纖體美顏中心(元朗)有限公司, a company incorporated in Hong Kong with limited liability on 5 July 2006 and an indirect wholly-owned subsidiary of the Company
“Perfect Shape & Spa”	Perfect Shape & Spa Limited, a company incorporated in Hong Kong with limited liability on 23 March 2007 and an indirect wholly-owned subsidiary of the Company
“Perfect Shape & Spa CWB”	Perfect Shape & Spa (CWB) Limited, a company incorporated in Hong Kong with limited liability on 30 March 2007 and an indirect wholly-owned subsidiary of the Company
“Perfect Shape & Spa KT”	Perfect Shape & Spa (KT) Limited, a company incorporated in Hong Kong with limited liability on 8 November 2007 and an indirect wholly-owned subsidiary of the Company

DEFINITIONS AND GLOSSARY

“Perfect Shape & Spa MK”	Perfect Shape & Spa (MK) Limited, a company incorporated in Hong Kong with limited liability on 30 March 2007 and an indirect wholly-owned subsidiary of the Company
“Perfect Shape & Spa MOS”	Paris Medical Beauty Limited (formerly known as Perfect Shape & Spa (MOS) Limited), a company incorporated in Hong Kong with limited liability on 8 November 2007 and an indirect wholly-owned subsidiary of the Company
“Perfect Shape & Spa NP”	Perfect Shape & Spa (NP) Limited, a company incorporated in Hong Kong with limited liability on 11 September 2007 and an indirect wholly-owned subsidiary of the Company
“Perfect Shape & Spa TP”	Perfect Shape & Spa (TP) Limited, a company incorporated in Hong Kong with limited liability on 4 December 2007 and an indirect wholly-owned subsidiary of the Company
“Perfect Shape & Spa TST”	Perfect Shape & Spa (TST) Limited, a company incorporated in Hong Kong with limited liability on 10 August 2007 and an indirect wholly-owned subsidiary of the Company
“Perfect Shape & Spa TW”	Perfect Shape & Spa (TW) Limited (formerly known as Perfect Hair & Skin Limited 史提芬護髮中心有限公司), a company incorporated in Hong Kong with limited liability on 5 July 2006 and an indirect wholly-owned subsidiary of the Company
“Perfect Shape Consultancy”	必瘦站企業管理諮詢(深圳)有限公司 (formerly known as 必瘦站美容(深圳)有限公司), a company incorporated in the PRC with limited liability on 15 January 2009 and an indirect wholly-owned subsidiary of the Company
“Perfect Shape Investment Shanghai”	Perfect Shape Investment (Shanghai) Limited 必瘦站(上海)投資有限公司, a company incorporated in Hong Kong with limited liability on 30 November 2007 and an indirect wholly-owned subsidiary of the Company
“Perfect Shape Holdings”	Perfect Shape (Holdings) Limited, a company incorporated in Hong Kong with limited liability on 10 October 2007 and an indirect wholly-owned subsidiary of the Company
“Perfect Shape Holdings China”	Perfect Shape Holdings (China) Limited, a company incorporated in the British Virgin Islands with limited liability on 25 March 2011 and is held as to 100% by the Company and a direct wholly-owned subsidiary of the Company

DEFINITIONS AND GLOSSARY

“Perfect Shape Holdings HK”	Perfect Shape Holdings (HK) Limited, a company incorporated in the British Virgin Islands with limited liability on 25 March 2011 and is held as to 100% by the Company and a direct wholly-owned subsidiary of the Company
“Perfect Shape Macau”	Perfect Shape & Skin (Macau) Limited (完美體態(澳門)有限公司), a company incorporated in Macau with limited liability on 30 November 2007 and an indirect wholly-owned subsidiary of the Company
“Perfect Skin Medical”	Perfect Skin Medical Limited 諾貝爾醫學美容有限公司, a company incorporated in Hong Kong with limited liability on 31 August 2006 and an indirect wholly-owned subsidiary of the Company
“PRC” or “China”	the People’s Republic of China which, for the purposes of this prospectus only (unless otherwise indicated), excludes Hong Kong, Macau and Taiwan
“PRC Government” or “State”	the central government of the PRC including all government subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“PRC Legal Advisor”	King & Wood PRC Lawyers, the legal advisor to our Company as to PRC laws
“PRC Slimming and Beauty Companies”	the 8 companies, namely Beijing Snow Skin, Guangzhou Emma Consultancy, Guangzhou Perfect Shape, Guangzhou Shape Perfect, Shanghai Emma Consultancy, Shanghai Mushi Consultancy, Shanghai Perfect Shape Consultancy, Shenzhen Shape Perfect, all incorporated in the PRC and are the indirect wholly-owned subsidiaries of our Company
“Price Determination Agreement”	the agreement expected to be entered into between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about Friday, 16 December 2011 (or such later date as may be agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company), on which the Offer Price is fixed for the purpose of the Global Offering and in any event no later than Saturday, 17 December 2011

DEFINITIONS AND GLOSSARY

“Property Valuation Report”	the summary of valuation and valuation certificates from Jones Lang LaSalle Sallmanns Limited, as set out in Appendix III to this prospectus
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing, particulars of which are set out in “History and Reorganisation — Reorganisation and Corporate Structure — The Reorganisation” in this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares granted to the Directors by the Shareholders, further information on which is set out in “Further information about our Group — Repurchase of our Shares” in Appendix V to this prospectus
“RMB” or “Renminbi”	Chinese Yuan Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Emma Consultancy”	上海愛瑪企業管理諮詢有限公司, a company incorporated in the PRC with limited liability on 1 December 2010 and an indirect wholly-owned subsidiary of the Company
“Shanghai Mushi Consultancy”	上海慕詩企業管理諮詢有限公司, a company incorporated in the PRC with limited liability on 1 December 2010 and an indirect wholly-owned subsidiary of the Company
“Shanghai Perfect Shape Consultancy”	上海必瘦站企業管理諮詢有限公司, a company incorporated in the PRC with limited liability on 1 December 2010 and an indirect wholly-owned subsidiary of the Company
“Share(s)”	ordinary shares in our Company with a nominal value of HK\$0.10 each
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 5 December 2011, a summary of the principal terms of which is set out in “Other Information — Share Option Scheme” in Appendix V to this prospectus

DEFINITIONS AND GLOSSARY

“Shenzhen Shape Perfect”	深圳瘦必站美容纖體有限公司, a company incorporated in the PRC with limited liability on 8 September 2009 and an indirect wholly-owned subsidiary of the Company
“Slim Model”	Slim Model Beauty Limited (formerly known as Perfect Shape & SPA (Wanchai) Limited), a company incorporated in Hong Kong with limited liability on 10 August 2007 and an indirect wholly-owned subsidiary of the Company
“Slimming Medical”	Slimming Medical Beauty Centre Limited (formerly known as Perfect Shape & Spa (Mongkok) Limited), a company incorporated in Hong Kong with limited liability on 21 September 2007 and an indirect wholly-owned subsidiary of the Company
“sq.ft”	square feet
“sq.m”	square metre(s)
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between Sure Sino Investments and the Sole Global Coordinator pursuant to which the Sole Global Coordinator may borrow up to 37,500,000 Shares from Sure Sino Investments for the purpose of covering over-allocation in the International Placing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“subsidiary(ies)”	has the meaning ascribed to it under section 2 of the Companies Ordinance
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“Sure Sino Investments”	Sure Sino Investments Limited, a company incorporated in the BVI on 4 March 2011 under the laws of the BVI with limited liability, an investment holding company, and is held as to 100% by Dr. Au-Yeung Kong, and is one of our Controlling Shareholders
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Repurchases issued by the SFC as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising the three financial years ended 31 March 2011 and the four months ended 31 July 2011

DEFINITIONS AND GLOSSARY

“Underwriters”	the Hong Kong Underwriters and the International Underwriter
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“%”	per cent.

*In this prospectus, unless the context requires otherwise, amounts denominated in RMB and MOP have been converted into HK\$, for the purpose of illustration only, using the exchange rate of RMB0.83 = HK\$1.00 and MOP1.03 = HK\$1.00, respectively. **No representation is made that any amount in RMB, MOP or HK\$ could have been or could be converted at the above rates or at any other rates or at all.***

For ease of reference, the names of certain PRC entities have been included in this prospectus in both English and Chinese languages. The English names are the unofficial translation of their respective Chinese names, and in the event of any inconsistency, the Chinese version shall prevail.

Unless otherwise specified, all references to any shareholding in the Company assume no exercise of the Over-allotment Option. Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to us and the subsidiaries comprising our Company that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim” “anticipate” “believe” “continue” “could” “expect” “intend” “may” “plan” “potential” “predict” “project” “propose” “seek” “should” “will” “would” and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our Company’s management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- our future debt levels and capital needs;
- future developments, trends and conditions of the slimming and beauty markets in the PRC, Hong Kong, Macau and the world;
- our strategies, plans, objectives and goals, and our ability to execute such strategies and plans and achieve such objectives and goals;
- general economic conditions;
- changes to regulatory or operating conditions in the markets in which we operate;
- certain statements in “Financial Information” with respect to trends in prices, operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this prospectus that are not historical facts.

Subject to the requirements of the relevant laws, regulations or listing rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

Prospective investors in the Offer Shares should consider carefully all of the information set forth in this prospectus and, in particular, the following risks in connection with an investment in our Company. Our business could be materially and adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks and you may lose all or part of your investment.

RISKS RELATING TO OUR GROUP

Our success depends on the market recognition of our brand names and we may be adversely affected by negative publicity.

Our Directors believe that brand awareness is important in slimming and beauty industry. Our brand name “Perfect Shape 必瘦站” is a well-recognised icon for the provision of quality and effective slimming services. We have made substantial efforts and have spent a large amount of financial resources in order to establish brand recognition. For the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, we incurred HK\$46.9 million, HK\$47.3 million, HK\$56.4 million and HK\$23.1 million, representing 19.8%, 20.1%, 18.3% and 17.2% of our revenue, respectively, for our marketing. Our Directors believe that our success and continued growth depends on the public perception of our brand names and our ability to protect and promote our existing and new brand names in different markets.

If we fail to successfully promote our brand names or to maintain and further increase our brand awareness, or if we are subject to events such as client complaints which affect our corporate image, the market recognition of our brand names may deteriorate. Our business may also be adversely affected by negative publicity associated with our centres and services such as unfavourable publication of industry findings or research reports, health concerns relating to any of our services, allegations of poor standards or ineffectiveness of services, and allegations of cold calling potential customers by using illegal means and/or using promotion package price to attract customers to visit our service centres. Any such complaints and negative publicity, regardless of their validity, may reduce the number of clients. The results of our operations may therefore be materially affected.

We are subject to client complaints, claims and legal proceedings in the course of our operations.

Given the nature of the slimming industry and subjective views on the level of satisfaction of slimming services provided, on occasions, we are susceptible to complaints associated with our services. Common client complaints include (i) unsatisfactory results of our services; (ii) physical injury caused by our services; (iii) disputes over payment method (e.g. credit card instalment etc.); (iv) unsatisfactory staff services; (v) unsatisfactory treatment progress; (vi) client’s change of mind; (vii) subsequent argument on the terms of contracts; and (viii) dispute over implementation outcome of our refundable programmes. Some of the clients file their complaints with consumer protection authorities. There were one, 74, 22 and four complaints filed against us by our clients with the Hong Kong Consumer Council, and seven, six, one and two complaints filed against us by our clients

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with the Macau Consumer Council, for the years ended 31 March 2009, 2010 and 2011 and the period from 1 April 2011 up to the Latest Practicable Date, respectively. Some of the complaints substantiate into claims and litigation against us. For the years ended 31 March 2009, 2010, 2011 and the period from 1 April 2011 up to the Latest Practicable Date, there were 15, 29, four and nil Hong Kong Small Claims Tribunal cases, and one, two, nil and one Hong Kong District Court cases, against us filed by our clients and one ex-employee, respectively. Major grounds of complaints by claimants in the Hong Kong Small Claims Tribunal cases include unsatisfactory services of our staff and unsatisfactory results of our services. There were three claims which involved two clients and one claim involved one ex-employee filed against us with the Hong Kong District Court and all of them were in relation to personal injuries caused in the course of receiving slimming services and in the course of her employment respectively. The number of complaints and legal proceedings against us filed by our clients accounted for 0.14%, 0.47%, 0.09% and 0.02% of the total number of active members of our Group for the years ended 31 March 2009, 2010, 2011 and the period from 1 April 2011 up to the Latest Practicable Date, respectively.

For the years ended 31 March 2009, 2010, 2011 and the period from 1 April 2011 up to the Latest Practicable Date, the total amount of compensation paid by us in relation to all claims involved our Group including complaints filed with the Hong Kong Consumer Council and the Macau Consumer Council were HK\$0.2 million, HK\$0.5 million, nil and HK\$3,000, respectively; and the total amount in relation to legal proceedings against us were HK\$0.9 million, HK\$1.1 million, HK\$0.1 million and HK\$0.6 million, respectively. For the years ended 31 March 2009, 2010, 2011 and the period from 1 April 2011 up to the Latest Practicable Date, total compensation/refunds including those in relation to the complaints filed with the Hong Kong Consumer Council and the Macau Consumer Council and legal proceedings made by us in relation to handling of clients' complaints were HK\$1.8 million, HK\$1.9 million, HK\$2.4 million and HK\$2.3 million, respectively. We maintain insurances in Hong Kong to cover potential business interruption, money losses, public liability, personal accident, fidelity guarantee, damages to our equipments, and any accident or disease of employees.

Among the 68 client complaints which were unsettled or remained idle, one, 47, 18 and two client complaints were filed against our Group for the years ended 31 March 2009, 2010 and 2011 and for the period from 1 April 2011 up to the Latest Practicable Date, respectively. The above 68 client complaints were unsettled and remained idle as 42 of such complainants did not accept the offer made by us in relation to settlement; 21 of such complainants had asked for unreasonable terms of settlement which were not acceptable to us according to our policy; and five of such complainants were not contactable. We had followed our internal guidelines in handling these 68 client complaints. We had proactively contacted the relevant clients within three days upon receiving notification from the Hong Kong Consumer Council and been taking active approach to attempt to resolve the matter within one month of notification from the Hong Kong Consumer Council. However, we are unable to anticipate and it is beyond our control when such complainants will reach amicable settlement with us while we, according to our internal policy, have every intention to settle these complaints by making reasonable offers to all of them. The Directors confirm that there has been no follow-up action from the Hong Kong Consumer Council in relation

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to our Group's handling of the 68 complaints within the past one month before the Latest Practicable Date. The maximum potential claims arising from the said client 68 complaints amounted to HK\$2.8 million, which is immaterial as compared to our revenue.

As at the Latest Practicable Date, there are five out of the 48 legal proceedings filed against us at the Hong Kong Small Claims Tribunal which remained inactive as the Hong Kong Small Claims Tribunal has adjourned without assigning the days for further hearings for such five cases. The Hong Kong Small Claims Tribunal has granted the claimants the application for leave to discontinue for 22 cases. In respect of the said five adjourned inactive actions and 22 actions which the Hong Kong Small Claims Tribunal granted the claimants the application for leave to discontinue, the total amount of claims involved was HK\$0.7 million plus costs and interests. We have applied to the Hong Kong Small Claims Tribunal for dismissal of such actions for want of prosecution in October 2011 and we expect the same can be completed by the end of the first quarter of 2012.

For details of the complaints and legal proceedings filed by clients, please refer to "Business — Client Complaints" and "Business — Regulatory Compliance and Legal Proceedings — Legal proceedings" in this prospectus.

Regardless of merit of the claims, we need to divert management resources and incur extra costs to handle these complaints and litigation matters which could affect our corporate image and reputation in the industry if they were widely published by the media. In certain circumstances, we may settle the complaints and litigations with our clients which may result in financial losses to us. In addition, we have not purchased any professional indemnity insurance for claims relating to losses arising from our services. A successful liability claim against us can result in legal costs which in turn, can affect our revenue, results of operation and financial condition.

Our revenue from expired prepaid service packages may not recur in the future.

We follow the common practice in the slimming and beauty industry to charge clients for services by way of prepaid packages which have a validity period of one year. As part of our loyalty programme, we may, at our discretion, allow our clients to upgrade their existing slimming and beauty packages to new premium slimming and beauty packages before the expiry of the existing packages. The Directors believe that the upgrade arrangement also provides an option for the clients to experience the latest slimming technology without sacrificing the unutilised value of their existing packages. No upgrade is allowed after the expiry of the existing packages. In the event of package upgrade, contract of the existing package will be terminated and a new contract will be signed between us and the relevant client on the new premium package. Clients are required to pay the difference between the new premium package and the unutilised existing package value. Upon the signing of new contract, the new premium package will have a validity period of one year from the date of the new contract. For details of our loyalty programme, please refer to "Business — Marketing — Marketing and sales — Loyalty programme to clients" in this prospectus. For financial reporting purposes, prepaid packages over one year from the date of purchase are fully recognised as revenue. For the years ended 31 March 2009, 2010, 2011

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and the four months ended 31 July 2011, revenue recognised upon the expiry of prepaid packages amounted to HK\$86.0 million, HK\$72.8 million, HK\$73.3 million and HK\$35.1 million, representing 36.4%, 31.0%, 23.7% and 26.1% of our revenue, respectively.

Such revenue recognised upon the expiry of prepaid packages may not recur in the future. In such case, our financial results may be affected. In addition, should these prepaid packages not be utilised within the validity period, purchasers of these prepaid packages will not be entitled to enjoy our services. This may lead to complaints and claims against us and affect the image and reputation and hence our business.

We have large amount of deferred revenue and high operating leverage.

Our prepaid packages are recorded as deferred revenue in the balance sheet at the point of sales and have a validity period of one year. For financial reporting purposes, prepaid packages are recognised as revenue from time to time in the income statement when the service treatments are delivered to clients. Prepaid packages over one year from the date of purchase are also fully recognised as revenue. Our recognition method results in large amount of deferred revenue. As at 31 March 2009, 2010, 2011 and 31 July 2011, our deferred revenue amounted to HK\$118.3 million, HK\$122.4 million, HK\$148.7 million and HK\$147.0 million, respectively. The deferred revenue represented our major source of funding to finance operational cash flows. The ratio of deferred revenue to our revenue for the years ended 31 March 2009, 2010 and 2011 were 50.1%, 52.1% and 48.1%, respectively.

In the event that we can no longer charge our clients by way of prepayment method, our operations may be adversely affected. There is also potential risk that our recognised revenue may be insufficient to cover financial sources for our operations.

We may not be able to sustain or manage our future growth and implement our business expansion plans in the PRC.

We entered into the PRC market in 2009, and have achieved significant growth in our PRC operations. For the years ended 31 March 2009, 2010, 2011, the revenue contributed from the PRC market amounted to HK\$1.9 million, HK\$34.1 million, and HK\$162.9 million, which represented a CAGR of 825.8%, and accounted for 0.8%, 14.5% and 52.7% of our total revenue, respectively. We recorded revenue contributed from the PRC market in the amount of HK\$99.5 million, representing 74.0% of our revenue for the four months ended 31 July 2011.

However, there is no guarantee that any of our business development plans will be successful or materialised. In particular, the successful implementation of our business strategies may be affected by a number of factors, which may or may not be within our control.

If we were unable to carry out our future plans effectively, our business prospects could be adversely affected.

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It takes time for our new service centres to break even or reach the same level of profitability as mature service centres.

The success of our sales operation depends on a number of factors, such as the success of our sales and marketing efforts; our ability to provide quality and satisfactory services which can respond successfully and effectively to local client preferences; and our ability to compete with other slimming and beauty services providers. We constantly review our sales performance data, both by service centre and by region. Our expansion strategies are intended to benefit our growth in the long term. It takes time for new service centres to break even or reach the same level of profitability as mature service centres. Based on the experience of our Directors and the historical operating results, it generally takes six to 12 months for a new service centre to break even. To the extreme extent, our new service centres may be loss-making. If we are unable to increase the revenue of our service centres in line with increasing costs, our overall performance and profitability will be adversely affected.

Our success depends on our ability to attract and retain key personnel and qualified staff.

Our success depends, to a significant degree, upon the experience, expertise and continuity of our senior management personnel, most of whom have an in-depth understanding of our industry and operations and will be difficult to replace. Our senior management, including Dr. Au-Yeung, an executive Director, our chairman and CEO, Ms. Au-Yeung Wai, an executive Director and chief operating officer, and Ms. Au-Yeung Hung, an executive Director, are key to our success because of their expertise and experience in the industry, market development and expertise in managing our operations. Further, the relationship and reputation of our management team has established and maintained with our clients contribute to our ability to maintain good relationship with clients. If we were unable to retain our key management, our growth and future success could be impaired and our financial condition could be adversely affected.

We rely to a significant extent, upon experienced, skilled and qualified staff to deliver services to our clients. If we were to lose a substantial number of these staff for whatever reasons, we might not be able to replace them easily and in time or at all, our business might be disrupted and our financial condition and results of operations might be materially and adversely affected. Furthermore, if we failed to attract or retain a sufficient number of qualified staff and could not replace them in time, or we could not hire a sufficient number of these experienced, skilled and qualified staff to meet our needs, our business and prospects might be adversely affected.

We face possible infringement of our intellectual property rights.

Our principal intellectual property rights are our trademarks, as well as know-how in our business operations and provision of personalised services. We are susceptible to third parties' infringement of our intellectual property rights and there is no assurance that third parties will not copy or otherwise obtain and use our intellectual property rights without authorisation.

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We have registered our trademarks and have trademark applications pending in the PRC, Hong Kong and other jurisdictions, details of which are set out in “Further Information about our Business — Intellectual Properties Rights of our Group” in Appendix V to this prospectus. There is a possibility that we are unable to register our trademarks in our markets. It is also impossible for us to comply with, and seek every clearance under, the relevant laws of all possible jurisdictions for the protection and enforceability of our intellectual property rights and there is no guarantee that such registrations can completely protect us against any infringement or keep us at bay from any challenges by our competitors or other third parties. When necessary, we may have to expend a significant amount of financial resources to assert, safeguard and/or maintain our intellectual property rights. In the event that our intellectual property rights could not be enforced against infringement by our competitors or other third parties and/or we were unable to adequately protect or safeguard our intellectual property rights, our business, marketing plan and profitability could be adversely affected.

Any non-renewal of leases or substantial increase in rent may affect our business and financial performance.

The availability of commercially attractive locations for our service centres are important to our business. We strategically locate our service centres, particularly our flagship centres, at prime commercial districts in different geographical markets where we operate and where we intend to expand into. However, there is no assurance that we will be able to find suitable premises for our service centres with reasonable commercial terms. In such event, our plan for opening new service centres might be delayed or suspended, which could have a negative impact upon our growth.

As we operate all of our service centres on leased properties, we are exposed to the retail rental market. As at the Latest Practicable Date, we had 57 service centres which were located on premises leased from Independent Third Parties. During the Track Record Period, the operating lease rentals amounted to HK\$20.1 million, HK\$20.4 million, HK\$29.9 million and HK\$12.1 million, representing 8.5%, 8.7%, 9.7% and 9.0% of our revenue. Most of the lease terms in the PRC are five years whereas most of the terms in Hong Kong are two years.

Upon the expiry of each of the leases of our service centres, we have to negotiate terms of renewal with our landlord. As there has been a general increase in rentals for commercial properties in the PRC and Hong Kong recently, and as all of our service centres are located on premises leased from Independent Third Parties, there is no guarantee that we can renew the leases or negotiate new leases on similar or favourable terms (including, without limitation, on similar tenure and on similar rental charges) in the future or that the leases will not be terminated early by the landlords. In the event that we are required to find alternative locations for our service centres, there is no guarantee that we can secure comparable locations or negotiate leases on comparable terms. In addition, there may be substantial increase in the occupancy costs in the future. All these factors may, in turn, have an adverse impact upon our business, financial position and our future potential growth.

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Lessors of certain PRC sub-leased properties have not provided written authorisations by the property owners in relation to the sub-lease.

As at the Latest Practicable Date, we leased 48 properties in the PRC among which 44 properties were used as our service centres and four properties were used for office purpose. Lessors of two properties sub-leased to us are not able to furnish us with written authorisations by the property owners for sub-leasing the properties. One of these properties is used for service centre and another is used for office purpose. The relevant service centre contributed nil, nil, 1.1% and 1.7% of our revenue during the Track Record Period.

As advised by our PRC Legal Advisor, there is uncertainty in relation to the validity of the lease agreements of the two said properties. In case the relevant property owner challenges our use of the two said properties, we may no longer be able to use the two said properties.

We have been furnished a letter of representation by each lessor of the two said properties, pursuant to which the lessor confirmed that it has been duly authorised by the property owner to sub-lease the relevant property to us, and undertakes that in the event our use of the property is encumbered, or we suffer any direct or indirect losses as a result of the owner's challenges to the sub-leasing, it will make its best endeavors to keep us from any encumbrance and any adverse effect on our daily operation.

As at the Latest Practicable Date, we are not aware of any third parties challenging the validity of the relevant leases or requiring us to vacate these properties. We believe the uncertainty as to the validity of the lease agreements will not have a material adverse effect on our business operation as a whole. If we are not allowed to use the properties, we do not foresee any difficulties in finding an alternative location for our service centres and offices and we are able to seek indemnities from the lessors to the lease agreements at the same time.

As we source our slimming and beauty products from our suppliers, we may not be able to effectively control product qualities and may be subject to product liability claims.

We currently sell around 10 types of slimming and beauty products at our service centres. We source our products from independent manufacturers and the finished products are labelled and sold under our brands. Revenue contribution from the sales of products accounted for 3.0%, 5.8%, 10.6% and 11.6% of our total revenue for the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011. In order to ensure the quality of our products, we select our suppliers carefully and require them to provide quality testing reports.

Since we do not possess our own manufacturing line, we might not be able to effectively control their qualities or ensure that they fully comply with the applicable laws and regulations. Sub-standard or non-qualified products may reach our clients. In the event that products of our suppliers were found to be sub-standard or in breach of applicable laws and regulations, we might need to incur extra costs to rectify the situations. For instance, our "More Slim" and "EnerDay" slimming products were found to have to contain

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prohibited pharmaceutical substances of “Sibutramine” in breach of the Pharmacy and Poisons Regulations (Chapter 138A of the Laws of Hong Kong), details of which are set out in “Business — Historical Non-compliance” in this prospectus. Since we do not have product liability insurance, we may be subject to claims from our clients causing health problems as a result of consumption of such products and/or may be subject to product liability claims as a result of consumption of such products. In addition, any adverse publication of such incidents may have negative impact on our business.

We may not have sufficient insurance coverage.

We have insurance for potential business interruption, money losses, public liability, personal accident, fidelity guarantee, damages to our equipments and any accident or disease of employees. However, we may experience difficulty in claiming compensation from insurance companies as there may be delays in receiving such compensation or we may not be able to claim compensation in full or at all. Further, we have not purchased any professional indemnity insurance for claims relating to losses arising from the use of our services, which we believe there is no such insurance product in the market. This is consistent with the industry practice. If we incur losses which are not covered by our insurance policies, or the amount of compensation we receive from our insurers for our losses is significantly less than our actual losses, our financial condition and results of operations can be materially and adversely affected.

We have not paid certain social insurances and housing provident fund contributions for and on behalf of our employees during the Track Record Period.

During the Track Record Period, our PRC subsidiaries did not pay certain social insurances and housing provident fund contributions in strict compliance with the relevant PRC laws and regulations for and on behalf of our employees due to the following reasons:

- i. there are differences in local regulations and inconsistency in the implementation or interpretation by local authorities in the PRC. For example, according to the Interim Measures on Shenzhen Housing Fund Management (the “Interim Measures”), effective on 20 December 2010, the Shenzhen government authority does not compulsorily require enterprises or individuals to pay housing provident fund prior to the effective date of the Interim Measures;
- ii. registration procedures involve opening of bank accounts and change of employment information which take relatively long period of time. In the case of change of employment, the completion of registration is subject to the completion of transferring procedures by the former employer of the relevant employee which is not under our control;
- iii. personnel information of some migrant employees is not complete. Such employees have to return and bring back verifying materials of their identities so as to complete the registration procedures; and

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- iv. there are difference in the levels of acceptance of the housing provident fund and social security system by our employees. Some of our employees choose not to pay the housing fund and/or social insurances for their own reasons.

Pursuant to the Provisional Regulations on Payment of Social Insurances (社會保險費徵繳暫行條例) promulgated on 22 January 1999, the relevant authority may order an enterprise to pay the outstanding contributions within a prescribed time limit. If the enterprise fails to do so at the expiration of the time limit, in addition to the outstanding contributions, the enterprise will be imposed a fine equivalent to 0.2% of the outstanding contributions per day calculated from the date when the amount becomes overdue. For enterprises which have not registered with the relevant social insurance authority, or declare the payable social insurance contributions as per regulatory requirements, the relevant authority may order the defaulting enterprise to rectify within a specified period. Depending on the seriousness of the defaults, the responsible personnel of the defaulting enterprise may be fined an amount of not less than RMB1,000 but not more than RMB10,000. Our PRC Legal Advisor advised that any non-compliance after the effective date of the Social Insurance Law of the PRC (中華人民共和國社會保險法), which is 1 July 2011, may subject the defaulting enterprise to a fine equivalent to 0.05% of the outstanding contributions per day calculated from the date when the amount becomes overdue and if the defaulting enterprise failed to rectify within a prescribed period, a further fine equivalent to not less one time but not more than three times of the outstanding contributions. Pursuant to the Regulations on the Administration of Housing Accumulation Funds (住房公積金管理條例) promulgated on 3 April 1999, the relevant housing fund authority may order an enterprise to pay outstanding contributions within a prescribed time limit. If the enterprise fails to do so at the expiration of the time limit, the relevant housing fund authority may apply to the people's court for compulsory execution. As advised by our PRC Legal Advisor, we may be subject to administrative penalties to the extent provided by the above two regulations for our non-compliance in the Track Record Period.

As at 31 July 2011, the total amount of unpaid housing provident fund and social insurance contributions for the employees by us were RMB189,000. As part of remedial action, we have made enquiries with the relevant government authorities in charge of the social insurances and housing provident fund to pay back the unpaid contributions. We have subsequently paid RMB33,000 of unpaid housing provident fund and social insurance contributions according to the instructions of the relevant authorities. Based on our communication with the relevant government authorities, due to their unavailability of internal collection system, they will not seek for payment of the unpaid housing provident funds and social insurances in the total amount of RMB120,000, and we will settle the outstanding unpaid housing provident funds and social insurances in the amount of RMB36,000 by 31 March 2012. As at the Latest Practicable Date, we had not received any notice from the relevant housing fund or social security authorities ordering us to make outstanding payments or rectification, or any administrative penalties from the relevant authorities. As advised by our PRC Legal Advisor, we may be ordered to pay such social insurances and housing provident fund contributions within a stipulated deadline by the relevant PRC authorities. If we have made rectification and paid the outstanding sums within the prescribed time limits, as advised by our PRC Legal Advisor, our PRC subsidiaries and the relevant responsible personnel would not be subject to the relevant

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finances. Further, pursuant to the Interim Measures, it is unlikely that our subsidiaries in Shenzhen will be punished by the local housing fund authority for not paying certain housing provident fund prior to 20 December 2010, being the effective date of the Interim Measures.

Taking into account the advice from our PRC Legal Advisor and the aforesaid amount of unpaid contributions, our Directors consider that the unpaid housing provident fund and social insurance contributions is not material and thus no provision for such unpaid contribution was provided by our Group during the Track Record Period. However, we cannot guarantee that we will not be subject to other penalties by relevant PRC authorities for our past non-compliance. Any penalties against us in respect of outstanding housing fund or social security contributions could affect our reputation and cash flows. Our Controlling Shareholders have undertaken to indemnify us against any loss and penalty we may suffer as a result of such non-compliance.

We may be required to pay additional profits tax under enquiry by the Inland Revenue Department.

During the Track Record Period, we have received letters from the IRD enquiring on certain of our subsidiaries' holdover application of provisional profits tax, the said intercompany transactions under query by the IRD amounted to HK\$43.6 million and HK\$4.9 million for the years ended 31 March 2008 and 2009, respectively. We have submitted the background and reasons for the holdover to the IRD in 2010 and early 2011 and we believe the information submitted to the IRD at the time of application should be sufficient to substantiate the holdover application. However, we cannot guarantee that we will not be subject to additional profits tax imposed by the IRD. Any additional profits tax imposed by the IRD on our Group in respect of the holdover application of provisional profits tax could affect our cash flows and financial condition.

Some of our service centres in the PRC have not fully complied with the relevant fire safety laws and regulations.

According to the relevant PRC fire safety laws and regulations, different construction projects will have different fire safety regulatory treatment. For construction projects which will have a dense population and other special construction projects, enterprises carrying out such projects shall undertake review of the design and completion of the construction projects by the relevant fire safety authorities, and shall pass the pre-commencement fire safety examination before starting a business operation. For non-special construction projects, the enterprises carrying out such projects shall file the fire control design and completion inspection with the relevant fire safety authorities. The fire safety authorities will then determine whether such a project falls into their targets of random check. The construction project selected for random check shall prepare the documents required by the fire safety authorities for a check of its fire control.

Though the relevant laws and regulations provide the scope of construction projects of dense population and special construction projects depending on the area and usage of the project, the local fire safety authorities' view is not very clear in practice. Some of our service centers are treated in the manner of a special construction project which requires

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pre-commencement fire safety examination, while others are only required to file with the local fire safety authority. The process of applying for pre-commencement fire safety examination or filing of fire control completion inspection is complicated and usually takes a long period of time.

As at the Latest Practicable Date, five service centres have passed the review of completion of the construction projects by Guangzhou Public Safety and Fire Safety Bureau (廣州市公安消防局), and Shanghai Fire Safety Bureau (上海市消防局). However, they have not received the certificate showing they have passed the pre-commencement fire safety examination. As advised by our PRC Legal Advisor, according to the relevant PRC fire safety laws and regulations, relevant service centres, if recognised by the local fire safety authorities as special construction projects, may be ordered to suspend operation and only be permitted to continue the business after obtaining certificates of passing the pre-commencement examination, and we may be subject to a fine ranging from RMB30,000 to RMB300,000 for each of the service centre.

We have not received any notice from the relevant fire safety authorities showing that we are in default with the relevant pre-commencement or filing obligations. We have approached the relevant fire safety authorities and were given to understand that no additional governmental filings, approvals or procedures including obtaining the outstanding fire safety certificates would be necessary for our two service centres in Guangzhou. In respect of the remaining three service centres, we have applied to and are in the course of liaising with the relevant fire safety authorities for passing the fire safety review and/or obtaining the outstanding fire safety certificates. Our applications in respect of the aforesaid three service centres have been accepted and we expect to complete all fire safety certificates by end of January 2012. We cannot assure you that we may not be subject to penalties by relevant PRC authorities for our past non-compliance, which may affect our reputation and financial conditions. Our Controlling Shareholders have undertaken to indemnify us against any loss and penalty we may suffer as a result of such non-compliance. We will ensure that for our new service centres, we comply with all applicable fire safety laws and regulations.

Some of our slimming programmes are refundable and may potentially affect our financial performance.

During the Track Record Period, apart from two slimming treatments, both of which were catered for new clients and were subject to refund depending on the achievement or non-achievement of agreed slimming results, all our packages are non-refundable. We generally do not guarantee any weight loss. Nevertheless, as part of our promotion, we from time to time offer slimming programmes which we may need to refund part or all to our clients. This depends on the attendance and the results of our promised slimming campaigns. For the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, we made refunds to clients under refundable slimming programmes in the amount of nil, HK\$4.8 million, HK\$3.6 million and nil, which accounted for nil, 2.0%, 1.2% and nil of our total revenue, respectively. The amounts of revenue attributable to these refundable slimming programmes, were HK\$0.9 million, HK\$29.9 million, HK\$7.7 million and HK\$0.3 million for the years ended 31 March 2009, 2010, 2011 and the four

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months ended 31 July 2011, respectively. Apart from our refundable slimming programmes, in exceptional circumstances, where there are good reasons and evidence in support, for example, clients are medically diagnosed as being unsuitable for the slimming programme, we may on a discretionary basis allow them to transfer their entitlements to slimming programmes to other persons. Only on certain exceptional situations, we may refund to our customer at our discretion. During the Track Record Period, we made compensations/refunds including those in relation to the complaints filed with the Hong Kong Consumer Council and the Macau Consumer Council and legal proceedings and under exceptional circumstances to our clients in the amount of HK\$1.8 million, HK\$1.9 million, HK\$2.4 million and HK\$2.3 million, which accounted for 0.8%, 0.8%, 0.8% and 1.7% of our total revenue, respectively. Refunds to our clients in the future may affect our financial performance.

We may not be able to effectively control the attitude of our staff in sales of service packages to clients.

As an incentive to our frontline staff, we offer commission to them upon successful sale of slimming and beauty packages to our clients. Unfortunately, there have been instances of complaints from clients in relation to the services of our staff. These instances can be difficult to prevent or investigate, but can result in financial losses to our Company and harm our reputation. In order to avoid similar instances from happening, we provide in-house training and have implemented internal procedures to our frontline staff with respect to their sales technique. We require our salespersons to go through every clause in the contract with the client to make sure that the client understands his/her rights and responsibilities before signing the contract. We may not be able to prevent all instances of fraud or other misconduct. Any fraud or misconduct committed against our interests, which may include past acts that have gone undetected or future acts, may have a material adverse impact upon our business, results of operations and financial condition.

Our revenue from our operations in Hong Kong declined during the Track Record Period.

We take the view that the slimming and beauty market in Hong Kong has already saturated. There has been a fall in revenue from Hong Kong market from HK\$223.5 million for the year ended 31 March 2009 to HK\$188.1 million for the year ended 31 March 2010, and further fall to HK\$131.9 million for the year ended 31 March 2011. For the four months ended 31 July 2011, revenue from Hong Kong decreased to HK\$30.1 million from that of HK\$53.5 million for the same period in 2010. We cannot guarantee that revenue from our Hong Kong operations maintain the same level in the future.

We incurred net current liabilities during the Track Record Period.

For provision of slimming and beauty services, we normally charge our clients by way of prepaid packages which generally have a validity period of one year. For financial reporting purposes, the prepaid packages are recorded as deferred revenue, which are current liabilities, in the balance sheet at the point of sales and subsequently recognised as revenue in the income statement when the service treatments are delivered to clients. As a result, as at 31 March 2009 and 31 March 2011, we had net current liabilities of HK\$16.4

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million and HK\$17.6 million respectively. Due to our accounting treatments with respect to deferred revenue recorded from the prepaid packages, we may incur net current liabilities in the future again.

We may suffer loss due to our investment decisions in financial assets.

We receive strong cash inflow from our business operation from time to time and purchase financial assets in order protect the capital value and achieve appreciation of our idle cash. During the year ended 31 March 2011, we invested idle cash in the principal sum of approximately HK\$35 million in the PRC, in several entrusted investment funds which are usually short-term in nature. During the year ended 31 March 2011, in Hong Kong, we also purchased available-for-sale financial assets to secure a more favourable credit term from a local financial institution through which a significant portion of credit card and instalment sales were transacted. At the request of that financial institution, we pledged our available-for-sale financial assets for the security of its credit line with that local financial institution and such pledge was ceased as at 31 July 2011.

As at the Latest Practicable Date, we have sold out all our financial assets save and except for an investment fund with guaranteed interest rate in the principal sum of RMB5 million with maturity date in April 2012.

Upon Listing, we will continue to adopt conservative treasury policies, control tightly over our cash and strengthen our risk management. Our surplus cash will generally be placed in short-term deposits denominated in HK dollars and RMB. The amount to be invested by us in investments, in general, will not exceed 10% of the total amounts of surplus cash of our Group. For details of our investment policy, investment team and our control policy, please refer to “Financial Information — Cash flow statements” in this prospectus.

There is potential risk arising from our investment decisions due to impairment losses on our investment assets as a result of declines in their value, which could adversely affect our results of operations and financial condition.

We will be controlled by our Controlling Shareholders, whose interests may differ from those of our other Shareholders.

Upon the completion of the Global Offering and the Capitalisation Issue, assuming that the Over-allotment Option is not exercised at all, our Controlling Shareholders will beneficially own and control 75.0% of our equity interest. Subject to our Articles of Association, our Controlling Shareholders will continue to have the ability to exercise a controlling influence over the management, policies and business of our Company through the power to nominate and elect board members, determine the timing and amount of dividend distributions, approve or disapprove significant corporate transactions such as mergers and acquisitions, and approve or disapprove annual budgets. Our Controlling Shareholders may cause us to enter into transactions or make or refuse to make decisions that conflict with the best interests of our other Shareholders.

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RISKS RELATING TO OUR INDUSTRY

We face competition in the slimming and beauty industry.

Our Directors believe that the slimming and beauty market, in particular in Hong Kong, is competitive. Market players compete with each other in terms of brand positioning, product and service variety and quality, service centre locations and decorations, pricing and financial resources.

Some of our competitors may have more financial, marketing and client service resources and better brand recognition than us. This may allow them to devote more resources to the development, promotion, sale and support of their services and products. As a result, we may not be able to compete effectively in certain target markets, and our products may not be as popular as we anticipate, competition can affect our business, financial condition and results of operation.

We require various permits, approvals and licences for the operation of our business in the PRC, Hong Kong and Macau. Any termination of or failure to renew any or all of the licences, approval and permits could adversely affect our business and operations.

Our business is subject to various laws and regulations in the PRC, Hong Kong and Macau. For details of the applicable laws and regulations, please refer to “Laws and Regulations” in this prospectus. Save as disclosed the paragraphs headed “We have not paid certain social insurances and housing provident fund contributions for and on behalf of our employees during the Track Record Period” and “Some of our service centres in the PRC have not fully complied with the relevant fire safety laws and regulations” in this section, as confirmed by our legal advisors, we have obtained the relevant licences, permits, approvals and certificates necessary to conduct our operations in the PRC, Hong Kong and Macau and has complied materially with applicable laws and regulations in these jurisdictions since our commencement of operations therein.

If we fail to maintain or renew any of these necessary licences, permits, approvals and certificates, or fail to comply with these applicable laws and regulations for whatever reason, we may have to temporarily or permanently suspend some or all of our operations, which can result in us being unable to meet our contractual obligations. This may adversely affect our business, financial condition and results of operations.

We may be adversely affected by a lack of growth in the consumer market or there is a general market downturn.

The continued growth in revenue from our operations is highly dependent upon the sustainable growth of consumer spending on slimming and beauty services. This in turn depends on the level of economic growth in the markets in which we operate. We cannot guarantee that the economy in our markets can sustain a stable growth rate. Moreover, if the governments of the markets where we operate implement measures to slow down the economy, consumer demand and spending on slimming and beauty services and products may fall. Recent tightening monetary policy in the PRC, global economic uncertainties and the euro zone sovereign debt crisis had resulted in adverse market conditions and the

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shrinking global consumer confidence index. Any continued economic slowdown or recession, whether globally or in regions where we rely heavily upon, or any new inhibitive measures, can have a material adverse effect upon our business and results of operation.

Changes in regulatory regimes in the jurisdictions in which we operate may have an adverse effect on us.

As we operate our business in the PRC, Hong Kong and Macau, we are subject to the PRC, Hong Kong and Macau legal regimes and a number of regulations and restrictions as set out in “Laws and Regulations” in this prospectus. Contravention of any laws or regulations may expose us and/or our Directors to criminal and civil liabilities including penalties, fines, damages and other sanctions. Further, there can be no guarantee that there will not be further restrictions and requirements imposed or that we will be able to obtain special approvals or exemptions from any of such restrictions or requirements. For example, Beijing Administration Bureau of Industry and Commerce issued the Guidance on the Transaction Agreements of Prepaid Consumption Services in Beijing (北京市消費類預付費服務交易合同行為指引) (the “Guidance”), which took effect since September 2011 in respect of the unused portion of expired prepaid packages, and pursuant to which, among others, upon expiry of the prepaid contracts, service providers shall offer one of the following options to their clients: (i) one free extension of the term of service for not less than half of the original term; (ii) refund of the unused service fees; (iii) provision of alternative service arrangements. The Guidance also requires service providers to provide to their customers a cooling-off period of seven days after payment. The Guidance provides no legal consequence of violation, is not mandatory in nature and is only applicable to transactions in Beijing after the effective date. Nevertheless, there may be possible complaints and/or legal proceedings by our clients in Beijing on the Group’s non-compliance with the Guidance. There is no guarantee on when or whether the PRC Government will promulgate or enforce the Guidance as a legislative regime. Any implementation of the Guidance as a legislative regime may have an adverse impact on our Group’s financial position and operation. There is also no assurance that the PRC Government will not promulgate similar legislative provisions in the future.

In addition, in January 2011, the Hong Kong government proposed that mandatory cooling-off period of seven days be imposed on contracts involving goods and/or services with a duration of not less than six months in its consultation paper on legislative proposals to enhance protection for consumers against unfair trade practices. The proposed implementation of mandatory cooling-off period shall allow consumers to consult third parties where necessary, and reconsider their decisions free from any undue influence that may have been exerted during the course of the transaction. Since October 2011, the proposal of imposing the mandatory cooling-off period has been deferred and is still being studied by the Hong Kong Government. Details of such new legislation in relation to mandatory cooling-off period have not yet been finalised or implemented in Hong Kong and to our best knowledge, there is no concrete timetable in respect of the said legislative proposal.

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The introduction of legislative regime, if any, may result in increase in administrative and operation costs and may affect the current services and operational arrangement of our Group. These laws and regulations may not only restrict our present operations, but may also restrict our proposed future development plans. Therefore, our business and results of operations could be adversely affected by these limitations.

The Hong Kong government is reportedly considering revising various regulations relating to the prepaid package transactions. If such reports are accurate, there may be changes in the policies and regulations governing the beauty and slimming industries. There is no guarantee that our revenue model and our business will not be materially and adversely affected by any changes by the Hong Kong government on policies and regulations governing the beauty and slimming industries.

RISKS RELATING TO THE PRC

Our results of operations and financial condition are highly susceptible to changes in the PRC political, economic and social conditions.

During the Track Record Period, we derived 0.8%, 14.5%, 52.7% and 74.0% of our total revenue from our operations in the PRC. As estimated by our Directors, the revenue contribution from our PRC operation will continue to increase in the foreseeable future. As at the Latest Practicable Date, we operated 44 service centres in the PRC. The demand for our services is materially affected by growth of domestic consumption and overall economic progress in the PRC. With our planned expansion, we expect the PRC market to increase its contributions to our revenue. We are therefore susceptible to changes in the economic, political and social conditions of the PRC. The PRC used to be a planned economy. Over the past two decades, the PRC Government implemented economic and political reform measures. Such reforms have resulted in a significant economic and social advancement. However, as the PRC Government continues to play a big part in regulating industries by imposing new industrial policies, any change in the economic or political situation in the PRC and any new policies adopted by the PRC Government may affect our operations and its performance and profitability.

In addition, the global financial crisis in 2008 caused a slowdown in the growth of the global economy. There are signs of recovery in the global and Chinese economies. There can be no guarantee that any such recovery is sustainable. Further, if the financial crisis continues, there is no certainty as to its impact on the global economy or the PRC economy. As a result of global economic cycles, there can be no guarantee that the PRC economy will continue to grow at the rates achieved in the past, or at all. Any slowdown or recession in the PRC economy may have a material and adverse impact on our results of operations and financial condition.

Restrictions imposed by the PRC Government on currency conversion and exchange rate fluctuation may limit our ability to remit dividends and affect our business.

Currently, Renminbi is not a freely convertible currency. We receive a substantial portion of our revenue in Renminbi and will need to convert Renminbi to foreign currency for payment of dividends, if any, to holders of our Shares. Existing restrictions on the

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conversion of Renminbi into foreign currencies may affect our ability to convert Renminbi into foreign currencies (and thus restrict the subsequent repatriation of those funds). Under existing PRC foreign exchange regulations, payment of current account items, including profit distributions, can be made in foreign currency without prior approval from SAFE upon compliance with certain procedural requirements. However, individual payments of capital items, for example the conversion of RMB into foreign currency to repay foreign loans, requires prior approval from the appropriate government authority. In addition, any tightening of such restrictions, including but not limited to the future imposition of restrictions on foreign exchange transactions for current account items such as the payment of dividends, may limit our ability to use resources generated in Renminbi to fund our business activities outside the PRC.

Further, the proceeds to be raised from the Global Offering will be denominated in HK dollars. There is no guarantee that HK dollars can be convertible into Renminbi at any time, and any restriction on such conversion may restrict our utilisation of, or even render us unable to utilise, the proceeds from the Global Offering for implementation of our future plans.

As a substantial portion of our revenue and operating costs are denominated in Renminbi, our business and operating results may be materially and adversely affected in the event of a severe increase or decrease in the value of Renminbi against other currencies. The value of Renminbi is subject to changes in the PRC governmental policies and to international economic and political developments. Any significant appreciation of Renminbi can affect the conversion of the proceeds from the Global Offering for our operations, and any material devaluation of Renminbi against the HK dollar could adversely affect the amount of any cash dividends we declare on our Shares in HK dollar terms.

We may elect to hedge our currency exchange risk if we decide that such action may be required, including entering into forward contracts or option contracts to buy or sell foreign currencies against Renminbi. As a result, we may suffer losses resulting from the fluctuation between the buy forward exchange rate and the sell forward exchange rate, or from the price of the option premium. We may from time to time review our hedging strategy and there is no guarantee that we will not suffer losses in the future as a result of these activities.

PRC regulation on direct investments and loans by offshore holding companies to PRC entities may delay or limit our ability to use the proceeds of the Global Offering to make additional capital contributions or loans to our PRC operating businesses.

Any capital contributions or loans that we, as an offshore company, make to our PRC operating businesses are subject to PRC regulations. For example, any of our loans to our PRC operating businesses cannot exceed the difference between the total amount of investment our PRC operating businesses are allowed to make under relevant PRC laws and their respective registered capital, and must be registered with the local branch of the SAFE as a procedural matter. In addition, our capital contributions to our PRC operating businesses are subject to the approval of local PRC administrations for industry and

RISK FACTORS

commerce and other relevant local authorities. There is no guarantee that we will be able to obtain these approvals in time, or at all. If we fail to obtain such approvals, our ability to make equity contributions, provide loans to our PRC operating businesses or to fund their operations may be entirely prohibited or affected, which as a result, can affect their liquidity, their ability to fund their working capital and expansion projects, and meet their obligations and commitments.

Furthermore, the SAFE promulgated a new circular in August 2008, in relation to the administration of conversion of foreign exchange capital contribution by foreign invested enterprises into RMB. Pursuant to this new circular, RMB converted from foreign exchange capital contributions can only be used for activities within the approved business scope of such foreign invested enterprise, and cannot be used for domestic equity investments or acquisitions unless otherwise allowed by PRC laws or regulations. As a result, we may not be able to make additional capital contributions to our operating subsidiaries and convert such capital contributions into RMB for equity investments or acquisitions in the PRC.

The PRC Labour Contract Law may cause our labour costs to increase and we may be liable for fines and penalties for any material breach of this law.

On 29 June 2007, the Standing Committee of the NPC adopted the PRC Labour Contract Law (中華人民共和國勞動合同法) which became effective on 1 January 2008. The PRC Labour Contract Law imposes requirements relating to, among others things, minimum wages, severance payments; non-fixed term employment contracts; establishes time limits for probation periods and the circumstances in which an employee can be placed on a fixed-term employment contract. It also provides that social insurance is required to be paid on behalf of employees, and employees are entitled to unilaterally terminate the labour contract if this requirement is not being satisfied.

Pursuant to this new law, our PRC subsidiaries are required to enter into non-fixed term employment contracts with employees who have consecutively worked for them for more than 10 years or, unless otherwise provided under the new law, for whom a fixed-term employment contract has been concluded for two consecutive terms since 1 January 2008. Our PRC Legal Advisor, on reviewing our sample labour contracts used by our PRC subsidiaries and service centres is of the opinion that the sample labour contracts are valid and legally binding on due execution by the parties, and their terms and provisions are in compliance with the PRC Labour Contract Law. We may not be able to efficiently terminate employment contracts under the new law without demonstrating the cause. In addition, we are required to make severance payments to employees upon early termination of their employment contracts, unless the contract is terminated due to (i) the employee's misconduct, (ii) the employee voluntarily terminates the contract or (iii) the employee voluntarily rejects an offer to renew the contract in circumstances where the conditions offered by the employer are the same as or better than those stipulated in the current contract. The amount of severance payment is calculated based on monthly wage of the employee multiplied by the number of full years that the employee was employed by the employer. Unless the employee's monthly wage is three times greater than the average

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monthly wage in the relevant district or locality, in which case the calculation of the severance payment will be based on a monthly wage equal to three times the average monthly wage multiplied by a maximum of 12 years.

Compliance with the relevant laws and regulations may substantially increase our operating costs and may have a material impact on our results of operations. In particular, an increase in labour costs in the PRC will increase our service costs, and we may not be able to pass these extra costs onto our clients due to competitive pricing pressures. There is no guarantee that any employment disputes or strikes will not happen in the future. Increase in our labour costs and any future disputes with our employees can materially and adversely affect our business, financial condition or results of operations.

Interpretation of PRC laws and regulations involves uncertainty.

The PRC legal system is based on written statutes. Prior court decisions can only be used as a reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, as these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree of uncertainty. Depending on the governmental agency or the presentation of an application or case to such agency, we may receive less favourable interpretations of laws and regulations than our competitors. Some of the laws and regulations, and the interpretation, implementation and enforcement thereof, are subject to policy changes. There is no guarantee that the introduction of new laws, changes to existing laws and the interpretation or application thereof, or delays in obtaining rulings, interpretations or approvals from the relevant authorities will not have an adverse impact on our business or prospects. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention. The outcome of litigation and dispute resolutions may not be consistent or predictable as in other more developed jurisdictions and it may be difficult to obtain swift or equitable enforcement of the law in the PRC, or to obtain enforcement of a judgment by a court of another jurisdiction. All these uncertainties may cause difficulties in the enforcement of our entitlements under our licenses, and other statutory and contractual rights and interests.

Dividends payable by us to our foreign investors and gain on the sale of our Shares may become subject to withholding taxes under the CIT Law.

Under the CIT Law, PRC income tax at the rate of 10% is applicable to dividends payable to investors who are non-resident enterprises. Similarly, any gain realised on the transfer of shares by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. If we are considered as a PRC resident enterprise by virtue of having our de facto management in the PRC, it is unclear as to whether the dividends we pay with respect to our Shares, or the gain realised from the sale of our Shares, will be treated as income derived from sources within the PRC and therefore become subject to the CIT Law. If we are required under the CIT Law to withhold PRC

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corporate income tax on our dividends payable to our foreign Shareholders, or if it is required to pay PRC enterprise income tax on the transfer of Shares, the value of investment in our Shares may be materially and adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

We are incorporated under Cayman Islands law and Cayman Islands law may not offer the same protections to minority shareholders as the laws of other jurisdictions.

Our corporate affairs are governed by our Articles of Association, the Cayman Companies Law and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of interests of minority shareholders differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong and other jurisdictions. Such differences may mean that our minority shareholders may have different remedies and may not be offered the same protections as they would have under the laws of other jurisdictions. A summary of the Cayman Islands company law is set out in Appendix IV to this prospectus.

There has been no prior public market for our Shares and the liquidity and market price of our Shares may be volatile.

Prior to the Global Offering, there has been no public market for our Shares. The initial indicative Offer Price range for our Shares as disclosed in this prospectus was the result of negotiations between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for listing of, and permission to deal in, our Shares on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our Shares will not decline following the Global Offering. In addition, there can be no assurance that the Global Offering will result in the development of an active and liquid public trading market for our Shares. Furthermore, the price and trading volume of our Shares may be volatile. One or more of the following factors may significantly affect the volume and price at which our Shares will trade:

- investors' perceptions of our Group and our future plans;
- actual or anticipated fluctuations in our results of operations;
- reduction or restriction of financing means for our industry;
- changes in senior management of our Group or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;

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- potential litigation or regulatory investigations;
- general economic conditions or other developments affecting us or our industry;
or
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control.

The securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially adversely affect the market price of our Shares.

Any future issuance of Shares by us may dilute shareholding and future sales of a substantial number of Shares may adversely affect the price of the Shares.

Any future capital issuances to expand our business or otherwise may lead to the dilution of investors' shareholding in our Company. Purchasers of our Shares may experience dilution in the net tangible asset book value per share of their Shares if we issue additional Shares or securities convertible into Shares in the future at a price which is lower than the net tangible asset book value per Share.

Future sales of a substantial number of our Shares, or the possibility of such sales, can have a negative impact upon the market price of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. The Shares held by our Controlling Shareholders are subject to certain lock-up undertakings. Upon the expiry of the lock-up period, there may be a sale of large number of our Shares. We cannot predict what effect, if any, any perception or actual occurrence of such significant future sale will have on the market price of our Shares.

There are risks associated with forward-looking statements contained in this prospectus.

Information in this prospectus contains certain forward-looking statements and information relating to our Group that are based on the belief of our Directors as well as assumptions based on the information currently available to them. In this prospectus, the words "aim", "anticipate", "believe", "continue", "could", "expect", "intend", "may", "plan", "potential", "predict", "project", "propose", "seek", "should", "will", "would" and similar expressions, as they relate to our Company or us or our Directors, are intended to, among others, identify forward looking statements. Such statements reflect the current views of our Directors with respect to, among others, future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialise, or should underlying assumptions are proved to be incorrect, our financial condition may be adversely affected and vary materially from those described herein as believed, considered, estimated, expected or anticipated.

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We cannot guarantee the accuracy of facts and other statistics derived from various official government publications contained in this prospectus.

Facts and other statistics in this prospectus relating to the PRC and Hong Kong and the slimming and beauty industry have been derived from various official government publications. However, we cannot guarantee the quality or reliability of the source materials. They have not been prepared or independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Underwriters or any of our or their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled. We have, however, exercised reasonable care in the reproduction and extraction of such facts and statistics from the relevant official government publications for the purpose of inclusion in this prospectus. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the facts and statistics in this prospectus may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Furthermore, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. Therefore, you should not unduly rely upon the facts and statistics with respect to such jurisdictions and the slimming and beauty industry contained in this prospectus.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering.

Prior or subsequent to the publication of this prospectus, there has been or may be press and media coverage regarding us and the Global Offering, in addition to marketing materials published by us in compliance with the Listing Rules. We have not authorised any such press and media reports, and the financial information, financial projections, valuations and other information about us contained in such unauthorised press and media coverage may not truly reflect what is disclosed in this prospectus. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication, and accordingly do not accept any responsibility for any such press or media coverage or the inaccuracy or incompleteness of any such information. To the extent that any such information appearing in the press and media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it, and accordingly you should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the information included in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS IN THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offer which forms part of the Global Offering. For applicants under the Hong Kong Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offer.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and the International Placing is fully underwritten by the International Underwriter pursuant to the International Underwriting Agreement and are subject to our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price. The Global Offering is managed by the Sole Global Coordinator.

If, for any reason, the Offer Price is not agreed among our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date, the Global Offering will not proceed. For information about the Underwriters and the underwriting arrangements, please refer to “Underwriting” in this prospectus.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, any of our Company's or their respective directors, agents, employees or advisors or any other parties involved in the Global Offering.

Further information on the structure of the Global Offering, including its conditions, is set forth in “Structure of the Global Offering” in this prospectus, and the procedures for applying for the Offer Shares are set forth in “How to Apply for Hong Kong Offer Shares” in this prospectus and in the relevant Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which is expected to be determined by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date. If our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on or before Saturday, 17 December 2011, the Global Offering will not become unconditional and will lapse.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

Each person acquiring the Offer Shares under the Global Offering will be required to, or be deemed by his/her/its subscription for Offer Shares to, confirm that he/she/it is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit an offering of the Offer Shares or the distribution in this prospectus or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution in this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares in issue and the Offer Shares to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), any Shares to be issued under the Capitalisation Issue, and any Shares which may be issued upon exercise of any option to be granted under the Share Option Scheme. Save as disclosed in this prospectus, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

HONG KONG BRANCH REGISTER AND STAMP DUTY

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offer will be registered on our Company's branch register of members to be maintained in Hong Kong. The Company's principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands.

Dealings in Offer Shares registered in the branch register of members of our Company maintained in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing or holding of and dealing in the Offer Shares. None of our Company, the Sole Global Coordinator, the Sole Sponsor, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase or holding of, or dealing in the Offer Shares.

STABILISATION AND OVER-ALLOTMENT OPTION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the Offer Price. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Sole Global Coordinator, as the stabilising manager, or its affiliates or any person acting for it, may over-allocate or effect transactions with a view to stabilising or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the commencement of trading in the Shares on the Stock Exchange. Such transactions may be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Sole Global Coordinator, its affiliates or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Sole Global Coordinator, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

In connection with the International Placing, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 37,500,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

Further details of the Over-allotment Option and stabilisation are set out in “Structure of the Global Offering — Over-allotment Option” and “Structure of the Global Offering — Stabilisation” in this prospectus.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set out in “How to Apply for Hong Kong Offer Shares” in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Hong Kong Public Offer, the International Placing and the Global Offering, including its conditions, are set out in “Structure of the Global Offering” in this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and our Company’s compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second trading date after the trade date. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Dr. Au-Yeung Kong (歐陽江醫生)	Flat B, 11/F 15 Homantin Hill Road Ho Man Tin, Kowloon Hong Kong	Chinese
Ms. Au-Yeung Wai (歐陽慧女士)	Flat B, 1/F, Tower 23 Parc Oasis 32 Grandeur Road Kowloon Hong Kong	Chinese
Ms. Au-Yeung Hung (歐陽虹女士)	Flat E, 30/F, Block 11 Discovery Park Tsuen Wan Hong Kong	Chinese
<i>Independent Non-executive Directors</i>		
Ms. Hsu Wai Man, Helen (徐慧敏女士)	Flat A, 15/F, Block 4 City Garden Fortress Hill Hong Kong	Chinese
Mr. Chi Chi Hung, Kenneth (季志雄先生)	1/F, No. 9 Soares Avenue Homantin Kowloon Hong Kong	Chinese
Ms. Pang Siu Yin (彭小燕女士)	Flat B2, 3/F Chermain Heights 9 Eastbourne Road Kowloon Tong Kowloon Hong Kong	British

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	China Everbright Capital Limited 17th Floor, Far East Finance Centre 16 Harcourt Road Hong Kong
Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager	China Everbright Securities (HK) Limited 36th Floor, Far East Finance Centre 16 Harcourt Road Hong Kong
Hong Kong Underwriters	China Everbright Securities (HK) Limited 36th Floor, Far East Finance Centre 16 Harcourt Road Hong Kong
	Sun Hung Kai Investment Services Limited 42/F, The Lee Gardens 33 Hysan Avenue Causeway Bay Hong Kong
	VC Brokerage Limited 28/F The Centrium 60 Wyndham Street Central Hong Kong
International Underwriter	China Everbright Securities (HK) Limited 36th Floor, Far East Finance Centre 16 Harcourt Road Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal Advisors to the Company

as to Hong Kong law:

Li & Partners

22nd Floor
World-Wide House
19 Des Voeux Road Central
Hong Kong

as to PRC law:

King & Wood PRC Lawyers

16–18/F, One ICC, Shanghai ICC
999 Huai Hai Road (M)
Shanghai 200031, The PRC

as to Macau law:

Rui Afonso Lawyers' Office

4/F, Suite B/C/D, Dynasty Plaza Building
411–417, Alameda Dr. Carols D' Assumpcao
Macau

as to Cayman Islands law:

Conyers Dill & Pearman

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Legal Advisors to the Sole Sponsor and the Underwriters

as to Hong Kong law:

DLA Piper Hong Kong

17th Floor, Edinburgh Tower
The Landmark
15 Queen's Road
Central, Hong Kong

Auditor and reporting accountant

PricewaterhouseCoopers

Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong

Property valuer

Jones Lang LaSalle Sallmanns Limited

6/F, Three Pacific Place
1 Queen's Road East, Hong Kong

Receiving banker

The Hongkong and Shanghai Banking Corporation Limited

Level 30, HSBC Main Building
1 Queen's Road Central
Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarter and principal place of business in Hong Kong	Room 1205-06, 12/F Tower 1, Silvercord 30 Canton Road Tsim Sha Tsui Kowloon Hong Kong
Company's website	www.perfectshape.com.hk <i>(information on the website does not form part of this prospectus)</i>
Company secretary	Mr. So Hin Lung <i>CPA</i>
Authorised representatives	Mr. So Hin Lung Flat D, 7/F, Block 5 7-19 Tsing Luk Street Tsing Yi Garden, Tsing Yi New Territories Hong Kong Ms. Au-Yeung Wai Flat B, 1/F, Tower 23 Parc Oasis 32 Grandeur Road Kowloon Hong Kong
Audit committee	Ms. Hsu Wai Man, Helen (<i>Chairperson</i>) Mr. Chi Chi Hung, Kenneth Ms. Pang Siu Yin
Remuneration committee	Ms. Hsu Wai Man, Helen (<i>Chairperson</i>) Mr. Chi Chi Hung, Kenneth Ms. Pang Siu Yin Dr. Au-Yeung Kong Ms. Au-Yeung Wai

CORPORATE INFORMATION

Nomination committee	Ms. Hsu Wai Man, Helen (<i>Chairperson</i>) Mr. Chi Chi Hung, Kenneth Ms. Pang Siu Yin Dr. Au-Yeung Kong Ms. Au-Yeung Wai
Principal share register and transfer office in Cayman Islands	Codan Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited 26/F., Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Compliance Advisor	China Everbright Capital Limited 17th Floor, Far East Finance Centre 16 Harcourt Road Hong Kong
Principal bankers	<i>Hong Kong</i> The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Hong Kong <i>The PRC</i> Industrial Bank Co., Ltd. — He Ping Branch Room 102, 1/F. Pacific Commercial Building 4028 Jiabin Road Luohu District Shenzhen City The PRC

INDUSTRY OVERVIEW

This section contains certain statistics, industry data or other information which have been derived from government, official or other public sources as well as the research report published by Euromonitor. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, any of their respective directors, officers, affiliates, advisors or representatives, or any other party involved in the Global Offering, and such information may not be consistent with other publicly available information. We, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, any of their respective directors, officers, affiliates, advisors or representatives, or any other party involved in the Global Offering make no representation as to the completeness, accuracy or fairness of such information and accordingly such information should not be unduly relied upon.

INTRODUCTION

We primarily operate in the slimming and beauty industry in the PRC, Hong Kong and Macau, with a particular focus in the PRC market. With a population of approximately 1.3 billion in the PRC, our Directors consider that the PRC slimming and beauty market has vast development potential. We also believe the performance of the PRC slimming and beauty industry has been driven by a number of factors, including the growth of the Chinese economy and the increase in per capita income of the urban households.

REPORT COMMISSIONED FROM EUROMONITOR

In connection with the Global Offering, we have engaged Euromonitor, an Independent Third Party, to conduct detailed market analysis of and provide report independent of our influence on the beauty and slimming industry in the PRC. We have relied on the Euromonitor Report in preparation of this prospectus. The aggregate contractual amount for the Euromonitor Report and services provided by Euromonitor is US\$20,000, the payment of which was not contingent upon the Listing or on any of the results obtained from the Euromonitor Report. We have not commissioned other customised reports for the purpose of inclusion in this prospectus.

The Euromonitor Report, dated 30 June 2011, consists of, among others, historical data for the period from 2005 to 2010, and forecasts for the period from 2011 to 2015. Euromonitor primarily undertook top-down central research with bottom-up intelligence to present a more comprehensive and accurate picture of body slimming market in the PRC. Euromonitor assessed relevant background information that is publicly available and compared these sources against any existing information and knowledge from us. Euromonitor also conducted trade interviews with multiple organisations for added perspective and accuracy. These organisations include slimming centres, trade associations, trade press resources, government data, and other third parties. Multiple secondary and primary sources were also checked to validate all data and information collected with no reliance on any single-source.

INDUSTRY OVERVIEW

To ensure forecast accuracy, Euromonitor adopted its standard practice of both quantitative as well as qualitative forecasts. These forecasts allow Euromonitor to establish the terms of the market size, growth trends etc on the basis of providing a comprehensive and in-depth review of the historical and future market development, while simultaneously providing cross-checking with established government or industry figures, and trade interviews, where possible.

Our Directors have reviewed the assumptions adopted by Euromonitor in preparing forecasts up to 2015 and are of the view that the assumptions are fair and reasonable.

Euromonitor, on behalf of itself, its subsidiaries and units, confirms that the Euromonitor Report was prepared in its ordinary course of business, independent of and not influenced by us, and has given and not withdrawn its consent for the Group to quote from the Euromonitor Report and to use information contained in the Euromonitor Report in this prospectus.

This prospectus contains some information extracted from the Euromonitor Report, and they are in “Summary”, “Industry Overview”, “Business” and “Financial Information” in this prospectus.

THE PRC

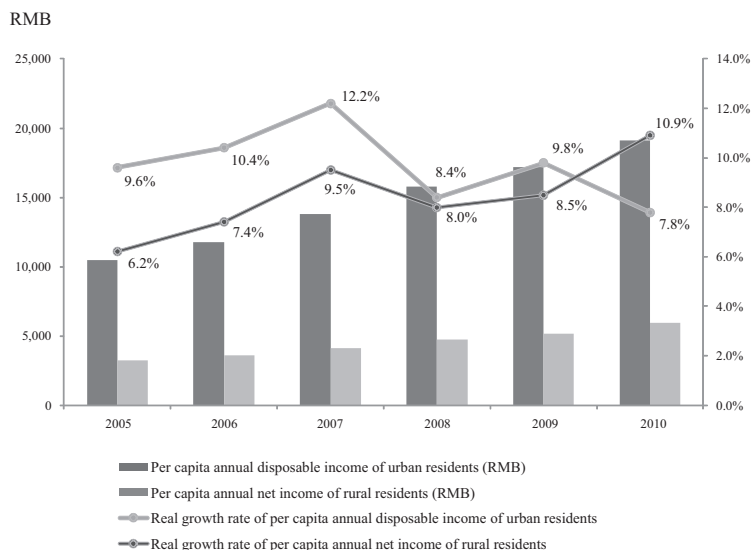
Economic Overview

From 2005 to 2007, the PRC’s GDP maintained a robust growth rate at over 10%, and the growth rate hit the historical high in 2007 at 13%. From 2008 to 2009, the PRC’s GDP growth rate dropped to about 9.0% and 8.7% respectively. The GDP growth rate for the PRC was up to about 10.3% in 2010 because of the recovery of the global economy.

The living standard of the population, particularly urban household, has also increased steadily. The increase in the disposable income growth of the urban households during the period from 2005 to 2010 shows that the purchasing power of the population in the PRC has been steadily increasing.

INDUSTRY OVERVIEW

Per capita income and growth rates of Chinese residents: Historical 2005–2010

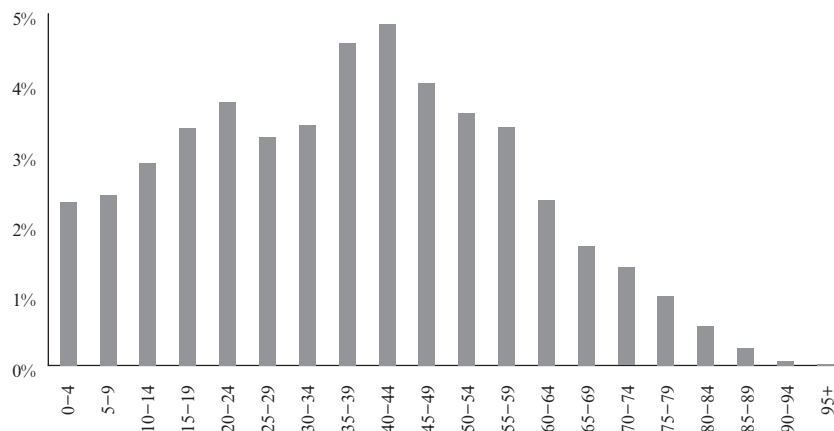


Source: National Statistics Bureau of China

Female Population

In the PRC, the age group of 44–49 accounted for the largest percentage of the female population, followed by the age group of 35–39, the age group of 45–49, the age group of 20–24 and the age group of 50–54. The five largest age groups accounted for approximately 42.3% of the total female population.

Female distribution in the PRC



Source: National Statistics Bureau of China

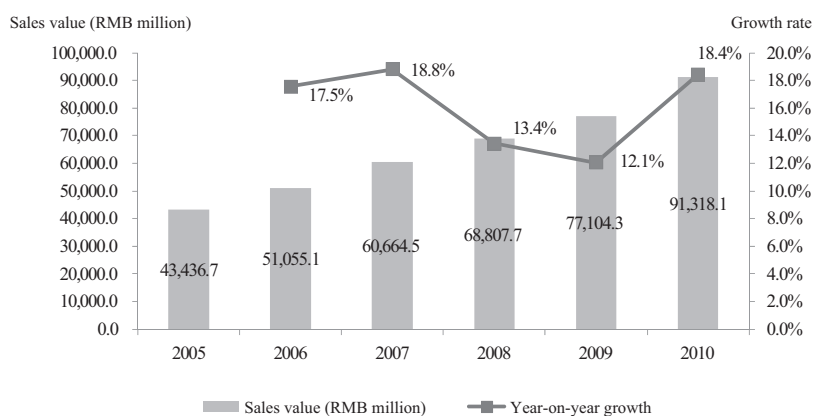
INDUSTRY OVERVIEW

THE BEAUTY AND SLIMMING INDUSTRY IN THE PRC

Market Size of Services of Beauty Centres

With the booming economy of the PRC and the rising income level of Chinese people, beauty centres in the PRC are in a fast growth stage, with a CAGR of 16.0% in sales value of services from 2005 to 2010. The total sales value of services of beauty centres reached approximately RMB91.3 billion in 2010, increasing by 18.4% over 2009.

Market size of services of beauty centres in the PRC: Historical 2005–2010



Source: Euromonitor Report

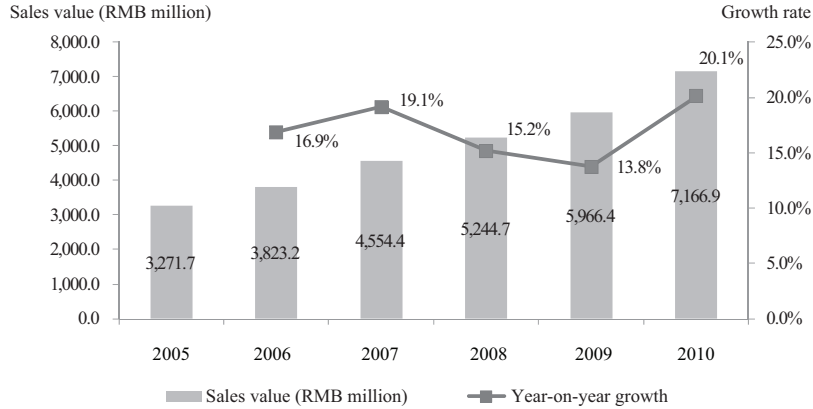
Market Size of the Body Slimming Industry

Compared with all beauty centres (including beauty salons), body shaping and slimming in the PRC is relatively young and represented approximately 7.9% of the total beauty centres by sales value of services in 2010, according to the Euromonitor Report. The share of body shaping and slimming has been increasing since 2007 due to the faster growth of body shaping and slimming when compared with that of total beauty centres.

Body shaping and slimming in the PRC was generally growing quickly from 2005 to 2010, with a CAGR of 17.0% in sales value of services. Although the growth rate slightly dropped in 2008 and 2009 due to the financial crisis that began in late 2008, the market witnessed rapid growth in 2010, with a year-on-year growth rate of 20.1% in sales value of services. This was due to the fast expansion of slimming centres and the strong demand for slimming services in the PRC. In 2010, body shaping and slimming achieved approximately RMB7.2 billion in sales value of services, compared to RMB6.0 billion in 2009.

INDUSTRY OVERVIEW

Market size of body slimming industry in the PRC: Historical 2005–2010



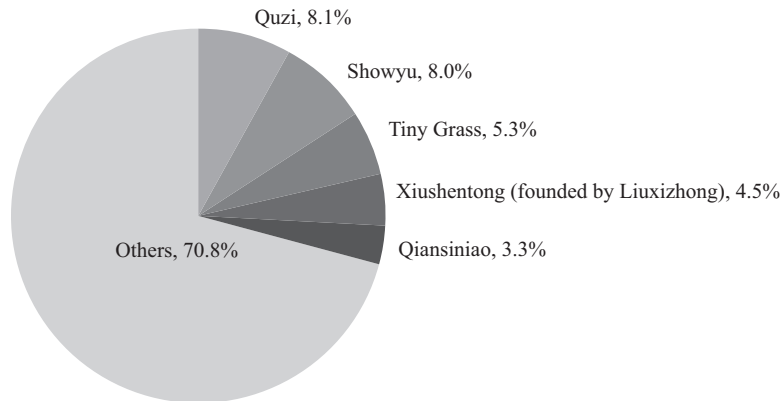
Source: Euromonitor Report

Competition

Market shares of top five brands

The body shaping and slimming market in the PRC is rather fragmented, with the top five brands representing approximately 29.2% of the total sales value of services in 2010. Currently, the market is still lacking national leading brands with high brand awareness, wide geographic coverage and large market share. Quzi is the top brand with an 8.1% market share, followed by Showyu and Tiny Grass with 8.0% and 5.3% market shares respectively. Most of the brands in the market are still concentrated on particular regions.

Market shares of top five body shaping and slimming brands in the PRC



Source: Euromonitor Report

INDUSTRY OVERVIEW

Market positioning of leading operators

Most of the body shaping and slimming brands in the PRC are mass brands, targeting consumers with a low to middle income level and priced at below RMB5,000 per course of treatment. All top five brands are mass brands. However, with the rising income level of the PRC consumers, more and more premium brands (mostly foreign brands) such as our Group are entering the PRC market. These premium brands are targeting consumers with high income levels and usually priced at above RMB5,000 per course of treatment. Premium brands (currently dominated by foreign brands) are expected to gain more shares from mass brands due to the overall trend of consumers shifting towards premium products in the PRC, according to the Euromonitor Report.

Competitive landscape of our Group

Our Directors believe that we are competitive and differentiate from our major competitors in the PRC market in the following aspects:

1. Pricing

According to the Euromonitor Report, most of the body shaping and slimming brands, including the top five brands in the PRC are mass brands and body shaping and slimming market in the PRC is currently denominated by local brands. Premium brands (mostly foreign brands) including our brand “Perfect Shape 必瘦站” are targeting consumers with high income levels and usually priced at above RMB5,000 per course of treatment. Moreover, premium brands can afford high marketing expenses with celebrity endorsement, which are more easily recognised by consumers and are perceived as more reliable.

2. Services characteristics

According to the Euromonitor Report, traditional Chinese acupuncture and massage have been widely used by local slimming centres as a method for slimming and shaping. We use a combination of advanced slimming and beauty equipment and massage treatment in our slimming programmes. In addition, we take pride in the provision of tailor-made slimming services. We recommend the most suitable slimming treatments to our clients based upon their goals and physical conditions, and closely monitor the progress of and follow up with each client throughout the whole slimming programme.

3. Operating environment

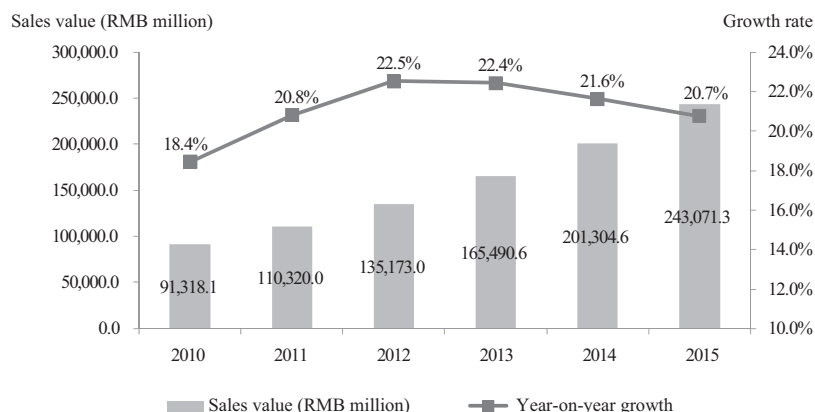
Our service centres are usually located in prime commercial districts and/or prestigious shopping malls and office buildings and/or high-end departmental stores in prime locations which are easily accessed, and are equipped with comprehensive slimming and beauty machinery to provide satisfactory services to our clients.

INDUSTRY OVERVIEW

Forecasts of Growth

The market size of beauty centres is estimated to grow from approximately RMB91.3 billion in 2010 to approximately RMB243.1 billion in 2015, with a CAGR of 21.6%, by sales value of services.

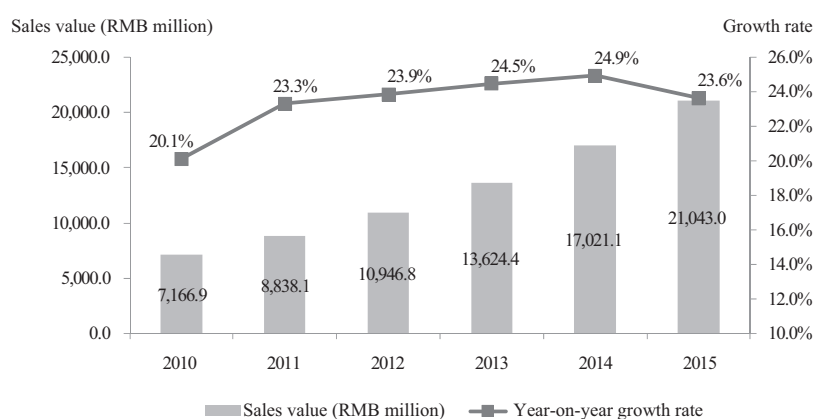
Market size of beauty industry in the PRC: Forecast 2010–2015



Source: Euromonitor Report

The share of body shaping and slimming as compared with the total beauty centres in the PRC is expected to continue to increase, and is forecast to represent approximately 8.7% of the total beauty centres by sales value of services in 2015. The sales value of services of body shaping and slimming in the PRC is estimated to increase from approximately RMB7.2 billion in 2010 to RMB21.0 billion in 2015, with a CAGR of 24.0%.

Market size of slimming centres in the PRC: Forecast 2010–2015



Source: Euromonitor Report

INDUSTRY OVERVIEW

Market trends of body slimming industry

According to the Euromonitor Report, the body shaping and slimming market in the PRC is currently dominated by local brands while foreign brands including us have been trying to expand quickly in the PRC over the last few years.

Chained slimming centres are growing faster than independent ones because chained stores have higher brand awareness, better management skills and are perceived as more reliable.

In relation to the type of slimming treatments, traditional Chinese acupuncture and massage have been widely used by local slimming centres as a method for slimming and body shaping. However, in recent years, more and more slimming centres are using both slimming machines and traditional acupuncture or massage.

Since the body slimming industry is largely fragmented, marketing may serve the purpose of bringing the brand to the clients' awareness. Celebrity endorsement is a trend, especially for premium brands that can afford high marketing expenses. Brands with celebrity endorsements are more easily recognised by consumers and are perceived as more reliable.

Key drivers of growth in body slimming industry

With their rising social status, Chinese women today are more concerned about their appearance and are spending more on slimming services. The increasing disposable income of Chinese consumers has made slimming services more affordable. In addition, Chinese consumers are more cautious about the safety of obesity drugs, and many of them shift to slimming centres, where they are not required to take drugs for slimming.

Moreover, there is a huge obese and overweight population within the PRC indicating great potential demand for the slimming industry. According to "New Trends of National & International Obesity Prophylaxis & Treatment Industry" from the Committee of Experts of International Slimness & Fitness Association (ISFA) published on the Soosou Website (搜瘦網: www.soosou.com) on 11 March 2009 in the PRC, the obese population exceeded 100 million while the overweight population reached 200 million.

Various types of promotions, advertisements and discounts from slimming centres are another factor driving the growth of body shaping and slimming in the PRC. With the prevalence of internet shopping, some slimming centres also offer discounts and vouchers via online group purchase agencies. Premium brands usually choose celebrity endorsements for their advertisements.

Currently, the body shaping and slimming market in the PRC is still in development and the penetration rate of slimming centres is still low, especially in lower-tier cities. To reach more consumers and enlarge their client base, many chained slimming centres are trying to expand by opening more outlets. Moreover, new players are also trying to enter the PRC market.

INDUSTRY OVERVIEW

HONG KONG

Economic Overview

The economy of Hong Kong has grown steadily over the past few years and gradually recovered from the global financial crisis in 2008. GDP (in chained 2008 dollars) in Hong Kong has increased from HK\$1,181,605 million in 2001 to HK\$1,743,465 million in 2010, representing a CAGR of 4.4%.

The per capita GDP (in chained 2008 dollars) in Hong Kong has increased from HK\$175,893 in 2001 to HK\$246,677 in 2010, representing a CAGR of 3.8%. This shows that the living standard in Hong Kong is generally improving.

GDP and per capita GDP of Hong Kong from 2001 to 2010 (in chained 2008 dollars)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
GDP (HK\$ million) (in chained 2008 dollars)	1,181,605	1,203,359	1,239,532	1,344,477	1,439,695	1,540,758	1,639,204	1,677,011	1,632,275	1,743,465
Per capita GDP (HK\$) (in chained 2008 dollars)	175,983	178,431	184,158	198,198	211,310	224,695	236,677	240,339	233,059	246,677

Source: Census and Statistics Department, Hong Kong

Private consumption expenditure in Hong Kong shows a stable trend in the last few years. The private consumption expenditure (in chained 2008 dollars) in Hong Kong increased from HK\$806,198 million in 2001 to HK\$1,088,618 million in 2010, representing a CAGR of 3.4%.

Private consumption expenditure in Hong Kong from 2001 to 2010 (in chained 2008 dollars)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Private consumption expenditure (HK\$ million) (in chained 2008 dollars)	806,198	799,074	788,550	843,659	868,970	920,456	999,056	1,022,862	1,029,164	1,088,618

Source: Census and Statistics Department, Hong Kong

INDUSTRY OVERVIEW

Female Population

Our principal target clients are females. The total female population in Hong Kong was 3.7 million by end of 2010. In particular, the age group of 45–49 accounted for the largest percentage of the female population, followed by the age group of 40–44, the age group of 35–39, the age group of 50–54 and the age group of 30–34. The five largest age groups accounted for 44.3% of the total female population.

Age group	Female Population in Hong Kong in 2010 ('000)	Total Population in Hong Kong in 2010 ('000)
Below 15	409.7	848.5
15–19	209.8	431.2
20–24	232.9	453.5
25–29	309.6	539.0
30–34	325.1	551.0
35–39	332.2	570.0
40–44	334.2	583.1
45–49	359.2	661.6
50–54	325.2	641.0
55–59	252.5	501.3
60–64	193.7	391.5
Above 65	496.3	925.9
All age groups	<u>3,780.4</u>	<u>7,097.6</u>

Source: Census and Statistics Department, Hong Kong

Employed females by monthly employment earning

The total number of employed females in Hong Kong was 1.2 million in 2009. There is also an increasing trend in the number of females earning HK\$30,000 or more per month. In 2005, the number of females earning HK\$30,000 or more per month in Hong Kong was 118,300, which increased to 157,200 in 2009, representing a CAGR of 7.4%.

INDUSTRY OVERVIEW

Our Directors believe that the trend shows that the number of high-income females is increasing in Hong Kong. This female group tends to look for quality services and products, and is able to afford luxurious beauty and healthcare services and products. The table below sets out the number of employed females in Hong Kong categorised by monthly employment earnings from 2005 to 2009.

Monthly employment earnings of employed females (HK\$)	2005	2006	2007	2008	2009
	('000)	('000)	('000)	('000)	('000)
6,000–6,999	119.3	113.9	117.6	121.0	120.5
7,000–7,999	105.7	104.6	112.4	113.7	113.9
8,000–8,999	100.2	102.1	106.0	114.4	123.2
9,000–9,999	75.1	84.9	86.3	90.8	84.8
10,000–14,999	234.5	240.9	246.8	259.0	258.7
15,000–19,999	129.6	136.9	144.6	148.1	144.7
20,000–29,999	123.6	132.9	144.5	157.1	156.2
≥ 30,000	<u>118.3</u>	<u>135.7</u>	<u>143.8</u>	<u>156.7</u>	<u>157.2</u>
Total number of employed females	<u><u>1,006.3</u></u>	<u><u>1,051.9</u></u>	<u><u>1,102</u></u>	<u><u>1,160.8</u></u>	<u><u>1,159.2</u></u>

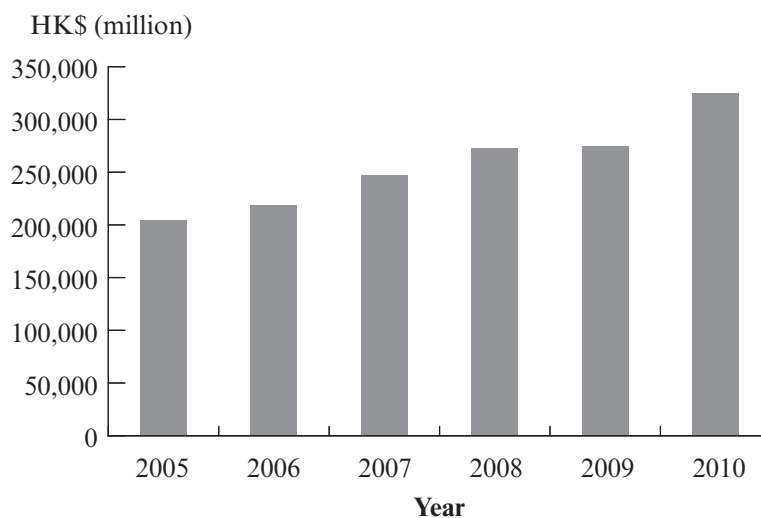
Source: Census and Statistics Department, Hong Kong

INDUSTRY OVERVIEW

Expenditure on Cosmetics and Personal Care Products

The total retail sales of Hong Kong increased steadily from HK\$204,372 million in 2005 to HK\$324,966 million in 2010, representing a CAGR of 9.7%. The volume index (taking average of monthly indices from October 2004 to September 2005 being 100) of retail sales in Hong Kong increased from 101.3 in 2005 to 141.9 in 2010.

Total Retail Sales of Hong Kong



Source: Census and Statistics Department, Hong Kong

There is also a steady increase in the average monthly household expenditure for cosmetics and personal care products in Hong Kong from HK\$225 in 2004/2005 to HK\$233 in 2009/2010.

LAWS AND REGULATIONS

This section contains a summary of certain laws and regulations currently relevant to our operations in the PRC, Hong Kong and Macau. Having made all reasonable enquiries and to their best knowledge, our Directors confirm that save as disclosed in this section and in “Risk Factors” and “Business” in this prospectus, we have complied with all applicable laws and regulations in the PRC, Hong Kong and Macau, where we operated during the Track Record Period and as at the Latest Practicable Date and have obtained all necessary permits, licences and certificates for our operations.

THE PRC

Laws and regulations relating to foreign investments

As we are engaged in operation within the PRC, we are subject to the provisions of the Company Law of the People’s Republic of China (the “Company Law”). The Company Law was passed by the Fifth Meeting of the Standing Committee of the Eighth National People’s Congress of the PRC on 29 December 1993 and became effective on 1 July 1994. Three amendments to the Company Law were passed by the Thirteenth Meeting of the Standing Committee of the Ninth National People’s Congress, the Eleventh Meeting of the Standing Committee of the Tenth National People’s Congress and the Eighteenth Meeting of the Standing Committee of the Tenth National People’s Congress under the Decisions of the Standing Committee of the National People’s Congress Concerning the Amendments to the Company Law of the People’s Republic of China on 25 December 1999 and 28 August 2004 and 27 October 2005 respectively. The main barrier to market access was lowered under the Company Law (as amended) as follows:

- the provision relating to the minimum amount of registered capital by the types of operation of companies was cancelled. The minimum amount of registered capital of a limited liability company was lowered from RMB100,000 to RMB30,000. The minimum amount of registered capital of a company limited by shares was lowered from RMB10,000,000 to RMB5,000,000 and changed from a “paid-up capital contribution system” to a “subscribed capital contribution system”. The initial capital contributions by all promoters of a company shall not be less than 20% of the registered capital and the balance shall be payable in full by the promoters within two years from the date of establishment of a company, or payable in full within five years for an investment company;
- a number of methods of capital contribution by shareholders were provided under Article 27 of the Company Law (as amended), namely, by currency, material objects, intellectual property or land use rights and even legally transferable non-monetary assets, which are subject to asset valuation, save for those assets which are prohibited under laws and administrative regulations for capital contributions. The amount of intangible assets, in the form of technology, as capital contributions has been increased from the initial 20% to 70% of the registered capital of the company; and

LAWS AND REGULATIONS

- without prejudice to the provisions of the Company Law, the operations of a company shall be determined by the articles of association of a company.

In addition to the Company Law, the establishment and operation of our wholly-owned foreign enterprises are also subject to the Foreign Investment Enterprise Law of the People's Republic of China (the "Foreign Investment Enterprise Law") and its Implementation Rules. The Foreign Investment Enterprise Law was passed by the Fourth Meeting of the Sixth National People's Congress of the PRC on 12 April 1986 and became effective on the same date. The Implementation Rules of the Foreign Investment Enterprise Law was promulgated by the Ministry of Foreign Economy and Trade on 12 December 1990, and became effective on the same date. Amendments to the Foreign Investment Enterprise Law were passed under the Decisions of the Eighteenth Meeting of the Standing Committee of the Ninth National People's Congress of the PRC on 31 October 2000. Amendments to the Implementation Rules of the Foreign Investment Enterprise Law were promulgated by the Decisions Concerning the Amendments to the Implementation Rules of the Foreign Investment Enterprise Law of the People's Republic of China by the State Council of the PRC on 12 April 2001.

The establishment procedures, approval formalities and organisation format of a foreign investment enterprise are subject to the provisions of the Foreign Investment Enterprise Law and its Implementation Rules, pursuant to which, application for the establishment of a foreign investment enterprise in the PRC must be submitted to the competent foreign economy and trade department or the authorised authority of the State Council and subject to their review and approval. Application for the establishment of a foreign investment enterprise by foreign investors should be submitted to the approving authority through the local people's government at the county level or above at the place where the proposed foreign investment enterprise is located, together with such documentations as the application, the articles of association and a list of legal representatives (or candidates of the board of directors) of the foreign investment enterprise, legal identification documents and qualification evidences of foreign investors.

On 5 August 2008, the Notice Concerning the Delegation of Matters of Corporate Changes and Approvals of Foreign Investment Enterprises, or the 2008 Notice, was promulgated by the Ministry of Commerce, pursuant to which, the following approval power and authority were delegated by the Ministry of Commerce effective as from 11 August 2008:

- the competent commerce department at the provincial level should be responsible for approving increases of total investment amount and registered capital (Industry Guidance Catalogue of Foreign Investments — US\$100 million for encouragement and permitted types and US\$50 million for restricted type, hereinafter referred to as the "Limit") of foreign investment enterprise approved by the Ministry of Commerce (save for matters covered by Article 3 of the same document) below the Limit;

LAWS AND REGULATIONS

- the competent commerce department at the provincial level shall be responsible for approving (save for items under Article 3) the establishment of the foreign investment enterprise and its changes (including other relevant changes of listed foreign investment company) below the Limit (converted enterprise shall be calculated by the assessed net asset value); and
- foreign investments governed by specific regulations of industry, specific industry policy and macroeconomic industry shall continue to be regulated by existing provisions. Strategic investments of listed companies by foreign investors shall be submitted to the Ministry of Commerce for approval in accordance with the relevant provisions.

On 10 June 2010, the Notice Concerning the Relevant Issues of the Delegation of Approval Authority of Foreign Investment Enterprises, (the “2010 Notice”), was promulgated by the Ministry of Commerce. Pursuant to the 2010 Notice, the competent commerce department at the provincial level should be responsible for approving the establishment and increases of total investment amount and registered capital (Industry Guidance Catalogue of Foreign Investments — US\$300 million for encouragement and permitted types and US\$50 million for restricted type, hereinafter referred to as the “Limit”) of foreign investment enterprise approved by the Ministry of Commerce below the Limit, thus expands the power of the commerce department of the provincial level compared with the 2008 Notice. The establishment of foreign investment enterprises in the service sector and its changes (including those above the Limit and capital increases) shall be approved and administered by the local approving authorities in accordance with the relevant requirements of the State, save for those specifically required under laws and regulations to be subject to the approval of the Ministry of Commerce. According to the relevant requirements, matters required to obtain prior approval or seek for opinion of the competent industry department of the State shall obtain the relevant authorisation. In summary, for the purpose of establishing our company in the PRC, the company is subject to the review and approval of the local approving authority.

Upon approval of the application for establishing a foreign investment enterprise, the foreign investors shall apply for registration with the industry and commerce administration department within 30 days of receipt of the approval certificate and obtain a business licence. The date of the issuance of the business licence of a foreign investment enterprise is the date of establishment of that enterprise.

Pursuant to the Foreign Investment Enterprise Law and its Implementation Rules, the organisation format of a foreign investment enterprise subsequent to its establishment can be a limited liability company or other format of liability as approved. Subsequent to its establishment, a foreign investment enterprise shall operate and management its activities in accordance with its approved articles of association. The investment and operating conditions of a foreign investment enterprise are subject to the inspection and supervision of the industry and commerce administration department.

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In the event of a demerger, merger or other changes of important matters during the substantive period of a foreign investment enterprise, it shall report to the approving authority for approval, and submit changes in registration particulars with the industry and commerce administration department. A foreign investment enterprise is not allowed to reduce its registered capital during the term of its operation. Where reductions are required in respect of changes in total investment amount and sizes of production and operation, it shall report to the approving authority for approval. Increases and transfers of registered capital of a foreign investment enterprise are subject to approval of the approving authority and submission of changes in registration particulars to the industry and commerce administration department.

Laws and regulations relating to foreign investment commercial enterprises

On 16 April 2004, the Administrative Measures of Commercial Sector for Foreign Investment (the “Commercial Sector Administrative Measures”) was promulgated by the Ministry of Commerce to undertake supervision and administration over the commercial sector for foreign investments and the operation of activities in such commercial sectors as wholesale, retail, commissioned agency and franchised operation of foreign investment commercial enterprises. The Commercial Sector Administrative Measures have broadened the scope of commercial sectors for foreign investments, including:

- the establishment of foreign investment commercial enterprise is permitted since 11 December 2004;
- prior to 11 December 2004, the regional locations of foreign investment commercial enterprises engaging in retail and their stores were restricted to capitals of provinces and autonomous regions, municipalities, independently-planned cities and special economic zones. Such regional restriction has been cancelled since 11 December 2004; and
- the regional restriction of foreign investment commercial enterprises engaging in wholesale was cancelled since 1 June 2004.

Pursuant to the Commercial Sector Administrative Measures, a foreign investment commercial enterprise is subject to the following conditions:

- must satisfy the provisions of the PRC Company Law in respect of minimum registered capital (a limited liability company with two or more investors is RMB30,000 and a limited liability company with one investor is RMB100,000);
- must comply with the general provisions in respect of total investment amount and registered capital of foreign investment enterprise; and
- in general, the operation period of those enterprises shall not exceed 30 years or (in respect of the central and western regions of the PRC) 40 years.

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In addition, the retail stores to be opened by foreign investment commercial enterprises are subject to the following conditions:

- where the application for the establishment of a commercial enterprise is concurrent with the application for opening stores, the stores to be opened shall fulfil the relevant requirements of urban development and urban commercial development of the city where the stores are located; and
- where the foreign investment commercial enterprise approved for establishment is applying for the opening of additional stores, it shall fulfil the following conditions, in addition to the above requirements, (i) take part in the joint annual inspection of foreign investment enterprise and pass annual inspection; and (ii) all registered capital of the enterprise has been received from its investors.

Laws and regulations relating to health licensing of beauty industry

Our core business within the PRC is in the slimming and beauty industry. As we are engaged in the slimming and beauty services within the PRC, we are subject to the provisions of the relevant laws and regulations of the slimming and beauty industry.

On 8 November 2004, the Interim Administrative Measures of the Beauty and Hairdressing Industries was promulgated by the Ministry of Commerce and became effective on 1 January 2005, pursuant to which, the Ministry of Commerce is in charge of the beauty and hairdressing industries nationwide and the competent commerce department at all levels shall undertake guidance, coordination, supervision and administration over the beauty and hairdressing industries at their respective administrative areas. The Interim Administrative Measures of the Beauty and Hairdressing Industries have the following requirements in respect of the competency of enterprises and personnel engaged in beauty services:

- beauty and hairdressing operators should display business licences, health permits, service items and tariff standards at conspicuous locations of their premises;
- premises of beauty and hairdressing operators should comply with the relevant health requirements and standards and have corresponding health, sanitation and disinfection equipment and measures. All personnel should pass health checks of the health authority and hold health certificates prior to report for work; and
- beauticians, hairdressers and other professional and technical staff engaging in beauty and hairdressing services should have obtained qualification certificates issued by relevant authorities of the State and other personnel should have obtained qualification certificates after undergoing training by relevant professional organisations or authorities.

In order to create sound health conditions of public premises for the prevention of diseases and safeguard of body health, the Administrative Regulations on Health at Public Premises (the “Health Regulations”) was promulgated by the State Council on 1 April 1987.

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The “Implementation Rules of Administrative Regulations on Health of Public Premises” (the “Implementation Rules”) was promulgated by the Ministry of Health on 11 March 1991 and became effective on 1 May 2011 (as amended on 26 April 1993 and 10 March 2011), pursuant to which, the Ministry of Health is in charge of the health supervision and administration at public premises nationwide and the health administration department at all county levels and above shall be responsible for health supervision and administration at public premises at their respective administrative areas. Pursuant to the Implementation Rules, the legal representative or the person-in-charge of public premises shall be the prime person responsible for the health safety of his operating premises.

Our slimming and beauty centres, which are engaged in slimming and beauty services, are subject to the provisions of the Health Regulations and the Implementation Rules. Pursuant to the Health Regulations and the Implementation Rules, beauty salons, which are being classified as “public premises” under its provisions, are subject to its regulatory scope. In respect of public premises and the location and design of newly constructed, altered and renovated public premises, a “health permit” system has been implemented by the State, with “health permits” being issued by the health administration authority at county levels and above. An operating unit should have obtained its “health permit”, which is subject to vetting once every two years, prior to applying for registration with the industry and commerce administration department for a business licence, and those operate without a “health permit” may be subject to penalties, such as warnings, fines and suspension of business. Pursuant to the Implementation Rules, which became effective on 1 May 2011, operators should warrant that the health safety of all goods and equipment provided for use by clients and re-usable goods and equipment, to be washed, disinfected and cleansed in accordance with health standards and requirements, should be replaced for each client. Re-use of disposable goods and equipment is strictly prohibited. At the same time, during the period of their internal decoration or renovation, public premises are not allowed to carry on business. Where the decoration or renovation is limited to certain area, operators should take effective measures to warrant that the internal air quality of areas other those under decoration or renovation is up to standard.

In respect of personnel who are engaged in beauty services, pursuant to the Health Regulations and its Implementation Rules, staff (including temporary workers) of an enterprise, which is established and engaged in the beauty services in the PRC, serving clients directly are required to hold a “health qualification certificate” prior to reporting for work and undergo annual health checks. Pursuant to the Implementation Rules, which became effective on 1 May 2011, operators of public premises should organise annual health checks for their staff who should obtain valid health qualification certificates prior to reporting for work, and those who are engaged in providing direct services to clients without health qualification certificates may be subject to penalties, such as warnings, fines and suspensions of business.

Laws and regulations relating to fire control

On 29 April 1998, the Fire Control Law of the People’s Republic of China (the “Fire Control Law”) was passed by the Second Meeting of the Standing Committee of the Ninth National People’s Congress, which was amended by the Fifth Meeting of the Standing

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Committee of the Eleventh National People's Congress on 28 October 2008. On 9 December 1998, the Fire Control Supervision and Inspection Regulations was promulgated by the Ministry of Public Security, which was amended on 1 September 2004 and 1 May 2009. Pursuant to the Fire Control Law and the Fire Control Supervision and Inspection Regulations, prior to the occupation or commencement of business of public premises, the construction unit or the user unit should apply to the fire control authority of the local people's government at county levels or above where the premises are located for fire control safety inspection. Those premises without fire control safety inspection or which did not meet fire control requirements after inspection are not allowed to be occupied or to commence business. Those premises which are occupied or have commenced business in contravention may be ordered to suspend construction, occupation or business or production and subject to fines of between RMB30,000 to RMB300,000.

Pursuant to the Fire Control Law and the Fire Control Supervision and Inspection Regulations, the fire control design and construction of construction works must comply with the fire control technical standard of engineering construction of the State. Units in charge of construction, design, works and engineering supervision shall be legally responsible for fire control design and works quality of construction works. In accordance with the fire control technical standard of engineering construction of the State, the construction unit of any engineering construction requiring fire control design must file the fire control design documentation with the fire control department of the public security authority, which should make random checks, within seven working days from the date of obtaining the construction works permit legally, unless otherwise provided.

On 16 October 1996, the Administrative Regulations of Fire Control Supervision and Audit of Construction Works was promulgated by the Ministry of Public Security and was replaced by the Administrative Regulations of Fire Control Supervision of Construction Works on 1 May 2009, pursuant to which, the fire control design and works must comply with fire control technical standard of engineering construction of the State. In respect of crowded premises listed under section 13 of the Administrative Regulations of Fire Control Supervision of Construction Works, the construction unit should apply for review of the fire control design to the fire control department of the public security authority as well as fire control inspection acceptance to the fire control department of the public security authority issuing the audit opinion of the fire control design subsequent to completion of construction works.

Pursuant to the Administrative Regulations of Fire Control Supervision of Construction Works, in respect of construction works outside the scope listed under the regulations, the construction unit should, within seven days of obtaining the construction works permit and passing the construction works completion inspection, file the fire control design and completion inspection through the fire control design and completion inspection submission system of the website of the fire control department of the public security authority at provincial levels, or submit paper files to the fire control department of the public security authority for recording in the fire control design and completion inspection submission system. Upon receipt of the fire control design and completion inspection submission, a submission receipt should be issued by the fire control department of the public security authority which should determine the target for random check through the

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random checking procedures pre-installed in the fire control design and completion inspection submission system. The construction unit selected for random check should be ready for random checking of fire control design audit or fire control inspection acceptance.

Laws and regulations relating to taxes

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (the "Enterprise Income Tax Law"), which became effective on 1 January 2008, the Implementation Rules which was implemented on 1 March 2008 and the Notice Concerning the Implementation of the Transitional Preferential Policy of Enterprise Income Tax by the State Council (the "Income Tax Preferential Policy") which was implemented on 1 January 2008, the enterprise income tax rates has been unified at 25% since 1 January 2008, with no distinction in treatment between domestic enterprises or foreign investment enterprises. According to the new PRC Enterprise Income Tax Law (the "EIT Law") and its implementation rules that became effective on 1 January 2008, dividends payable by foreign invested enterprises, such as subsidiaries and joint ventures in the PRC out of their post-2007 retained earnings, to their foreign investors are subject to a withholding tax at 10% unless any lower tax treaty rate is applicable. The profits earned by foreign-invested enterprises after 1 January 2008 that are distributed to foreign investors shall be subject to enterprise income tax pursuant to the EIT Law. Under the EIT Law, enterprises established under the laws of foreign jurisdictions but whose "de facto management body" is located in the PRC may be treated as "resident enterprises" for PRC tax purposes and will be subject to PRC income tax at the prevailing rate of 25% on their worldwide income. The dividends paid by these foreign shareholders to their foreign investors could be subject to a 10% withholding tax unless any lower tax treaty rate is applicable.

We believe our Company is not a resident enterprise for PRC enterprise income tax purposes, because our Company is not incorporated in the PRC and its de facto management body is not located in the PRC. Therefore, dividends distributed by our Company to its overseas investors are not subject to the withholding tax. The EIT Laws, imposes a withholding tax at the rate of 10% on dividends paid to non-PRC resident enterprises by PRC resident enterprises as such dividends are regarded as income resourced from the PRC, unless there is an applicable tax treaty with the PRC that provides for a different withholding arrangement and we are deemed to be entitled to such favorable treatment. As such, dividends distributed by Perfect Shape Consultancy, being a foreign investment enterprise, are subject to a withholding tax at the rate of 10%, unless it is approved to enjoy the favorable tax rate of 5% under the tax treaty between Hong Kong and the PRC. Dividends distributed by other PRC subsidiaries to Perfect Shape Consultancy as their sole shareholder are not subject to EIT because they are dividends distributed between qualified PRC resident enterprises.

The enterprise income tax rate of 25% is applicable to our PRC subsidiaries as their dates of establishment were subsequent to 1 January 2008.

Laws and Regulations Regarding Foreign Exchange

Foreign exchange in the PRC is primarily governed by the Foreign Currency Administration Rules (the “Exchange Rules”), promulgated by the State Council on 29 January 1996 and amended on 14 January 1997 and 1 August 2008, and the Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (the “Administration Rules”), promulgated by the People’s Bank of China on 20 June 1996. Pursuant to the regulations mentioned above and various regulations issued by SAFE, as well as other relevant PRC government authorities, the Renminbi is freely convertible only to the extent of current account items, such as trade-related receipts and payments, interest and dividends. For example, upon payment of the applicable taxes, foreign investment enterprises may distribute dividends to their foreign investors by converting Renminbi into foreign currencies and remitting such amounts outside of the PRC through their foreign exchange bank accounts at designated foreign exchange banks without prior approval by SAFE.

However, capital account items, such as direct equity investments, loans and repatriation of investments require the prior approval of SAFE or its local counterpart for the conversion of Renminbi into a foreign currency, such as U.S. dollars, and remittances of the foreign currency outside the PRC.

Laws and regulations relating to labour and personnel

On 5 July 1994, the Labour Law of the People’s Republic of China (the “Labour Law”) was announced by the Eighth Meeting of the Standing Committee of the Eighth National People’s Congress, and became effective on 1 January 1995. Pursuant to the Labour Law, an employer unit should establish and perfect a regime system to safeguard the labour rights enjoyed and the labour obligations performed by labourers, to enter into written labour contracts to establish labour relationship with labourers, to safeguard the rest and holiday periods of labourers, to implement same pay for same work, not to withhold or delay payment of wages of labourers, and to establish a sound labour safety and health system, to implement strictly the labour safety and health regulations and standards of the State, to undertake labour safety and health education of labourers, to prevent accidents in the course of labour and to reduce occupational hazards.

The Labour Contract Law of the People’s Republic of China (the “Labour Contract Law”) and its Implementation Regulations, which became effective on 1 January 2008, provide that a labour relationship should be established by entering into a written labour contract. At the same time, the Labour Contract Law and its Implementation Regulations have exacerbated the penalties for contravention of the provisions in respect of labour emoluments, working hours, rest days and holidays, labour safety and health, insurance benefits.

Laws and regulations relating to protection of consumer rights

We should comply with the laws and regulations relating to the protection of consumers’ legal rights within the PRC in providing services to consumers. On 31 October 1993, the Consumer Rights Protection Law of the People’s Republic of China (the

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“Consumer Protection Law”) was passed by the Fourth Meeting of the Standing Committee of the Eighth National People’s Congress on 31 October 1993 and became effective on 1 January 1994. Pursuant to the Consumer Protection Law, consumers shall enjoy a series of rights, including the right not to be harmed in respect of personal and property safety, the right to know the true situation of goods purchased or used or services accepted, the right to choose goods or services, the right to fair trading, the right to obtain damages and compensation legally, the right to establish society or organisation to sustain and protect personal legal interests legally, the right to obtain knowledge relating to consumption and consumer rights protection, the right to have personal dignity, customs and practices being respected and the right to supervise goods and services and safeguard consumer rights.

On 10 May 2011, the Beijing Administration Bureau of Industry and Commerce published the Key Terms of the Transaction Agreements of Prepaid Consumption Services in Beijing (北京市預付費消費合同核心條款) (the “Draft”) on its website for public opinions. The official regulatory document was promulgated on 25 August 2011, and came into effect on 1 September 2011, the name of which was changed to Guidance on the Transaction Agreements of Prepaid Consumption Services in Beijing (Trail Implementation) (北京市消費類預付費服務交易合同行為指引(試行)) (the “Guidance”). The Guidance applies to transactions in Beijing in such industries as leisure and entertainment, beauty and hairdressing, body-shaping and fitness, automobile maintenance, and bathing, where the consumers need to make prepayments for services provided in installments.

Pursuant to the Draft and the Guidance, the operator shall display in an obvious way the terms of use of the business sites so that the consumers will have the same knowledge. Before accepting the prepayment, the operator shall, subject to the specialty of the transaction, informing the consumer the following information: the time, place, and manner of the services to be provided, scope and authorisation of the use, standard of the price, favorable conditions, standard of the services, brand names of the products used, term of validity or times of the services, lost and replacement, transfer and refunding, and liabilities of breach. The consumer has the right to ask the operator to record all oral undertakings in writing. Pursuant to the Guidance, service providers shall provide a cooling-off period of seven days after payment to their customers. Upon expiry of the prepaid contracts, in respect of the unused portion of expired prepaid packages, service providers shall offer one of the following options to their clients: (i) one free extension of the term of service for not less than half of the original term; (ii) refund of the unused service fees; (iii) provision of alternative service arrangements within an agreed term at a prevailing price, however the unused service fees can still be refunded upon requirement of the customer. Any disputes between the operator and the consumer can be resolved through negotiation, mediation before the consumer associations or similar industry associations, or claim with the government authorities. The parties may as well resort to civil litigations or arbitrations.

As advised by our PRC Legal Advisor, the Guidance does not prescribe any administrative liabilities on violation of the Guidance, is not mandatory in nature and is only applicable to transactions in Beijing after the effective date. We have not followed the recommended practices in the Guidance with respect to our operations in Beijing since the Guidance is newly issued and its actual implementation is still not certain, the compliance is voluntary in nature, and may impose additional operating cost on our Group, as advised by

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our PRC Legal Advisor, departure from the Guidance will not result in any material legal consequence to us. We will follow the Guidance once the PRC Government legislates the practices and promulgates the relevant laws and regulations.

Laws and regulations relating to publication of advertisements

The Advertising Law of the PRC was adopted in the Tenth Meeting of the Standing Committee of the Eighth National People's Congress of the PRC on 27 October 1994 and took effect on 1 February 1995.

The Advertising Law requires that advertisers, advertisement operators and advertisement publishers shall abide by such advertising laws when engaging in advertising business within the territory of the PRC. The term "advertisers" refers to any legal person, economic organisations or individuals that, directly or through certain agents, design, produce and publish advertisements for the purpose of promoting products or providing services.

Pursuant to the Advertising Law, advertisements shall not contain any false contents or misrepresent to or mislead the consumers. An advertisement should present distinct and clear specifications on the product's function, place of origin, uses, quality, price, manufacturer, validity period, promises or the contents, forms, quality, price or promises of the services offered. Where a gift is attached to a commodity or services supplied, the advertisement concerned should clearly define the kind and quantity of the attached gift. An advertisement should not have any content that denigrates the commodities or services of other producers or operators. For acts of falsely advertising commodities or services in violation of this law, the advertising supervision and administration organisations shall order the advertisers to stop publication and to use the amount of expense equal to the expenses for advertising to make open corrections to offset the influence within corresponding scope and to pay a fine ranging from twice to less than five times the amount used for advertising.

HONG KONG

There is at present no specific legislation governing the provision of slimming and beauty services and products in respect of our business in Hong Kong, including qualification of the employed personnel or devices used, save and except legislation governing medical practitioners and Chinese medical practitioners. There is also no specific legislation regulating the import or sale of medical devices in Hong Kong except for those containing pharmaceutical products or radioactive substances. We are not engaged in the import or sales of medical devices containing pharmaceutical products or radioactive substances.

However, our operations in Hong Kong are subject to certain general rules and regulations in relation to food, health, safety, importation and exportation, medical practitioners and Chinese medical practitioners.

Public Health and Municipal Services Ordinance

Food products which do not contain Chinese medicines or western medicines are regulated under the Public Health and Municipal Services Ordinance (Cap 132 of the Laws of Hong Kong) whereas no registration, licensing or permit is required for importing or selling such food products. The Public Health and Municipal Services Ordinance covers general protection for food purchasers, offences in connection with sale of unfit food and adulterated food, composition and labelling of food, food hygiene, seizure and destruction of unfit food. Pursuant to the Public Health and Municipal Services Ordinance, no person shall add any substance to food, use any substance as an ingredient in the preparation of food, abstract any constituent from food, or subject food to any other process or treatment, so as (in any such case) to render the food injurious to health, with intent that the food shall be sold for human consumption in that state. The Public Health and Municipal Services Ordinance also provides that any person shall be guilty for selling any food or drug which is not of the nature, or not of the substance, or not of the quality, of the food or drug demanded by a purchaser. Further, any person who sells or offers any food intended for, but unfit for, human consumption, or any drug intended for use by man but unfit for that purpose, shall be guilty of an offence.

Food and Drugs (Composition and Labelling) Regulations

Pursuant to the Food and Drugs (Composition and Labelling) Regulations (Cap 132W of the Laws of Hong Kong), all prepackaged food should be labelled in either English or Chinese or in both languages with its food name or designation, list of ingredients, indication of “best before” or “use by” date, statement of special conditions for storage or instructions for use, count, weight or volume and Name and address of manufacturer or packer. Further, Schedule 5 of the Food and Drugs (Composition and Labelling) Regulations states that, the prepackaged food shall be legibly marked or labelled with a list of nutrients setting out the energy value of the food, the content of the certain nutrients contained in the food and if applicable, the content of any other nutrient contained in the food for which a nutrition claim is made on the food label.

Any person who sells pre-packaged food without proper label shall be guilty of an offence.

The Consumer Goods Safety Regulation

The Consumer Goods Safety Regulation (Cap 456A of the Laws of Hong Kong) requires that any warning or caution with respect to the safe keeping, use, consumption or disposal of any consumer goods must be given in both Chinese and English. Further, the warning or caution must be legible and placed in a conspicuous position on the consumer goods themselves, on any package containing the consumer goods, or be a label securely affixed to the package, or be a document enclosed within the package.

Trade Descriptions Ordinance

The Trade Descriptions Ordinance (Cap 362 of the Laws of Hong Kong) prohibits vendors of goods from providing false descriptions. Any person who in the course of any trade or business applies a false description to any goods, or supplies any goods to which a false trade description is applied, or has in his possession for sale or for any purpose of trade or manufacture any goods to which a false trade description is applied, commits an offence. Any person who imports any goods to which a false trade description is applied commits an offence, unless he proves that he did not know, had no reason to suspect and could not with reasonable diligence have found out that the goods are goods to which a false trade description is applied.

Import and Export Ordinance

The import and export of slimming and beauty products (other than pharmaceutical products and medicines as defined by the Pharmacy and Poisons Ordinance (Cap 138 of the Laws of Hong Kong) and Chinese herbal medicines specified in the Chinese Medicine Ordinance (Cap 549 of the Laws of Hong Kong)) are not subject to control under the Import and Export Ordinance (Cap 60 of the Laws of Hong Kong).

Medical Registration Ordinance and Chinese Medicine Ordinance

Medical practitioners and Chinese medical practitioners are subject to Medical Registration Ordinance (Cap 161 of the Laws of Hong Kong) and Chinese Medicine Ordinance (Cap 549 of the Laws of Hong Kong) respectively. According to Medical Registration Ordinance, a western medicine practitioner is required to be registered with the Medical Council of Hong Kong under Medical Registration Ordinance before he is permitted to practice medicine and surgery in Hong Kong. According to Chinese Medicine Ordinance, a Chinese medicine practitioner is required to be listed or registered under Chinese Medicine Ordinance before he is permitted to practice Chinese Medicine in Hong Kong.

Undesirable Medical Advertisements Ordinance

The Undesirable Medical Advertisements Ordinance (Cap 231 of the Laws of Hong Kong) prohibits any persons to advertise any medicine, surgical appliance or treatment in relation to the correction of deformity or the surgical alteration of a person's appearance.

Publication of Advertisements

The publication of advertisements in Hong Kong may be subject to, among others, the Undesirable Medical Advertisements Ordinance (Chapter 231 of the Laws of Hong Kong), the Race Discrimination Ordinance (Chapter 602 of the Laws of Hong Kong), the Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong), the Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong), the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), the Copyright Ordinance

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(Chapter 528 of the Laws of Hong Kong) and laws relating to, amongst other things, libel and defamation, intellectual property rights, public security, solicitation, gambling, pornography, confidentiality, contempt of court and infringement of third parties' rights.

Regulatory Authorities

Our business operation in Hong Kong is principally subject to the regulation of the Food and Health Bureau, the Food and Environmental Hygiene Department, the Centre for Food Safety and the Hong Kong Consumer Council.

Food and Health Bureau is a government bureau that oversees policies on food and health issues in Hong Kong. The Food and Environmental Hygiene Department is responsible for the enforcement of the relevant laws and regulations. It may take samples of all kinds of food products at their points of entry to Hong Kong and may prohibit or restrict importation of a food product if it is found to be harmful to public health. The Centre for Food Safety has the power to make an order to prohibit the import or supply and to order a recall of the food under certain conditions.

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

MACAU

There is at present no specific legislation governing the provision of slimming and beauty services and products, as well as the provision of medical beauty services in respect of our business in Macau, including qualification of the employed personnel or devices used, save and except legislation governing medical practitioners and Chinese medical practitioners. There is also no specific legislation regulating the import or sale of medical devices in Macau except for those containing pharmaceutical products or radioactive substances. Perfect Shape Macau is not engaged in any import or sales of medical devices containing pharmaceutical products or radioactive substances.

However, the operations of Perfect Shape Macau in Macau are subject to certain general rules and regulations in relation to business operation, food, health, safety, importation and exportation, medical practitioners and Chinese medical practitioners.

Legal Regime of Administrative Licensing of Certain Economic Activities (Decree-Law n.º 47/98/M)

Decree-Law n.º 47/98/M stipulated that certain economic activities conduct in Macau and subject to administrative licensing by the Institute of Civil and Municipal Affairs ("ICMA").

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According to the said legislation, administrative licensing to conduct business in relation to slimming and beauty service will be granted by way of submitting a written notification to the ICMA prior to the commencement of the business within the time period prescribed in the mentioned legislation should the ICMA has no objection to the application.

Operators of business activities stipulated in Decree-Law n.º 47/98/M without the appropriate administrative licensing shall be illegal and shall be liable to administrative fine together with an order of closure of establishment.

Law of Offense Acts against Public Health and Economy (Law n.º 6/96/M)

Food products ^(Note 1) which do not contain any Chinese medicines, western medicines, and products or substances (which are not subject to the control under the Foreign Trade Law) are governed by the Law n.º 6/96/M, and there is no registration, licensing or permit required for selling of such food products. Law n.º 6/96/M sets out a general legal framework covering including but not limited to the general protection to the food purchasers, offences in connection with the sale of unfit food and adulterated food, the composition and labeling of food, food hygiene, the seizure and destruction of unfit food. According to the Law n.º 6/96/M, no person shall add any substance to food, use any substance as ingredient in the course of preparation of food, abstract any constituent from food, or undergo any process or treatment to food, so as (in any such case) to render the food injurious to health, with intention that the food shall be sold for human consumption in that state. Besides, the Law n.º 6/96/M also provides that any person shall be guilty for selling any food which is not of the nature, substance, quality, the food or drug as demanded by the purchaser. Furthermore, any person who sells or offers any food intended for, but unfit for, human consumption, or any drug intended for use by human but unfit for that purpose, shall be considered as an offence.

Prepared Food (Composition and Labeling) Regulation (Decree-Law n.º 50/92/M)

According to the Decree-Law n.º 50/92/M, all prepackaged food and non-prepackaged food should be labeled in either English, Portuguese or Chinese (prepackaged food and non-prepackaged food which produced in Macau should be labeled in both of Portuguese and Chinese) by indicating its name or designation, list of ingredients included the additive, minimum duration date, statement of special conditions for storage or instructions for use, net weight, identification of Lot, country of origin and name and address of the person responsible for the labeling or importer.

It is an offence for any person who sells pre-packaged food or non-prepackaged food without proper label.

Note 1: According to the Decree-Law n.º 6/96/M, “food” means any substance for human consumption, treated or untreated, including all ingredients used in their manufacture, preparation and processing, and shall include drinks and chewing gum.

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General Regime of Product Safety (Administrative Regulation n.º 17/2008)

Administrative Regulation n.º 17/2008, sets out a general regime in relation to product safety in Macau, stipulates that only safety product ^(Note 2) can be placed on the market. Besides, manufacturer has the obligation to ensure that written caution or warning notice in Portuguese or Chinese with respect to the safety keeping, use, consumption or disposal of any products shall be enclosed to the product. Furthermore, distributor is also required to suspend the distribution of any product which is considered as unsafe based on the information available and their professional knowledge. In addition, manufacturer, as well as distributor, has the obligation to carry out all prevention for the unsafe products and exercise a safety testing on product sample once requested by the relevant authorities.

Any person who does not observe the rules set forth in the said legislation shall be subject to the penalty prescribed therein.

Foreign Trade Law (Law n.º 7/2003)

In Macau, the import and export of slimming and beauty products (other than products and substances in connection to medicine as listed in import and export lists annexed in the Chief Executive Despatch n.º 368/2006 and Chief Executive Despatch n.º 180/2010 respectively) are not subject to control under Law n.º 7/2003 which is known as the Foreign Trade Law of Macau.

Licensing for Provision of Private Health Care Activity Regulation (Decree-Law n.º 84/90/M)

The medical practitioners and Chinese medical practitioners employed by the Macau Perfect Shape are subject to Decree-Law n.º 84/90/M. According to the said legislation, a western medicine practitioner or a Chinese medical practitioner is required to be registered with the Health Bureau (“HB”) before practising medicine and surgery in Macau. Besides, the establishment where western medicine practitioner or Chinese medical practitioner practicing medicine and surgery is also required to be registered with the said authority before the commencement of the provision of medical service.

Any person who practices medicine and surgery or opens any medical establishment which is not in compliance with the said legislation shall be subject to fine and an order of closure of his/her establishment.

Note 2: According to the Administrative Regulation n.º 17/2008, “product” does not include food, real estate, aircraft, ship or vehicle, transited or exported product, used product such as antiques or goods sold in the secondhand market, and products of which their safety that are subject to other specific legislations.

General Regime of Advertisement Activities (Law n.º 7/89/M)

Law n.º 7/89/M sets out the general legal regime in respect of advertisement activities which contains certain specific provisions concerning consumer protection and some products and services (including but not limited to vehicle, medical and medical treatment, building). There are also certain provisions in relation to advertisement contained in various specific legislations in relation to specific types of goods (such as tobacco, spirits and pornographic materials). There is no specific law and regulation governing advertisements in relation to beauty services which do not involve medical or surgical services. As a general requirement under the said Law n.º 7/89/M, information about the source, nature, ingredient, function and conditions in relation to the goods to be sold or the services to be provided shall be true and provable, and it is prohibited to include any information which may lead to misunderstanding of the public by means or by ways of technology, subconsciousness or concealment.

Regulatory Authorities

The business operation of Macau Perfect Shape is generally subject to the supervision of the following authorities: the ICMA, the Economic Bureau (“EB”), the HB and the Macau Consumer Council.

The ICMA is the authority responsible for administrative licensing of operation of slimming and beauty service, where the EB oversees policies on food and health issues in Macau, and it is also one of the principal authorities responsible for the enforcement of the relevant laws and regulations. The EB and the ICMA may take samples of any kinds of food products at the border and may prohibit or restrict any importation of a food product if it has been found that it may cause harmful to public health.

The mission of the Macau Consumer Council is to protect the rights of consumers. The consumers shall be entitled to complain for the unsatisfied price or quality of services. The Macau Consumer Council also assists consumers in case if there are any false claim made by the service providers with respect to specific services.

BUSINESS DEVELOPMENT

(1) Introduction

Our history can be traced back to 2003 when Dr. Au-Yeung set up Perfect Shape & Skin to operate our first slimming and beauty service centre under the brand name “Perfect Shape 必瘦站” in Mongkok, Hong Kong. Since then, we continued our growth and expanded all over Hong Kong Island, Kowloon and the New Territories. We continued to build up our reputation and client base. Based on our successful experience in Hong Kong, we could see the potential for development in the PRC. Therefore, in 2009, we entered the PRC market. We opened our first service centre in the PRC at Jinguanghua Plaza (深圳金光華廣場), Shenzhen. We expanded rapidly in the PRC market since then which also contributed to the growth of our operating results during the Track Record Period. Through years of development, we have established our “Perfect Shape 必瘦站” brand as a well-recognised icon for the provision of quality and effective slimming services. As at the Latest Practicable Date, we had 57 service centres. 44 of them were located in 10 major cities in the PRC, namely Shanghai, Guangzhou, Shenzhen, Beijing, Dongguan, Foshan, Chengdu, Nanjing, Tianjin and Chongqing, 12 of them were in Hong Kong and one in Macau. We possessed a well-established client base with more than 90,000 members. Our goal is to further expand our PRC operations and we intend to open 106 additional service centres in the PRC for the four years ending 31 March 2015.

(2) Business milestones

The following table sets forth our business development milestones:

Financial Year	Business achievements
2003	<ul style="list-style-type: none">• Our first operating subsidiary, Perfect Shape & Skin, was incorporated, which marked our inception. We began to provide slimming and beauty services under our brand name “Perfect Shape 必瘦站”.
2004	<ul style="list-style-type: none">• We began sales of slimming and beauty products to complement our services.
2005	<ul style="list-style-type: none">• We opened three service centres in Hong Kong which were located in Causeway Bay, Tsuen Wan and Mongkok.
2006	<ul style="list-style-type: none">• We opened one service centre in Hong Kong which was located in Tsim Sha Tsui.
2007	<ul style="list-style-type: none">• We opened six service centres in Hong Kong which were located in Central, Kowloon Bay, Yuen Long, Tseung Kwan O, Tuen Mun and Sheung Shui.• Our Macau operating subsidiary, Perfect Shape Macau, was incorporated and we began to provide slimming and beauty services under our brand name “Perfect Shape 必瘦站” in Macau.

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- 2008
 - We opened nine service centres in Hong Kong which were located in Hunghom, Ma On Shan, Tai Po, Causeway Bay, Wanchai, North Point, Kowloon City, Mongkok and Kwun Tong.
 - We had a total of 20 service centres scattering in the Hong Kong Island, Kowloon and the New Territories.
- 2009
 - Our first PRC operating subsidiary, Perfect Shape Consultancy, was incorporated and we began to provide slimming and beauty services under our brand name “Perfect Shape 必瘦站” in the PRC.
- 2010
 - We opened six service centres in the PRC comprising two centres in Shenzhen, one centre in Shanghai, one centre in Beijing and two centres in Guangzhou.
- 2011
 - We operated 44 service centres in the PRC comprising 12 centres in Shanghai, 10 centres in Guangzhou, 6 centres in Shenzhen, 6 centres in Beijing and 10 centres in other cities.

CORPORATE DEVELOPMENT

Hong Kong and Macau Subsidiaries

We have been providing slimming and beauty services under our brand “Perfect Shape 必瘦站” since our inception in December 2003 in Hong Kong. In December 2003, Perfect Shape & Skin was incorporated in Hong Kong and our first service centre was established in Mongkok, Hong Kong.

Between 2005 to 2007, the Group’s network of service centres expanded gradually in Hong Kong and the following Group companies were incorporated in Hong Kong and Macau.

Dr. Face

Dr. Face was incorporated on 8 November 2007 in Hong Kong as a limited liability company. It currently operates the service centres under the brand name of Dr. Face. Upon its incorporation, Dr. Face has an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each and it allotted and issued 5,100 shares to Dr. Au-Yeung, 2,500 shares to Ms. Au-Yeung Hung and 2,400 shares to Ms. Au-Yeung Wai respectively.

Perfect Shape Advertising

Perfect Shape Advertising was incorporated on 29 June 2007 in Hong Kong as a limited liability company for the purpose of providing advertising services to our Group. Upon its incorporation, Perfect Shape Advertising has an authorised share

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capital of HK\$10,000 divided into 10,000 shares of HK\$1 each and it allotted and issued 5,000 shares to Dr. Au-Yeung and 5,000 shares to Ms. Au-Yeung Wai respectively.

Perfect Shape & Skin Management

Perfect Shape & Skin Management was incorporated on 19 September 2006 in Hong Kong as a limited liability company for the purpose of holding trademarks for our Group. Upon its incorporation, Perfect Shape & Skin Management has an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each and it allotted and issued 4,900 shares to Ms. Li Yi Fan, 3,600 shares to Ms. Au-Yeung Wai and 1,500 shares to Ms. Au-Yeung Hung respectively. Pursuant to the trust deed dated 19 December 2006, Ms. Li Yi Fan held the 4,900 shares on trust on behalf of Dr. Au-Yeung due to a family arrangement since the date of incorporation of Perfect Shape & Skin Management. Our Hong Kong legal advisors are of the view that the trust arrangement as between Ms. Li Yi Fan and Dr. Au-Yeung is legally binding and valid. On 8 July 2009, Ms. Li Yi Fan transferred 1,000 shares and 3,900 shares she held in Perfect Shape & Skin Management to Ms. Au-Yeung Hung and Dr. Au-Yeung at a consideration of HK\$1,000 and HK\$3,900 respectively and Ms. Au-Yeung Wai transferred 1,200 shares she held in Perfect Shape & Skin Management to Dr. Au-Yeung at a consideration of HK\$1,200.

Perfect Shape & Skin

Perfect Shape & Skin was incorporated on 3 December 2003 in Hong Kong as a limited liability company for the purpose of renting machinery to members of our Group. Upon its incorporation, Perfect Shape & Skin has an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each and it allotted 5,000 shares to Ms. Ng Sze Wai and 5,000 shares to Ms. Li Yi Fan. The authorised share capital of Perfect Shape & Skin was increased from HK\$10,000 to HK\$20,000 on 13 April 2006 and 10,000 shares were allotted for cash to Dr. Au-Yeung. On 24 June 2006, Ms. Ng Sze Wai transferred 5,000 shares she held in Perfect Shape & Skin to Dr. Au-Yeung at a consideration of HK\$5,000. On 4 July 2006, Dr. Au-Yeung transferred 4,800 shares to Ms. Li Yi Fan, 3,000 shares to Ms. Au-Yeung Hung and 7,200 shares to Ms. Au-Yeung Wai at a consideration of HK\$14,400, HK\$9,000 and HK\$21,600 respectively and Perfect Shape & Skin was owned as to 49%, 15% and 36% by Ms. Li Yi Fan, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai respectively.

Perfect Shape & Skin CNT

Perfect Shape & Skin CNT was incorporated on 5 December 2006 in Hong Kong as a limited liability company. It currently operates the service centre in Central. Upon its incorporation, Perfect Shape & Skin CNT has an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each and it allotted and issued 4,900 shares to Ms. Li Yi Fan, 3,600 shares to Ms. Au-Yeung Wai and 1,500 shares to Ms. Au-Yeung Hung respectively. Pursuant to the trust deed dated 5 December 2006, Ms. Li Yi Fan held the 4,900 shares on trust on behalf of Dr. Au-Yeung due to a family arrangement since the date of incorporation of Perfect Shape & Skin CNT. Our Hong

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Kong legal advisors are of the view that the trust arrangement as between Ms. Li Yi Fan and Dr. Au-Yeung is legally binding and valid. On 8 July 2009, Ms. Li Yi Fan transferred 1,000 shares and 3,900 shares she held in Perfect Shape & Skin CNT to Ms. Au-Yeung Hung and Dr. Au-Yeung at a consideration of HK\$1,000 and HK\$3,900 respectively and Ms. Au-Yeung Wai transferred 1,200 shares she held in Perfect Shape & Skin CNT to Dr. Au-Yeung at a consideration of HK\$1,200.

Perfect Shape & Skin SS

Perfect Shape & Skin SS was incorporated on 6 December 2006 in Hong Kong as a limited liability company. It operated the service centre in Sheung Shui until December 2010. However, due to relocation of resources within the Group, the service centre in Sheung Shui was closed down and Perfect Shape & Skin SS is currently inactive. Upon its incorporation, Perfect Shape & Skin SS has an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each and it allotted and issued 4,900 shares to Ms. Li Yi Fan, 3,600 shares to Ms. Au-Yeung Wai and 1,500 shares to Ms. Au-Yeung Hung respectively. Pursuant to the trust deed dated 6 December 2006, Ms. Li Yi Fan held the 4,900 shares on trust on behalf of Dr. Au-Yeung due to a family arrangement since the date of incorporation of Perfect Shape & Skin SS. Our Hong Kong legal advisors are of the view that the trust arrangement as between Ms. Li Yi Fan and Dr. Au-Yeung is legally binding and valid. On 8 July 2009, Ms. Li Yi Fan transferred 1,000 shares and 3,900 shares she held in Perfect Shape & Skin SS to Ms. Au-Yeung Hung and Dr. Au-Yeung at a consideration of HK\$1,000 and HK\$3,900 respectively and Ms. Au-Yeung Wai transferred 1,200 shares she held in Perfect Shape & Skin SS to Dr. Au-Yeung at a consideration of HK\$1,200.

Perfect Shape & Skin TKO

Perfect Shape & Skin TKO was incorporated on 2 August 2006 in Hong Kong as a limited liability company. It operated the service centre in Tseung Kwan O until August 2010. However, due to relocation of resources within the Group, the service centre in Tseung Kwan O was closed down and Perfect Shape & Skin TKO is currently inactive. Upon its incorporation, Perfect Shape & Skin TKO has an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each and it allotted and issued 4,900 shares to Ms. Li Yi Fan, 3,600 shares to Ms. Au-Yeung Wai and 1,500 shares to Ms. Au-Yeung Hung respectively. Pursuant to the trust deed dated 2 August 2006, Ms. Li Yi Fan held the 4,900 shares on trust on behalf of Dr. Au-Yeung due to a family arrangement since the date of incorporation of Perfect Shape & Skin TKO. Our Hong Kong legal advisors are of the view that the trust arrangement as between Ms. Li Yi Fan and Dr. Au-Yeung is legally binding and valid. On 8 July 2009, Ms. Li Yi Fan transferred 1,000 shares and 3,900 shares she held in Perfect Shape & Skin TKO to Ms. Au-Yeung Hung and Dr. Au-Yeung at a consideration of HK\$1,000 and HK\$3,900 respectively and Ms. Au-Yeung Wai transferred 1,200 shares she held in Perfect Shape & Skin TKO to Dr. Au-Yeung at a consideration of HK\$1,200.

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Perfect Shape & Skin TM

Perfect Shape & Skin TM was incorporated on 6 December 2006 in Hong Kong as a limited liability company. It currently operates the service centre in Tuen Mun. Upon its incorporation, Perfect Shape & Skin TM has an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each and it allotted and issued 4,900 shares to Ms. Li Yi Fan, 3,600 shares to Ms. Au-Yeung Wai and 1,500 shares to Ms. Au-Yeung Hung respectively. Pursuant to the trust deed dated 6 December 2006, Ms. Li Yi Fan held the 4,900 shares on trust on behalf of Dr. Au-Yeung due to family arrangement since the date of incorporation of Perfect Shape & Skin TM. Our Hong Kong legal advisors are of the view that the trust arrangement as between Ms. Li Yi Fan and Dr. Au-Yeung is legally binding and valid. On 8 July 2009, Ms. Li Yi Fan transferred 1,000 shares and 3,900 shares she held in Perfect Shape & Skin TM to Ms. Au-Yeung Hung and Dr. Au-Yeung at a consideration of HK\$1,000 and HK\$3,900 respectively and Ms. Au-Yeung Wai transferred 1,200 shares she held in Perfect Shape & Skin TM to Dr. Au-Yeung at a consideration of HK\$1,200.

Perfect Shape & Skin TW

Perfect Shape & Skin TW was incorporated on 24 November 2005 in Hong Kong as a limited liability company. It operated the service centre in Tsuen Wan until June 2010 and is currently inactive. Upon its incorporation, Perfect Shape & Skin TW has an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each and it allotted and issued 5 shares to Ms. Ng Sze Wai and 5 shares to Ms. Li Yi Fan. On 10 April 2006, Perfect Shape & Skin TW further allotted and issued 5,100 share to Dr. Au-Yeung, 3,290 shares to Ng Sze Wai, 800 shares to Ms. Au-Yeung Hung and 800 shares to Ms. Au-Yeung Wai respectively. On 13 April 2006, the authorised share capital of Perfect Shape & Skin TW was increased from HK\$10,000 to HK\$20,000 and 10,000 shares were allotted and issued to Dr. Au-Yeung. On 24 June 2006, Ms. Ng Sze Wai transferred 3,295 shares she held in Perfect Shape & Skin TW to Dr. Au-Yeung at a consideration of HK\$3,295. On 4 July 2006, Dr. Au-Yeung transferred 6,400 shares, 2,200 shares and 9,795 shares he held in Perfect Shape & Skin TW to Ms. Au-Yeung Wai, Ms. Au-Yeung Hung and Ms. Li Yi Fan, at a consideration of HK\$6,400, HK\$2,200 and HK\$9,795, respectively and thus Perfect Shape & Skin TW was owned as to 49%, 15% and 36% by Ms. Li Yi Fan, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai respectively.

Perfect Shape & Skin YL

Perfect Shape & Skin YL was incorporated on 5 July 2006 in Hong Kong as a limited liability company. It currently operates the service centre in Yuen Long. Upon its incorporation, Perfect Shape & Skin YL has an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each and it allotted and issued 4,900 shares to Ms. Li Yi Fan, 3,600 shares to Ms. Au-Yeung Wai and 1,500 shares to Ms. Au-Yeung Hung respectively. Pursuant to the trust deed dated 5 July 2006, Ms. Li Yi Fan held the 4,900 shares on trust on behalf of Dr. Au-Yeung due to a family arrangement since the date of incorporation of Perfect Shape & Skin YL. Our Hong

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Kong legal advisors are of the view that the trust arrangement as between Ms. Li Yi Fan and Dr. Au-Yeung is legally binding and valid. On 8 July 2009, Ms. Li Yi Fan transferred 1,000 shares and 3,900 shares she held in Perfect Shape & Skin YL to Ms. Au-Yeung Hung and Dr. Au-Yeung at a consideration of HK\$1,000 and HK\$3,900 respectively and Ms. Au-Yeung Wai transferred 1,200 shares she held in Perfect Shape & Skin YL to Dr. Au-Yeung at consideration of HK\$1,200.

Perfect Shape & Spa

Perfect Shape & Spa was incorporated on 23 March 2007 in Hong Kong as a limited liability company. It currently operates the service centre in Sha Tin. Upon its incorporation, Perfect Shape & Spa has an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each and it allotted and issued 4,900 shares to Ms. Li Yi Fan, 3,100 shares to Ms. Au-Yeung Wai and 2,000 shares to Ms. Au-Yeung Hung respectively. Pursuant to the trust deed dated 23 March 2007, Ms. Li Yi Fan held the 4,900 shares on trust on behalf of Dr. Au-Yeung due to a family arrangement since the date of incorporation of Perfect Shape & Spa. Our Hong Kong legal advisors are of the view that the trust arrangement as between Ms. Li Yi Fan and Dr. Au-Yeung is legally binding and valid. On 8 July 2009, Ms. Li Yi Fan transferred 500 shares and 4,400 shares she held in Perfect Shape & Spa to Ms. Au-Yeung Hung and Dr. Au-Yeung at a consideration of HK\$500 and HK\$4,400 respectively and Ms. Au-Yeung Wai transferred 700 shares she held in Perfect Shape & Spa to Dr. Au-Yeung at consideration of HK\$700.

Perfect Shape & Spa CWB

Perfect Shape & Spa CWB was incorporated on 30 March 2007 in Hong Kong as a limited liability company. It currently operates the service centre in Causeway Bay. Upon its incorporation, Perfect Shape & Spa CWB has an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each and it allotted and issued 4,900 shares to Ms. Li Yi Fan, 3,100 shares to Ms. Au-Yeung Wai and 2,000 shares to Ms. Au-Yeung Hung respectively. Pursuant to the trust deed dated 23 March 2007, Ms. Li Yi Fan held the 4,900 shares on trust on behalf of Dr. Au-Yeung due to a family arrangement since the date of incorporation of Perfect Shape & Spa CWB. Our Hong Kong legal advisors are of the view that the trust arrangement as between Ms. Li Yi Fan and Dr. Au-Yeung is legally binding and valid. On 8 July 2009, Ms. Li Yi Fan transferred 500 shares and 4,400 shares she held in Perfect Shape & Spa CWB to Ms. Au-Yeung Hung and Dr. Au-Yeung at a consideration of HK\$500 and HK\$4,400 respectively and Ms. Au-Yeung Wai transferred 700 shares she held in Perfect Shape & Spa CWB to Dr. Au-Yeung at a consideration of HK\$700.

Perfect Shape & Spa KT

Perfect Shape & Spa KT was incorporated on 8 November 2007 in Hong Kong as a limited liability company. It operated the service centre in Kwun Tong until October 2011. However, due to relocation of resources within the Group, the service centre in Kwun Tong was closed down and Perfect Shape & Spa KT is currently inactive. Upon its incorporation, Perfect Shape & Spa KT has an authorised share capital of

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HK\$10,000 divided into 10,000 shares of HK\$1 each and it allotted and issued 5,100 shares to Dr. Au-Yeung, 2,500 shares to Ms. Au-Yeung Hung and 2,400 shares to Ms. Au-Yeung Wai respectively.

Perfect Shape & Spa MK

Perfect Shape & Spa MK was incorporated on 30 March 2007 in Hong Kong as a limited liability company. It currently operates the service centre in Mong Kok. Upon its incorporation, Perfect Shape & Spa MK has an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each and it allotted and issued 4,900 shares to Ms. Li Yi Fan, 3,600 shares to Ms. Au-Yeung Wai and 1,500 shares to Ms. Au-Yeung Hung respectively. Pursuant to the trust deed dated 30 March 2007, Ms. Li Yi Fan held the 4,900 shares on trust on behalf of Dr. Au-Yeung due to a family arrangement since the date of incorporation of Perfect Shape & Spa MK. Our Hong Kong legal advisors are of the view that the trust arrangement as between Ms. Li Yi Fan and Dr. Au-Yeung is legally binding and valid. On 8 July 2009, Ms. Li Yi Fan transferred 500 shares and 4,400 shares she held in Perfect Shape & Spa MK to Ms. Au-Yeung Hung and Dr. Au-Yeung at a consideration of HK\$500 and HK\$4,400 respectively and Ms. Au-Yeung Wai transferred 700 shares she held in Perfect Shape & Spa MK to Dr. Au-Yeung at a consideration of HK\$700.

Perfect Shape & Spa MOS

Perfect Shape & Spa MOS was incorporated on 8 November 2007 in Hong Kong as a limited liability company. It operated the service centre in Ma On Shan until March 2010. However, due to relocation of resources within the Group, the service centre in Ma On Shan was closed down and Perfect Shape & Spa MOS is currently inactive. Upon its incorporation, Perfect Shape & Spa MOS has an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each and it allotted and issued 5,100 shares to Dr. Au-Yeung, 2,500 shares to Ms. Au-Yeung Hung and 2,400 shares to Ms. Au-Yeung Wai respectively.

Perfect Shape & Spa NP

Perfect Shape & Spa NP was incorporated on 11 September 2007 in Hong Kong as a limited liability company. It operated the service centre in North Point until September 2011. However, due to relocation of resources within the Group, the service centre in North Point was closed down and Perfect Shape & Spa NP is currently inactive. Upon its incorporation, Perfect Shape & Spa NP has an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each and it allotted and issued 5,100 shares to Dr. Au-Yeung, 2,500 shares to Ms. Au-Yeung Hung and 2,400 shares to Ms. Au-Yeung Wai respectively.

Perfect Shape & Spa TP

Perfect Shape & Spa TP was incorporated on 4 December 2007 in Hong Kong as a limited liability company. It currently operates the service centre in Tai Po. Upon its incorporation, Perfect Shape & Spa TP has an authorised share capital of HK\$10,000

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divided into 10,000 shares of HK\$1 each and it allotted and issued 5,100 shares to Dr. Au-Yeung, 2,500 shares to Ms. Au-Yeung Hung and 2,400 shares to Ms. Au-Yeung Wai respectively.

Perfect Shape & Spa TST

Perfect Shape & Spa TST was incorporated on 10 August 2007 in Hong Kong as a limited liability company. It currently operates the service centre in Tsimshatsui. Upon its incorporation, Perfect Shape & Spa TST has an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each and it allotted and issued 5,100 shares to Dr. Au-Yeung, 2,500 shares to Ms. Au-Yeung Hung and 2,400 shares to Ms. Au-Yeung Wai respectively.

Perfect Shape & Spa TW

Perfect Shape & Spa TW was incorporated on 5 July 2006 in Hong Kong as a limited liability company. It currently operates the service centre in Tsuen Wan. Upon its incorporation, Perfect Shape & Spa TW has an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each and it allotted and issued 4,900 shares to Ms. Li Yi Fan, 3,600 shares to Ms. Au-Yeung Wai and 1,500 shares to Ms. Au-Yeung Hung respectively. Pursuant to the trust deed dated 5 July 2006, Ms. Li Yi Fan held the 4,900 shares on trust on behalf of Dr. Au-Yeung due to a family arrangement since the date of incorporation of Perfect Shape & Spa TW. Our Hong Kong legal advisors are of the view that the trust arrangement as between Ms. Li Yi Fan and Dr. Au-Yeung is legally binding and valid. On 7 July 2009, Ms. Li Yi Fan transferred 1,000 shares and 3,900 shares she held in Perfect Shape & Spa TW to Ms. Au-Yeung Hung and Dr. Au-Yeung at a consideration of HK\$1,000 and HK\$3,900 respectively and Ms. Au-Yeung Wai transferred 1,200 shares she held in Perfect Shape & Spa TW to Dr. Au-Yeung at a consideration of HK\$1,200.

Perfect Shape Investment Shanghai

Perfect Shape Investment Shanghai was incorporated on 30 November 2007 in Hong Kong as a limited liability company and it is a holding company of our Group which directly holds the entire interest in the share capital of Perfect Shape Consultancy and indirectly holds the entire interest in the PRC subsidiaries. Upon its incorporation, Perfect Shape Investment Shanghai has an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each and it allotted and issued 5,100 shares to Dr. Au-Yeung, 2,500 shares to Ms. Au-Yeung Hung and 2,400 shares to Ms. Au-Yeung Wai respectively. Please refer to the paragraph headed “PRC Subsidiaries” below for the details of the PRC subsidiaries.

Perfect Shape Holdings

Perfect Shape Holdings was incorporated on 10 October 2007 in Hong Kong as a limited liability company provision of management service. Upon its incorporation, Perfect Shape Holdings has an authorised share capital of HK\$10,000 divided into

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10,000 shares of HK\$1 each and it allotted and issued 5,100 shares to Dr. Au-Yeung, 2,500 shares to Ms. Au-Yeung Hung and 2,400 shares to Ms. Au-Yeung Wai respectively.

Perfect Skin Medical

Perfect Skin Medical was incorporated on 31 August 2006 in Hong Kong as a limited liability company, principal activities of which are provision of slimming and beauty services and sales of slimming and beauty products. Upon its incorporation, Perfect Skin Medical has an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each and it allotted and issued 4,900 shares to Ms. Li Yi Fan, 3,600 shares to Ms. Au-Yeung Wai and 1,500 shares to Ms. Au-Yeung Hung respectively. Pursuant to the trust deed dated 31 August 2006, Ms. Li Yi Fan held the 4,900 shares on trust on behalf of Dr. Au-Yeung due to a family arrangement since the date of incorporation of Perfect Skin Medical. Our Hong Kong legal advisors are of the view that the trust arrangement as between Ms Li Yi Fan and Dr. Au-Yeung is legally binding and valid. On 8 July 2009, Ms. Li Yi Fan transferred 1,000 shares and 3,900 shares she held in Perfect Skin Medical to Ms. Au-Yeung Hung and Dr. Au-Yeung at a consideration of HK\$1,000 and HK\$3,900 respectively and Ms. Au-Yeung Wai transferred 1,200 shares she held in Perfect Skin Medical to Dr. Au-Yeung at a consideration of HK\$1,200.

Slim Model

Slim Model was incorporated on 10 August 2007 in Hong Kong as a limited liability company. It operates the service centre in Causeway Bay. Upon its incorporation, Slim Model has an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each and it allotted and issued 5,100 shares to Dr. Au-Yeung, 2,500 shares to Ms. Au-Yeung Hung and 2,400 shares to Ms. Au-Yeung Wai respectively.

Slimming Medical

Slimming Medical was incorporated on 21 September 2007 in Hong Kong as a limited liability company for the purpose of property letting and is currently inactive. Upon its incorporation, Slimming Medical has an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each and it allotted and issued 5,100 shares to Dr. Au-Yeung, 2,500 shares to Ms. Au-Yeung Hung and 2,400 shares to Ms. Au-Yeung Wai respectively.

Perfect Shape Macau

Perfect Shape Macau is a private company incorporated on 30 November 2007 in Macau. It currently operates the service centre in Macau. The registered capital of Perfect Shape Macau is MOP100,000 upon its incorporation, of which Dr. Au-Yeung held one share (quota) worth MOP51,000.00, Ms. Au-Yeung Hung held one share (quota) worth MOP25,000.00 and Ms. Au-Yeung Wai held one share (quota) worth

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MOP24,000.00 respectively. On 1 December 2011, Perfect Shape Macau became our wholly-owned subsidiary as part of the Reorganisation as further described under the paragraph headed “The Reorganisation” below.

Following the series of share transfers in respect of some of the HK Slimming and Beauty Companies, as at 1 April 2008, Dr. Face, Perfect Shape & Spa KT, Perfect Shape & Spa MOS, Perfect Shape & Spa NP, Perfect Shape & Spa TP, Perfect Shape & Spa TST, Perfect Shape Holdings, Perfect Shape Investment Shanghai, Slim Model and Slimming Medical were held as to 51%, 25% and 24% by Dr. Au-Yeung, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai respectively; Perfect Shape & Skin, Perfect Shape & Skin CNT, Perfect Shape & Skin SS, Perfect Shape & Skin TKO, Perfect Shape & Skin TW, Perfect Shape & Skin YL, Perfect Shape & Spa TW, Perfect Shape & Skin Management and Perfect Skin Medical were held as to 49%, 15% and 36% by Ms. Li Yi Fan, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai respectively; Perfect Shape & Spa, Perfect Shape & Spa CWB and Perfect Shape & Spa MK were held as to 49%, 20% and 31% by Ms. Li Yi Fan, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai respectively; and Perfect Shape Advertising was held as to 50% by each of Dr. Au-Yeung and Ms. Au-Yeung Wai.

Following the several share transfers in respect of Perfect Shape & Skin Management and some of the HK Slimming and Beauty Companies during the Track Record Period, save and except Perfect Shape & Skin and Perfect Shape & Skin TW which were both held as to 49%, 20% and 31% by Ms. Li Yi Fan, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai respectively and Perfect Shape Advertising which was held as to 50% by each of Dr. Au-Yeung and Ms. Au-Yeung Wai, all of the said Hong Kong subsidiaries set out above and Perfect Shape Macau were held as to 51%, 25% and 24% by Dr. Au-Yeung, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai respectively.

Please refer to the paragraph headed “The Reorganisation” below in this section for the group charts of our Group after completion of the said share transfers and immediately prior to the Reorganisation.

PRC Subsidiaries

Perfect Shape Consultancy was incorporated under the laws of PRC in January 2009 as a wholly-owned subsidiary of Perfect Shape Investment Shanghai. Since then, eight subsidiaries were incorporated in the PRC and are wholly owned by Perfect Shape Consultancy. Details of the said eight PRC subsidiaries are set out below:

Beijing Snow Skin

Beijing Snow Skin was established by Perfect Shape Consultancy as a limited liability company under the laws of the PRC on 12 February 2010 with a registered capital of RMB1 million, business scope of which includes beauty services (excluding medical beauty services), fitness services and sales of cosmetic products. It currently operates the service centres at Beijing Guorui Shopping Centre (北京國瑞購物中心), Tianjin Milaiou Centre (天津米萊歐百貨), Beijing Oumeihui Shopping Centre (北京歐美匯購物中心), Beijing Dongfang Xintiandi Plaza (北京東方新天地商場) and Beijing Dongfang Ginza Mall (北京銀座百貨).

HISTORY AND REORGANISATION

Shanghai Perfect Shape Consultancy

Shanghai Perfect Shape Consultancy was established by Perfect Shape Consultancy as a limited liability company under the laws of the PRC on 1 December 2010 with a registered capital of RMB1 million, business scope of which includes business management consultation, slimming services (excluding provision of beauty services and slimming services by medical or drug measures), fitness services; and in respect of its branches, provision of beauty services and wholesale of cosmetic products. It currently operates the service centres at Chengdu Lesen Shopping Centre (成都樂森購物中心), Shanghai Changning Longzimeng Shopping Centre (上海長寧龍之夢), Nanjing International Finance Centre (南京國際金融中心), Shanghai Hong Kong Plaza (上海香港廣場), Shanghai Wu Jiao Chang (上海五角場), Shanghai Bailian Shimao International Plaza (上海百聯世茂國際廣場), Shanghai Da Ning International Commercial Plaza (上海大寧國際商業廣場), Shanghai Jiajie International Plaza (上海嘉杰國際廣場), Shanghai Lianyang Plaza (上海聯洋廣場), Chongqing New World Department Store (Jiangbei Store) (重慶新世界百貨江北店), Shanghai Jinqiao Plaza (上海金橋廣場), Guangzhou Jiayu Taiyangcheng Plaza (廣州嘉裕太陽城), Guangzhou Guangbai Xinyicheng Shopping Centre (廣州廣百新一城), Shanghai Huarun Times Plaza Centre (上海華潤時代廣場), Beijing Beichen Shenghuo Plaza (北京北辰生活廣場), Dongguan Nancheng Zongyi Plaza (東莞南城綜藝廣場), Beijing Western Xizhimen Jiamao Centre (北京西直門嘉茂中心), Chengdu Yiteng Yanghua (成都伊藤洋華堂) and Shanghai Plaza 66 (上海恆隆廣場).

Shanghai Emma Consultancy

Shanghai Emma Consultancy was established by Perfect Shape Consultancy as a limited liability company under the laws of the PRC on 1 December 2010 with a registered capital of RMB1 million, business scope of which includes business management consultation, slimming services (excluding provision of beauty services and slimming services by medical or drug measures), fitness services; and in respect of its branches, provision of beauty services and wholesale of cosmetic products. It currently operates the service centres at Shenzhen Diwang Shopping Centre Xinxing Plaza (深圳信興廣場副樓(地王購物中心)), Shanghai Jiajie International Plaza (上海嘉杰國際廣場), Guangzhou Fubang Centre (廣州富邦中心), Shanghai Jinying Tiandi (上海金鷹天地), Chongqing New World Department Store (Jiangbei Store) (重慶新世界百貨江北店) and Guangzhou Guangbai Xinyicheng Shopping Centre (廣州廣百新一城).

Guangzhou Shape Perfect

Guangzhou Shape Perfect was established by Perfect Shape Consultancy as a limited liability company under the laws of the PRC on 26 November 2009 with a registered capital of RMB1 million, business scope of which includes the provision of beauty services (excluding medical beauty services) and sales of cosmetic products. It currently operates the service centres at Wuyuehua Commercial Plaza (五月花商業廣場), Guangzhou Panyu Zhuanhui Jewelry Plaza (廣州番禺鑽匯珠寶廣場) and Guangzhou Liying Shopping Mall (廣州麗影購物廣場).

HISTORY AND REORGANISATION

Guangzhou Perfect Shape

Guangzhou Perfect Shape was established by Perfect Shape Consultancy as a limited liability company under the laws of the PRC on 14 July 2009 with a registered capital of RMB1 million, business scope of which includes the provision of beauty services (excluding medical beauty services) and sales of cosmetic products. It currently operates the service centre at Guangzhou Zhonghua Plaza Centre (廣州中華廣場).

Guangzhou Emma Consultancy

Guangzhou Emma Consultancy was established by Perfect Shape Consultancy as a limited liability company under the laws of the PRC on 15 October 2010 with a registered capital of RMB500,000, business scope of which includes business management consultation, beauty and slimming consultation, fitness consultation, wholesale of cosmetic products, import and export of goods and technologies (other than those prohibited under relevant laws and administration procedures).

Shenzhen Shape Perfect

Shenzhen Shape Perfect was established by Perfect Shape Consultancy as a limited liability company under the laws of the PRC on 8 September 2009 with a registered capital of RMB1 million, business scope of which includes the provision of beauty services (excluding medical beauty services) and sales of cosmetic products, beauty and hairdressing product and equipment. It currently operates the service centre located in Shenzhen Haiancheng Centre (深圳海岸城廣場) Shenzhen Lowu Jinguanghua Plaza (深圳羅湖金光華廣場), Dongguan Yian Department Store Diwang Plaza (東莞地王廣場怡安百貨), Shenzhen NICO Nuren Shijie Mingdian (深圳NICO女人世界名店), Guangzhou Zhengjia Plaza (廣州正佳廣場), Shenzhen Xinyijia Centre (深圳新一佳), Dongguan Shiji Plaza (東莞世紀廣場) and Dongfang Plaza Pearl City (東方廣場明珠城).

Shanghai Mushi Consultancy

Shanghai Mushi Consultancy was established by Perfect Shape Consultancy as a limited liability company under the laws of the PRC on 1 December 2010 with a registered capital of RMB1 million, business scope of which includes business management consultation, slimming services (excluding provision of beauty services and provision of slimming service by medical or drug measures), fitness services and in respect of its branches, the provision of beauty services and wholesale of cosmetic products. It currently operates the service centres at Shenzhen Diwang Shopping Centre Xinxing Plaza (深圳信興廣場副樓(地王購物中心)) and Wuyuehua Commercial Plaza (五月花商業廣場).

Perfect Shape Consultancy

Perfect Shape Consultancy was established by Perfect Shape Investment Shanghai as a wholly foreign owned enterprise under the laws of the PRC on 15 January 2009 with a registered capital of RMB1 million of which its business scope include beauty and slimming consultation, fitness consultation, business management consultation,

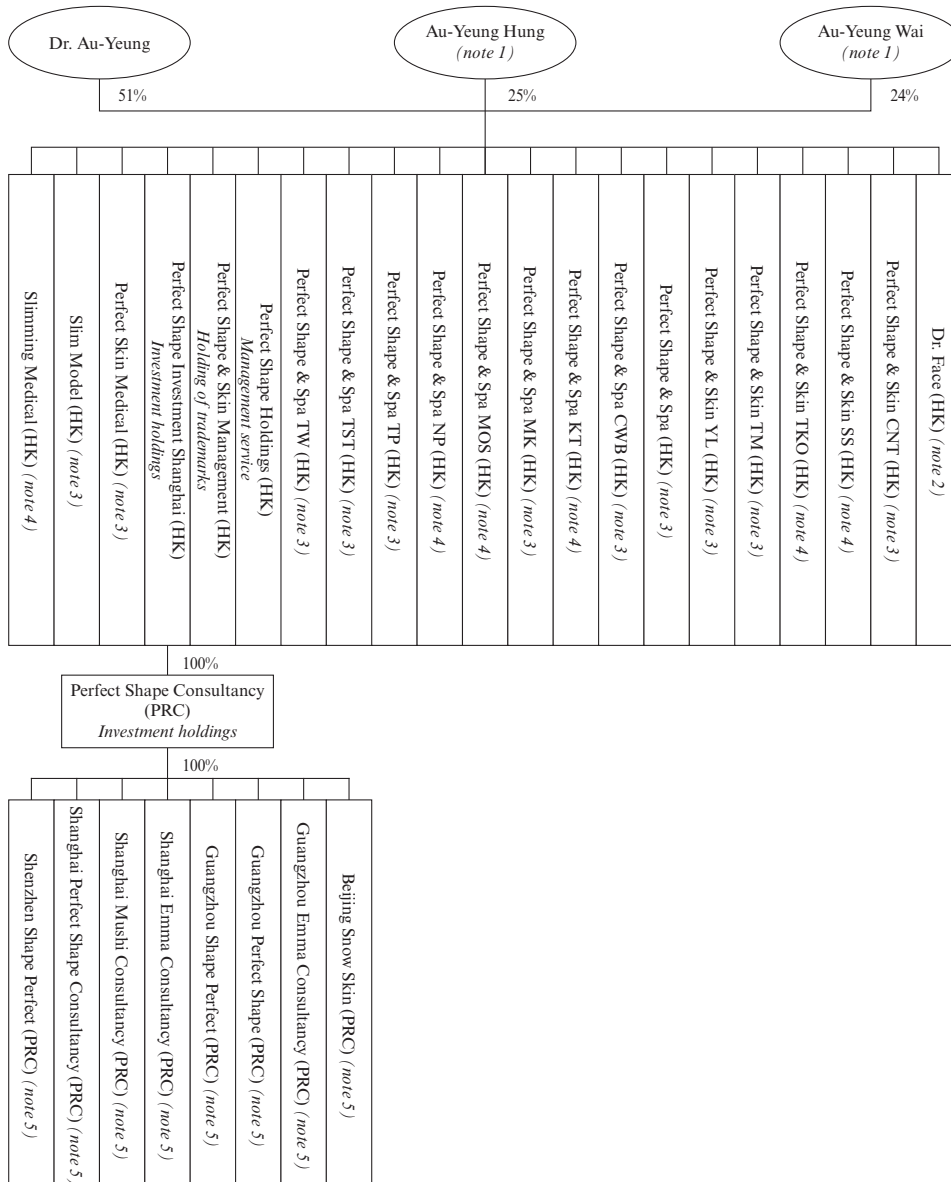
HISTORY AND REORGANISATION

wholesale, import of cosmetic products and provision of relevant supporting services (other than those prohibited under relevant laws and administrative procedures); and in respect of its branches provision of beauty services (excluding medical beauty services). Perfect Shape Consultancy is an investment holding company which directly holds the entire interests in the PRC Slimming and Beauty Companies.

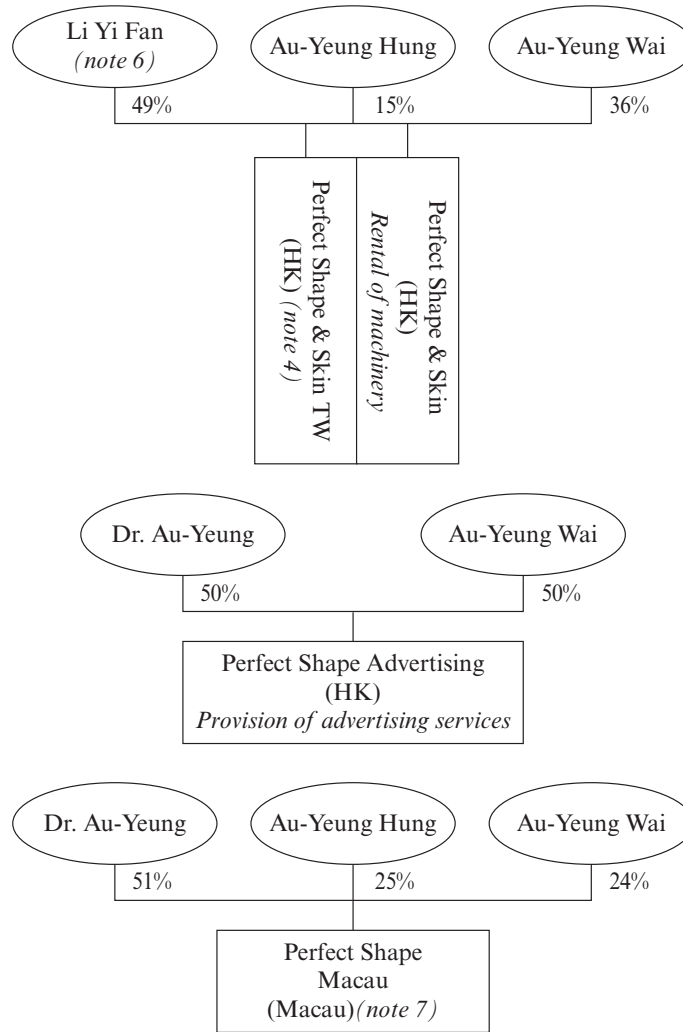
REORGANISATION AND CORPORATE STRUCTURE

The Reorganisation

The companies comprising our Group were directly owned by Dr. Au-Yeung and/or his family members, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai before the Reorganisation. The following charts set out the corporate structure of our Group immediately prior to the Reorganisation:



HISTORY AND REORGANISATION



Notes:

- (1) Ms. Au-Yeung Wai and Ms. Au-Yeung Hung, the executive Directors and Controlling Shareholders, are the sisters of Dr. Au-Yeung.
- (2) The principal business activities of Dr. Face are provision of medical beauty services in Hong Kong.
- (3) The principle business activities of each of these Hong Kong subsidiaries are provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong.
- (4) The principle business activities of each of these Hong Kong subsidiaries are investment holdings or inactive.
- (5) The principle business activities of each of these PRC subsidiaries are provision of slimming and beauty services in the PRC.
- (6) Ms. Li Yi Fan is the mother of Dr. Au-Yeung, Ms. Au-Yeung Wai and Ms. Au-Yeung Hung.
- (7) The principle business activities of Perfect Shape Macau are provision of slimming and beauty services in Macau.

HISTORY AND REORGANISATION

In anticipation of the Global Offering, we underwent the following Reorganisation as a result of which our Company became the holding company of the members of our Group:

- On 25 March 2011, Perfect Shape Holdings HK was incorporated with limited liability in BVI. 51, 25 and 24 shares of Perfect Shape Holdings HK representing 51%, 25% and 24% of the total issued share capital of Perfect Shape Holdings HK were issued and allotted at par to Dr. Au-Yeung, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai respectively.
- On 25 March 2011, Perfect Shape Holdings China was incorporated with limited liability in BVI. 51, 25 and 24 shares of Perfect Shape Holdings China representing 51%, 25% and 24% of the total issued share capital of Perfect Shape Holdings China were issued and allotted at par to Dr. Au-Yeung, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai respectively.
- Pursuant to the instrument of transfers and bought and sold notes all dated 15 November 2011, Ms. Au-Yeung Hung, Ms. Au-Yeung Wai and Ms. Li Yi Fan respectively transferred their 15%, 36% and 49% equity interest in Perfect Shape & Skin and Perfect Shape & Skin TW to Perfect Shape Holdings HK respectively. Upon completion of these transfers, Perfect Shape & Skin and Perfect Shape & Skin TW became wholly-owned subsidiaries of Perfect Shape Holdings HK.
- Pursuant to the instrument of transfers and bought and sold notes all dated 15 November 2011, Dr. Au-Yeung, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai respectively transferred their 51%, 25% and 24% equity interest in Dr. Face, Perfect Shape & Skin CNT, Perfect Shape & Skin SS, Perfect Shape & Skin TKO, Perfect Shape & Skin TM, Perfect Shape & Skin YL, Perfect Shape & Spa, Perfect Shape & Spa CWB, Perfect Shape & Spa KT, Perfect Shape & Spa MK, Perfect Shape & Spa MOS, Perfect Shape & Spa NP, Perfect Shape & Spa TP, Perfect Shape & Spa TST, Perfect Shape & Spa TW, Perfect Shape Holdings, Perfect Skin Medical, Slim Model and Slimming Medical to Perfect Shape Holdings HK. Upon completion of these transfers, Dr. Face, Perfect Shape & Skin CNT, Perfect Shape & Skin SS, Perfect Shape & Skin TKO, Perfect Shape & Skin TM, Perfect Shape & Skin YL, Perfect Shape & Spa, Perfect Shape & Spa CWB, Perfect Shape & Spa KT, Perfect Shape & Spa MK, Perfect Shape & Spa MOS, Perfect Shape & Spa NP, Perfect Shape & Spa TP, Perfect Shape & Spa TST, Perfect Shape & Spa TW, Perfect Shape Holdings, Perfect Skin Medical, Slim Model and Slimming Medical became wholly-owned subsidiaries of Perfect Shape Holdings HK.
- Pursuant to the transfer agreement dated 28 November 2011 entered into among Dr. Au-Yeung, Ms. Au-Yeung Hung, Ms. Au-Yeung Wai and Perfect Shape Holdings HK, Dr. Au-Yeung, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai respectively transferred their 51%, 25% and 24% equity interest in Perfect Shape Macau to Perfect Shape Holdings HK. Upon completion of this transfer, Perfect Shape Macau became a wholly-owned subsidiary of Perfect Shape Holdings HK.

HISTORY AND REORGANISATION

- Pursuant to the instrument of transfers and bought and sold notes all dated 15 November 2011, Dr. Au-Yeung, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai respectively transferred their 51%, 25% and 24% equity interest in Perfect Shape Investment Shanghai to Perfect Shape Holdings China. Upon completion of this transfer, Perfect Shape Investment Shanghai became a wholly-owned subsidiary of Perfect Shape Holdings China.
- On 11 March 2011, the Company was incorporated with limited liability in the Cayman Islands with authorised share capital of HK\$1,000,000,000 divided into 10,000,000,000 Shares of par value of HK\$0.10 each. On the same day, 1 Share was allotted, issued and credited as fully paid to our Company's initial subscriber, which was subsequently transferred to Dr. Au-Yeung and on the same day, our Company allotted and issued, credited as fully paid, 50 Shares to Dr. Au-Yeung, 25 Shares to Ms. Au-Yeung Hung and 24 Shares to Ms. Au-Yeung Wai at par value. The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing and as a result of which, our Company became the holding company of our Group.
- On 4 March 2011, 16 February 2011 and 17 March 2011, each of Sure Sino Investments, Market Event Holdings and Earlson Holdings were respectively incorporated with limited liability in BVI. 1 share of par value of US\$1.00 of each of Sure Sino Investments, Market Event Holdings and Earlson Holdings was issued and allotted at par to Dr. Au-Yeung, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai respectively and thus Sure Sino Investments, Market Event Holdings and Earlson Holdings were wholly owned by Dr. Au-Yeung, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai respectively.
- Pursuant to the instrument of transfers and bought and sold notes all dated 30 November 2011, Dr. Au-Yeung, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai transferred their 51%, 25% and 24% equity interest in our Company to Sure Sino Investments, Market Event Holdings and Earlson Holdings respectively.
- Pursuant to the instrument of transfers and bought and sold notes all dated 15 November 2011, Dr. Au-Yeung, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai respectively transferred their 51%, 25% and 24% equity interest in Perfect Shape & Skin Management to our Company. Upon completion of these transfers, Perfect Shape & Skin Management became a wholly-owned subsidiary of our Company.
- Pursuant to the instrument of transfer and bought and sold note both dated 15 November 2011, Dr. Au-Yeung and Ms. Au-Yeung Wai respectively transferred their 50% and 50% equity interest in Perfect Shape Advertising to our Company. Upon completion of this transfer, Perfect Shape Advertising became a wholly-owned subsidiary of our Company.
- On 30 November 2011, our Company, Dr. Au-Yeung, Ms. Au-Yeung Hung, Ms. Au-Yeung Wai and Perfect Shape Holdings HK entered into a share swap agreement (the "First Share Swap Agreement"). Pursuant to the First Share Swap

HISTORY AND REORGANISATION

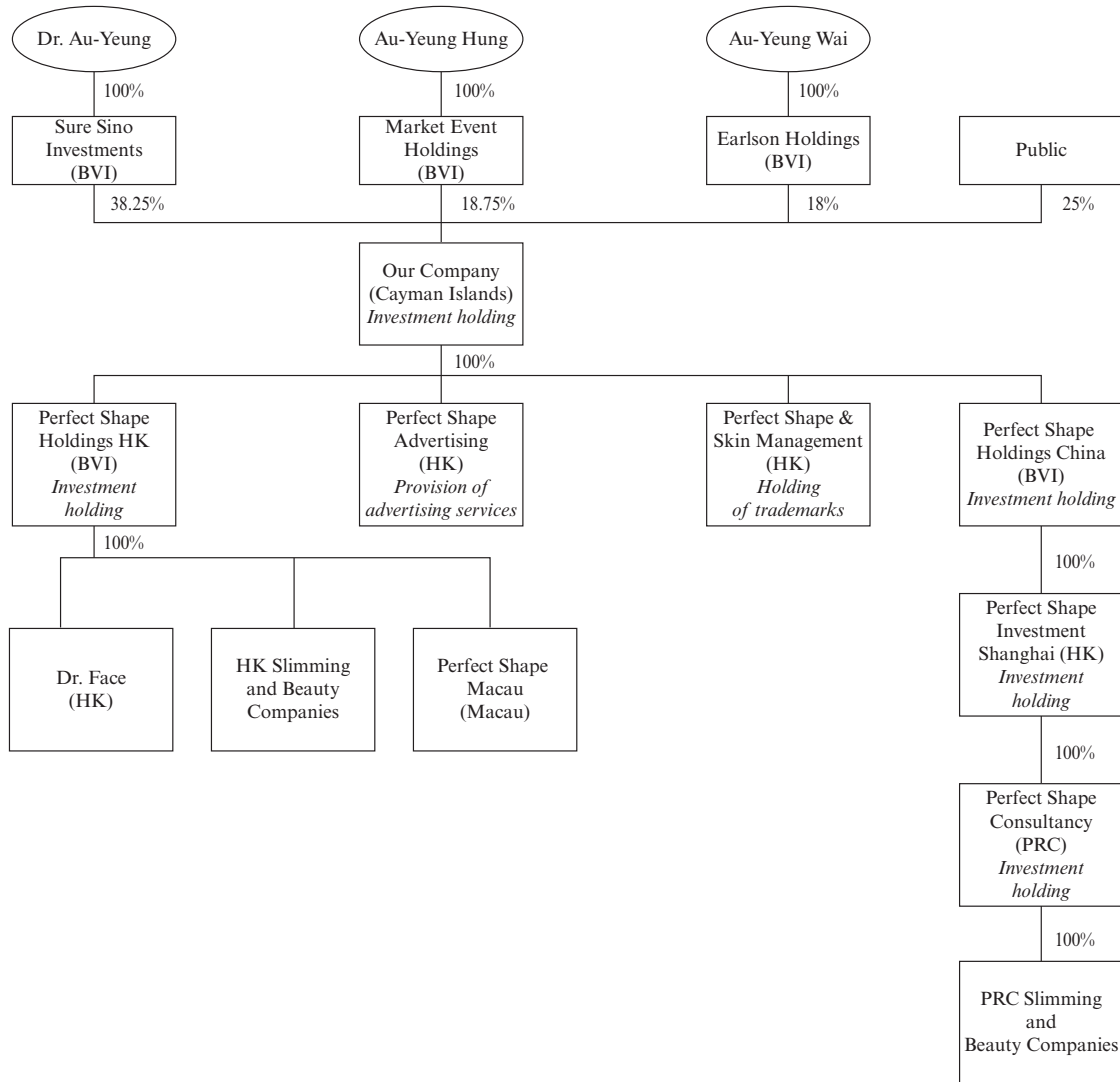
Agreement, Dr. Au-Yeung, Ms. Au-Yeung Hung, Ms. Au-Yeung Wai transferred 51, 25 and 24 shares respectively, representing a total of 100% of the issued share capital in Perfect Shape Holdings HK to our Company in consideration and exchange of our Company, at the direction of Dr. Au-Yeung, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai, issuing and allotting 51, 25 and 24 Shares, all credited as fully paid, to Sure Sino Investments, Market Event Holdings and Earlsion Holdings respectively.

- On 30 November 2011, our Company, Dr. Au-Yeung, Ms. Au-Yeung Hung, Ms. Au-Yeung Wai and Perfect Shape Holdings China entered into a share swap agreement (the “Second Share Swap Agreement”). Pursuant to the Second Share Swap Agreement, Dr. Au-Yeung, Ms. Au-Yeung Hung, Ms. Au-Yeung Wai transferred 51, 25 and 24 shares respectively, representing a total of 100% of the issued share capital in Perfect Shape Holdings China to our Company in consideration and exchange of our Company, at the direction of Dr. Au-Yeung, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai, issuing and allotting 51, 25 and 24 Shares, all credited as fully paid, to Sure Sino Investments, Market Event Holdings and Earlsion Holdings respectively.

HISTORY AND REORGANISATION

Global Offering

The following chart shows our corporate and shareholding structure immediately following the completion of the Global Offering and the Capitalisation Issue, assuming the Over-allotment Option is not exercised and there is no allotment or issuing of new Share under the Share Option Scheme:



Note: If the Over-allotment Option is exercised in full, the shareholding of Sure Sino Investments, Market Event Holdings, Earlson Holdings and the public Shareholders will be approximately 36.87%, 18.07%, 17.35% and 27.71% respectively.

OVERVIEW

We are a well-established slimming and beauty service provider and operate under the well-known brand name “Perfect Shape 必瘦站”, targeting mid to high-end clients in the PRC, Hong Kong and Macau. We have our origin in Hong Kong and experienced substantial growth in the PRC market during the Track Record Period. Through years of development, we have established our “Perfect Shape 必瘦站” brand as a well-recognised icon for the provision of quality and effective slimming services. Our brand recognition can be proved by the various achievements we have accomplished over the years such as “Superbrands Hong Kong Award” and “PRC Consumer’s Most Favourable Hong Kong Brands”. As part of our advertising and promotional campaigns to enhance brand recognition, we sponsored large-scale beauty contests in Hong Kong and were the “Miss Hong Kong Pageant 2008 Official Slimming Centre” for Miss Hong Kong Pageant 2008, the “Preferred Slimming Centre” for Miss Chinese International Pageant 2009 and the slimming consultant for Miss Asia Pageant (PRC Division) 2009. Contributing to our successful expansion in the PRC, we achieved a sustaining growth in the past years. Our revenue increased from HK\$236.3 million for the year ended 31 March 2009 to HK\$309.0 million for the year ended 31 March 2011, representing a CAGR of 14.4%. For the four months ended 31 July 2011, our revenue increased to HK\$134.5 million from HK\$100.9 million for the same period in 2010. Our profit attributable to equity holders increased from HK\$28.6 million for the year ended 31 March 2009 to HK\$50.3 million for the year ended 31 March 2011, representing a CAGR of 32.6%. For the four months ended 31 July 2011, our profit attributable to equity holders increased to HK\$28.9 million from HK\$14.3 million for the same period in 2010.

Our Services and Products

We offer around 100 types of slimming treatments in terms of the body parts, the equipment, the slimming products and massage techniques used which not only focus on weight loss management but also emphasise on body shaping and maintenance. We take pride in the provision of tailor-made slimming services. We recommend the most suitable slimming treatments to our clients based upon our clients’ goals and physical conditions. Our slimming consultants and nutritionists are involved in the implementation process and closely monitor the progress of and follow up with each client throughout the whole slimming programme. We also offer around 80 types of beauty treatments including medical beauty treatments which can be further categorised into treatments with focus on individual parts of the body such as facial treatments, neck treatments, eye treatments, hand treatments and breast treatments, spa and massage services with different machinery and beauty products used to cater for the needs of different clients. Revenue from provision of slimming and beauty services accounted for HK\$143.3 million, HK\$148.5 million, HK\$203.0 million and HK\$83.7 million, representing 60.6%, 63.2%, 65.7% and 62.2% of our total revenue, for the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, respectively.

In order to complement our services, we sell around 10 types of slimming and beauty products, among which, there are 7 types of slimming products and 3 types of beauty products, at our service centres. We source our slimming and beauty products from independent manufacturers and the finished products are labelled and sold under our brands. Revenue from the sales of the above products accounted for HK\$7.0 million, HK\$13.6 million, HK\$32.8 million and HK\$15.6 million, representing 3.0%, 5.8%, 10.6% and 11.6% of our total revenue, for the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, respectively. In view of the growing demand of high-end slimming and beauty products in the PRC, our Directors consider that sales of slimming and beauty products will be one of the engines driving our future growth.

Our Service Centres and Members

We have strong presence in the PRC, Hong Kong and Macau. As at the Latest Practicable Date, we, being one of the premium Hong Kong brands for slimming and beauty service, operated 57 service centres, of which 44 of them are located in 10 major cities in the PRC, including Shanghai, Guangzhou, Shenzhen, Beijing, Dongguan, Foshan, Chengdu, Nanjing, Tianjin and Chongqing; 12 in Hong Kong; and one in Macau. Our service centres are mainly located in the prime commercial districts in the PRC. For example, we operate flagship centres in Plaza 66 (恒隆廣場), Dongfang Plaza (東方廣場), Zhengjia Plaza (正佳廣場), and Jinguanghua Plaza (金光華廣場), which are high-end shopping malls located in Shanghai, Beijing, Guangzhou and Shenzhen, respectively. We classify our service centres into two categories, namely flagship centres and standard centres. Our service centres which are located in prestigious shopping malls or high-end departmental stores in prime locations are classified as flagship centres, and the others are classified as standard centres. All standard and flagship centres are operated by ourselves and there is no material difference in the services provided by our standard and flagship centres. As at the Latest Practicable Date, the average size of our flagship centres and standard centres is about 425 sq.m. and 195 sq.m., respectively.

BUSINESS

Set out below is a list of our service centres as at the Latest Practicable Date:

Location	Number of service centres		Total
	Standard centres	Flagship centres	
PRC			
● Shanghai	10	2	12
● Guangzhou	7	3	10
● Shenzhen	4	2	6
● Beijing	5	1	6
● Dongguan	3	—	3
● Foshan	1	—	1
● Chengdu	2	—	2
● Nanjing	1	—	1
● Tianjin	1	—	1
● Chongqing	2	—	2
Hong Kong (Note)	9	3	12
Macau	1	—	1
Total	46	11	57

Note: Our service centres in Hong Kong were located at Central, Causeway Bay, Mongkok, Tsuen Wan, Tsim Sha Tsui, Tuen Mun, Yuen Long, Shatin and Tai Po.

Our Group has nearly eight years, four years and three years of operating history in Hong Kong, Macau and the PRC, respectively. Based on the experience of our Directors and the historical operating results, it generally takes six to 12 months for a new service centre to break even. We have a well-established client base, which is vital for our business growth. As at the Latest Practicable Date, we had around 38,000 members in the PRC, 48,000 members in Hong Kong and 4,000 members in Macau. Our well-established client base brings confidence to our new clients and provides us with new market opportunities through word-of-mouth referrals. The number of active members as at 31 March 2011, defined as members who received slimming and beauty services in our service centres in that year, were 17,714 in the PRC, 9,105 in Hong Kong and 2,269 in Macau, respectively. Among these active members, 12,623 members in the PRC, 4,231 members in Hong Kong and 890 members in Macau, had unutilised prepaid packages with our Group as at 31 March 2011.

We believe that we have successfully built up our “Perfect Shape 必瘦站” brand which distinguishes us from our competitors. The success of our “Perfect Shape 必瘦站” brand enables us to charge premium prices and position our services towards the higher end of the market. Furthermore, it also lays a solid foundation for our further expansion in the PRC.

Forfeited Income

We promote our slimming and beauty services by offering prepaid packages with discounted pricing to clients. As advised by our respective legal advisors as to the PRC, Hong Kong and Macau laws, as at the Latest Practicable Date, save as the Guidance on the Transaction Agreements of Prepaid Consumption Services in Beijing (Trial Implementation) (北京市消費類預付費服務交易合同行為指引(試行)) issued by the Beijing Administration Bureau of Industry and Commerce, details of which are set out in “Laws and Regulations — The PRC — Laws and regulations relating to protection of consumer rights” in this prospectus, none of Hong Kong Consumer Council, Macau Consumer Council and similar organisations in the PRC, Hong Kong and Macau have issued guidance in relation to the sales of prepaid packages. Our Directors believe that this prepayment mode of operation enables us to enhance customer loyalty and establish long-term relationship with our clients. For the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, we sold prepaid packages in the amount of HK\$229.2 million, HK\$232.5 million, HK\$306.2 million and HK\$118.3 million, respectively.

Our prepaid packages have a validity period of one year. As part of our loyalty programme, with the view to promote through word-of-mouth and encourage sales of new premium packages as well as to enhance customer loyalty and establish long-term relationship with our clients, we may, at our discretion, allow our clients to upgrade their existing slimming and beauty packages to new premium slimming and beauty packages before the expiry of the existing packages. The Directors believe that the upgrade arrangement also provides an option for the clients to experience the latest slimming technology without sacrificing the unutilised value of their existing packages. No upgrade is allowed after the expiry of the existing packages. In the event of package upgrade, contract of the existing package will be terminated and a new contract will be signed between us and the relevant client on the new premium package. Clients are required to pay the difference between the new premium package and the unutilised existing package value. Upon the signing of new contract, the new premium package will have a validity period of one year from the date of the new contract. For details of our loyalty programme, please refer to “Marketing — Marketing and sales — Loyalty programme to clients” below in this section. We record these prepaid packages as deferred revenue in the balance sheet at the point of sales. Deferred revenue as at 31 March 2009, 2010, 2011 and 31 July 2011 were HK\$118.3 million, HK\$122.4 million, HK\$148.7 million and HK\$147.0 million, respectively. For financial reporting purposes, we recognise prepaid packages as our sales revenue from time to time in the income statement when the service treatments are delivered to clients. The amount which represents services yet to be rendered will be recorded as liability. As clients are not entitled to enjoy services after expiry date, we fully recognise prepaid packages over one year from the date of purchase as revenue from expired prepaid packages in the income statement. During the Track Record Period, we strictly implemented our revenue recognition policy and no prepaid packages were extended or renewed upon expiry date.

We believe the combination of our (i) well-recognised brand name with strong presence in the PRC, Hong Kong and Macau; (ii) successful track record in brand management and strong execution capability in developing fast-growing and enormous PRC market; and (iii) well-established client base provides us with the strategic advantage necessary to become one of the market leaders in the PRC.

Our Expansion in the PRC

With a population of approximately 1.3 billion in the PRC, our Directors believe that the slimming and beauty market in the PRC has vast development potential. Demand for slimming and beauty services is expected to continue to elevate with the rapid growth of the PRC economy and the sustainable improvement of general living standard in the PRC. According to the Euromonitor Report, the market size of beauty centres is estimated to grow from approximately RMB91.3 billion in 2010 to approximately RMB243.1 billion in 2015, with a CAGR of 21.6%, by sales value of services.

In order to capture vast business opportunities arising from the fast-growing and enormous slimming and beauty market in the PRC, we opened our first service centre in Shenzhen in 2009. Since then, we aggressively expanded our service centres network under our well-known brand name “Perfect Shape 必瘦站” in the PRC and successfully achieved the following impressive operational and financial performance:

- the same store sales of our service centres in the PRC, which represent four service centres established prior to 1 January 2010, increased by 87.3% from HK\$7.9 million in the first quarter of 2010 to HK\$14.8 million in the first quarter of 2011;
- the total number of our slimming and beauty service centres in the PRC increased by 43 times from one in a single city as at 31 March 2009 to 44 in 10 cities as at the Latest Practicable Date;
- our number of members in the PRC increased by about 62 times from around 600 as at 31 March 2009 to around 38,000 as at the Latest Practicable Date;
- our revenue contributed from our PRC operation increased by 85 times from HK\$1.9 million for the year ended 31 March 2009 (representing 0.8% of our total revenue during the same year) to HK\$162.9 million for the year ended 31 March 2011 (representing 52.7% of our total revenue during the same year);
- the net profit attributable to our equity holders increased by 70.5% from HK\$29.5 million for the year ended 31 March 2010 to HK\$50.3 million for the year ended 31 March 2011.

Upon the Listing, we will continue to expand our business operation in the PRC aggressively. In order to capitalise the robust growth in the PRC slimming and beauty market, we plan to open 106 new service centres in the PRC during the four years ending 31 March 2015.

Benefiting from the sustainable growth in the slimming and beauty service market and implementation of our aggressive expansion plan in the PRC, we target to increase the percentage of revenue contribution from our PRC operation over our total revenue to around 80% for the year ending 31 March 2012.

Recent Market Developments

Regardless of the recent tightening monetary policy in the PRC, global economic uncertainties and the euro zone sovereign debt crisis which resulted in adverse market conditions and the shrinking global consumer confidence index, there had been no material change in revenue and net profit from our Hong Kong and Macau operations. On the contrary, revenue and net profit from our PRC operations experienced continuous growth which was benefited from the prosperous domestic demands in the PRC.

Our Directors confirm that there has been no material adverse change in our financial or trading position since 31 October 2011 and up to the Latest Practicable Date.

OUR COMPETITIVE STRENGTHS

We attribute our historical success and foundation for future growth to our principal competitive strengths as follows:

Strong execution capability in developing fast-growing and enormous slimming and beauty market in the PRC

With a population of approximately 1.3 billion in the PRC, our Directors believe that the slimming and beauty market in the PRC has vast development potential. Demand for slimming and beauty services is expected to continue to elevate with the rapid growth of the PRC economy and the sustainable improvement of general living standard in the PRC.

According to the Euromonitor Report, the market size of beauty centres is estimated to grow from approximately RMB91.3 billion in 2010 to approximately RMB243.1 billion in 2015, with a CAGR of 21.6%, by sales value of services.

We are a well-established slimming and beauty service provider and we operate under the well-known brand name “Perfect Shape 必瘦站”, targeting mid to high-end clients in the PRC, Hong Kong and Macau. In order to capture vast business opportunities arising from the fast-growing and enormous slimming and beauty market in the PRC, we opened our first service centre at Shenzhen in 2009. Since then, we aggressively expanded our service centres network under our well-known brand name “Perfect Shape 必瘦站” in the PRC and successfully achieved the below impressive operational and financial performance during the Track Record Period:

- the same store sales of our service centres in the PRC, which represent four service centres established prior to 1 January 2010, increased by 87.3% from HK\$7.9 million in the first quarter of 2010 to HK\$14.8 million in the first quarter of 2011;

BUSINESS

- the total number of our slimming and beauty service centres in the PRC increased by 43 times from one in a single city as at 31 March 2009 to 44 in 10 cities as at the Latest Practicable Date;
- our number of members in the PRC increased by about 62 times from around 600 as at 31 March 2009 to around 38,000 as at the Latest Practicable Date;
- our revenue contributed from our PRC operation increased by 85 times from HK\$1.9 million for the year ended 31 March 2009 (representing 0.8% of our total revenue during the same year) to HK\$162.9 million for the year ended 31 March 2011 (representing 52.7% of our total revenue during the same year);
- the net profit attributable to our equity holders increased by 70.5% from HK\$29.5 million for the year ended 31 March 2010 to HK\$50.3 million for the year ended 31 March 2011.

Upon the Listing, we will continue to expand our business operation in the PRC aggressively. In order to capitalise the robust growth in the PRC slimming and beauty market, we plan to open 106 new service centres in the PRC during the four years ending 31 March 2015.

Benefiting from the sustainable growth in the slimming and beauty service market and implementation of our aggressive expansion plan in the PRC, we target to increase the percentage of revenue contribution from our PRC operation over our total revenue to around 80% for the year ending 31 March 2012.

Well-recognised brand with strong presence in the PRC, Hong Kong and Macau

Through nearly eight years of development, we have established our “Perfect Shape 必瘦站” brand as a well-recognised icon for the provision of quality and effective slimming services. Our brand recognition can be proved by the various achievements we have accomplished over the years such as “Superbrands Hong Kong Award” and “PRC Consumer’s Most Favourable Hong Kong Brands”. As part of our advertising and promotional campaigns to enhance brand recognition, we sponsored large-scale beauty contests in Hong Kong and were the “Miss Hong Kong Pageant 2008 Official Slimming Centre” for Miss Hong Kong Pageant 2008, the “Preferred Slimming Centre” for Miss Chinese International Pageant 2009 and the slimming consultant for Miss Asia Pageant (PRC Division) 2009.

We believe that we have successfully built up our “Perfect Shape 必瘦站” brand which distinguishes us from our competitors and contributes to our leading position in the market. The success of our “Perfect Shape 必瘦站” brand enables us to charge premium prices and position our services towards the higher end of the market. Furthermore, it also lays a solid foundation for our further expansion in the PRC.

We have strong presence in the PRC, Hong Kong and Macau. As at the Latest Practicable Date, we, being one of the premium Hong Kong brands for slimming and beauty service, operated 57 service centres, of which 44 of them are located in 10 major cities in the PRC, including Shanghai, Guangzhou, Shenzhen, Beijing, Dongguan, Foshan, Chengdu, Nanjing, Tianjin and Chongqing; 12 in Hong Kong; and one in Macau. Our service centres are mainly located in the prime commercial districts in the PRC. For example, we operate flagship centres in Plaza 66 (恒隆廣場), Dongfang Plaza (東方廣場), Zhengjia Plaza (正佳廣場), and Jinguanghua Plaza (金光華廣場), which are high-end shopping malls located in Shanghai, Beijing, Guangzhou and Shenzhen, respectively.

Our Group has nearly eight years, four years and three years of operating history in Hong Kong, Macau and the PRC, respectively. We have a well-established client base, which is vital for our business growth. As at the Latest Practicable Date, we had more than 38,000 members in the PRC, 48,000 members in Hong Kong and 4,000 members in Macau. The number of active members, defined as member who received slimming and beauty services in our service centres during the year ended 31 March 2011, were 17,714 in the PRC, 9,105 in Hong Kong and 2,269 in Macau. Among these active members, 12,623 members in the PRC, 4,231 members in Hong Kong and 890 members in Macau, had unutilised prepaid packages with our Group as at 31 March 2011. Our well-established client base brings confidence to our new clients and provides us with new market opportunities through word-of-mouth referrals.

We believe the combination of our (i) well-recognised brand name with strong presence in the PRC, Hong Kong and Macau; (ii) successful track record in brand management and strong execution capability in developing fast-growing and enormous PRC market; and (iii) well-established client base provides us with the strategic advantage necessary to become one of the market leaders in the PRC.

Effective client segmentation approach

We believe our comprehensive approach to client segmentation enables us to identify, attract and retain the most profitable clients. Under our client segmentation approach, we invite the top 10% spenders from each service centre to be our VIP clients. Our VIP clients enjoy privileges such as advance treatment booking, VIP treatment room, special discounts for packages and products.

Through our electronic CRM platform, we can analyse client data by segment, consumption behavior and individual clients profile. In turn, this can improve the effectiveness of our marketing campaigns and allow us to meet the needs of our VIP clients. By doing so, we can foster our client loyalty as well.

Strong operating cash inflows and capital strength driving future growth

According to our business model, we should be able to receive strong cash inflows from our operation. During the Track Record Period, we recorded cash inflows from operating activities of HK\$19.3 million, HK\$52.9 million, HK\$93.5 million and HK\$24.7 million, respectively, which were sufficient to cover net cash used in our investing and financing activities during the Track Record Period. As at 31 July 2011, our cash and cash equivalents amounted to HK\$139.8 million, representing 48.7% of our total assets, and we had no bank loans during the Track Record Period. We believe our significant cash inflows from operating activities and strong liquidity position will enable us to expand rapidly into the PRC market and actively pursue additional growth opportunities.

Strong management team with successful track record for the delivery of a sustainable growth and profitability

We have a strong management team led by our three executive Directors, namely Dr. Au-Yeung, Ms. Au-Yeung Wai and Ms. Au-Yeung Hung. Most of our management team members have joined us for over five years. Dr. Au-Yeung, our Founder and CEO, is a Hong Kong registered medical practitioner and has extensive experience in the slimming and beauty industry for over seven years. With his professionalism in medical science, Dr. Au-Yeung has designed various slimming programmes for oriental ladies who are in pursuit of ideal body shapes and weights. Ms. Au-Yeung Wai has extensive experience in business and financial management. Since she joined our Group in 2004, Ms. Au-Yeung Wai, our chief operating officer, has been principally in charge of our finance and accounting. Ms. Au-Yeung Hung, our executive Director, who has over five years of experience in the slimming and beauty industry, joined us since 2005 and has been principally in charge of operations of our service centres. The management team, led by the three executive Directors has diversified experience in business operation, sales and marketing, finance and administration. We believe that our industry knowledge, diversified experience of our management team and their in-depth knowledge of market trends and clients' needs constitute an essential element of our success and future development.

OUR BUSINESS STRATEGIES

Our business objective is to rapidly increase our market share in the fast growing PRC slimming industry with enormous development potential and become one of the largest providers of slimming and beauty services in the PRC.

Our primary business strategies are to continue building on our core strengths by strengthening our strong presence in the PRC, strengthening our brand appeal and marketing reach, refining our client segmentation approach to maximise revenues and profitability, driving operational efficiencies and pursuing compelling growth opportunities in the PRC.

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Further strengthen our strong presence in the PRC by expanding service centres network under our well-known brand name “Perfect Shape 必瘦站”

During the Track Record Period, our revenue generated in the PRC amounted to HK\$1.9 million, HK\$34.1 million, HK\$162.9 million and HK\$99.5 million, which represented a CAGR of 825.8%, and accounted for 0.8%, 14.5%, 52.7% and 74.0% of our total revenue, respectively. As estimated by our Directors, the revenue contributed by the PRC operation will further increase to around 80% of our total revenue by 31 March 2012.

In order to capture the fast-growing and enormous slimming service market in the PRC, we will continue to expand our business operation in the PRC through the following business plans:

- Increase our market presence in first-tier cities, namely Shanghai, Guangzhou, Shenzhen and Beijing. As at Latest Practicable Date, we operated a total of 34 service centres, of which eight are flagship centres, in the first-tier cities. In order to increase our market presence, we intend to establish an additional 78 new service centres under our well-known brand name “Perfect Shape 必瘦站” in first-tier cities by 31 March 2015. We anticipate to operate a total of 112 service centres in the first-tier cities by 31 March 2015.
- Increase our market presence in second and lower-tier cities. As at Latest Practicable Date, we operated a total of 10 service centres in five second and lower-tier cities, namely Dongguan, Foshan, Chengdu, Nanjing and Tianjin. In order to increase our market presence, we intend to open an additional 28 new service centres under our well-known brand name “Perfect Shape 必瘦站” in second and lower-tier cities by 31 March 2015.

The following table sets out our expansion plan in the PRC for the years ending 31 March 2015:

Location	No. of new service centres to be opened for the year ending 31 March			
	2012	2013	2014	2015
First-tier cities	7	25	23	23
Second and lower-tier cities	3	5	10	10
Total:	10	30	33	33

Strengthen brand appeal

We will aggressively promote our brand name “Perfect Shape 必瘦站” in the PRC as a high quality Hong Kong brand for slimming and beauty services. We will further build our brand via targeted marketing campaigns as well as conducting tailored promotional and event sponsorship activities.

We will continue to innovate and expand on the forms of marketing and promotion of our services, as well as continue to reinforce the image associated with our “Perfect Shape 必瘦站” brand through our marketing campaign in different media such as televisions, radio, magazines and outdoor billboards, appointment of celebrities as spokespersons, and sponsorships in large-scale beauty contests and other relevant events.

Refine client segmentation and enhance client base

We will continue to refine our client segmentation by applying advanced analytics to our client database. We plan to actively build up our client database and enhance our client loyalty programmes by tailor-making them to clients in different markets. We plan to build up an electronic CRM platform and upgrade our point-of-sales system so as to further strengthen our client database management.

We will also continue to enhance VIP program and actively pursue direct relationships with VIP clients through our marketing efforts. We will continue to emphasise high quality slimming and beauty service to maintain our brand appeal, retain the loyalty of our existing high-value clients and attract the interest of new clients who desire a premium slimming experience tailored to their individual preferences.

Drive operational efficiencies

We will continue to drive efficiencies across our operations by closely monitoring our key performance of our service centres. We will also explore cities where economies of scale can be achieved by lowering our operating costs. We remain committed to enhancing our human resources capability in order to attract and retain the best quality staff in what we recognise to be a competitive market. We intend to increase our productivity through training and development programs and foster a proactive organisational culture that supports premium service delivery.

Promote our slimming and beauty products

Taking into account the characteristics of the consumer market in the PRC, there is a growing demand for high-end slimming and beauty products. Our revenue from sales of slimming and beauty products increased by 368.6% from HK\$7.0 million for the year ended 31 March 2009 to HK\$32.8 million for the year ended 31 March 2011. For the four months ended 31 July 2011, revenue from sales of slimming and beauty

products increased to HK\$15.6 million from HK\$6.0 million for the same period in 2010. In this respect, we plan to scale up the sales and marketing of our existing and new lines of slimming and beauty products.

Pursue future growth opportunities

To complement our existing business, we will actively pursue opportunities externally that present compelling growth prospects. We believe that by pursuing selective acquisitions of other companies and alliances with strategic partners, we can enhance our competitiveness and strengthen our market position. As at the Latest Practicable Date, we do not have any specific target of acquisition or alliance. We will carefully consider and evaluate each potential acquisition and alliance to ensure that they provide synergies to our business and are capable of being successfully integrated into our existing business platform.

We believe our market presence and reputation, together with our strong balance sheet position, enable us to explore more opportunities, particularly in the first and second-tier cities in the PRC. We believe we can generate rapid and sustainable growth in the future and that our strategy of prudent balance sheet and strong cash flows will provide the necessary financial flexibility to pursue fast and large-scale expansion.

SERVICES AND PRODUCTS

1. Slimming and Beauty Services

We engage in the provision of slimming and beauty services under the brands “Perfect Shape 必瘦站”, “Dr. Face”, “愛瑪纖體”, “Paris Beauty” and “Mosee”. “Perfect Shape 必瘦站” is our major operating brand and accounted for nearly 90% of our revenue during the Track Record Period. For further details of our operating brands, please refer to the paragraph headed “Brands” in this sub-section. The provision of slimming and beauty services are conducted by the same group of therapists in our service centres. Revenue from provision of slimming and beauty services accounted for HK\$143.3 million, HK\$148.5 million, HK\$203.0 million and HK\$83.7 million, for the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, representing 60.6%, 63.2%, 65.7% and 62.2% of our total revenue, respectively. We sold 12,867, 17,466, 23,832 and 9,101 prepaid slimming and beauty packages for the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, respectively. As confirmed by the Directors, there was no particular concentration on certain types of services and discount offered to the clients.

Slimming services

We offer around 100 types of slimming treatments which not only focus on weight loss management but also emphasise on body shaping and maintenance. Our slimming treatments are based on a combination of treatments on body parts which we classify into five major parts namely arms, calves, thighs, waist and abdomen, and hips, as well as slimming equipment used which can be categorised by their major function into fat burning (such as TNT, Zero-Fat, Cryo-V, Delta-X, Appollo-8000), body shaping (such as E-Body, GTG, V8, Laser-fit, Slim-One), and lymphatic draining (such as ESB, ISL,

Therma-Spa, RF60 and SDV). Depending on the conditions of the clients and the progress of their slimming programme, our consultants recommend the most suitable slimming treatments with the use of different slimming equipment which apply different methods and theories such as ultra-sonic, electric current, radio frequency, heating effects to achieve different target results, coupled with the use of different massage technique and slimming products to achieve desirable results for clients. Our slimming treatments include:

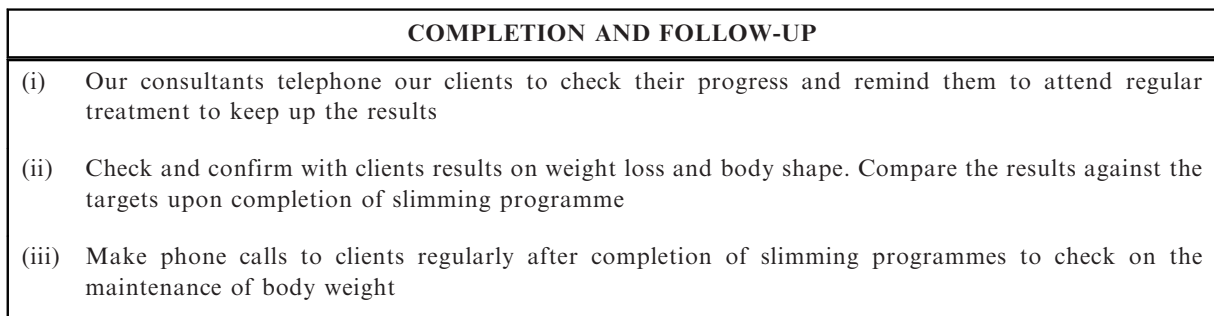
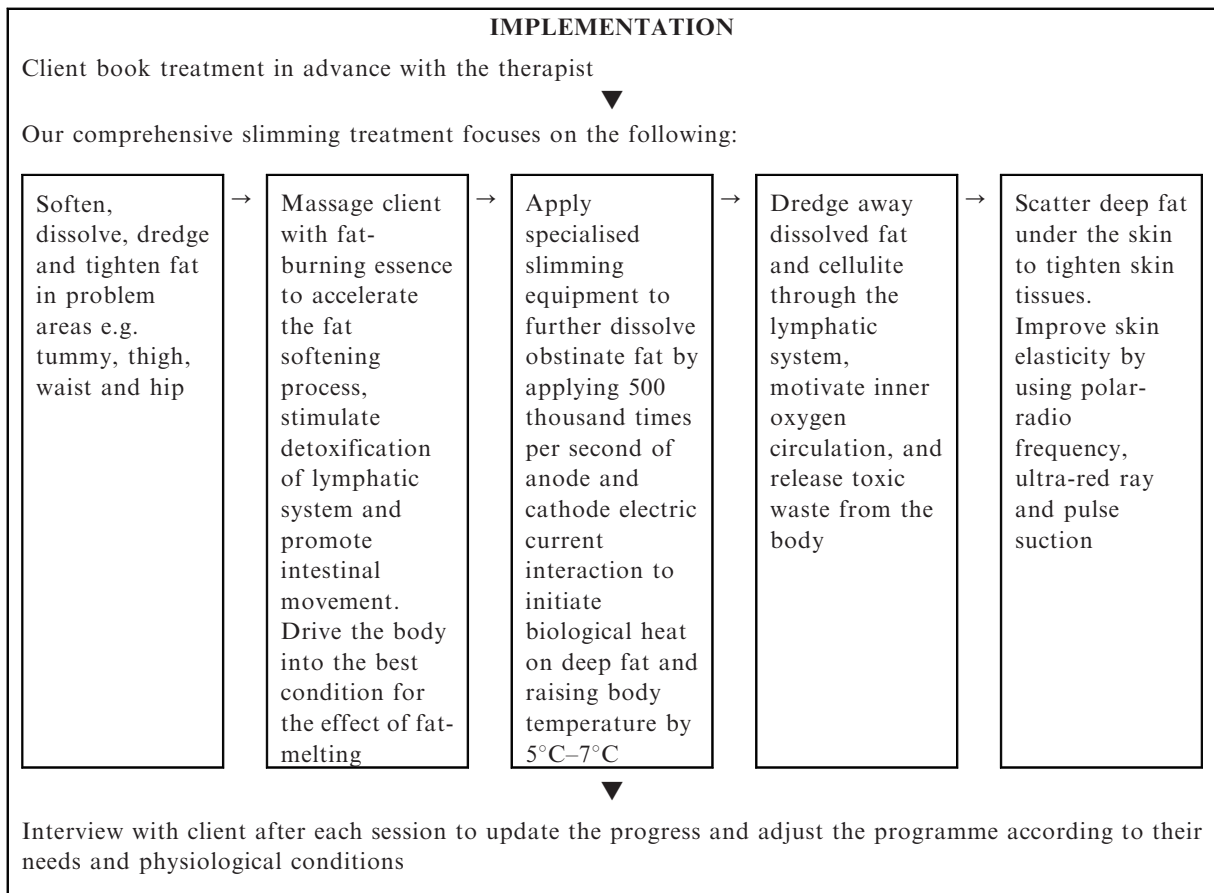
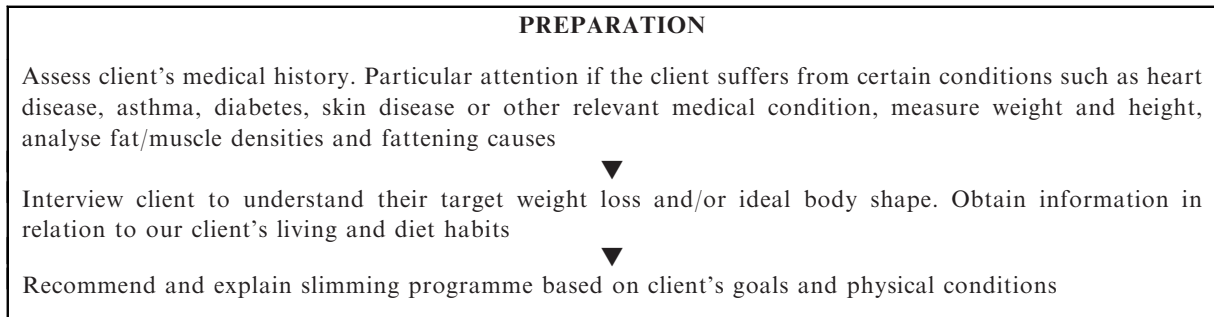
Lymphatic drainage series	Meridian lymphatic draining treatment European lymphatic draining treatment Aromatic lymphatic draining treatment Ultra-sonic lymphatic draining treatment Bio-current lymphatic draining treatment
Break and burn series	Radio-frequency slimming treatment Anti-cellulite slimming treatment Zero-fat slimming treatment Cryo-V slimming treatment TNT slimming treatment
Body shaping series	Slim-fit body shaping treatment Slim-perfect body shaping treatment Magic-slim body shaping treatment V8 body shaping treatment GTG body shaping treatment

During the Track Record Period, apart from two slimming treatments, both of which were catered for new clients, and were subject to refund depending on the clients' achievement or non-achievement of agreed slimming results, all our packages are non-refundable. The amount of revenue attributable to these refundable slimming programmes were HK\$0.9 million, HK\$29.9 million, HK\$7.7 million and HK\$0.3 million for the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, respectively. The amount of refunds to clients under such refundable slimming programmes were nil, HK\$4.8 million, HK\$3.6 million and nil during the Track Record Period, respectively.

We take pride in the provision of tailor-made slimming services. We recommend the most suitable slimming treatments to our clients based upon our clients' goals and physical conditions. Our consultants and nutritionists are involved in the implementation process and closely monitor the progress of and follow up with each client throughout the whole slimming programme. Under our tailor-made slimming programme, a client is required to attend our service treatments for two to three times per week and two to three service treatments per visit for optimal slimming results, as such, our Directors consider that our slimming packages can be reasonably consumed in a period of one to three months.

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The following flowchart illustrates the different stages of our slimming programmes.



Beauty services

We offer around 80 types of beauty treatments including medical beauty treatments which can be further categorised into treatments with focus on individual parts of the body such as facial treatments, neck treatments, eye treatments, hand treatments and breast treatments, as well as spa and massage services with different machinery and beauty products used to cater for the needs of different clients. Our beauty treatments (other than medical beauty treatments) are performed by our therapists manually or with suitable beauty equipment. Our beauty equipment include T-light (for rejuvenation), Beauty Expert (for whitening), Super RF (for collagen boosting), Skin Perfect (for firming) and Skin Doctor (for anti-aging). Our beauty treatments include:

Facial services

Whitening series	Magic radiant facial
Hydration series	Intense hydrating facial
Rejuvenation series	Skin rebirth facial
Firming series	Bio-lifting facial
Neo-collagen series	Nano collagen facial

Other beauty services

Eye treatment, neck treatment, breast treatment,
hand treatment, body treatment

Medical beauty

We provide medical beauty services specialising in injection treatments of materials such as BOTOX[®], hyaluronic acid and Sculptra[®] and laser treatments for hair removal, skin rejuvenation and depigmentation in Hong Kong under our brand name “Dr Face”. We sell our medical beauty services as separate prepaid packages to our clients. During the Track Record Period, revenue contributed from the medical beauty services were HK\$10.0 million, HK\$21.6 million, HK\$40.1 million and HK\$13.1 million, which accounted for 4.2%, 9.2%, 13.0% and 9.7% of our total revenue for the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, respectively.

We have no full-time registered medical practitioners in our service centres, our medical beauty treatments are performed by part-time registered medical practitioners. There is no specific requirement on the qualifications or experience of the registered medical practitioners for performing such treatments under the relevant rules and regulations in Hong Kong. Our Hong Kong legal advisor confirms that the

performance of the injection treatments of BOTOX[®], hyaluronic acid and Sculptra[®] in Hong Kong by registered medical practitioners do not contravene the laws of Hong Kong. Apart from injection treatments, other treatments provided under the brand name of “Dr. Face” such as laser facial, laser hair removal, skin rejuvenation and depigmentation, as no practice of medicine or surgery are involved, are currently not required to be performed by registered medical practitioners in Hong Kong.

We pay our registered medical practitioners fixed consultation service fees on a monthly basis. The service contracts including terms on service time in our service centres, consultation service fees and scope of services are negotiated and renewed between our Group and the registered medical practitioners annually. For the years ended 31 March 2009, 2010 and 2011 and the four months ended 31 July 2011, the amounts of doctor consultation fees paid by us were HK\$2.4 million, HK\$1.9 million, HK\$1.4 million and HK\$0.8 million, respectively. The decreasing trend of the doctor consultation fees paid by us during the Track Record Period was mainly due to the decrease in the number of part-time registered medical practitioners engaged by us in performing our medical beauty services.

During the Track Record Period, we engage registered medical practitioners who (i) with at least three years of post-qualification experience; (ii) no record of medical accidents during their practice; and (iii) had availability to perform the medical beauty services during the service time in our service centres as required by us. For the period from the incorporation of Dr. Face to November 2010, we engaged one registered medical practitioner, who had 14 years of post-qualification experience in Hong Kong and with over three years of experience in medical beauty services, for performing the medical beauty services to our clients. For the period from July 2010 to July 2011, we engaged another registered medical practitioner, who had seven years of post-qualification experience in Hong Kong and with about three years of experience in medical beauty services. The termination of the engagements with the two registered medical practitioners were mainly due to their personal reasons as they no longer had availability to perform medical beauty services during the required service time in our service centres. Since July 2011, we engaged one registered medical practitioner who had about 18 years of post-qualification experience and with over four years of experience in medical beauty services. To the best of our Directors’ knowledge, there had not been any medical accidents by the above three registered medical practitioners during their practice. Moreover, we will continue to follow the above three criteria in selecting registered medical practitioners to perform medical beauty services to our clients in the future.

Our Directors confirm that there was no clients’ complaint and legal proceeding filed against our Group in relation to our medical beauty services during the Track Record Period.

Our Directors further confirm that it is the industry practice for registered medical practitioners in Hong Kong to maintain their own professional liability insurance with authorised insurance companies to cover the liabilities arising from their medical practice. Our current insurance policy does not include the said

professional liability insurance covering the liability, if any, arising from the medical beauty treatments performed by the part-time registered medical practitioners. Under the agreements entered into between our Group and the part-time registered medical practitioners, the part-time registered medical practitioners shall fully indemnify our Group in respect of all claims, compensation or damages, if any, arising from the medical beauty services provided by them.

Our marketing materials and advertisements in the PRC, Hong Kong and Macau were pre-viewed and commented by our in-house counsel and reviewed by our Directors before publication, and where necessary we will seek external legal advice for compliance with relevant laws and regulations. Our in-house legal counsel received his legal studies and is a practicing solicitor in Hong Kong with about three years of post-qualification experience. He has been working with us since September 2009. Based on the representations of the Directors and to the best knowledge of our Hong Kong legal advisor after due inquiry, our Hong Kong legal advisor confirms that the advertisements published by us and reviewed by our Hong Kong legal advisor in relation to our medical beauty services during the Track Record Period complied with the relevant Hong Kong laws and regulations.

We have no current intention to expand our medical beauty services to the PRC and Macau, but we will review our business strategies and make appropriate adjustment in relation to our medical beauty services from time to time.

Licensing requirements

The principal laws and regulations in relation to the beauty industry in the PRC include the Interim Administrative Measures of the Beauty and Hairdressing Industries and the Administrative Regulations on Health at Public Premises and its implementation rules.

In Hong Kong and Macau, there is at present no specific legislation governing the provision of slimming and beauty services and products in respect of our business, including qualification of the employed personnel or devices used, save and except regulatory requirements for medical practitioners and Chinese medical practitioners.

For details of the applicable laws and regulations to our operations, please refer to the section headed “Laws and Regulations” in this prospectus.

2. Products

In order to complement our services, we sell around 10 types of slimming and beauty products at our service centres. Our slimming and beauty products are only sold to our members during the course and for achievement of better results of their service treatments. Since we do not manufacture the slimming and beauty products ourselves, we are not subject to the relevant licensing requirements which are applicable to cosmetics manufacturers in the PRC. In Hong Kong and Macau, as we are not engaged in import or sales of medical devices containing pharmaceutical products or radioactive substances, we are not required to obtain specific licences for sales of slimming and beauty products. We have developed our proprietary brand names focusing on slimming and beauty products such as “Dr. Lakar”, “Komatsu asuka” and “PH Perfect Health”. For further details of our operating brands, please refer to the paragraph headed “Brands” in this sub-section. Examples of our major slimming and beauty products are as follows:

1. *Dr. Lakar Swiss Gold Apple Stem Cell Face Mask*



Features:

Facial products to provide anti-aging performance for rejuvenation and a rich infusion of moisture to help improve texture

Selling price:

HK\$/RMB/MOP680 per set

Expiry period:

24 months

2. *Dr. Lakar Swiss Apple Stem Cell Serum*



Features:

Facial products to protect skin cells against oxidative stress and combat the aging effects

Selling price:

HK\$/RMB/MOP2,800 per set

Expiry period:

18 months

3. *Perfect Shape Bodyperfect Svelte System*



Features:

Body slimming products to improve skin flaccidity and uneven color tone and enhance body contours

Selling price:

HK\$/RMB/MOP680 per set

Expiry period:

24 months

4. *Perfect Shape Essential Lipid Control*



Features:

Body slimming products to achieve moisturizing, anti-ageing, firming and slimming effects

Selling price:

HK\$/RMB/MOP680 per set

Expiry period:

24 months

5. *Perfect Shape Bodyperfect Serum*



Features:

Body slimming products to help firming, slimming and rejuvenates skin

Selling price:

HK\$/RMB/MOP4,800 per set

Expiry period:

24 months

We source our slimming and beauty products from independent manufacturers and the finished products are labelled and sold under our brands. To ensure the quality of our products, we carefully select our suppliers of slimming and beauty products and engage independent quality testing institutes to conduct testing on every batch of product supplies on a sampling basis from our suppliers before launching the products for sales. Generally, we engage the independent quality testing institutes on a batch-by-batch basis. We will get quotations from testing institutes on our list of preferential independent quality testing institutes, who are usually based in the PRC, before receiving such products. Depending on the institute's experience in conducting testing on that particular batch of products, the

quotation given to us and the time required to conduct testing and issue a testing report, we will select one independent quality testing institute to conduct testing. Only when the testing report produced is clean will we send the products to our service centres for sales.

During the Track Record Period, we had engaged four independent accredited quality testing institutes and we mainly engage two preferential independent quality testing institutes since 2010, one of which is established under the law and authorised by the PRC Government with over 60 years of experience in testing. The other preferential independent quality testing institute is a branch testing institute founded by a national chemical testing centre in Shenzhen, with branch offices in Europe, Hong Kong and other major cities in the PRC.

Revenue from the sales of slimming and beauty products accounted for HK\$7.0 million, HK\$13.6 million, HK\$32.8 million and HK\$15.6 million, representing 3.0%, 5.8%, 10.6% and 11.6% of our total revenue, for the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, respectively. Our sales of slimming and beauty products increased significantly during the Track Record Period, particularly for the year ended 31 March 2011 and the four months ended 31 July 2011, as a result of the strong demand as well as the market acceptance for complementary products for service treatments which grows in line with our expansion in the PRC. In view of the growing demand of high-end slimming and beauty products in the PRC, our Directors consider that sales of slimming and beauty products will be one of the engines driving our future growth.

Since the sales of slimming and beauty products accounted for only 3.0%, 5.8%, 10.6% and 11.6% of our total revenue during the Track Record Period, we currently sell slimming and beauty products which are for topical use only, and we conduct quality testing on our slimming and beauty products, our Directors consider that the risk that we will be subject to claims from our clients causing health problems as a result of the consumption of such products and/or product liability claim as a result of the consumption of such products is minimal and therefore have not maintained any product liability insurance. To the best of our Directors' knowledge, it is an industry norm not to purchase product liability insurance. Nevertheless, to cope with the growth of our sales of slimming and beauty products, we will consider purchase appropriate product liability insurance in the future.

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3. Brands

The following table sets out details of our brands for our slimming and beauty services and products.

Brand	Nature	Number of treatments per package	Price range (HK\$ equivalent)	Location
Perfect Shape必瘦站	Provision of slimming and beauty services and sale of products	6-150	HK\$888-HK\$48,880	PRC/Hong Kong/Macau
愛瑪纖體	Provision of slimming and beauty services and sale of products	7-135	HK\$399-HK\$29,880	PRC
Dr. Face	Provision of medical beauty services and sale of products	1-60	HK\$4,800-HK\$198,000	Hong Kong
Paris Beauty	Provision of beauty services and sale of products	10	HK\$2,142-HK\$9,048	PRC
Mosee	Provision of hair removal services	4-43	HK\$999-HK\$27,000	PRC
Dr. Lakar	High-end facial products	—	HK\$380-HK\$2,800 per set	Hong Kong/Macau/PRC
Komatsu asuka	Facial and other beauty products	—	HK\$380-HK\$980 per set	Hong Kong
PH Perfect Health	Meal replacement products	—	HK\$680 per set	Hong Kong/Macau

We had ceased the operations of the brands “瘦得起” for providing slimming services and “Dr. Louis” for providing hair removal services in Hong Kong during the Track Record Period. We commenced the operations of the brands “瘦得起” and “Dr. Louis” in October 2006 and June 2004 but had ceased their operations in May 2008 and March 2010 respectively as our management intended to focus resources on our premium brand “Perfect Shape 必瘦站”. There were no major differences among the business models of the business operated under the brands “瘦得起” and “Dr. Louis” and the other brands currently operated by us.

SERVICE CENTRES

We have a designated business development department, which comprised 12 staff as at 31 July 2011, and is responsible for implementation of our business expansion strategies including planning, market research and launch of new service centres. Our business development department also works closely with our marketing department in the promotion of our brands and services.

Network of Service Centres

As at the Latest Practicable Date, we operated a network of 57 service centres, with 12 in Hong Kong, one in Macau and 44 in 10 major cities in the PRC, namely Shanghai, Guangzhou, Shenzhen, Beijing, Dongguan, Foshan, Chengdu, Nanjing, Tianjin and Chongqing. We classify our service centres into two categories, namely flagship centres and standard centres. Our service centres which are located in prestigious shopping malls or high-end departmental stores in prime locations are classified as flagship centres, and the others are classified as standard centres. All standard and flagship centres are operated by

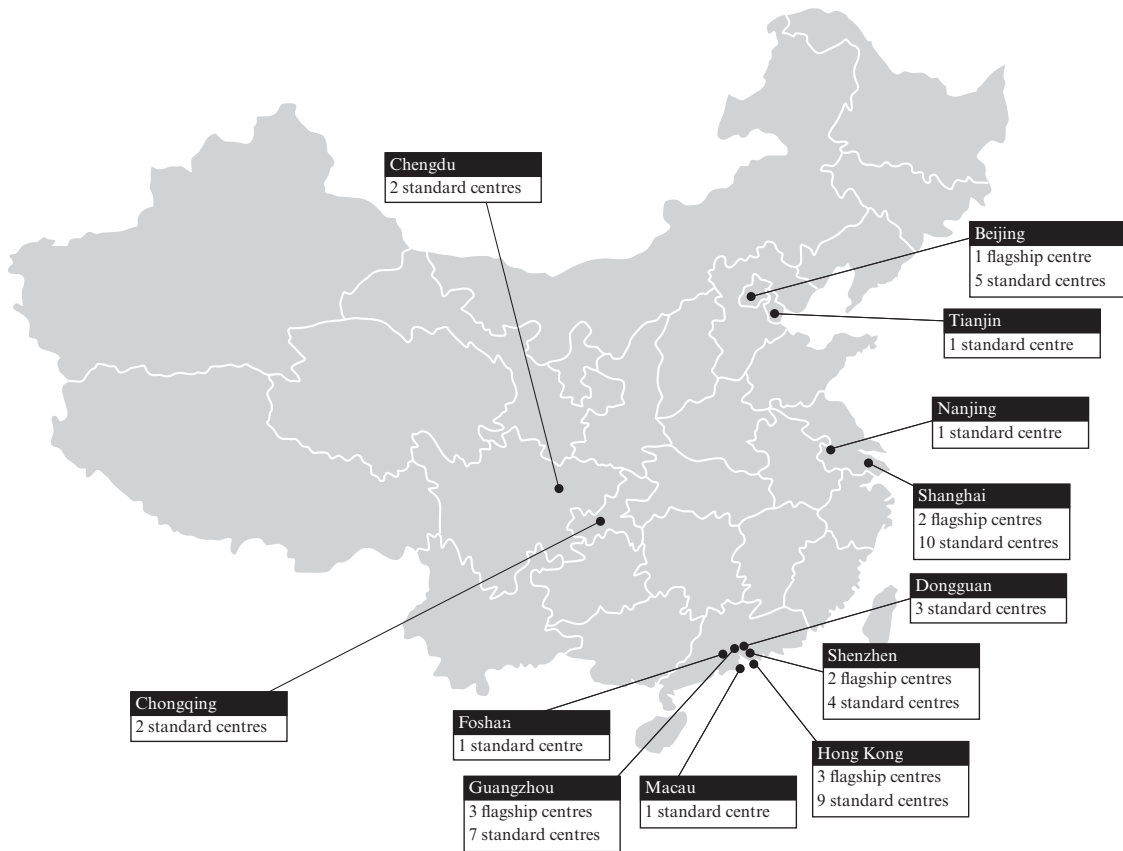
BUSINESS

ourselves and there is no material difference in the services provided by our standard and flagship centres. As at the Latest Practicable Date, the average size of our flagship centres and standard centres is about 425 sq.m. and 195 sq.m., respectively. The table below shows the service centres operated by us as at the Latest Practicable Date:

Location	Number of service centres			Brands
	Standard centres	Flagship centres	Total	
Shanghai	10	2	12	— 11 centres under the brand “Perfect Shape 必瘦站” — 1 centre under the brand “愛瑪纖體”
Guangzhou	7	3	10	— 8 centres under the brand “Perfect Shape 必瘦站” — 1 centre under the brand “愛瑪纖體” — 1 centre under the brand “Mosee”
Shenzhen	4	2	6	— 5 centres under the brand “Perfect Shape 必瘦站” — 1 centre under the brand “Mosee”
Beijing	5	1	6	— 6 centres under the brand “Perfect Shape 必瘦站”
Dongguan	3	—	3	— 3 centres under the brand “Perfect Shape 必瘦站”
Foshan	1	—	1	— 1 centre under the brand “Perfect Shape 必瘦站”
Chengdu	2	—	2	— 2 centres under the brand “Perfect Shape 必瘦站”
Nanjing	1	—	1	— 1 centre under the brand “Perfect Shape 必瘦站”
Tianjin	1	—	1	— 1 centre under the brand “Perfect Shape 必瘦站”
Chongqing	2	—	2	— 1 centre under the brand “Perfect Shape 必瘦站” — 1 centre under the brand “Paris Beauty”
Hong Kong	9	3	12	— 9 centres under the brand “Perfect Shape 必瘦站” — 3 centres under the brand “Dr. Face”
Macau	<u>1</u>	<u>—</u>	<u>1</u>	— 1 centre under the brand of “Perfect Shape 必瘦站”
Total	<u>46</u>	<u>11</u>	<u>57</u>	

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The following map illustrates our service centre network as at the Latest Practicable Date:



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The following table sets out the revenue breakdown by geographical locations during the Track Record Period:

	Year ended 31 March			Four months ended 31 July	
	2009	2010	2011	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Hong Kong	223,497	188,067	131,947	53,463	30,136
The PRC	1,900	34,139	162,851	42,548	99,465
Macau	<u>10,876</u>	<u>12,651</u>	<u>14,178</u>	<u>4,864</u>	<u>4,898</u>
	<u>236,273</u>	<u>234,857</u>	<u>308,976</u>	<u>100,875</u>	<u>134,499</u>

There has been a fall in revenue from Hong Kong market during the Track Record Period from HK\$223.5 million for the year ended 31 March 2009 to HK\$188.1 million for the year ended 31 March 2010 and further down to HK\$131.9 million for the year ended 31 March 2011. For the four months ended 31 July 2011, revenue from Hong Kong market decreased to HK\$30.1 million from HK\$53.5 million for the same period in 2010. Number of our service centres in Hong Kong also decreased from 20 as at 31 March 2009 to 12 as at the Latest Practicable Date. We take the view that the slimming and beauty market in Hong Kong has already saturated and we face increasing competition from other market players which led to the decrease in revenue contributed from our Hong Kong operation and decrease in the number of Hong Kong service centres during the Track Record Period, while at the same time, we focus our resources on our expansion in the PRC including relocation of well-trained and experienced frontline staff from Hong Kong to the PRC market.

We experienced rapid expansion of our service centre network, particularly in the PRC, during the Track Record Period. The total number of service centres increased from 22 as at 31 March 2009 to 57 as at the Latest Practicable Date. The following table shows the growth of our service centres during the Track Record Period.

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Location	Number of service centres as at			Latest Practicable Date
	2009	31 March 2010	2011	
PRC				
<i>Shanghai</i>	—	1	9	12
<i>Shenzhen</i>	1	2	6	6
<i>Guangzhou</i>	—	2	6	10
<i>Beijing</i>	—	1	3	6
<i>Other cities</i>	—	—	6	10
Sub-total	1	6	30	44
Hong Kong (<i>Note</i>)	20	14	15	12
Macau	1	1	1	1
Total	22	21	46	57

Note: Our service centres in Hong Kong were located at Central, Causeway Bay, Mongkok, Tsuen Wan, Tsim Sha Tsui, Tuen Mun, Yuen Long, Shatin and Tai Po.

The following table sets out the number of additions and closures of our service centres during the Track Record Period and up to the Latest Practicable Date.

PRC

	Years ended 31 March			From 1 April 2011 up to the Latest Practicable Date
	2009	2010	2011	
Number of service centres at the beginning of the relevant period	—	1	6	30
Addition of service centres during the relevant period	1	5	24	14
Number of service centres at the end of the relevant period	1	6	30	44

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Hong Kong

	Years ended 31 March			From 1 April 2011 up to the Latest Practicable Date
	2009	2010	2011	
Number of service centres at the beginning of the relevant period	20	20	14	15
Addition of service centres during the relevant period	1	2	4	—
Closure of service centres during the relevant period	1	8	3	3
Number of service centres at the end of the relevant period	20	14	15	12

In view that the slimming and beauty market in Hong Kong has saturated and we face increasing competition from other market players, we reduced the number of our service centres in Hong Kong during the Track Record Period and up to the Latest Practicable Date, and revenue derived from Hong Kong market decreased accordingly. At the same time, we continued to reallocate our financial and human resources from Hong Kong market to expand our operation in the PRC market.

Macau

We operated one service centre in Macau during the Track Record Period and up to the Latest Practicable Date.

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Utilisation

The following table provides details of the utilisation of our service centres during the Track Record Period:

	2009			Year ended 31 March 2010			2011			Four months ended 31 July 2011		
	Service Capacity (number of treatments in thousand) (Note 1)	Actual Service Provided (number of treatments in thousand) (Note 2)	Utilisation Rate (Note 3)	Service Capacity (number of treatments in thousand) (Note 1)	Actual Service Provided (number of treatments in thousand) (Note 2)	Utilisation Rate (Note 3)	Service Capacity (number of treatments in thousand) (Note 1)	Actual Service Provided (number of treatments in thousand) (Note 2)	Utilisation Rate (Note 3)	Service Capacity (number of treatments in thousand) (Note 1)	Actual Service Provided (number of treatments in thousand) (Note 2)	Utilisation Rate (Note 3)
PRC (Note 5)												
<i>Shanghai</i>												
<i>Weekday (Note 4)</i>												
— Peak Hours				0.2	0	0%	26.1	14.5	56%	19.8	15.5	78%
— Non-Peak Hours	—	—	—	0.6	0	0%	78.2	24.3	31%	59.4	27.1	46%
<i>Weekend (Note 4)</i>												
— Peak Hours				0.0	0	0%	10.2	4.5	44%	8.2	4.9	60%
— Non-Peak Hours	—	—	—	0.2	0	0%	30.5	8.1	27%	24.6	10.4	42%
<i>Beijing</i>												
<i>Weekday (Note 4)</i>												
— Peak Hours				1.5	0.3	20%	24.2	8.0	33%	11.2	3.9	35%
— Non-Peak Hours	—	—	—	4.6	0.3	7%	72.5	10.8	15%	33.5	6.4	19%
<i>Weekend (Note 4)</i>												
— Peak Hours				0.6	0	0%	9.6	2.2	23%	4.7	1.1	24%
— Non-Peak Hours	—	—	—	1.8	0.1	6%	28.9	4.0	14%	14.0	2.7	19%
<i>Shenzhen</i>												
<i>Weekday (Note 4)</i>												
— Peak Hours	2.2	1.3	59%	14.4	12.6	88%	27.0	22.6	84%	13.0	8.8	67%
— Non-Peak Hours	6.5	3.2	49%	43.2	20.8	48%	81.0	32.4	40%	39.1	15.2	39%
<i>Weekend (Note 4)</i>												
— Peak Hours	0.9	0.6	67%	5.6	4.7	84%	10.6	7.1	67%	5.4	2.7	49%
— Non-Peak Hours	2.6	0.9	35%	16.9	6.3	37%	31.9	11.6	36%	16.3	6.0	37%
<i>Guangzhou</i>												
<i>Weekday (Note 4)</i>												
— Peak Hours	—	—	—	12.8	10.2	80%	32.8	25.4	77%	16.1	12.6	78%
— Non-Peak Hours	—	—	—	38.3	20.2	53%	98.5	56.7	58%	48.2	19.8	41%
<i>Weekend (Note 4)</i>												
— Peak Hours	—	—	—	4.9	3.9	80%	13.0	9.7	75%	6.6	3.7	56%
— Non-Peak Hours	—	—	—	14.8	5.9	40%	39.1	17.6	45%	19.8	7.0	35%
<i>Other PRC cities</i>												
<i>Weekday (Note 4)</i>												
— Peak Hours	—	—	—	4.1	0.7	17%	32.1	7.1	22%	15.5	3.0	20%
— Non-Peak Hours	—	—	—	12.3	1.2	10%	96.4	13.3	14%	46.4	5.9	13%
<i>Weekend (Note 4)</i>												
— Peak Hours	—	—	—	1.5	0.3	20%	12.7	3.2	25%	6.2	0.8	13%
— Non-Peak Hours	—	—	—	4.6	0.3	7%	38.2	3.6	9%	18.7	2.3	12%
PRC Subtotal												
<i>Weekday (Note 4)</i>												
— Peak Hours	2.2	1.3	59%	33.0	23.8	72%	142.2	77.6	55%	75.5	43.8	58%
— Non-Peak Hours	6.5	3.2	49%	99.0	42.5	43%	426.6	137.5	32%	226.5	74.4	33%
<i>Weekend (Note 4)</i>												
— Peak Hours	0.9	0.6	67%	12.6	8.9	71%	56.1	26.7	48%	31.1	13.2	42%
— Non-Peak Hours	2.6	0.9	35%	38.3	12.6	33%	168.6	44.9	27%	93.4	28.4	30%
Hong Kong (Note 6)												
<i>Weekday (Note 4)</i>												
— Peak Hours	107.5	95.3	87%	96.4	77.4	80%	95.2	47.7	50%	29.8	10.5	35%
— Non-Peak Hours	322.5	162.4	50%	289.3	121.5	42%	285.5	70.8	25%	89.4	17.9	20%
<i>Weekend (Note 4)</i>												
— Peak Hours	42.4	33.7	79%	37.2	24.4	66%	33.6	14.8	44%	10.4	1.6	15%
— Non-Peak Hours	127.2	36.2	28%	111.7	26.8	24%	100.8	15.9	16%	31.1	6.2	20%
Macau												
<i>Weekday (Note 4)</i>												
— Peak Hours	7.4	5.8	78%	9.7	6.7	69%	9.8	5.8	59%	3.3	1.8	55%
— Non-Peak Hours	22.3	10.4	47%	29.1	10.3	35%	29.3	10.5	36%	9.8	3.3	33%
<i>Weekend (Note 4)</i>												
— Peak Hours	3.0	2.3	77%	3.9	2.3	59%	3.9	2.1	54%	1.4	0.8	59%
— Non-Peak Hours	9.1	2.9	32%	11.6	2.9	25%	11.6	2.5	22%	4.1	0.8	20%
Total												
<i>Weekday</i>												
— Peak Hours	117.1	102.4	87%	139.1	107.9	78%	247.2	131.1	53%	108.6	56.1	52%
— Non-Peak Hours	351.3	176.0	50%	417.4	174.3	42%	741.4	218.8	30%	325.7	95.6	29%
<i>Weekend</i>												
— Peak Hours	46.3	36.6	79%	53.7	35.6	66%	93.6	43.6	47%	42.9	15.6	36%
— Non-Peak Hours	138.9	40.0	29%	161.6	42.3	26%	281.0	63.3	23%	128.6	35.4	28%
Overall	653.6	355	54%	771.8	360.1	47%	1,363.2	456.8	34%	605.8	202.8	34%

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Notes:

1. Service capacity refers to the total annual capacity for provision of treatments which is calculated based on (i) the number of operating hours i.e. 8 hours per day; (ii) the number of days of business i.e. 358–360 days in Hong Kong and Macau, and 362–365 days in the PRC; and (iii) the number of rooms for provision of services.
2. Actual service provided refers to the actual number of treatments provided to clients in the year.
3. Weekday means Monday to Friday. Weekend means Saturday and Sunday. Peak hours means: (i) 5 p.m. to 8:30 p.m. during weekday and (ii) 1:30 p.m. to 4:30 p.m. during weekend. Non-Peak hours means the remaining operating hours.
4. Utilisation rate is calculated by dividing the actual service provided with service capacity.
5. Our first service centre in the PRC was opened in Shenzhen during the first quarter of 2009. The decrease in utilisation rates of our service centres in the PRC during the Track Record Period was principally due to the increase in the number of our service centres in the PRC during the Track Record Period which resulted in the increase in the service capacity of our service centres in the PRC.
6. The decrease in utilisation rates of our service centres in Hong Kong during the Track Record Period was principally due to decrease in the actual service provided in Hong Kong as a result of the fact that the slimming and beauty market in Hong Kong has already saturated and we face increasing competition from other market players.

We provide same types of services and same types of equipment in all our service centres, while our flagship centres generally have more treatment rooms, equipment and staff to accommodate clients' need. We allocate manpower and number of equipment among our service centres by taking into account a number of factors including their sizes, locations, number of members, number of prepaid packages sold and historical booking records of clients to optimise utilisation of our resources.

During the Track Record Period, the service capacity of our service centres were not fully utilised, and the utilisation rates of our service centres during the peak hours ranged from 36% to 87% and during the non-peak hours ranged from 23% to 50%.

We constantly monitor (i) the utilisation rate of our services centres; (ii) the consumption status of prepaid packages already sold to our clients; and (iii) new prepaid packages sold to our clients from time to time. To ensure we have sufficient capacity to handle all prepaid packages sold, we are able to implement the following measures to increase our service capacity to cater for all the prepaid packages that we have sold to our clients:

1. extend the service hours of our service centres;
2. reallocate human resource among service centres in the same region;
3. recruit additional frontline staff;
4. purchase additional equipment; and/or
5. establish new service centres.

Our Directors confirm that (i) we have sufficient service capacity to handle all prepaid packages sold to clients; and (ii) we have appropriate control measures to monitor the utilisation rate of our services centres, the consumption status of prepaid packages sold; and new prepaid packages sold to our clients.

In addition to the unutilised service capacity of our service centres, we have sufficient manpower to provide all service treatments for the prepaid packages sold to clients as demonstrated by the average service hour of our therapists. According to our internal records, the average service hour of each therapist were around 3 to 4 hours per day, 4 to 5 hours per day, and 5 to 6 hours per day in the PRC, Hong Kong and Macau, respectively, during the Track Record Period. Under the terms of employment, the normal working hours for our therapists are 8 hours per day in the PRC, Hong Kong and Macau.

In view of the facts that (i) we had buffer service capacity during the Track Record Period; (ii) we have sufficient manpower to provide service treatments; and (iii) we regularly assess the service loading of our service centres, our Directors consider that we have sufficient capacity to provide service treatments of prepaid packages within the validity period.

Store Opening and Site Selection

Our business development department is in charge of expanding our service centre network. We have compiled a procedural manual listing out all the critical and important factors we need to consider for the establishment of a new service centre, including but not limited to the following:

- the location, neighbourhood and accessibility of the site (e.g. whether it is located near any large shopping malls, office and commercial areas, entertainment venues, residential areas, etc.);
- number and spending power of the population in that particular area;
- projections on the return on rentals;
- composition of tenants (e.g. whether there are any other reputable brand names which have opened stores nearby); and
- potential competition in the same area.

Our site selection and store opening process is as follows:

(1) Site Selection

Our service centres are usually situated in one of the following site locations, namely:

- busy commercial districts with high pedestrian flow;
- entertainment centres;

- prestigious shopping malls and office buildings;
- business districts; and
- residential estates.

We rely on our business development department to source and identify suitable locations. If necessary, we may engage professional consultancy company or real estate agent to assist us in finding potential sites.

(2) Internal business evaluation

Once we have identified potential sites, we will commence our internal due diligence procedures. We have developed a set of standard due diligence procedures to which we must adhere when a potential site for a service centre is identified. We obtain opinions and approvals from our various departments including business development, operation, marketing, finance, legal, and our CEO. Once our CEO endorses and approves the results of our due diligence, our business development department will approach the landlord to begin negotiations of the lease.

(3) Lease negotiations and the signing of the lease agreement

We will contact the landlord to commence negotiations on the terms and conditions of our lease. Upon successful completion of negotiations with the landlord, we will execute the lease agreement. Tenancies of most of our service centres in the PRC run for five years, whereas most of those in Hong Kong, run for two years. The tenancy in Macau runs for four years.

(4) Service centres renovations and opening

The site is then equipped with slimming and beauty equipments and renovated in accordance with our standard layouts. We take an average of two months to complete the renovations for each service centre.

(5) Regulatory compliance

We have also implemented a clear set of internal compliance guidelines for the opening of any new service centre in the PRC to prevent breaches of regulations. Our administrative department, marketing, engineering, finance and development departments have been instructed to apply for all relevant licences and approvals which we will require each time a new service centre opens.

On 15 April 2011, we entered into strategic co-operation agreements with a Hong Kong listed departmental store chain operator and a property developer in the PRC, both of which are Independent Third Parties. Pursuant to the strategic co-operation agreements, which are not legally binding, the parties will give us preference in entering into negotiation for co-operation arrangements with respect to their respective property development projects, while we will give preferential consideration to

station into the property developed by them. We have not paid any consideration for the preference given to us under the strategic co-operation agreements. The terms of the strategic co-operation agreements are for three years from the date of entering the agreement. We expect to enter into binding agreement within three years from the signing of the strategic co-operation agreements. As at the Latest Practicable Date, we had not entered into any legally binding agreements in relation to the said strategic co-operation arrangements.

REVENUE AND CREDIT CONTROL

Revenue Model

We promote our slimming and beauty services by offering prepaid packages to clients. Our prepaid packages have a validity period of one year. As part of our loyalty programme, with the view to promote through word-of-mouth and encourage sales of new premium packages as well as to enhance customer loyalty and establish long-term relationship with our clients, we may, at our discretion, allow our clients to upgrade their existing slimming and beauty packages to new premium slimming and beauty packages before the expiry of the existing packages. The Directors believe that the upgrade arrangement also provides an option for the clients to experience the latest slimming technology without sacrificing the unutilised value of their existing packages. No upgrade is allowed after the expiry of the existing packages. In the event of package upgrade, contract of the existing package will be terminated and a new contract will be signed between us and the relevant client on the new premium package. Clients are required to pay the difference between the new premium package and the unutilised existing package value. Upon the signing of new contract, the new premium package will have a validity period of one year from the date of the new contract. According to our Group's accounting policy, (i) the unutilised value of the existing package will not be recognised as revenue upon its termination; (ii) proceeds received from the client for the upgraded package together with the amount of unutilised existing package are recognised as the deferred revenue at the point of new contract was signed; (iii) revenue will be recognised when the services are delivered to the client under the new contract; and (iv) revenue will be recognised from expired packages when new contract becomes expired. For details of our loyalty programme, please refer to "Marketing — Marketing and sales — Loyalty programme to clients" below in this section.

Our Directors consider that the validity period of prepaid packages offered by our Group is consistent with the industry norm. The price and number of treatments of prepaid packages vary according to the brands and the natures of services provided. For further details, please refer to "Services and Products — Brands" above in this section. Our Directors believe that this prepayment mode of operation enables us to enhance client loyalty and establish long-term relationship with our clients. For financial reporting purposes, the prepaid packages are recorded as deferred revenue in the balance sheet at the point of sales and subsequently recognised as revenue in the income statement when the service treatments are delivered to clients. Prepaid packages over one year from the date of purchase are fully recognised as revenue.

Accounting policy

As stated in Hong Kong Accounting Standard 18 “Revenue”:

“When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- (a) the amount of revenue can be measured reliably;
- (b) it is probable that the economic benefits associated with the transaction will flow to the entity;
- (c) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- (d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.”

It further states that:

“An entity is generally able to make reliable estimates after it has agreed to the following with the other parties to the transaction:

- (a) each party’s enforceable rights regarding the service to be provided and received by the parties;
- (b) the consideration to be exchanged; and
- (c) the manner and terms of settlement.

It is also usually necessary for the entity to have an effective internal financial budgeting and reporting system. The entity reviews and, when necessary, revises the estimates of revenue as the service is performed. The need for such revisions does not necessarily indicate that the outcome of the transaction cannot be estimated reliably.”

Our Group’s services are targeting a wide spectrum of customers with different consumer behaviour and consumption patterns. The significant factors affecting such consumer behaviour and consumption patterns including but not limited to:

- customer profile, such as age, household income, self-esteem, personality and marital status;
- launch of new products and services by the Group’s competitors;
- continuously changing economic environment;

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- cultural differences among provinces in China, Hong Kong and Macau;
- social factors, such as consumer's reference group and beliefs; and
- rapid technology advancements, both on the development of products and services and the marketing channels and media of communications.

The level of revenue recognised from the expired packages is heavily affected by the aforesaid factors over which we have limited control. The rapid expansion in our client base also increases our difficulty in estimating the level of revenue recognised from the expired prepaid packages. The number of our members increased by 8,340, 15,627 and 23,212 for the years ended March 31, 2009, 2010 and 2011, respectively. In addition, due to the relatively short operating history of our Group in China, it is also difficult for our Group to estimate the level of revenue recognised from the expired packages reliably in China market, which on the other hand contributed a significant portion of our Group's revenue during the last financial year of the Track Record Period. Furthermore, the range of revenue recognised from the expired packages over total revenue from 24% to 36% of our Group's revenue during the Track Record Period is indeed a wide range. It indicates that the consumer behaviour and consumption pattern is ever-changing and it is inappropriate for our management to conclude a reliable estimate at the end of each reporting period during the Track Record Period.

Due to the foregoing reasons, our Directors believe that it is appropriate to recognise revenue only when the services are rendered to its clients or until the end of the contractual period when the Group has no further obligations to render the services. It is inappropriate for the Group to expedite the revenue recognition relating to any unutilised treatments during the Track Record Period by estimating an level of revenue recognised from the expired packages. Nevertheless, the Group will revisit its accounting policies from time to time and adopt the appropriate accounting policies where appropriate in order to comply with the HKFRSs.

Information system for revenue recognition

We maintain reliable information system and procedures to keep track of the information on the prepaid packages on a contract-by-contract basis, so that we can:

- record revenue when services are provided;
- recognise revenue when the prepaid packages are expired; and
- calculate deferred revenue as appropriate.

The system mainly comprises a point-of-sales database to record the origination, utilisation, expiry dates and changes of prepaid packages sold to clients. The system also has an application programme to analyse the data kept in the point-of-sales database and compute the appropriate allocation of proceeds received from the sales of prepaid packages

to revenue and deferred revenue. Based on the information kept in the point-of-sales database, we can also identify the expired contracts and quantify the relevant amount of deferred revenue written off for accounting purpose.

After each financial year end date, we generate report summarising details of the prepaid packages by contract numbers as at the financial year end date of the corresponding financial year. Both our operation and finance department staff will carry out manual checking control to check and reconcile the data in the point-of-sales system and review the computation of revenue from provision of services, revenue from expired prepaid packages and deferred revenue for accounting purpose.

Revenue and cost recording of our slimming and beauty prepaid packages

We price our slimming and beauty treatments in a bundle with reference to a number of factors including (i) the number of treatment services in a package; (ii) body parts receiving treatments; (iii) advancement of equipment to be applied; (iv) slimming or beauty products used during service treatments; (v) types of massage techniques used; and (vi) the price of similar services in the market. Generally speaking, service treatments in the same package have similar values from our Group's pricing strategy.

To optimise the slimming results, we provide tailor-made slimming solutions to clients by adjusting the type of equipment, slimming products, and types of massage techniques during different stages of the slimming programme in accordance with each client's slimming progress and physical condition.

When a client received our services treatment, we will record revenue from provision of services treatment at an amount equals to the selling price of a specific prepaid package divided by the number of services treatment under such prepaid package in our accounting system.

We do not apply cost accounting to allocate the operating costs into each prepaid packages. Operating costs including employee benefit expense, operating lease rentals and depreciation of property, plant and equipment, are common costs shared among the services treatment provided by the same service centre. As such, we record such operating costs of each service centre in total in its accounting system and thus cannot calculate the attributable profit margins of different service packages.

Revenue and cost recording of our slimming and beauty products

When the sales of different slimming and beauty products are made, its respective selling prices and number of quantities sold are recorded in our Group's accounting system. The respective costs of slimming and beauty products are recorded in our Group's accounting system as well. During the Track Record Period, the gross profit margins of our products were in a range of 80% to 90%.

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Deferred revenue

For the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, we sold prepaid packages in the amount of HK\$229.2 million, HK\$232.5 million, HK\$306.2 million and HK\$118.3 million, respectively. Our prepaid packages are valid for one year. We record these prepaid packages as deferred revenue in the balance sheet at the point of sales. As a result of our rapid business expansion in the PRC, our deferred revenue increased during the Track Record Period. Deferred revenue as at 31 March 2009, 2010, 2011 and 31 July 2011 were HK\$118.3 million, HK\$122.4 million, HK\$148.7 million and HK\$147.0 million, respectively. For financial reporting purposes, we recognise prepaid packages as our revenue from time to time in the income statement when the service treatments are delivered to clients. The amount which represents services yet to be rendered will be recorded as liability.

Expired prepaid packages

As clients are not entitled to enjoy services after expiry date, we fully recognise overdue prepaid packages as revenue from expired prepaid packages in the income statement. Revenue from the recognition of expired prepaid packages amounted to HK\$86.0 million, HK\$72.8 million, HK\$73.3 million and HK\$35.1 million, for the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, which accounted for 36.4%, 31.0%, 23.7% and 26.1% of our revenue, respectively.

Each customer shall enter into a standard contract with us when the customer purchases any of our prepaid beauty and slimming packages. The contract clearly sets out terms and conditions of prepaid packages including, without limitation, a term which states 'The use of services/treatments shall be valid for 12 months from the date of purchase'. Our respective legal advisors as to the PRC, Hong Kong and Macau laws are in the view that the standard contracts entered into with the clients become valid and legally binding upon due execution, and hence pursuant to the standard contracts, clients are not entitled to refund under the prepaid packages after the validity period, i.e. 12 months from the date of payment of deposit, which form the legal framework and basis for us to regard the unused portion of expiring prepaid packages as belonging to our Company. The standard contract also includes other terms, including that the Group shall be entitled to interrupt the treatment programme and/or terminate the standing contract should the customer fail to settle the full amount of the packages before the respective due date. In the event of package upgrade, contract of the existing package will be terminated and a new contract will be signed between us and the relevant client on the new premium package. As advised by our respective legal advisors as to the PRC, Hong Kong and Macau laws, there is no legal impediment in the PRC, Hong Kong and Macau to our recognition of revenue from expired prepaid packages when the prepaid packages we sold to our clients expired, and there are currently no impending changes in laws and regulations in the PRC, Hong Kong and Macau that might affect the Company's recognition of income on the expired prepaid packages. Pursuant to our internal control policy, consultants are required to go through each of the terms and conditions on the contract with customers in the PRC, Hong Kong

and Macau before the customers make payment for the prepaid packages, and customers are required to sign on the contract to acknowledge their understanding of the terms and conditions on the contract.

We consider that the clients usually have full enthusiasm when they join the slimming programmes. Clients have to regularly and continuously attend slimming treatments to achieve target results which require a high degree of commitment and cooperation of clients. Clients may subsequently fail to follow the designated slimming programme due to their inertia and lack of momentum to attend slimming service treatments, which from time to time lead to unutilised service treatments and expiry of their prepaid packages. We generate weekly reports on the amount of utilised prepaid packages which are generated from our accounting system. If there are significant changes in amounts of expired prepaid packages, we will analyse the reasons and response accordingly. In order to achieve better slimming results, we encourage our clients to regularly attend to service treatments. For clients who do not come up for services for two consecutive weeks, our computerised information system will automatically send reminder SMS to them on a weekly basis for five consecutive weeks. If the clients still do not make service bookings after the receipt of our SMS, our customer service staff will call them to follow up directly. We believe that these measures not only enable us to reduce the amount of expired prepaid packages, but also ensure our clients achieve better results in their slimming programmes.

Refund Policy

During the Track Record Period, we had two refundable programmes, which were not transferable, namely (i) refundable programme when clients could achieve agreed slimming results (“achievement refundable programme”) and (ii) refundable programme when clients could not achieve agreed slimming results (“non-achievement refundable programme”).

Achievement refundable programme

For the period from 1 April 2009 to 30 April 2010, we had launched the achievement refundable programme which was a tailor-made slimming programme targeting a particular group of clients with average selling price of HK\$/MOP39,900 for Hong Kong and Macau service centres. The achievement refundable programme allowed the client to indicate her desired weight target. Our consultant assesses whether the desired weight target indicated by the client is achievable taking into account her body mass index, weight history and other relevant conditions. Based on the results, our consultant proposes a slimming package to the client with a weight reduction target and a defined period. Our consultant explains the terms of the programme and agrees the weight reduction target with the client before concluding the contract.

In order to encourage the client to put effort keeping her ideal body weight, the client would be eligible to obtain a refund up to 100% of the service plan fee the client had paid when she could achieve weight target after completion of treatment. If the client could not achieve weight target immediately after completion of treatment, she would not be eligible to any refund and we would not have any further refund obligation. We measured the weight of those eligible clients every month in the following 12 months after the treatment

and the eligible clients could get one-twelfth of the service plan fee paid if the weight could be maintained below the designated weight target in that particular measure. A failure in a particular measure would not affect the eligibility for the refund in subsequent months.

The achievement refundable programme was one of our promotional campaigns to increase the awareness of our brands and services. We ceased selling of the achievement refundable programme in April 2010 as we considered that the achievement refundable programme had resulted in our expected promotional effect. There were a total of 1,038 clients joined the achievement refundable programme and 299 clients finally could achieve the agreed weight target immediately after treatment and eligible for refund. According to our accounting policy, the proceeds received from the achievement refundable programme is deferred and is recognised as revenue only when the services are delivered and we have discharged our refund obligation. During the years ended 31 March 2010 and 2011, we sold a total amount of HK\$41.4 million and recognised a total amount of HK\$33.1 million as revenue from the achievement refundable programme. The percentage of refund (i.e. refund amount divided by the contract amount under the achievement refundable programme) was approximately 20%.

Non-achievement refundable programme

Our non-achievement refundable programme are with listed prices of HK\$/MOP688 or HK\$/MOP888 (for Hong Kong and Macau service centres) and RMB888 (for PRC service centres) and target new clients to try our slimming services. We will continue to offer the non-achievement refundable programme to new clients. According to the terms and conditions of the non-achievement refundable programme, clients are only required to pay a relatively small amount for enjoyment of a basic slimming service package. We also guarantee the client to reduce 6 to 8 pounds (for Hong Kong and Macau clients) and 8 catties (for PRC clients) depending on weight of clients within two weeks, or otherwise, we make full or partial refund to the clients according to effectiveness of our services after reduction of handling charges. During the Track Record Period, 1,326, 1,916, 2,936 and 589 clients joined the non-achievement refundable programme and 23, 113, 117 and 9 clients were refunded, respectively. According to our accounting policy, the revenue from the non-achievement refundable programme is recognised as revenue only when the services are delivered and we have discharged our refund obligation. During the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, we recognised HK\$0.9 million, HK\$1.7 million, HK\$2.7 million and HK\$0.3 million respectively as revenue from the non-achievement refundable programme. The percentage of refund (i.e. refund amount divided by the contract amount under the non-achievement refundable programme) were approximately 1%, 3%, 2% and 1% respectively during the Track Record Period.

Apart from the two refundable programmes, we generally do not guarantee any weight loss which is also set out in our standard terms and conditions in the contracts signed with our clients. The amounts of revenue attributable to these refundable slimming programmes were HK\$0.9 million, HK\$29.9 million, HK\$7.7 million and HK\$0.3 million for the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, respectively. The amount of refunds to our clients under refundable slimming programmes were nil, HK\$4.8 million, HK\$3.6 million and nil, which accounted for nil, 2.0%, 1.2% and nil of our total

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revenue, respectively, for the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011. In certain circumstances, where there are good reasons and evidence in support, we may on a discretionary basis allow them to transfer their entitlements to slimming programmes to other persons and/or we may refund our clients at our discretion. For the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, total refunds including those in relation to the complaints filed with the Hong Kong Consumer Council and the Macau Consumer Council and legal proceedings made by us in relation to handling clients' complaints were HK\$1.8 million, HK\$1.9 million, HK\$2.4 million and HK\$2.3 million, which accounted for 0.8%, 0.8%, 0.8% and 1.7% of our total revenue, respectively.

Revenue Receipt Control and Management Policy

Our clients in Hong Kong and Macau normally pay us by credit cards or EPS whereas our PRC clients would normally pay by credit cards or in cash. We accept all popular types of credit cards at our service centres. We have arrangement with a number of financial institutions to offer interest-free monthly instalment plans, ranging from six months to 24 months.

We have implemented a check and balance system at all of our service centres to ensure that our cash receipts are accurately received and recorded. Each service centre clears its transactions and prepares a daily summary. We check the daily transactions summary against credit card sales slips, credit card instalment plan application forms, cash sales receipts and daily sales summaries generated from credit card machines, EPS terminals, cash books. We also reconcile the sales data with actual cash receipts. Daily transaction summaries are sent to the office for record after checking. Upon receiving bank statements, we conduct the monthly bank reconciliation to ensure accuracy of sales proceeds received.

Charge-back arrangements

We have arrangements with certain financial institutions that if we breach any provisions of the merchant agreements including without limitation, our undertakings to provide satisfactory services to our clients, the card issuing financial institutions are generally entitled to charge back from us any payment made by them, and set-off any sum as remedy for such breaches against the amount payable to us attributable to the credit cards. For the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, the aggregate amounts deducted by the financial institutions were nil, HK\$13,880, nil and nil, respectively. During the year ended 31 March 2010, there was one client who through a financial institution requested us to make refund of HK\$13,880 due to the client's change of mind after purchasing of our prepaid package without receiving any treatment services. Our Directors confirm that there had not been any breach of provisions of the merchant agreements in relation to the said incidence of charge-back arrangement.

MARKETING

Our marketing department comprised of 24 staff as at 31 July 2011. Our marketing department is divided into two divisions by region, Hong Kong and the PRC. The PRC division reports directly to Hong Kong division with findings and proposals for approval.

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Our marketing department is responsible for analysing market intelligence, organising advertising activities, evaluating marketing campaigns and assisting in the preparation of promotion materials. They also work closely with our business development department to facilitate our expansion in new geographical markets. Given the size of the PRC market, we have designated marketing staff in different locations in the PRC where we have operations or plan to develop to conduct geographical analysis of the regions and customise our sales and marketing efforts. During the Track Record Period, our marketing expenses were HK\$46.9 million, HK\$47.3 million, HK\$56.4 million and HK\$23.1 million, representing 19.8%, 20.1%, 18.3% and 17.2% of our revenue respectively.

Brand Building

We take pride in our successful track record of brand building, and believe that brand development and maintenance is one of the key strategies to success. We began provision of slimming and beauty services under our brand name “Perfect Shape 必瘦站” since our inception in December 2003 in Hong Kong. We introduced our “Perfect Shape 必瘦站” brand into the PRC and Macau in 2009 and 2007, respectively. Through years of development, our “Perfect Shape 必瘦站” brand has become a well-recognised icon for slimming services in the PRC, Hong Kong and Macau targeting mid to high-end clients. We strategically adopt a multi-branding strategy in our operations and business development which enables us to enlarge our market share particularly in the higher-end market and make clear our positions for different services. In April 2008, leveraging upon the success of our “Perfect Shape 必瘦站” brand and as part of our multi-branding strategy and expansion plan in the PRC, we launched another brand “愛瑪纖體” which we aim at the high-end market for slimming services. We also developed specialised brands for our slimming and beauty services and products, such as “Dr. Face”, “Paris Beauty”, “Mosee”, “Dr. Lakar”, “Komatsu asuka”, and “PH Perfect Health”.

Members Management

As at the Latest Practicable Date, we had around 38,000 members in the PRC, 48,000 members in Hong Kong and 4,000 members in Macau, respectively. Among these members, the number of active members as at 31 March 2011, which we define as members who had received our slimming and beauty services in that year, were 17,714 members in the PRC, 9,105 members in Hong Kong and 2,269 members in Macau. Among these active members, 12,623 members in the PRC, 4,231 members in Hong Kong and 890 members in Macau, had unutilised prepaid packages with our Group as at 31 March 2011. The percentage of the number of customers who have purchased other treatment packages after expiry of the prepaid packages previously purchased by them from us over the number of

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active members was 3.3%, 2.4% and 1.6% for the years ended 31 March 2009, 2010 and 2011, respectively. We believe that one of our principal competitive strengths over our competitors is our well-established client base, which is also vital for our business growth. The following table sets out the number of our members during the Track Record Period:

Location	Number of members as at 31 March			
	2009	2010	2011	CAGR (%)
PRC	628	8,320	24,717	527.4%
Hong Kong	34,468	41,564	46,542	16.2%
Macau	<u>1,158</u>	<u>1,997</u>	<u>3,834</u>	<u>82.0%</u>
Total	<u><u>36,254</u></u>	<u><u>51,881</u></u>	<u><u>75,093</u></u>	<u><u>43.9%</u></u>

In order to enhance client loyalty, we invite the top 10% spenders from each service centre to be our VIP clients. Our VIP clients enjoy privileges such as advance treatment booking, private treatment room, special discounts for packages and products. We plan to build up an electronic CRM platform to improve the effectiveness of our marketing campaigns and allow us to meet the needs of our VIP clients, as well as to foster our client loyalty.

Advertising and Promotion

We dedicate substantial resources in the promotion of our brands and services. Primarily we take into consideration factors such as market development, brand building, client acceptance, seasonality as well as efforts of our competitors in formulating our promotional campaigns. Our marketing department usually adjusts our marketing efforts from time to time in response to our business development and market changes. We advertise throughout the year for brand maintenance purposes in both Hong Kong and major cities in the PRC. We usually strengthen our marketing efforts during summer. We also launch special campaigns for business development purposes such as opening of new service centres, introduction of new service programmes or products. We incurred total marketing expenses of HK\$46.9 million, HK\$47.3 million, HK\$56.4 million and HK\$23.1 million for the years ended 31 March 2009, 2010 and 2011 and the four months ended 31 July 2011. We promote our services through a variety of marketing channels which are set out below.

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Engagement of spokesperson

We engage celebrities as our spokespersons. We consider the suitability of spokespersons for different brands, services, products, consumer groups and markets. During the Track Record Period, we have the following spokespersons:

Spokesperson	Relevant Services/Products	Year
Charmaine Sheh (佘詩曼)	Slimming services for “Perfect Shape 必瘦站”	2012/2013 2011/2012
Kwok Ho Ying (郭可盈)	Slimming and beauty services for “Perfect Shape 必瘦站”	2010/2011
Ada Choi (蔡少芬)	Beauty services for “Dr. Face”	2010/2011
Liu Bernice Jan (廖碧兒)	Slimming services for “Perfect Shape 必瘦站” and “愛瑪纖體”	2010/2011
Theresa Fu (傅穎)	Beauty services for “Dr. Face”	2009/2010

During the Track Record Period, the total amounts paid to our spokespersons were HK\$1.4 million, HK\$1.2 million, HK\$3.8 million and nil, respectively.

We also invite our clients to be our spokespersons and share their successful slimming experiences.

Sponsorship in beauty contests

We sponsor large-scale beauty contests in Hong Kong. We were the “Official Slimming Centre” for Miss Hong Kong Pageant 2008, the “Preferred Slimming Centre” for Miss Chinese International Pageant 2009 and slimming consultant for Miss Asia Pageant (PRC Division) 2009.

Media advertising in various channels

We advertise in traditional marketing channels such as television, radio, magazines and outdoor billboards for promotion of our services. We also post our advertisements in metro stations and make use of the Internet in our marketing.

Based on the representations of the Directors and to the best of the PRC, Hong Kong and Macau legal advisors’ knowledge after due inquiry, our PRC, Hong Kong and Macau legal advisors are of the opinion that the content of the Group’s current advertisements in the PRC, Hong Kong and Macau are not in violation of the relevant laws and regulations of the PRC, Hong Kong and Macau in all material respects.

Large-scale promotional activities

We have arrangements with popular shopping malls, major banks and credit card companies to arrange promotional activities. We distribute trial or discount coupons to shoppers outside our service centres. We also offer promotional discounts for credit card holders with cooperating banks and financial institutions. We take the openings of new service centres, particularly in new geographical markets, as good opportunities in our promotion. We invite celebrities and the media to participate in the grand openings of our service centres. These activities attract extensive media coverage. We also offer special discounts at new service centres during promotional period to celebrate the grand openings. For example, the grand opening events of our service centres at Beijing Guorui Shopping Centre (北京國瑞購物中心) in 2010, Shanghai Bailian Shimao International Plaza (上海百聯世茂國際廣場) in 2010 and Zhengjia Plaza in Guangzhou (廣州正佳廣場) in 2010.

Flagship centres

Our flagship centres are located in prestigious shopping malls and high-end departmental stores in prime locations. Apart from service provision, these flagship centres will serve our brand-building purpose.

Marketing and Sales

We believe that our well-known brand names, reputation for quality and effective services and established client base, together with our dedicated promotional activities, provide solid foundation for our sales. We make active sales efforts to pursue new business, and we engage call centres to make “cold calls” to our target clients to promote and sell our services. In order to protect our image and our target clients, we provide clear guidelines to the call centre employees and require the call centres to record the conversation between their employees and our potential clients. We rely on our sales staff to sell our services. We give commissions which represent a certain percentage of the relevant sales amounts to our sales staff for successful sales as encouragement. We determine the commission rates to our sales staff by taking into account the factors including individual sales staff’s monthly sales amount; types of prepaid packages sold; and whether the client is a new or repeated customer. During the Track Record Period, the commissions paid by us to our sales staff were HK\$10.8 million, HK\$9.7 million, HK\$11.9 million and HK\$5.3 million, which represented 4.7%, 4.2%, 3.9% and 4.5% of sale receipts, respectively. We also enjoy new business through word-of-mouth referrals among our clients.

Loyalty programme to clients

We from time to time launch new slimming and beauty programmes to our clients in an attempt to attract them to repetitively purchase our prepaid packages. As part of our loyalty programme, with the view to promote through word-of-mouth and encourage sales of new premium packages as well as to enhance customer loyalty and establish long-term relationship with our clients, we may, at our discretion, allow our clients to upgrade their existing slimming and beauty packages to new premium slimming and beauty packages before the expiry of the existing packages. The Directors believe that the upgrade arrangement also provides an option for the clients to experience the latest slimming

technology without sacrificing the unutilised value of their existing packages. No upgrade is allowed after the expiry of the existing packages. In the event of package upgrade, contract of the existing package will be terminated and a new contract will be signed between us and the relevant client on the new premium package. Clients are required to pay the difference between the new premium package and the unutilised existing package value. Upon the signing of new contract, the new premium package will have a validity period of one year from the date of the new contract. The proceeds received from the new premium package and unutilised value of existing package will be recognised as deferred revenue at the point of new contract is signed. Revenue will be recognised when services are delivered to our client under the new contract, and recognised from expired packages when the new contract expires.

We allow our clients to upgrade their existing slimming and beauty packages to new premium slimming and beauty packages on conditions that (i) the validity period of the existing packages has not expired; (ii) the new premium packages are suitable for the relevant clients; and (iii) the relevant clients shall pay not less than 40% of value of the new premium packages. As the upgrade arrangement is part of our loyalty programme to promote through word-of-mouth and encourage sales of new premium packages as well as to enhance customer loyalty and maintain long-term relationship with clients, we do not restrict the number of upgrade of slimming and beauty packages. For the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, 21.3%, 16.3%, 16.8% and 8.2% of our active members had upgraded their packages before the expiry of the existing packages, and the cash received from upgrade of prepaid packages amounted to HK\$31.0 million, HK\$24.0 million, HK\$28.4 million and HK\$6.5 million.

Pricing policies

We price our prepaid slimming and beauty packages based on several factors, including the number of service treatments attached to different slimming and beauty packages; the advancement of slimming and beauty machinery to be applied during service treatments; and the types of slimming and beauty products to be applied during the service treatments. Any price adjustments are based on factors such as cost of products and machinery, promotional campaigns offered by the Group and anticipated market trends and expected clients' demand.

We sell our prepaid slimming and beauty packages to our clients at a discount to the original value of the prepaid packages. The discount, in any event, shall not be more than 60% of the original value of the prepaid packages, which is determined with reference to individual client's membership duration and such client's historical spending with us.

Clients

Our clients are mainly retail consumers. During the Track Record Period, our five largest clients in aggregate accounted for less than 3% of our total revenue.

Client feedback system

As a measure to enhance customer loyalty and establish long-term relationship with our clients, our sales and marketing department implemented our client feedback system since August 2009 to ascertain clients' expectation and collect clients' comments on us and our services. Such system enables us to improve our designed programmes to meet clients' specific needs in order to encourage clients' repeated purchase of our service treatments. We collect client feedback through various internal channels including client service hotline, comment collection box at each of our service centres and face-to-face communication with frontline staff at our service centres. Pursuant to our client feedback system, our staff are required to keep proper records of client feedback. We centralise the handling of feedback made through our service hotline at our principal office in Hong Kong. Our staff check the comment collection box at each service centre to sort out client feedback every day. For face-to-face comments, written records are prepared after interview with clients which have to be reviewed and approved by shop manager of the relevant service centre. Client feedback we collected generally relate to progress of our slimming treatments and our service level. We carefully consider client feedback and respond appropriately, and analyse client feedback for improvement where appropriate, in order to encourage clients' repeated purchase of our service treatments. We require our staff to deal with client feedback promptly. In respect of feedback made to us directly through telephone, comment collection box or personally at our service centres, our staff have to deal with them within 24 hours.

We received a total of 159 client feedbacks up to the Latest Practicable Date.

	Number of Client Feedback			For the period from 1 April 2011 up to the Latest Practicable Date
	For the year ended 31 March			
	2009	2010	2011	
		<i>(Note)</i>		
PRC	N/A	31	98	24
Hong Kong	N/A	3	2	—
Macau	N/A	1	—	—
Total	N/A	35	100	24

Note: We implemented our client feedback system since August 2009 and the number of client feedback collected for the year ended 31 March 2010 represented the number of client feedback collected within the period from August 2009 to 31 March 2010.

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The following table sets out the breakdown of client feedbacks by nature:

Nature of client feedbacks	Number of client feedbacks
Failure of clients in relation to compliance with designated slimming programmes (e.g. frequency of attendance and diet recommendation etc.)	76
Worries of clients due to insufficient understanding about the advantages of slimming equipment	46
Sickness of clients (e.g. heart disease, high blood pressure, diabetes etc.)	29
Others (e.g. pregnancy, relocation of home, relocation of working place etc.)	8
Total	159

As shown in the above table, the client feedbacks received by us are different in nature from complaints. The Directors believe that most of the feedbacks were driven by clients' indolence in attending slimming programs and consider that the client feedbacks do not amount to and should not be classified as complaints to us. The Directors confirm that all the client feedbacks had been properly handled and satisfactorily resolved. The Directors also confirm that our Group has not received additional complaints from clients other than those complaints filed with the Hong Kong Consumer Council and Macau Consumer Council during the Track Record Period and up to the Latest Practicable Date.

PURCHASES

Our sourcing personnel are responsible for selecting, negotiating and placing orders with our suppliers. Our major expenditures are our slimming and beauty equipments and merchandises. We have implemented internal guidelines for our procurement. We require our sourcing staff to check our inventory before making relevant purchase plans. Our sourcing staff also compare prices from different suppliers and have to follow up the purchase orders. Upon delivery, our marketing staff assist in checking the supplies before acceptance.

We source our equipments and their components from suppliers in Europe and Japan through trading companies and their distributors in Hong Kong. During the Track Record Period, our purchases of slimming and beauty equipment and machinery amounted to HK\$2.0 million, HK\$2.7 million, HK\$3.3 million and HK\$1.0 million, respectively. We source our slimming and beauty products from the manufacturers and the finished products are labelled and sold under our brands. To ensure the quality of our products, we carefully select our suppliers of slimming and beauty products and conduct quality testings on their supplies. During the Track Record Period, our purchases of slimming and beauty merchandise amounted to HK\$1.9 million, HK\$4.9 million, HK\$7.5 million and HK\$2.2 million, respectively.

Major Suppliers

We do not have any long-term contracts with our suppliers and we are free to source from a number of suppliers. We believe that this arrangement is beneficial to us as we can maintain flexibility in selecting supplies with quality and cost competitiveness. We have business relationships with our top five suppliers ranging from one year to five years.

Our Directors believe that we have maintained good business relationships with our suppliers and, during the Track Record Period, we have not encountered any major problems in our sourcing despite the fact that we have not entered into any long-term supply contracts with our suppliers. Payment terms with majority of the suppliers are on open account. Certain suppliers granted credit terms to us ranging from 30 days to 60 days. Settlement with suppliers were mainly in RMB by way of telegraphic transfers for our purchases in the PRC, and in HK dollars by way of cheque outside the PRC.

We have a stringent system for selecting reliable and quality suppliers. We select and appraise our suppliers based on various factors including pricing, quality, reliability, timeliness of delivery, comprehensiveness of supplies as well as general market reputation.

For the years ended 31 March 2009, 2010 and 2011 and four months ended 31 July 2011, our largest supplier for the respective year accounted for 17.8%, 18.0%, 17.0% and 23.3% of our total purchases. During the same period, our five largest suppliers in aggregate accounted for 60.7%, 55.0%, 49.9% and 49.6% of our total purchases, respectively. None of our Directors or any shareholder, who to the knowledge of our Directors, owns more than 5% of our issued share capital immediately following completion of the Global Offering and the Capitalisation Issue (but without taking into account the exercise of the Over-allotment Option) nor any of their respective associates has any interest in any of our five largest suppliers for the years ended 31 March 2009, 2010 and 2011 and four months ended 31 July 2011.

INVENTORY CONTROL

Our inventory mainly comprises of our slimming and beauty products. We carefully monitor the level of our stock to minimise storage time. We retrieve our slimming and beauty products on a first-in-first-out basis. As at 31 March 2009, 2010 and 2011 and 31 July 2011, our inventory balances were HK\$0.5 million, HK\$1.0 million, HK\$1.1 million and HK\$0.7 million, respectively.

QUALITY CONTROL

Our Directors believe that professional knowledge and expertise of frontline staff is crucial to the provision of quality services. We provide in-house training to our staff, especially our slimming consultants, in relation to client handling skills, slimming theories such as the process and stages of fat accumulation and breakdown, as well as the functions and operations of equipment. We also believe that provision of staff training is one of the principal ways to minimise the number of client complaints. As a result, amongst other things, our staff trainings also cover sales techniques and complaint management skills. As part of our staff training for service improvement, we also communicate previous complaints

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cases with our frontline staff. We provide a one-month on-the-job training to all staff when they join our Group, and carry out staff assessment on a bi-monthly basis. We provide further training according to their assessment results.

We have two slimming and beauty trainers-in-charge who are responsible for training of our service centre managers. Our service centre managers are in turn responsible for training of the staff of their service centres. We assess and review the performance of our frontline staff through internal appraisals. We also require our frontline staff to attend assessments on their technical skills and knowledge. We invite clients to provide feedback on quality of our services including the standard of services provided by our staff which will be taken into account in their performance review.

We have qualified nutritionists and slimming consultants who can provide professional advice to our clients in relation to the formulation and implementation of slimming programmes. As at 31 July 2011, we had 26 nutritionists and 117 consultants, all of whom are our full-time employees. Our nutritionists must possess a diploma or higher qualifications in relevant subjects and have over one year relevant working experience. Our slimming consultants must possess at least five years of relevant working experience in slimming and beauty industry.

As part of our client services, we have set up client service hotline and implemented internal guidelines for handling complaints and disputes.

Since our business does not involve dangerous activities, we do not have employees' safety manuals for our general operations. Nevertheless, we provide staff trainings and have illustrative manuals in relation to the functions and operations of our slimming and beauty equipments. During the Track Record Period, save as there were three claims which involved two clients and one claim involved one ex-employee filed against us with the Hong Kong District Court and all of them were in relation to personal injuries caused in the course of receiving slimming services and in the course of her employment respectively, our Directors confirmed that none of our employees or customers had experienced any material injuries in the course of our operations.

AWARDS AND RECOGNITION

In recent years, we were granted the following major awards, certificates and memberships:

Achievements	Year	Organisation⁽¹⁾
PRC Consumer's Most Favourable Hong Kong Brands (中國消費者最喜愛香港品牌金獎品牌)	2010	China Enterprise Reputation and Credibility Association (Overseas) ⁽²⁾ (中華(海外)企業信譽協會)
Slimming Consultant for Miss Asian Pageant 2009 (China Division)	2009	Asia Television Ltd. ⁽³⁾
Miss Chinese International Pageant 2009 Preferred Slimming Centre (2009國際中華小姐大會指定纖體中心)	2009	Television Broadcasts Limited ⁽⁴⁾
Miss Hong Kong Pageant 2008 Official Slimming Centre (2008香港小姐競選大會指定纖體中心)	2008	Television Broadcasts Limited
"Parents" Choice Awards (父母最愛信心品牌 — 香港明星推崇纖體品牌)	2008 & 2009	3 Weekly Magazine ⁽⁵⁾
Smart Living Awards 2008 (優質生活品牌 — 最有效纖體中心)	2008	3 Weekly Magazine
Capital CEO Supreme Brand Awards (資本才俊非凡品牌大賞)	2007	Capital CEO Magazine ⁽⁶⁾
Hong Kong Best of the Best Brands Gold Awards — Best Branding (Health & Medical) (香港(2007)最強品牌金獎 — 最佳品牌)	2007	Sino Century Publishing Group ⁽⁷⁾
The Ten Best Professional slimming & Beauty Centres	2007	Jessica Code ⁽⁸⁾
Superbrands Hong Kong Award (香港超級品牌)	2006	Superbrands International ⁽⁹⁾

Notes:

1. All the award issuing organisations are Independent Third Parties.
2. China Enterprise Reputation and Credibility Association (Overseas) is a non-governmental association formed for the purpose of, amongst others, promoting the establishment of the reputation and credibility system in the PRC and overseas market.
3. Asian Television Ltd., commonly known as ATV, is a commercial television station in Hong Kong.

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4. Television Broadcasts Limited, commonly known as TVB, is a commercial television station in Hong Kong.
5. 3 Weekly Magazine is a weekly entertainment magazine published by South China Group.
6. Capital CEO Magazine is a business magazine published by South China Group.
7. Sino Century Publishing Group produces several financial publications, which deliver the most updated financial news and analysis to readers.
8. Jessica Code is a fashion magazine which delivers latest fashion news, beauty trends and skincare tips to readers.
9. Superbrands International is an independent arbiter of branding, which promotes the discipline of branding and recognises the exceptional and most valued brands.

HISTORICAL NON-COMPLIANCE

“More Slim” incident

In May 2008, despite provision of clean testing reports issued by qualified accreditation centres supplied by the relevant supplier, we were notified by the Hong Kong Department of Health that samples of our “More Slim” slimming products were detected to contain prohibited pharmaceutical substances of “Sibutramine” and proved to be in breach of the Pharmacy and Poisons Regulations (Chapter 138A of the Laws of Hong Kong) and we were ordered to immediately suspend sales and conduct recall within seven days of all such products in Hong Kong. The aggregate amount involved in the product recall of “More Slim” products is HK\$1.3 million. The Directors believed that we had been deceived by the relevant supplier in the incident. As an immediate response, we ceased procurement from the relevant supplier and sales of all relevant products at our service centres.

“EnerDay” incident

We sold “EnerDay” products for a three-month period from September to November in 2007 with total sales amount of HK\$149,000. After that, we began to source slimming products from the same supplier of “EnerDay” products and sold slimming products of the supplier under our proprietary brand of “More Slim”.

In around September 2008, it was reported that a female felt unwell and was sent for medication after taking “EnerDay” slimming products purchased at our service centre, and the said “EnerDay” slimming products were subsequently discovered to contain “Sibutramine”. The Hong Kong Department of Health had conducted shop investigation on the relevant service centre and attempted to collect samples of “EnerDay” products for examination in early September 2008. Since we had ceased sales of “EnerDay” products since December 2007, there had been no stock of “EnerDay” available for sale at any of our service centres and no “EnerDay” products were found. Save for the aforesaid, the Hong Kong Department of Health had not ordered any suspension of sales and product recall of “EnerDay” products nor commenced any proceedings against us in this regard, and had closed its case on “EnerDay” products in February 2009.

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Our Directors confirmed that they did not receive further notifications and/or investigations from the Hong Kong Department of Health in respect of the above incidents, and there was not any claim or legal proceeding against us in relation to the said incidents. Our Directors confirm that revenue received from sales of “More Slim” and “EnerDay” by us was HK\$3.1 million, we subsequently refunded to clients of HK\$1.4 million and no inventory written off in relation to the above incidences during the Track Record Period. Our Directors confirm that, save as disclosed above, there had not been any suspension of sales and product recall incidents which have resulted in complaints or injuries to our clients during the Track Record Period. Moreover, given the small quantity of products involved, the said incidents had not caused material impact on our operations and financial condition. Save for the said incidents, our Directors confirm that none of our products put on sales were found to be sub-standard, contaminated by plasticizers, EDHP or other harmful substances, or in breach of applicable laws and regulations during the Track Record Period.

In the event that products of our suppliers were found to be sub-standard or in breach of applicable laws and regulations and result in injuries to end-customers, both our suppliers, as the manufacturers, and we, as the retailer, might be subject to product liability claims from end-customers. Since we do not maintain product liability insurance, we may be affected by any injuries to our clients as a result of consumption of such products. Please refer to “Risk Factors — As we source our slimming and beauty products from our suppliers, we may not be able to effectively control product qualities and may be subject to product liability claims” in this prospectus for further details.

CLIENT COMPLAINTS

Client complaints

Due to the nature of slimming industry and subjective views on the level of satisfaction of slimming services provided, on occasions, we receive client complaints. Further, as we charge our clients by way of prepaid packages which sometimes lead to disputes arising from requests for refund for prepayment. Client complaints are usually in relation to one or more of the following areas:

- unsatisfactory result of our services
- physical injury caused by our services
- disputes over payment method (e.g. credit card instalment etc.)
- unsatisfactory staff services
- unsatisfactory treatment progress
- client’s change of mind
- subsequent argument on the terms of contracts

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— dispute over implementation outcome of our refundable programmes

Some of our clients file complaints with consumer protection authorities. There were one, 74, 22 and four complaints against us filed by our clients with the Hong Kong Consumer Council, and seven, six, one and two complaints against us filed by our clients with the Macau Consumer Council, for the years ended 31 March 2009, 2010 and 2011 and the period from 1 April 2011 up to the Latest Practicable Date, respectively.

Client complaints filed with the Hong Kong Consumer Council

Service Centres	Number of client complaints Year ended 31 March			From 1 April 2011 up to the Latest Practicable Date
	2009	2010	2011	
Causeway Bay Centre	—	24	2	1
Mongkok Centre	—	16	8	—
Tsuen Wan				
— Nan Fung Centre	1	5	1	—
Tsuen Wan				
— City Landmark Centre	—	—	1	1
Tseung Kwan O Centre	—	2	—	—
Sheung Shui Centre	—	2	1	—
Yuen Long Centre	—	1	3	1
Tai Po Centre	—	4	—	—
Tuen Mun Centre	—	2	—	—
Ma On Shan Centre	—	1	1	—
North Point Centre	—	5	—	—
Central Centre	—	1	—	—
Tsim Sha Tsui Centre	—	1	2	—
Kwun Tong Centre	—	8	1	—
Hung Hom Centre	—	1	—	—
Shatin Centre	—	1	—	1
Others	—	—	2	—
Total <i>(Note)</i>	1	74	22	4

Note: There were 12 Hong Kong Consumer Council cases which substantiated into legal proceedings and overlapped with the Hong Kong Small Claims Tribunal cases.

BUSINESS

The following table sets out the breakdown of client complaints filed with Hong Kong Consumer Council by nature of complaints during the Track Record Period and up to the Latest Practicable Date:

Nature of client complaints	Number of client complaints during the Track Record Period and up to the Latest Practicable Date
— unsatisfactory result of our services	20
— physical injury caused by our services	8
— disputes over payment method (e.g. credit card instalment etc.)	3
— unsatisfactory staff services	6
— unsatisfactory treatment progress	6
— client's change of mind	8
— subsequent argument on the terms of contracts	16
— disputes over implementation outcome of our refundable programmes	15
— others <i>(Note)</i>	19
	<hr/>
Total	<u>101</u>

Note: Others mainly involve requests for refunds which may be due to various reasons such as (i) differences between effects of our services and clients' expectations; (ii) impulse or spontaneous purchase; (iii) objection by family members; (iv) subsequent financial problems; or (v) regret for over spending.

Based on the complaint documents filed with the Hong Kong Consumer Council for the years ended 31 March 2009, 2010 and 2011 and the period from 1 April 2011 up to the Latest Practicable Date, the total amount of refunds requested by the complainants were approximately HK\$4.3 million.

For the 101 client complaints filed with the Hong Kong Consumer Council set out above, as at the Latest Practicable Date, 21 cases have been resolved through settlement with the complainants and 12 cases have substantiated into Hong Kong Small Claims Tribunal cases (and we have reached settlement for two of them), while with respect to the remaining 68 cases were unsettled or remained idle (there had not been communication between the complainants and our Group within the past one month before the Latest Practicable Date) as no settlements were made between us and the relevant complainants after negotiations.

BUSINESS

The following table sets out the breakdown of these 68 client complaints by nature of complaints during the Track Record Period and up to the Latest Practicable Date:

Nature of client complaints	Number of client complaints which were unsettled or remained idle as at the Latest Practicable Date
— unsatisfactory result of our services	14
— physical injury caused by our services	6
— disputes over payment method (e.g. credit card instalment etc.)	1
— unsatisfactory staff services	4
— unsatisfactory treatment progress	3
— client's change of mind	5
— subsequent argument of the terms of contracts	13
— disputes over implementation outcome of our refundable programmes	8
— others <i>(Note)</i>	14
Total	68

Note: Others mainly involve requests for refunds which may be due to differences between effects of our services and clients' expectation; impulse or spontaneous purchase; objection by family members; subsequent financial problems; or regret for over spending.

Among the above 68 client complaints, one, 47, 18 and two client complaints were filed against our Group for the years ended 31 March 2009, 2010 and 2011 and for the period from 1 April 2011 up to the Latest Practicable Date, respectively. The above 68 client complaints were unsettled and remained idle as 42 of such complainants did not accept the offer made by us in relation to settlement; 21 of such complainants had asked for unreasonable terms of settlement which were not acceptable to us according to our policy; and five of such complainants were not contactable. We had followed our internal guidelines in handling these 68 client complaints. We had proactively contacted the relevant clients within three days upon receiving notification from the Hong Kong Consumer Council and been taking active approach to attempt to resolve the matter within one month of notification from the Hong Kong Consumer Council. However, we are unable to anticipate and it is beyond our control when such complainants will reach amicable settlement with us while we, according to our internal policy, have every intention to settle these complaints by making reasonable offers to all of them. The Directors confirm that there has been no follow-up action from the Hong Kong Consumer Council in relation to our Group's handling of the 68 complaints within the past one month before the Latest Practicable Date. The maximum potential claims arising from the said client 68 complaints amounted to HK\$2.8 million, which is immaterial as compared to our revenue.

BUSINESS

Client complaints filed with the Macau Consumer Council

Service Centre	Number of client complaints Year ended 31 March			From 1 April 2011 up to the Latest Practicable Date
	2009	2010	2011	
Macau Centre	7	6	1	2
Total <i>(Note)</i>	7	6	1	2

Note: The 16 Macau Consumer Council cases involved 15 clients as there was one client who had filed more than one complaint.

The following table sets out the breakdown of client complaints filed with the Macau Consumer Council by nature of complaints during the Track Record Period and up to the Latest Practicable Date:

Nature of client complaints	Number of client complaints during the Track Record Period and up to the Latest Practicable Date
— unsatisfactory staff services	1
— physical injury caused by our services	1
— miscommunication between our staff and clients	14
Total	16

For the 16 client complaints filed with the Macau Consumer Council set out above, as at the Latest Practicable Date, we have reached settlement arrangements with the complainants to resolve 10 complaints (in respect of one complaint we have reached settlement arrangement with the complainant and we are pending for file closing confirmation from the Macau Consumer Council) and six complaints were closed as such complaints were either being withdrawn by the complainants, not being proceeded as insufficient information was provided by the complainants, or closed as the complaint has no further objection to our settlement proposal.

Client complaints filed with the PRC consumer associations or organisations or local branches of administration for industry and commerce

With respect to complaints in the PRC, clients may request consumer associations or organisations to conduct mediation; file complaints with the local branches of administration for industry and commerce (the “Local AICs”); and/or apply for arbitration or commence legal proceedings against us. The Directors confirm that we had not received any notification from any consumer association or organisation or the Local

AICs, or any notifications of arbitration or legal proceedings from arbitration tribunals or courts in relation to client complaints in the PRC during the Track Record Period and up to the Latest Practicable Date.

Some of the client complaints substantiate into legal proceedings against us. There were 12 Hong Kong Consumer Council cases which substantiated into legal proceedings and overlapped with the Hong Kong Small Claims Tribunal cases. For the years ended 31 March 2009, 2010, 2011 and the period from 1 April 2011 up to the Latest Practicable Date, there were 15, 29, four and nil Hong Kong Small Claims Tribunal cases, and one, two, nil and one Hong Kong District Court cases, against us filed by our clients and one ex-employee, respectively. Please refer to “Regulatory Compliance and Legal Proceedings — Legal proceedings” below in this section for details of legal proceedings.

The number of complaints and legal proceedings against us filed by our clients were insignificant as they accounted for only 0.14%, 0.47%, 0.09% and 0.02% of the number of active members of our Group for the years ended 31 March 2009, 2010, 2011 and the period from 1 April 2011 up to the Latest Practicable Date, respectively.

We offer free treatments, refunds and/or compensation for settlement purpose. We usually pay compensation to our clients in the circumstances that the clients incur injuries during the course of treatments and upon provision of medical proof of injuries. We review the grounds of the requests for refund on a case-by-case basis. Subject to discretion and approval of our senior management, we may refund to our clients if valid reasons can be demonstrated such as physically unfit for treatments, non-fulfilment of expected slimming results, relocation of work and address and financial difficulties problems etc. For the years ended 31 March 2009, 2010 and 2011 and the period from 1 April 2011 up to the Latest Practicable Date, the total amount of compensation paid by us in relation to claims involved our Group in relation to complaints filed with the Hong Kong Consumer Council and Macau Consumer Council were HK\$0.2 million, HK\$0.5 million, nil and HK\$3,000, respectively. For the years ended 31 March 2009, 2010 and 2011 and the period from 1 April 2011 up to the Latest Practicable Date, total compensation/refunds, including those in relation to Hong Kong Consumer Council and Macau Consumer Council and legal proceedings, made by us in relation to handling of client complaints were HK\$1.8 million, HK\$1.9 million, HK\$2.4 million and HK\$2.3 million, respectively.

The Directors confirm that all complaints filed by our clients to the Hong Kong Consumer Council and the Macau Consumer Council and legal proceedings for the three years ended 31 March 2009, 2010 and 2011 and the period from 1 April 2011 up to the Latest Practicable Date were not related to complaints in relation to difficulty in making reservation of our Group’s service treatments and we had not conducted sales through excessive and/or improper techniques and/or misrepresentation and/or mis-selling practices in respect of the complaints filed by our clients.

Management of complaints

Our customer service department is responsible for handling client complaints. In order to ensure prompt and proper handling of client complaints, we have implemented relevant internal guidelines which we strictly require our staff to follow. All complaints received have to be reported to our principal office in Hong Kong. Upon receiving a complaint, we carefully review its contents and understand its backgrounds from the relevant staff and service centres.

We compile weekly reports summarising new complaints received and/or the progress of existing complaints which are submitted to our chief operating officer (“COO”) and an executive Director, Ms. Au-Yeung Wai, for review. For serious and severe complaints received, our customer service staff report to the COO immediately. We also prepare monthly reports summarising new feedback and complaints received by each service centre which are submitted to the COO and the Board of Directors for review. The Board of Directors review the efficiency and effectiveness of internal control policy on complaint management and recommend improvement in internal control procedures if it considers necessary. Any updated internal control policy will be circulated to staff in service centres for implementation. We assess and review the performance of our frontline staff through internal appraisals and factors to be considered including but not limited to the number of complaints against each frontline staff.

For complaints made to the consumer protection authorities, such as the Hong Kong Consumer Council, we require our staff to contact the complainants to understand the situation and resolve the matters within three days of notification by the relevant authority and within six days of notification by the relevant authority, we report back the progress to the relevant authority. It is our policy to take active approach to contact and attempt to resolve with the clients within one month of notification by the relevant authority. In the event that clients commence legal proceedings in courts, such as the Hong Kong Small Claims Tribunal, we prepare our defence against the claims within the time limit prescribed by the courts whilst at the same time use our best endeavours to reach settlement with the claimants.

In order to maintain good client relationship, we try to resolve the complaints reasonably and amicably within one month. Upon reaching settlement, we enter into settlement agreements with our clients, and where applicable, report back to the consumer protection authorities or make necessary steps with the courts.

In an attempt to reduce claims made against us in the future, we will take various measures, including but not limited to the following:

1. reinforce our customer service team to achieve a more efficient and effective handling of client complaints in the first place;
2. review each of the complaints to determine the reason leading thereto and attempt to resolve the complaint with the client in an amicable way;

3. review the claims made against us from time to time to ascertain the areas within our Group that require improvement, to adopt remedial measures and to improve the services provided by us; and
4. review the claims, ascertain and assess the areas of operation subject to dispute with a view to operating a more popular business.

Staff training

We strive to improve the service quality of our frontline staff by the provision of in-house training which we believe is one of the principal ways to minimise the number of client complaints. Amongst other things, our staff trainings cover sales techniques. In order to avoid misunderstanding between clients and our salespersons, we require our salespersons to go through the contract with the client and make sure that the client understands her rights and responsibilities before signing. We also provide training to our staff on complaint handling skills and ensure that all of our staff understand and follow our standard complaint handling procedures. As part of our staff training for service improvement, we also communicate previous complaint cases with our frontline staff.

Indemnity on litigation and claims

Our Controlling Shareholders have, pursuant to the Deed of Indemnity, agreed to provide indemnities in favour of our Group in respect of, among other matters, all claims, payments, suits, damages, settlement payments and/or any associated costs and expenses which would be incurred by any member of our Group as a result of complaints, litigation, arbitration and/or legal proceedings against any member of our Group which was issued, accrued and/or arising from any act of any member of our Group on or before the Listing Date.

Our Controlling Shareholders shall be under no liability under the Deed of Indemnity for litigation and claims to the extent that full provision has been made for such claims and/or costs in the audited combined accounts of our Group or the audited accounts of the relevant member(s) of our Group for the years ended 31 March 2009, 2010 and 2011 and the four months ended 31 July 2011.

REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS

Legislation and guidance

Our business is subject to various laws and regulations enacted in the PRC, Hong Kong and Macau.

PRC

The principal laws and regulations in relation to the beauty industry in the PRC include the Interim Administrative Measures of the Beauty and Hairdressing Industries and the Administrative Regulations on Health at Public Premises and its implementation rules.

BUSINESS

For example, the Beijing Administration Bureau of Industry and Commerce issued the Guidance on the Transaction Agreements of Prepaid Consumption Services in Beijing (Trial Implementation) (北京市消費類預付費服務交易合同行為指引(試行)) (the “Guidance”), which took effect since September 2011 in respect of the unused portion of expired prepaid packages, and pursuant to which, amongst other, upon expiry of the prepaid contracts, service providers shall offer one of the following options to their clients: (i) one free extension of the term of service for no less than half of the original term; (ii) refund of the unused service fees; (iii) provision of alternative service arrangements. The Guidance also requires service providers to provide a cooling-off period of seven days after payment to their customers. In view that the Guidance is not mandatory in nature and does not have legal effect, is only applicable to transactions in Beijing after the effective date, and may impose additional operating cost on our Group, our Directors consider it is not cost effective to comply with the Guidance currently. However, our Directors will closely monitor the updates on the Guidance and will comply with all relevant implemented rules and regulations.

For the years ended 31 March 2009, 2010 and 2011 and the four months ended 31 July 2011, revenue contributed from our Beijing service centres were nil, HK\$0.3 million, HK\$14.3 million and HK\$9.4 million, which accounted for nil, 0.1%, 4.6% and 7.0% of our total revenue, respectively.

Hong Kong

In Hong Kong, there is at present no specific legislation governing the provision of slimming and beauty services and products in respect of our business in Hong Kong, including qualification of the employed personnel or devices used, save and except regulatory requirements for medical practitioners and Chinese medical practitioners. Our operations in Hong Kong are however subject to certain general rules and regulations in relation to food, health, safety, importation and exportation, medical practitioners and Chinese medical practitioners. The principal ones are the Public Health and Municipal Services Ordinance, Food and Drugs (Composition and Labelling) Regulations, The Consumer Goods Safety Regulation, Trade Descriptions Ordinance, Import and Export Ordinance, and Medical Registration Ordinance and Chinese Medicine Ordinance.

Macau

There is at present no specific legislation governing the provision of slimming and beauty services and products in respect of our business in Macau, including qualification of the employed personnel or devices used, save and except regulatory requirements for medical practitioners and Chinese medical practitioners. Our operations in Macau are however subject to certain general rules and regulations in relation to business operation, food, health, safety, importation and exportation, medical practitioners and Chinese medical practitioners. The principal ones are Legal Regime of Administrative Licensing of Certain Economic Activities (Decree-Law n.º 47/98/M), Law of Offense Acts against Public Health and Economy (Law n.º 6/96/M), Prepared Food (Composition and Labeling) Regulation (Decree-Law n.º 50/92/M), General Regime of Product Safety (Administrative

Regulation n.° 17/2008), Foreign Trade Law (Law n.° 7/2003), Licensing for Provision of Private Health Care Activity Regulation (Decree-Law n.° 84/90/M), and General Regime of Advertisement Activities (Law n.° 7/89/M).

For details of the applicable laws and regulations to our operations, please refer to “Laws and Regulations” in this prospectus.

As advised by our respective legal advisors as to the PRC, Hong Kong and Macau laws, there is no cooling-off period after sale of prepaid packages under the current laws and regulations in the PRC, Hong Kong and Macau. As confirmed by the Directors, our Group did not offer cooling-off period after sale of prepaid packages currently and our Directors believe it is an industry norm not to offer cooling-off period to customers after sale of prepaid packages in the slimming and beauty industry and it is not cost effective to comply with the cooling-off period currently. However, our Directors will closely monitor the updates on the legislative regime on the mandatory cooling-off period and will comply with all relevant implemented rules and regulations.

Save as disclosed in “Risk Factors — We have not paid certain social insurances and housing provident fund contributions for and on behalf of our employees during the Track Record Period” and “Risk Factors — Some of our service centres in the PRC have not fully complied with the relevant fire safety laws and regulations” in this prospectus, our legal advisors confirmed that we have obtained the relevant licences, permits, approvals and certificates necessary to conduct our operations in the PRC, Hong Kong and Macau and have complied in all material aspects with all applicable laws and regulations in these jurisdictions.

On-going compliance

In order to prevent future occurrence of non-compliance of the relevant PRC laws and regulations, including but not limited to our past non-compliance with the relevant fire safety laws and regulations and non-payment of certain social insurance and housing provident fund contribution for our employees as disclosed in “Risk Factors” in this prospectus and “Historical Non-compliance” above in this section, we have formed a compliance committee, comprising all executive Directors for overseeing compliance of our operations with applicable legal and regulatory requirements as well as our own internal policies and procedure. We will also work closely with our company secretary, in-house legal counsel and external legal advisors to review our affairs and ensure full compliance with all legal requirements.

BUSINESS

Legal proceedings

In respect of litigation matters, we try to reach settlement with the claimants if the claims filed against us have reasonable grounds. However, we will exercise our rights to defend ourselves if the claimants do not have good grounds to claim against us.

The following table sets out the number of legal proceedings filed by/against us and the amounts involved for the years ended 31 March 2009, 2010 and 2011 and the period from 1 April 2011 up to the Latest Practicable Date:

	Year ended 31 March			From 1 April 2011 up to the Latest Practicable Date
	2009	2010	2011	
Number of legal proceedings				
— Hong Kong Small Claims Tribunal				
• Filed by our Group	—	—	—	—
• Filed against our Group	15	29	4	—
— Hong Kong District Court				
• Filed by our Group	—	1	—	—
• Filed against our Group	1	2	—	1
— Hong Kong Labour Tribunal				
• Filed by our Group	1	—	—	—
• Filed against our Group	3	—	—	—
Total	<u>20</u>	<u>32</u>	<u>4</u>	<u>1</u>

Hong Kong Small Claims Tribunal cases

All the 48 legal proceedings filed with the Hong Kong Small Claims Tribunal during the Track Record Period and up to the Latest Practicable Date are in relation to our slimming and beauty services. Major grounds of complaints by claimants in the Hong Kong Small Claims Tribunal cases include unsatisfactory services of our staff and unsatisfactory results of our services. Each of these claims in the Hong Kong Small Claims Tribunal cases is of a sum of no more than HK\$50,000.

BUSINESS

The following table sets out the breakdown of 48 legal proceedings fixed with the Hong Kong Small Claims Tribunal by nature during the Track Record Period and up to the Latest Practicable Date:

Nature of legal proceedings	Number of legal proceedings during the Track Record Period and up to the Latest Practicable Date
— unsatisfactory result of our services	24
— physical injury caused by our services	3
— disputes over payment method (e.g. credit card instalment etc.)	2
— unsatisfactory staff services	2
— unsatisfactory treatment progress	1
— client's change of mind	1
— subsequent argument on the terms of contracts	3
— disputes over implementation outcome of our refundable programmes	7
— others (<i>Note</i>)	5
Total	48

Note: Others mainly involve requests for refunds which may be due to various reasons such as (i) impulse or spontaneous purchase; (ii) regret for over spending; or (iii) subsequent personal health/physical concern.

With respect to the 48 legal proceedings filed against us with the Hong Kong Small Claims Tribunal:

- (a) the tribunal has dismissed the claimants' claims for two cases;
- (b) the tribunal has granted the claimants the application for leave to discontinue for 22 cases;
- (c) the tribunal has struck out nine cases as the respective claimants failed to appear at the hearing;
- (d) the tribunal has adjourned five cases without assigning the days for further hearings; and
- (e) the tribunal ordered us to pay the claimants the amounts ranged from HK\$718 to HK\$36,643 in respect of 10 cases with total amount of HK\$173,019.

BUSINESS

As at the Latest Practicable Date, there were five out of the 48 legal proceedings filed against us with the Hong Kong Small Claims Tribunal which remained inactive as the Hong Kong Small Claims Tribunal has adjourned without assigning the days for further hearings in respect of such five cases as mentioned as item (d) above. The Hong Kong Small Claims Tribunal has granted the claimant the application for leave to discontinue as mentioned in item (b) above. In respect of the said 27 actions, the total amount of claims involved was HK\$0.7 million plus costs and interests. We have applied to the Hong Kong Small Claims Tribunal for dismissal of such actions for want of prosecution in October 2011 and we expect the same can be completed by the end of the first quarter of 2012.

Hong Kong District Court cases

Each of the Hong Kong District Court cases involves an amount of no more than HK\$1,000,000.

With respect to the four legal proceedings filed with the Hong Kong District Court during the Track Record Period and up to the Latest Practicable Date, all of them have been settled as at the Latest Practicable Date.

For the four legal proceedings filed against us with the Hong Kong District Court:

- (a) we paid HK\$293,410 to the plaintiff for one case (filed in the year ended 31 March 2009) in relation to personal injuries caused by operation of slimming machine to an ex-employee during the course of her employment;
- (b) we paid HK\$228,117 to the plaintiff for two cases (both were filed in the year ended 31 March 2010 and by the same plaintiff) in relation to personal injuries caused by the heat of the steam of slimming machine to a client during the course of our services; and
- (c) the plaintiff claimed against us for HK\$559,256 for one case (filed after the Track Record Period) in relation to personal injuries caused by the slippery floor ground to a client during the course of our services.

With respect to the one legal proceeding filed by us with the Hong Kong District Court in the year ended 31 March 2010 in respect of our claim of RMB510,000 (or HK\$607,143) plus interest and costs in relation to a contractual dispute regarding the renovation works of our service centre, we expect to obtain judgment from the Hong Kong District Court by the end of first quarter of 2012.

Hong Kong Labour Tribunal cases

All the four legal proceedings filed with the Hong Kong Labour Tribunal during the Track Record Period and up to the Latest Practicable Date are in relation to the disputes over the employment contracts between us and our employees, and have been settled as at the Latest Practicable Date.

BUSINESS

With respect to the three legal proceedings filed against us at the Hong Kong Labour Tribunal, the tribunal ordered us to pay the claimants the amounts ranged from HK\$3,800 to HK\$15,076.

With respect to the one legal proceeding filed by us at the Hong Kong Labour Tribunal, the tribunal has dismissed our claims.

The following table sets out the total amounts of claims of the legal proceedings which involved us during the Track Record Period and up to the Latest Practicable Date:

Approximate total amounts involved	Year ended 31 March			From
	2009	2010	2011	1 April 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	up to the Latest Practicable Date
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
— Hong Kong Small Claims Tribunal	351	899	90	—
— Hong Kong District Court	293	835	—	559
— Hong Kong Labour Tribunal	308	—	—	—
Total	952	1,734	90	559

For the years ended 31 March 2009, 2010 and 2011 and the period from 1 April 2011 up to the Latest Practicable Date, the total amount in relation to legal proceedings against us were HK\$0.9 million, HK\$1.1 million, HK\$0.1 million and HK\$0.6 million, respectively. For the years ended 31 March 2009, 2010 and 2011 and the period from 1 April 2011 up to the Latest Practicable Date, the total amount in relation to legal proceedings initiated by us were nil, HK\$0.6 million, nil and nil respectively.

Arbitration proceeding in the PRC

We received a notification dated 14 October 2011 from Shenzhen Arbitration Committee (深圳仲裁委員會) in relation to an arbitration proceeding filed against us by a PRC contractor which we engaged for renovation works of our service centre in July 2009. The said arbitration proceeding was related to the same contractual dispute as mentioned in the legal proceeding filed by us with the Hong Kong District Court above. The said PRC contractor claimed against us in a total amount of approximately RMB306,279 on the ground that we had defaulted in contractual payment for the renovation works. Upon receiving the arbitration notification, on 21 October 2011, we filed a counterclaim against the said PRC contractor for a total amount of approximately RMB990,000 on the ground that the said PRC contractor had defaulted in providing up-to-standard renovation works under the contract.

We have not made provisions in relation to the outstanding complaints and legal and arbitration proceedings because the Directors consider that the likelihood of an outflow of resources as a result of the same is remote.

BUSINESS

Taking into account the amount involved in each matter (as compared with our sales), the chance of successful defence by us, and the likelihood of settlement between the parties, our Directors believe that these outstanding complaints and legal and arbitration proceedings should not have material negative impact upon our business or financial position or impact to our operation or reputation. The Controlling Shareholders will provide an indemnity in relation to all claims, payments, suits, damages, settlement payments and any associated costs and expenses which would be incurred or suffered by us as a result of any complaint, litigation, arbitration and/or legal proceedings against any member of our Group which was issued and/or accrued and/or arising from any act of any member of our Group on or before the Listing Date.

Save as disclosed above, no member of our Group is engaged in any complaint, litigation or arbitration of material importance and no complaint, litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

INSURANCE

We maintain various types of insurances in Hong Kong which we consider necessary for our operations including property insurance to cover potential business interruption, money losses, public liability, personal accident, fidelity guarantee, damages to our equipments, and any accident or disease of employees. In relation to our business in the PRC, we have maintained public liability insurance and all financial loss insurance. We have not purchased any professional indemnity insurance for claims relating to losses arising from our services, which we believe there is no such insurance product in the market and is consistent with the industry practice. Please refer to the paragraph headed “medical beauty” in this section for details. During the Track Record Period, total insurance premium paid by our Group were HK\$258,000, HK\$378,000, HK\$388,000 and HK\$118,000 respectively and the total insurance claimed by us under the insurance policy amounted to approximately HK\$89,000, HK\$250,000, HK\$2,500 and nil respectively. The said insurance claims we made were in relation to compensations to employees and clients as well as compensation for car accident.

During the Track Record Period, we did not experience any major operational problems, such as equipment failure, industrial accidents, nor any business interruptions as a result of fire and power shortages or other events beyond our control. Please refer to “Risk Factors — Risks relating to our Group — We may not have sufficient insurance coverage” in this prospectus. We did not maintain any product liability insurance during the Track Record Period. Nevertheless, to cope with the growth of our sales of slimming and beauty products we will consider purchase appropriate product liability insurance in the future. Based on our experience in operating our business and our understanding of the prevailing industry practice, we believe that our level of insurance coverage is adequate for our current operations.

INTELLECTUAL PROPERTY RIGHTS

Our principal intellectual property rights are our own trademarks including “Perfect Shape 必瘦站”, “Dr. Face”, “愛瑪纖體”, “Paris Beauty”, “Mosee”, “Komatsu asuka”, “Dr. Lakar” and “PH Perfect Health”, as well as know-how in our business operations and provision of personalised slimming and beauty services. We are taking appropriate steps to protect our intellectual property rights. We have registered all principal trademarks that necessarily for us to carry out our business operation and internet domain names. Further details of our registration of intellectual property rights are set out under the paragraph headed “Intellectual Properties Rights of our Group” in Appendix V to this prospectus. In addition, we may take necessary legal actions if we discover infringement of our trademarks and service marks or misappropriation of our brand names.

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

PROPERTIES

As at 30 September 2011, we leased 39 properties in the PRC, 13 properties in Hong Kong and one property in Macau, details of which are set out in the valuation report as set out in Appendix III to this prospectus. The properties are primarily used for the operations of our service centres, office premises and staff quarters.

With respect to the lease agreements of our service centres, most of our tenancies in the PRC run for five years. In Hong Kong, most of our tenancies run for two years. In Macau, our tenancy runs for four years. Most of the rentals are on fixed terms, except for some rentals for service centres in the PRC which are calculated based on the higher of a basic rent or a percentage of turnover. For details, please refer to the column headed “Calculation Basis for Rent” in the following table. For the year ended 31 March 2011, the average monthly rentals per sq. m. in the PRC, Hong Kong and Macau are HK\$208.7, HK\$260.4 and HK\$43.0, respectively.

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The following table sets out the details of lease agreements of our service centres as at the Latest Practicable Date.

Service centres in PRC

Name of service centre	Location	Approximate Size (sq. m)	Duration of Tenancy	Period	Option to renew	Calculation Basis for Rent
Shenzhen						
1. Shenzhen Jinguanghua Centre (深圳金光華店) (Perfect Shape 必瘦站)	Shop L5-012, Level 5, Luohu Jinguanghua Plaza, No. 2028 Renmin South Road, Shenzhen City, Guangdong Province, The PRC (深圳市人民南路2028號羅湖金光華廣場L5層L5-012號)	389	Approximately 4 years	From 10/10/2008 to 20/9/2012	No option to renew	<p>Monthly basic rent at RMB68,250 for the period from 10 October 2008 to 20 September 2009 (exclusive of management fees) (exempted from rental for the first 30 days)</p> <p>Monthly basic rent at RMB116,700 for the period from 21 September 2009 to 20 September 2010 (exclusive of management fees) (additional 157 sq.m. is exempted from rental for the period from 21 September 2009 to 4 November 2009)</p> <p>Monthly basic rent at RMB126,036 for the period from 21 September 2010 to 20 September 2011 (exclusive of management fees)</p> <p>Monthly basic rent at RMB136,119 for the period from 21 September 2011 to 20 September 2012 (exclusive of management fees)</p>
2. Shenzhen Haiancheng Centre (深圳海岸城店) (Perfect Shape 必瘦站)	Shop 411, Level 4, Haiancheng Shopping Centre, No. 33 Wenxin Wu Road, Nanshan District, Shenzhen City, Guangdong Province, The PRC (深圳市南山區文心五路33號海岸城購物廣場4層411號舖)	220	3 years	From 28/5/2009 to 27/5/2012	No option to renew	<p>Monthly basic rent at RMB60,000 for the period from 28 May 2009 to 27 May 2010 (exclusive of management fees) (exempted from rental for the first 45 days)</p> <p>Monthly basic rent at RMB64,000 for the period from 28 May 2010 to 27 May 2012 (exclusive of management fees)</p>
3. Shenzhen Nuren Shijie Centre (深圳女人世界店) (Perfect Shape 必瘦站)	Shop C021, Level 3, NICO Nuren Shijie Mingdian, Block AB, Shenfang Building, Huaqiang North Road, Shenzhen City, Guangdong Province, The PRC (深圳市華強北路深紡大廈AB座 NICO女人世界名店3樓C021號舖)	350	3 years	From 2/5/2010 to 2/5/2013	No option to renew	<p>Monthly basic rent at RMB60,000 for the period from 2 May 2010 to 1 May 2011</p> <p>Monthly basic rent at RMB63,000 for the period from 2 May 2011 to 1 May 2012</p> <p>Monthly basic rent at RMB66,150 for the period from 2 May 2012 to 1 May 2013</p>
4. Shenzhen Xinyijia Centre (深圳新一佳店) (Perfect Shape 必瘦站)	Unit 005, Xinyijia Level 1, Nos. 203 and 204, Block G, Qinfang Garden, Xinyi Jiari Mingcheng, Phase 1, Baijia Road, Buji Town, Longgang District, Shenzhen City, Guangdong Province, The PRC (深圳市龍崗區布吉鎮白鶴路信義假日名城一期沁芳園G座203, 204號新一佳一樓005位)	420	3 years	From 1/4/2010 to 31/3/2013	No option to renew	<p>Monthly basic rent at RMB30,800 for the period from 1 April 2010 to 31 March 2012 (exempted from rental for the first 60 days)</p> <p>Monthly basic rent at RMB32,340 for the period from 1 April 2012 to 31 March 2013</p>

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Service centres in PRC

Name of service centre	Location	Approximate Size (sq. m)	Duration of Tenancy	Period	Option to renew	Calculation Basis for Rent
5. Shenzhen Xinxing Plaza Centre (A) (深圳信興廣場A店) (Perfect Shape 必瘦站)	Unit No. 201A, Level 2, Diwang Shopping Centre, Xinxing Plaza, No. 5002 Shennan Dong Road, Luohu District, Shenzhen City, Guangdong Province, The PRC (深圳市羅湖區深南東路5002號信興廣場副樓(地王購物中心)二層201A單位)	105	4 years	From 1/1/2011 to 31/12/2014	No option to renew	Monthly basic rent at RMB13,262 for the period from 1 January 2011 to 31 December 2012 (exclusive of management fees) (exempted from rental for the period from 1 January 2011 to 1 March 2011)
						Monthly basic rent at RMB14,441 for the period from 1 January 2013 to 31 December 2014
6. Shenzhen Xinxing Plaza Centre (B) (深圳信興廣場B店) (愛瑪纖體)	Unit No. 201B, Level 2, Diwang Shopping Centre, Xinxing Plaza, No. 5002 Shennan Dong Road, Luohu District, Shenzhen City, Guangdong Province, The PRC (深圳市羅湖區深南東路5002號信興廣場副樓(地王購物中心)二層201B單位)	206	4 years	From 15/9/2010 to 14/9/2014	No option to renew	Monthly basic rent at RMB26,000 for the period from 15 September 2010 to 14 September 2012 (exclusive of management fees) (exempted from rental for the period from 15 September 2010 to 14 November 2010)
						Monthly basic rent at RMB28,312 for the period from 15 September 2012 to 14 September 2014 (exclusive of management fees)
Beijing						
7. Beijing Guorui Centre (北京國瑞店) (Perfect Shape 必瘦站)	Shop F3-23, Beijing Guorui Shopping Centre, No. 18 Chongwai Avenue, Chongwen District, Beijing, The PRC (北京市崇文區崇外大街18號北京國瑞購物中心三層F3-23號單元)	323	5 years	From 9/12/2009 to 8/12/2014	No option to renew	Monthly basic rent at RMB80,750 for the period from 9 December 2009 to 8 December 2011 (exclusive of management fees) (exempted from rental for the first 120 days)
						Monthly basic rent at RMB82,365 for the period from 9 December 2011 to 8 December 2014 (exclusive of management fees)
8. Beijing Oumeihui Centre (北京歐美匯店) (Perfect Shape 必瘦站)	Unit F4-06 and 07, Level 4, Oumeihui Shopping Centre, No. 1A Danling Road, Haidian District, Beijing, The PRC (北京市海澱區丹棱街甲1號歐美匯購物中心地上四層第F4-06&07單元)	225	3 years	From 20/5/2010 to 19/5/2013	No option to renew	Monthly basic rent at RMB52,583 for the period from 20 May 2010 to 19 May 2011 (exclusive of management fees) (exempted from rental for the first 90 days)
						Monthly basic rent at RMB55,212 for the period from 20 May 2011 to 19 May 2012 (exclusive of management fees)
						Monthly basic rent at RMB57,972 for the period from 20 May 2012 to 19 May 2013 (exclusive of management fees)

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Service centres in PRC

Name of service centre	Location	Approximate Size (sq. m)	Duration of Tenancy	Period	Option to renew	Calculation Basis for Rent
9. Beijing Dongfang Xintiandi Centre (北京東方新天地店) (Perfect Shape 必瘦站)	Shop P-W3-07B, Podium Level, Dongfang Xintiandi Plaza, Beijing Dongfang Plaza, No. 1 Changan East Road, Dongcheng District, Beijing, The PRC (北京市東城區東長安街1號東方廣場東方新天地商場平臺層P-W3-07B號商舖)	208	5 years	From 1/8/2010 to 31/7/2015	No option to renew	Calculation based on monthly basic rent or 1.5% of the turnover, whichever is higher Monthly basic rent at RMB54,200 for the period from 1 August 2010 to 31 July 2011 (exclusive of management fees) (exempted from rental for the period from 1 August 2010 to 15 October 2010) Monthly basic rent of RMB58,600 for the period from 1 August 2011 to 31 July 2012 (exclusive of management fees) (exempted from rental for the period from 1 August 2011 to 15 August 2011) Monthly basic rent at RMB63,300 for the period from 1 August 2012 to 31 July 2013 (exclusive of management fees) Monthly basic rent at RMB68,400 for the period from 1 August 2013 to 31 July 2014 (exclusive of management fees) Monthly basic rent at RMB73,900 for the period from 1 August 2014 to 31 July 2015 (exclusive of management fees)
10. Beijing Yinzuo Centre (北京銀座店) (Perfect Shape 必瘦站)	Shop 11F, Level B1, Dongfang Yinzuo Mall, No. 48 Dongzhimenwai Avenue, Dongcheng District, Beijing, The PRC (北京市東城區東直門外大街48號北京東方銀座商場B1樓11F店舖)	128	5 years	From 12/1/2011 to 11/1/2016	No option to renew	Monthly basic rent at RMB51,200 for the period from 12 January 2011 to 11 January 2012 (exclusive of management fees) (exempt from rental for the first 60 days) Monthly basic rent at RMB53,760 for the period from 12 January 2012 to 11 January 2013 (exclusive of management fees) Monthly basic rent at RMB56,448 for the period from 12 January 2013 to 11 January 2014 (exclusive of management fees) Monthly basic rent at RMB59,264 for the period from 12 January 2014 to 11 January 2015 (exclusive of management fees) Monthly basic rent at RMB62,208 for the period from 12 January 2015 to 11 January 2016 (exclusive of management fees)
11. Beijing Beichen Centre (北京北辰店) (Perfect Shape 必瘦站)	Unit B11, Commercial Centre, Beichen Shenghuo Plaza, No. 8 Beichen East Road, Chaoyang District, Beijing, The PRC (北京市北辰購物中心生活廣場B11號商舖)	105	2 years	From 8/6/2011 to 7/6/2013	No option to renew	Monthly basic rent at RMB25,620 for the period 8 June 2011 to 7 June 2012 (exclusive of management fees) (exempted from rental for the first 90 days)

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Service centres in PRC

Name of service centre	Location	Approximate Size (sq. m)	Duration of Tenancy	Period	Option to renew	Calculation Basis for Rent
12. Beijing Jiamao Centre (北京嘉茂店) (Perfect Shape 必瘦站)	Shop 0506, Level 5, Jiamao Shopping Centre, Western Area, No.1, Xizhimenwai Street, Beijing City, The PRC (北京市城區西直門外大街1號西區嘉茂購物中心5層0506號)	97.15	3 years	From 16/5/2011 to 15/5/2014	No option to renew	<p>Calculation based on monthly basic rent or 10% of the turnover, whichever is higher for the first year and second year rental</p> <p>Monthly basic rent at RMB27,202 for the period from 16 May 2011 to 16 May 2012 (exclusive of management fees) (exempted from rental for the period from 1 April 2011 to 15 May 2011)</p> <p>Monthly basic rent at RMB29,922 for the period from 17 May 2012 to 17 May 2013 (exclusive of management fees)</p> <p>Calculation based on monthly basic rent or 11% of the turnover, which is higher for the third year rental</p> <p>Monthly basic rent at RMB32,253.8 for the period from 18 May 2013 to 15 May 2014 (exclusive of management fees)</p>
Guangzhou						
13. Guangzhou Zhengjia Centre (廣州正佳店) (Perfect Shape 必瘦站)	Shop 5A005, Zhengjia Plaza, No. 228 Tianhe Road, Guangzhou City, Guangdong Province, The PRC (廣州市天河路228號正佳廣場5A005舖)	480	5 years	From 10/10/2009 to 9/10/2014	No option to renew	<p>Monthly basic rent at RMB57,600 for the period from 10 October 2009 to 9 October 2010 (exclusive of management fees) (exempted from rental for the period from 10 October 2009 to 7 January 2010)</p> <p>Monthly basic rent at RMB59,328 for the period from 10 October 2010 to 9 October 2011 (exclusive of management fees)</p> <p>Monthly basic rent at RMB61,108 for the period from 10 October 2011 to 9 October 2012 (exclusive of management fees)</p> <p>Monthly basic rent at RMB62,941 for the period from 10 October 2012 to 9 October 2013 (exclusive of management fees)</p> <p>Monthly basic rent at RMB64,829 for the period from 10 October 2013 to 9 October 2014 (exclusive of management fees)</p>
14. Guangzhou Zhonghua Plaza Centre (廣州中華廣場店) (Perfect Shape 必瘦站)	Shop C1A, Level 9, Zhonghua Plaza, No. 33 Zhongshan San Road, Guangzhou City, Guangdong Province, The PRC (廣州市中山三路33號中華廣場第9層C1A號商舖)	420	3 years	From 7/4/2009 to 6/4/2012	No option to renew	<p>Monthly basic rent at RMB70,560 for the period from 7 April 2009 to 6 April 2011 (exempted from rental for the period from 7 April 2009 to 19 May 2009)</p> <p>Monthly basic rent at RMB74,793 for the period from 7 April 2011 to 6 April 2012</p>

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Service centres in PRC

Name of service centre	Location	Approximate Size (sq. m)	Duration of Tenancy	Period	Option to renew	Calculation Basis for Rent
15. Guangzhou Wuyuehua Centre (711) (廣州五月花711店) (Perfect Shape 必瘦站)	Shop 11, Level 7, Wuyuehua Commercial Plaza, No. 68 Zhongshan Wu Road, Guangzhou City, Guangdong Province, The PRC (廣州市中山五路68號五月花商業廣場7層11號商舖)	482	5 years	From 1/7/2009 to 30/06/2014	No option to renew	Monthly basic rent at RMB43,970 for the period from 1 July 2009 to 30 June 2010, and from 1 July 2010 to 30 June 2014 (exempted from rental for the period from 1 July 2009 to 15 August 2009, and from 1 July 2010 to 15 August 2010)
16. Guangzhou Wuyuehua Centre (320) (廣州五月花320店) (慕詩)	Room 320, Wuyuehua Commercial Plaza, No. 68 Zhongshan Wu Road, Guangzhou City, Guangdong Province, The PRC (廣州市中山五路68號五月花商業廣場320室)	84.13	5 years	From 1/3/2011 to 29/2/2016		<p>Monthly basic rent at RMB4,230 for the period from 1 March 2011 to 28 February 2013 (exclusive of management fee, air conditioning charging, utility and other charges and outgoings) (exempted from rental for the period from 1 March 2011 to 30 April 2011)</p> <p>Monthly basic rent at RMB4,567 for the period from 1 March 2013 to 28 February 2014 (exclusive of management fee, air conditioning charging, utility and other charges and outgoings)</p> <p>Monthly basic rent at RMB4,920 for the period from 1 March 2014 to 28 February 2015 (exclusive of management fee, air conditioning charging, utility and other charges and outgoings)</p> <p>Monthly basic rent at RMB5,291 for the period from 1 March 2015 to 29 February 2016 (exclusive of management fee, air conditioning charging, utility and other charges and outgoings)</p>
17. Guangzhou Panyu Zhuanhui Centre (廣州番禺鑽匯店) (Perfect Shape 必瘦站)	Shop C205-C209, Level 1, Zhuanhui Jewelry Plaza, No. 2 Shiqiao Fuhua West Road, Panyu District, Guangzhou City, Guangdong Province, The PRC (廣州市番禺區市橋富華西路2號鑽滙珠寶廣場首層C205-C209號商舖)	222	4 years	From 1/9/2010 to 31/8/2014	No option to renew	<p>Monthly basic rent at RMB26,640 for the period from 1 September 2010 to 31 August 2011 (exempted from rental for the period 1 September 2010 to 31 October 2010)</p> <p>Monthly basic rent at RMB27,972 for the period from 1 September 2011 to 31 August 2012</p> <p>Monthly basic rent at RMB29,371 for the period from 1 September 2012 to 31 August 2013</p> <p>Monthly basic rent at RMB30,839 for the period from 1 September 2013 to 31 August 2014</p>

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Service centres in PRC

Name of service centre	Location	Approximate Size (sq. m)	Duration of Tenancy	Period	Option to renew	Calculation Basis for Rent
18. Guangzhou Liying Centre (廣州麗影店) (Perfect Shape 必瘦站)	Level 4, Zone B, Liying Shopping Mall, Haizhu District, Guangzhou City, Guangdong Province, The PRC (廣州市海珠區麗影購物廣場B區4樓)	237	4 years	From 1/10/2010 to 30/9/2014	No option to renew	<p>Monthly basic rent at RMB14,225 for the period from 1 August 2010 to 31 July 2011 (exempted from rental for the period from 1 October 2010 to 14 November 2010)</p> <p>Monthly basic rent at RMB16,216 for the period from 1 August 2011 to 31 July 2012</p> <p>Monthly basic rent at RMB18,367 for the period from 1 August 2012 to 31 July 2013</p> <p>Monthly basic rent at RMB20,690 for the period from 1 August 2013 to 31 July 2014</p> <p>Monthly basic rent at RMB23,199 for the period from 1 August 2014 to 30 September 2014</p>
19. Guangzhou Fubang Centre (廣州富邦店) (愛瑪纖體)	Shop 208, Level 2, Fubang Centre, No. 51 Zhongshan Qi Road, Guangzhou City, Guangdong Province, The PRC (廣州市中山七路51號富邦中心二層208號商舖)	303	5 years	From 1/11/2010 to 31/10/2015	No option to renew	<p>Monthly basic rent at RMB21,216 for the period from 1 November 2010 to 31 October 2012 (exclusive of management fees) (exempted from rental for the period from 1 November 2010 to 31 January 2011)</p> <p>Monthly basic rent at RMB22,277 for the period from 1 November 2012 to 31 October 2013 (exclusive of management fees)</p> <p>Monthly basic rent at RMB23,391 for the period from 1 November 2013 to 31 October 2014 (exclusive of management fees)</p> <p>Monthly basic rent at RMB24,561 for the period from 1 November 2014 to 31 October 2015 (exclusive of management fees)</p>

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Service centres in PRC

Name of service centre	Location	Approximate Size (sq. m)	Duration of Tenancy	Period	Option to renew	Calculation Basis for Rent
20. Guangzhou Taiyangcheng Centre (廣州太陽城店) (Perfect Shape 必瘦站)	Shop 33 and 35, Level 1, Jiayu Taiyangcheng Plaza, No. 1811 Guangzhou Avenue North, Guangzhou City, Guangdong Province, The PRC (廣州市廣州大道北1811號嘉裕太陽城廣場1層33,35號)	212	5 years	From 30/4/2011 to 31/12/2015	No option to renew	Monthly basic rent at RMB19,500 for the period from 30 April 2011 to 31 December 2011 (exclusive of management fees)
						Monthly basic rent at RMB20,475 for the period from 1 January 2012 to 31 December 2012 (exclusive of management fees)
						Monthly basic rent at RMB21,499 for the period from 1 January 2013 to 31 December 2013 (exclusive of management fees)
						Monthly basic rent at RMB22,574 for the period from 1 January 2014 to 31 December 2014 (exclusive of management fees)
						Monthly basic rent at RMB23,702 for the period from 1 January 2015 to 31 December 2015 (exclusive of management fees)
21. Guangzhou Xinyicheng Centre A (廣州新一城A店) (Perfect Shape 必瘦站)	Shop 5-16A, Level 5, Guangbai Xinyicheng Shopping Centre, No. 498 Baogang Avenue, Haizhu District, Guangzhou City, Guangdong Province, The PRC (廣州市海珠區寶崗大道498號廣百新一城購物中心5層5-16A號商舖)	373	3 years	From 20/12/2010 to 19/12/2013	No option to renew	Monthly basic rent at RMB28,721 for the period from 20 December 2010 to 19 December 2011 (exclusive of management fees)(exempt from rental for the period 20 December 2010 to 2 February 2011)
						Monthly basic rent at RMB30,959 for the period from 20 December 2011 to 19 December 2012 (exclusive of management fees)
						Monthly basic rent at RMB33,197 for the period from 20 December 2012 to 19 December 2013 (exclusive of management fees)
22. Guangzhou Xinyicheng Centre B (廣州新一城B店) (愛瑪纖體)	Shop 5-16B, Level 5, Guangbai Xinyicheng Shopping Centre, No. 498 Baogang Avenue, Haizhu District, Guangzhou City, Guangdong Province, The PRC (廣州市海珠區寶崗大道498號廣百新一城購物中心5層5-16B號商舖)	160	3 years	From 20/12/2010 to 19/12/2013	No option to renew	Monthly basic rent at RMB12,320 for the period from 20 December 2010 to 19 December 2011 (exclusive of management fees)(exempted from rental for the period 20 December 2010 to 2 February 2011)
						Monthly basic rent at RMB13,280 for the period from 20 December 2011 to 19 December 2012 (exclusive of management fees)
						Monthly basic rent at RMB14,240 for the period from 20 December 2012 to 19 December 2013 (exclusive of management fees)

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Service centres in PRC

Name of service centre	Location	Approximate Size (sq. m)	Duration of Tenancy	Period	Option to renew	Calculation Basis for Rent
Shanghai						
23. Shanghai Bailian Shimao Centre (上海百聯世茂店) (Perfect Shape 必瘦站)	Shop No. T622, Level 6, Bailian Shimao, International Plaza, No. 829 Nanjing East Road, Huangpu District, Shanghai, The PRC (上海黃浦區南京東路829號百聯世茂國際廣場6層T622號舖)	430	Approximately 6 years	From 14/12/2009 to 13/1/2015	No option to renew	<p>Calculation based on monthly basic rent or 2% of the turnover, whichever is higher</p> <p>Monthly basic rent at RMB87,075 for the period from 14 December 2009 to 31 December 2011 (exclusive of management fees) (exempted from rental for the period from 14 December 2009 to 13 March 2010)</p> <p>Monthly basic rent at RMB91,332 for the period from 1 January 2012 to 31 December 2013 (exclusive of management fees)</p> <p>Monthly basic rent at RMB95,847 for the period from 1 January 2014 to 31 December 2014 (exclusive of management fees)</p>
24. Shanghai Wu Jiao Chang Centre (上海五角場店) (Perfect Shape 必瘦站)	Shop Nos. 15 and 23, Level 2, Teli Fashion Hui, Wujiao Chang, No. 189 Zhengtong Road, Yangpu District, Shanghai, The PRC (上海市楊浦區政通路189號五角場特力時尚匯2F-15, 2F-23商場)	242	3 years	From 12/7/2010 to 11/7/2013	No option to renew	<p>Monthly basic rent at RMB73,608 for the period from 12 July 2010 to 11 July 2011 (exempted from rental for the period from 12 July 2010 to 25 August 2010)</p> <p>Monthly basic rent at RMB79,497 for the period from 12 July 2011 to 11 July 2012</p> <p>Monthly basic rent at RMB85,827 for the period from 12 July 2012 to 11 July 2013</p>
25. Shanghai Da Ning Centre (上海大寧店) (Perfect Shape 必瘦站)	Room Nos. 434 and 435, No. 2008 Gonghexin Road, Da Ning International Commercial Plaza, Zhabei District, Shanghai, The PRC (上海市閘北區大寧國際商業廣場共和新路2008號434, 435室)	170	Approximately 3 years	From 16/8/2010 to 15/11/2013	No option to renew	<p>Monthly basic rent at RMB45,000 for the period from 16 August 2010 to 15 November 2011 (exempted from rental for the period from 16 August 2010 to 15 November 2010)</p> <p>Monthly basic rent at RMB47,000 for the period from 16 November 2011 to 15 November 2012</p> <p>Monthly basic rent at RMB49,000 for the period from 16 November 2012 to 15 November 2013</p>

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Service centres in PRC

Name of service centre	Location	Approximate Size (sq. m)	Duration of Tenancy	Period	Option to renew	Calculation Basis for Rent
26. Shanghai Changning Longzhimeng Centre (上海長寧龍之夢店) (Perfect Shape 必瘦站))	Room 9006, Level 9, Longzhimeng Shopping Centre, No. 1018 Changning Road, Changning District, Shanghai, The PRC (上海市長寧區長寧路1018號龍之夢購物中心9層9006室)	191	3 years	From 16/12/2010 to 15/12/2013	No option to renew	Calculation based on monthly basic rent or 15% of the turnover whichever is higher Monthly basic rent at RMB58,064 for the period from 1 November 2010 to 15 December 2011 (exclusive of management fees) (exempted from rental for the period from 1 November 2010 to 15 December 2010) Monthly basic rent at RMB63,985 for the period from 16 December 2011 to 15 December 2012 (exclusive of management fees) Monthly basic rent at RMB69,715 for the period from 16 December 2012 to 15 December 2013 (exclusive of management fees)
27. Shanghai Hong Kong Plaza Centre (上海香港廣場店) (Perfect Shape 必瘦站)	Shop NBL-03 and Storage, North Wing, Hong Kong Plaza Shopping Arcade, No. 282 Huaihai Zhong Road, Luwan District, Shanghai, The PRC (上海市盧灣區淮海中路282號香港廣場商場北座NBL-03室及倉庫)	295	5 years	From 20/12/2010 to 19/12/2015	No option to renew	Calculation based on monthly basic rent or 9% of the turnover, whichever is higher Monthly basic rent at RMB102,112 for the period from 20 December 2010 to 19 December 2011 Monthly basic rent at RMB111,354 for the period from 20 December 2011 to 19 December 2012 Monthly basic rent at RMB120,686 for the period from 20 December 2012 to 19 December 2013 Monthly basic rent at RMB129,928 for the period from 20 December 2013 to 19 December 2015 Exempted from rent for the period from 20 October 2010 to 19 December 2010
28. Shanghai Jiajie International Centre (320) (上海嘉杰國際320店) (Perfect Shape 必瘦站)	Unit No. 320, Level 3, Jiajie International Plaza, No. 1689 Sichuan North Road, Hongkou District, Shanghai, The PRC (上海市虹口區四川北路1689號嘉杰國際廣場第3層320單元)	124	5 years	From 12/2/2011 to 11/2/2016	No option to renew	Monthly basic rent at RMB29,850 (exclusive of management fees)
29. Shanghai Jiajie International Centre (321) (上海嘉杰國際321店) (愛瑪纖體)	Unit No. 321, Level 3, Jiajie International Plaza, No. 1689 Sichuan North Road, Hongkong District, Shanghai, The PRC (上海市虹口區四川北路1689號嘉杰國際廣場第3層321單元)	48	5 years	From 12/2/2011 to 11/2/2016	No option to renew	Monthly basic rent at RMB11,592 (exclusive of management fees)

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Service centres in PRC

Name of service centre	Location	Approximate Size (sq. m)	Duration of Tenancy	Period	Option to renew	Calculation Basis for Rent
30. Shanghai Jinying Tiandi Centre (上海金鷹天地店) (Perfect Shape 必瘦站)	Shop B7, Level 6, No. 278 Shanxi Road, Shanghai, The PRC (上海市陝西路278號6樓B7商舖)	147	5 years	From 1/1/2011 to 31/12/2015	No option to renew	Monthly basic rent at RMB35,770 for the period from 1 January 2011 to 31 December 2013 (exclusive of management fees) (exempted from rental for the period from 1 January 2011 to 28 February 2011) Monthly basic rent at RMB37,559 for the period from 1 January 2014 to 31 December 2015 (exclusive of management fees)
31. Shanghai Lianyang Plaza Centre (上海聯洋廣場店) (Perfect Shape 必瘦站)	Unit A209, Level 2, Zone A, Lianyang Plaza, Nos. 208-232 Fangdian Road, Pudong New District, Shanghai, The PRC (上海市浦東新區芳甸路208-232號聯洋廣場A區二層A209單元)	152	3 years	From 31/12/2010 to 30/12/2013	No option to renew	Monthly basic rent at RMB26,833 for the period from 31 December 2010 to 31 December 2012 Monthly basic rent at RMB28,221 for the period from 31 December 2012 to 31 December 2013
32. Shanghai Jinqiao Centre (上海金橋店) (Perfect Shape 必瘦站)	Room 306 of Block 2, Nong 3611, Zhangyang Road, Pudong New District, Shanghai, The PRC (上海市浦東新區張楊路3611弄金橋國際廣場2座306室)	128	4 years 3 months	From 15/3/2011 to 14/6/2015	No option to renew	Monthly basic rent at RMB22,585 for the period from 15 March 2011 to 14 June 2012 (exclusive of management fees) (exempted from rental for the period 15 March 2011 to 14 June 2011) Monthly basic rent at RMB24,532 for the period from 15 June 2012 to 14 June 2013 (exclusive of management fees) Monthly basic rent at RMB26,479 for the period from 15 June 2013 to 14 June 2014 (exclusive of management fees) Monthly basic rent at RMB29,205 for the period from 15 June 2014 to 14 June 2015 (exclusive of management fees)
33. Shanghai Huarun Times Plaza Centre (上海華潤時代廣場店) (Perfect Shape 必瘦站)	Shop 314-316, Level 3, Huarun Times Plaza, No. 500, Zhangyang Road, Pudongxin District, Shanghai City, The PRC (上海市浦東新區張揚路500號華潤時代廣場三層314-316號)	106	3 years	From 16/4/2011 to 31/3/2014	No option to renew	Monthly basic rent at RMB41,875.4 for the period from 16 April 2011 to 31 March 2012 (exclusive of rates, management fees, utility and other charges and outgoings) (exempted from rental from 16 April 2011 to 15 June 2011) Monthly basic rent at RMB45,096.6 for the period from 1 April 2012 to 31 March 2013 (exclusive of rates, management fees, utility and other charges and outgoings) Monthly basic rent at RMB48,317.8 from 1 April 2013 to 31 March 2014 (exclusive of rates, management fees, utility and other charges and outgoings)

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Service centres in PRC

Name of service centre	Location	Approximate Size (sq. m)	Duration of Tenancy	Period	Option to renew	Calculation Basis for Rent
34. Shanghai Plaza 66 Centre (上海恒隆廣場店) (Perfect Shape 必瘦站)	Rooms 332, 333, Level 2, Plaza 66 Block 2, No. 1266 Nanjing West Road, Jing An District, Shanghai, The PRC (上海市靜安區南京西路1266號2幢恒隆廣場第2層332、333室)	305	Approximately 4 years	From 1/7/2011 to 30/9/2015	No option to renew	Monthly basic rent at RMB231,927.08 for the period from 1 July 2011 to 30 September 2015 (exclusive of rates, management fees, utility and other charges and outgoings) (exempted from rental for the first 92 days)
Dongguan						
35. Dongguan Yian Centre (東莞怡安店) (Perfect Shape 必瘦站)	Shop No. 313, Level 3, Yian Department Store Diwang Plaza, No. 303 Changqing Road, Changan Town, Dongguan City, Guangdong Province, The PRC (廣東省東莞市長安鎮長青路303號地王廣場怡安百貨L3層313號)	517	3 years	From 28/10/2009 to 27/10/2012	No option to renew	Monthly basic rent at RMB27,900 (exclusive of management fees) (exempted from rental for the first 75 days)
36. Dongguan Shiji Centre (東莞世紀店) (Perfect Shape 必瘦站)	Shop Nos. I-21, I-22, I-23, and I-25, Basement Level 1, Shiji Plaza, Dongcheng Avenue, Dongguan City, Guangdong Province, The PRC (廣東省東莞市東城大道世紀廣場負一層I-21, I-22, I-23, I-25商舖)	341	4 years	From 1/2/2010 to 31/1/2014	No option to renew	Monthly basic rent at RMB15,345 for the period from 1 February 2010 to 31 January 2011 Monthly basic rent at RMB16,879 for the period from 1 February 2011 to 31 January 2012 Monthly basic rent at RMB18,567 for the period from 1 February 2012 to 31 January 2013 Monthly basic rent at RMB20,424 for the period from 1 February 2013 to 31 January 2014 (exclusive of management fees)
37. Dongguan Haiou Centre (東莞海雅百貨店) (Perfect Shape 必瘦站)	A Shop unit on Basement Level 1, Zongyi Plaza, No. 83 Hongfu Road, Nancheng District, Dongguan City, Guangdong Province, The PRC (廣東省東莞市南城區鴻福路83號綜藝廣場裙樓負一樓邊櫃商舖)	159.6	5 years	From 25/3/2011 to 24/3/2016	No option to renew	Monthly basic rent at RMB10,000 (exempt from rental for the period 25 March 2011 to 21 June 2011)
Foshan						
38. Foshan Pearl Centre (佛山明珠店) (Perfect Shape 必瘦站)	Shop B328, Level 3, Pearl City, Dongfang Plaza, No. 85 Jinhua Road, Chancheng District, Foshan City, Guangdong Province, The PRC (廣東省佛山市禪城區錦華路85號東方廣場明珠城3層B328號商舖)	284	3 years	From 9/11/2009 to 8/11/2012	No option to renew	Monthly basic rent at RMB19,858 for the period from 9 November 2009 to 8 November 2010 Monthly basic rent at RMB22,694 for the period from 9 November 2010 to 8 November 2011 Monthly basic rent at RMB27,233 for the period from 9 November 2011 to 8 November 2012

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Service centres in PRC

Name of service centre	Location	Approximate Size (sq. m)	Duration of Tenancy	Period	Option to renew	Calculation Basis for Rent
Tianjin						
39. Tianjin Milaiou Centre (天津米萊歐店) (Perfect Shape 必瘦站)	Shop No. 5-2, Level 5 Milaiou Department Store, No. 209 Nanjing Road, Heping District, Tianjin, The PRC (天津市和平區南京路209號米萊歐百貨公司5樓5-2號舖)	180	3 years	From 1/7/2010 to 30/6/2013	No option to renew	Monthly basic rent at RMB35,627 for the period from 1 July 2010 to 30 June 2011 (exempt rental for period from 1 July 2010 to 30 August 2010) Monthly basic rent at RMB37,408 for the period from 1 July 2011 to 30 June 2012 Monthly basic rent at RMB39,279 for the period from 1 July 2012 to 30 June 2013
Nanjing						
40. Nanjing International Financial Centre (南京國際金融店) (Perfect Shape 必瘦站)	Unit E3, Basement Level 1, Nanjing International Financial Centre, No. 1 Hanzhong Road, Nanjing City, Jiangsu Province, The PRC (江蘇省南京市漢中路1號南京國際金融中心負一樓E3單位)	273	Approximately 6 years	From 20/12/2010 to 19/10/2016	No option to renew	Monthly basic rent at RMB45,624 for the period from 20 December 2010 to 19 October 2013 (exclusive of management fees) (exempted from rental for the first two months) Monthly basic rent at RMB49,274 for the period from 20 October 2013 to 19 October 2015 (exclusive of management fees) Monthly basic rent at RMB53,172 for the period from 20 October 2015 to 19 October 2016 (exclusive of management fees)
Chengdu						
41. Chengdu Lesen Centre (成都樂森店) (Perfect Shape 必瘦站)	Unit 5004, Level 5, Lesen Shopping Centre, No. 31 Zongfu Road, Jinjiang District, Chengdu City, Sichuan Province, The PRC (四川省成都市錦江區總府路31號樂森購物中心5樓5004號)	248	5 years	From 1/10/2010 to 30/9/2015	No option to renew	Calculation based on monthly basic rent or 1% of the turnover, whichever is higher Monthly basic rent at RMB38,440 (exclusive of management fees) (exempted from rental for the period 1 October 2011 to 31 December 2011)
42. Chengdu Yiteng Yanghua Centre (成都伊藤洋華堂店) (Perfect Shape 必瘦站)	Level 5, 2 Jianshe Road, Yiteng Yanghua Tang, Chengdu, The PRC (成都市建設路2號伊藤洋華堂建設路店5樓)	145	3 years	From 15/2/2011 to 31/3/2014	No option to renew	Monthly basic rent at RMB21,750 for the period from 15 February 2011 to 15 February 2012 (exempted from rental from 15 February 2011 to 30 April 2011) Monthly basic rent at RMB22,402.5 for the period from 16 February 2012 to 16 February 2013 Monthly basic rent at RMB23,074.6 for the period from 17 February 2013 to 31 March 2014

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Service centres in PRC

Name of service centre	Location	Approximate Size (sq. m)	Duration of Tenancy	Period	Option to renew	Calculation Basis for Rent
Chongqing						
43. Chongqing Xinshijie Centre A (next line) (重慶新世界A店) (Perfect Shape 必瘦站)	Shop 5(1), Level 6, New World Department Store (Jiangbei Store), Chongqing, The PRC (重慶新世界百貨江北店6樓5(1))	110	3 years	From 27/12/2010 to 26/12/2013	No option to renew	Exempt from rental for the period from 27 December 2010 to 26 February 2011 Monthly basic rent at RMB11,730 for the period from 27 February 2011 to 26 December 2011 Monthly basic rent at RMB12,660 for the period from 27 December 2011 to 26 December 2012 Monthly basic rent at RMB13,690 for the period from 27 December 2012 to 26 February 2013
44. Chongqing Xinshijie Centre B (重慶新世界B店) (Paris Beauty)	Shop 5(2), Level 6, New World Department Store (Jiangbei Store), Chongqing, The PRC (重慶新世界百貨江北店6樓5(2))	110	3 years	From 27/12/2010 to 26/12/2013	No option to renew	Exempt from rental for the period from 27 December 2010 to 26 February 2011 Monthly basic rent at RMB7,225 for the period from 27 February 2011 to 26 December 2011 Monthly basic rent at RMB7,803 for the period from 27 December 2011 to 26 December 2012 Monthly basic rent at RMB8,432 for the period from 27 December 2012 to 26 December 2013

Service centres in Hong Kong and Macau

Name of service centre	Location	Approximate Size (sq. m)	Duration of Tenancy	Period	Option to renew	Calculation Basis for Rent
Central						
45. Central Centre (Perfect Shape 必瘦站)	18/F, Century Square, 1-13 D'Aguiar Street, Central, Hong Kong.	339	1 year	From 5/3/2011 to 4/3/2012	No option to renew	Monthly basic rent of HK\$131,544 per month from 5 March 2011 to 4 March 2012 (exclusive of management fees)
Causeway Bay						
46. Causeway Bay Centre (Perfect Shape 必瘦站)	Suite 1901-02, 1905, 19/F., Hang Lung Centre, 2-20 Paterson Street, Causeway Bay, Hong Kong.	470	3 years	From 22/2/2010 to 21/2/2013	Option to renew for a further term of 3 years	Monthly basic rent at HK\$98,000 per month (exclusive of rates, management fee and air conditioning charges) (exempted from rental for the period 22 February 2010 to 21 June 2010)
	Suite 1904, 19/F., Hang Lung Centre, 2-20 Paterson Street, Causeway Bay, Hong Kong		34 months and 21 days	From 1/4/2010 to 21/2/2013	Option to renew for a further term of 3 years	Same as above (exempt from rental for the period 1 April 2010 to 31 July 2010)
47. Causeway Bay Centre (Dr. Face)	Suite 1914-15, 19/F., Hang Lung Centre, 2-20 Paterson Street, Causeway Bay, Hong Kong.	Same as above	3 years	From 22/2/2010 to 21/2/2013	Option to renew for a further term of 3 years	Monthly basic rent at HK\$37,200 per month (exclusive of rates, management fees and air conditioning charges) (exempted from rental for the period 22 February 2010 to 21 May 2010)

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Service centres in Hong Kong and Macau

Name of service centre	Location	Approximate Size (sq. m)	Duration of Tenancy	Period	Option to renew	Calculation Basis for Rent
Mongkok						
48. Mongkok Centre (Perfect Shape 必瘦站)	Rm. 1719, 17th Floor, One Grand Tower, No. 639 Nathan Road, Kowloon, Hong Kong.	822	3 years	From 1/11/2010 to 31/10/2013	No option to renew	Monthly basic rent at HK\$223,132 per month (exclusive of rates, management fees and air conditioning charges, utility and other charges and outgoings)
49. Mongkok Centre (Dr. Face)	Rm. 1725, 17th Floor, One Grand Tower, No. 639 Nathan Road, Kowloon, Hong Kong.	Same as above	Same as above	Same as above	Same as above	Same as above
Tsuen Wan						
50. Tsuen Wan City Landmark Centre (Dr. Face)	Unit Nos. 2407 and 2408, 24/F City Landmark I, Office Tower, 68 Chung On Street Tsuen Wan, Hong Kong.	221	2 years	From 9/7/2010 to 8/7/2012	No option to renew	Monthly basic rent at HK\$42,804 per month (exclusive of rates, management fees, air-conditioning charges and other outgoings) (exempted from rental for the period 9 July 2010 to 19 July 2010)
51. Tsuen Wan Nan Fung Centre (Perfect Shape 必瘦站)	Rm. 1104-5 & part of Rm. 1106, Nan Fung Ctr, 264-298 Castle Peak Rd, Tsuen Wan, New Territories, Hong Kong.	192.59	2 years	From 14/12/2010 to 13/12/2012	No option to renew	Monthly basic rent at HK\$41,976 per month (exclusive of management fees)
Tsim Sha Tsui						
52. Tsim Sha Tsui Centre (Perfect Shape 必瘦站)	Nos 1301-2, 13/F., Carnarvon Plaza, No. 20 Carnarvon Road, Tsim Sha Tsui, Hong Kong.	198	3 years	From 1/9/2009 to 31/8/2012	Option to renew for a further term of 3 years	Monthly basic rent at HK\$44,646 per month (exclusive of rates, government rent, management fee, air-conditioning charges and other outgoings) (exempted from rental for the periods 1 September 2009 to 30 September 2009, 1 September 2010 to 30 September 2010 and 1 August 2012 to 31 August 2012)
Tuen Mun						
53. Tuen Mun Centre (Perfect Shape 必瘦站)	Unit 2, 27/F, North Wing, Tuen Mun Parklane Square, No. 2 Tuen Hi Road, New Territories, Hong Kong.	204	2 years	From 18/12/2010 to 17/12/2012	No option to renew	Monthly basic rent at HK\$25,000 per month (exclusive of rates, government rent, management fees, water and electricity charges)
Yuen Long						
54. Yuen Long Centre (Perfect Shape 必瘦站)	Office No. 5, 8/F, Kwong Wah Plaza, 11 Tai Tong Road, Yuen Long, New Territories, Hong Kong.	149.20	Approximately 3 years	From 23/2/2009 to 15/2/2012	No option to renew	Monthly basic rent at HK\$9,594 per month (exclusive of rates and management fees) (exempted from rental for the period from 23 February 2009 to 22 June 2009)
	Office Nos. 6, 7 & 8, 8/F, Kwong Wah Plaza, 11 Tai Tong Road, Yuen Long, New Territories, Hong Kong.		3 years	From 16/2/2009 to 15/2/2012	No option to renew	Monthly basic rent at HK\$31,940 per month (exclusive of rates and management fees) (exempted from rental for the periods from 16 February 2009 to 15 April 2009, 16 January 2011 to 15 February 2011, and 16 January 2012 to 15 February 2012)
Shatin						
55. Shatin Centre (Perfect Shape 必瘦站)	Rm. 1010-11, 10/F, New Town Tower, 10-18 Pak Hok Ting Street, Shatin, New Territories, Hong Kong.	154	1 year	From 16/3/2011 to 15/3/2012	No option to renew	Monthly basic rent at HK\$93,847 per month (exclusive of air-conditioning and management charges and rates)

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Service centres in Hong Kong and Macau

Name of service centre	Location	Approximate Size (sq. m)	Duration of Tenancy	Period	Option to renew	Calculation Basis for Rent
Tai Po						
56. Tai Po centre (Perfect Shape 必瘦站)	Shop 5L & 5M, Level 2, Tai Po Plaza, Tai Po, New Territories, Hong Kong	98	13 months	From 28/1/2011 to 27/2/2012	No option to renew	Monthly basic rent at HK\$50,000 per month (inclusive of air-conditioning and management charges and rates)
Macau						
57. Macau centre (Perfect Shape 必瘦站)	5th Floor, 89 Av. De Almeida, Ribeiro, Sao Lourenco, Macau (澳門亞美打利庇盧大馬路89, 95, 99號, 龍嵩正街2, 2A, 2B號, 南華商業大廈五樓)	353	4 years	From 22/4/2008 to 21/4/2012	No option to renew	Monthly basic rent at HK\$15,000 per month (exclusive of management fees and other outgoings) for the period from 22 April 2008 to 21 April 2010 (exempted from rental for September 2008) Monthly basic rent at HK\$17,250 for the period from 22 April 2010 to 21 April 2012 (exclusive of management fees and other outgoings)

In general, we negotiate with the landlord on the rental fee and other terms of the lease agreement six months before the expiry of a lease agreement. We take into consideration the revised terms of the contract, the new rental fee and our shop budget before we decide to renew the lease agreements and occupy the same premises for our operations. During the Track Record Period, we did not experience any material difficulty in renewing our lease agreements or exploring new premises for new opening or relocation of our service centres.

The leases in Hong Kong which are to be expired in the first half of 2012 are in relation to four service centres in Central, Yuen Long, Shatin and Tai Po and one office space in Tsim Sha Tsui. With respect to such leases, we are currently in negotiation with relevant lessors for renewal of the relevant tenancy agreements and it is expected that the new lease rentals will be increased substantially. At the same time, we are exploring of new premises nearby for relocation in case that no agreement on the terms of renewal tenancy agreement can be reached with the relevant lessors.

The leases in the PRC which are to be expired in the first half of 2012 are in relation to two service centres, one in Shenzhen and one in Guangzhou. With respect to such leases, we have recently been in negotiation with relevant lessors for new tenancy agreements in nearby locations for operation of service centres of a larger size and the Directors believe that the new tenancy agreements will be concluded in the first quarter of 2012.

As advised by our PRC Legal Advisor, save as disclosed in “Risk Factors — Lessors of certain PRC sub-leased properties have not provided written authorisations by the property owners in relation to the sub-lease” in this prospectus, the lessors of all of our leased properties in the PRC possess valid titles to the leased properties or are authorised to lease the properties to us and the lease agreements are valid and legally binding. Further details of our properties are set out in Appendix III to this prospectus.

COMPETITION

Our Directors believe that the slimming and beauty market in Hong Kong is already saturated. However, our Directors take the view that the slimming and beauty market in the PRC has vast development potential. Market players compete with each other in terms of brand positioning, product and service varieties and qualities, service centre locations and decorations, pricing and financial resources.

Our Directors believe that the main entry barriers to become a slimming and beauty service provider include the followings:

- substantial capital investment for (i) large-scale marketing expenses to build up brand awareness and ongoing brand building; (ii) leasing of service centre in prime locations; (iii) recruitment and training of professional staff to provide high quality slimming and beauty services to clients; (iv) purchase of slimming and beauty equipments; and
- experienced management team with (i) proven track record of brand building and management; and (ii) the ability to identify and respond to clients' demands and trends, providing new and appealing slimming and beauty services.

According to the Euromonitor Report, the market size of body shaping and slimming industry in the PRC increased from RMB3,271.7 million in 2005 to RMB7,166.9 million in 2010, representing a CAGR of 17.0% in sales value of services. The market size of beauty market in the PRC increased from RMB43,436.7 million in 2005 to RMB91,318.1 million in 2010, representing a CAGR of 16.0%. Furthermore, the market size of beauty centres is estimated to grow from approximately RMB91.3 billion in 2010 to approximately RMB243.1 billion in 2015, with a CAGR of 21.6%, by sales value of services. The sales value of services of body shaping and slimming in the PRC is forecast to increase from RMB7.2 billion in 2010 to RMB21.0 billion in 2015, with a CAGR of 24.0%.

We first tapped into the PRC market in 2009 and then experienced rapid expansion in the PRC market. Although we have been in operation for fewer number of years than some of our competitors, especially in comparison with those domestic brands, we believe that we have established our brand awareness. The total number of our slimming and beauty service centres in the PRC increased by 43 times from one in a single city as at 31 March 2009 to 44 in 10 cities as at the Latest Practicable Date and the slimming and beauty market in the PRC; and our revenue contributed from our PRC operation increased by 85 times from HK\$1.9 million for the year ended 31 March 2009 to HK\$162.9 million for the year ended 31 March 2011.

Our Directors believe that we distinguish ourselves from our competitors by having (i) well-recognised brand with strong presence in the PRC, Hong Kong and Macau; (ii) successful track record in brand management and strong execution capability in developing fast-growing slimming and beauty market in the PRC; (iii) well-established client base in the PRC and Hong Kong which not only provides us with a stable recurring revenue stream but also brings confidence to our clients and provide us with new market opportunities through word-of-mouth referrals.

BUSINESS

In order to remain competitive in the slimming and beauty market in the PRC, we intend to actively strengthen our presence in the PRC through expanding our service centre network under our well-known brand name “Perfect Shape 必瘦站” and expand our brand portfolio and service offerings in order to broaden our revenue base and differentiate ourselves further from our competitors. As brand building and management is vital for our business, we will further strengthen our existing promotional activities and advertise more frequently in outdoor advertisements that are strategically placed in areas with high levels of pedestrian flow.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Global Offering, Dr. Au-Yeung, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai will, through their respective shareholdings in Sure Sino Investments, Market Event Holdings and Earlson Holdings respectively, together own approximately 75% of the total issued share capital of our Company upon completion of the Global Offering (assuming the Over-allotment Option and the options that may be granted under the Share Option Scheme are not exercised) and hence will continue to be the Controlling Shareholder of our Company.

Sure Sino Investments is a limited liability company incorporated in the BVI on 4 March 2011 and its sole shareholder is Dr. Au-Yeung. Market Event Holdings is a limited liability company incorporated in the BVI on 16 February 2011 and its sole shareholder is Ms. Au-Yeung Hung. Earlson Holdings is a limited liability company incorporated in the BVI on 17 March 2011 and its sole shareholder is Ms. Au-Yeung Wai.

Other Businesses of the Controlling Shareholders

As of the Latest Practicable Date, apart from her interest in our Group, Ms. Au-Yeung Hung also held the entire equity interest in several private companies incorporated in Hong Kong including, The Spa House Limited, HK Preventive Association Limited, Majesty Wedding (HK) Limited and Richland Holdings Ltd. Ms. Au-Yeung Hung is also the director of the said private companies.

The Spa House Limited was principally engaged in provision of slimming and beauty services but has ceased to conduct such business and remained inactive since 2009, and currently is an investment holding company. The principal business of Majesty Wedding (HK) Limited is principally engaged in wedding planning service and rental service of wedding gowns. Richland Holdings Ltd. is an investment holding company. The current principle businesses of the said companies are distinctly different and are not related to the businesses of our Group. As such, there is generally no competition between our Group's and the businesses of each of The Spa House Limited, Majesty Wedding (HK) Limited and Richland Holdings Ltd. Ms. Au-Yeung Hung has confirmed that, as at the Latest Practicable Date, each of The Spa House Limited, HK Preventive Association Limited and Majesty Wedding (HK) Limited did not carry on or participate in any business which is or may be in competition with the businesses of our Group.

None of the Controlling Shareholders or the Directors has any interest in a business, other than the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business. In addition, each of the individual Controlling Shareholders has given a non-competition undertaking in favour of the Company. For details, please refer to the paragraph "Non-competition undertaking" of this section below.

Financial Independence

The Directors are of the view that the Group does not unduly rely on advances from its ultimate shareholder and related parties for its business operations. Our Directors confirm that as at the Latest Practicable Date, all financial assistance, including amounts due to,

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

and loans or guarantees provided by our Controlling Shareholders to our Group, were repaid or released or otherwise settled in full. As such, the Directors consider that the Group can operate independently from the Controlling Shareholders from the financial perspective.

Operational Independence

Our major suppliers are all accessible independently from our Controlling Shareholders. We do not rely on our Controlling Shareholders or their associates and have our independent access to our suppliers for the provision of our slimming products.

We hold all relevant licenses and assets necessary to operate our businesses, and have sufficient capital and employees to operate our business independently.

During the Track Record Period, we have established our own client bases and ourselves negotiated and concluded agreements with our clients, which are all Independent Third Parties, and does not rely on the Controlling Shareholders and their associates for access to clients.

Management Independence

Our Board comprises three executive Directors and three independent non-executive Directors. Dr. Au-Yeung is the executive Director, the Chairman and the CEO of our Group. Ms. Au-Yeung Wai is the executive Director and the Chief Operating Officer of our Group. Ms. Au-Yeung Hung is the executive Director of our Group.

Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interest of our Company and does not allow any conflicts between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, according to our Articles, the interested Director(s), unless required by a majority of our independent non-executive Directors, shall not attend or participate in the discussion of the relevant resolutions at the relevant board meetings of our Company, shall abstain from voting at the relevant resolutions in respect of such transactions and shall not be counted in the quorum.

In addition, we have an independent senior management team to carry out the business decisions of our Group independently. Our Directors are satisfied that our senior management team is able to perform their roles in our Group independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders after the Global Offering.

NON-COMPETITION UNDERTAKING

The Controlling Shareholders have entered into the Deed of Non-competition in favour of our Company (for itself and as trustee for the benefit of its subsidiaries), under which, subject to the next paragraph, each of the Controlling Shareholders have jointly and

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

severally, unconditionally and irrevocably undertaken to our Company that he, she or it will not, and will procure that none of his, her or its respective associates (other than members of our Group) will, during the Restricted Period (as defined below), directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business (including but not limited to the core business in Hong Kong, Macau and the PRC) which is or is likely to be in competition with our core business of our Group, and any other new business that our Group may undertake from time to time after the Listing (the “**Restricted Business**”) and where they become aware of such engagement of the Restricted Business they shall notify the Company forthwith.

The restrictions which each of the Controlling Shareholders has agreed to undertake pursuant to the non-competition undertaking will not apply to such Controlling Shareholder in the circumstances where he, she or it has:

- (a) any interests in the shares of any member of our Group; or
- (b) interests in the shares of a company other than our Group provided that:
 - (i) any Restricted Business conducted or engaged in by such company (and assets relating to any Restricted Business) accounts for less than 30% of that company’s consolidated sales or consolidated assets, as shown in that company’s latest audited accounts; and
 - (ii) the total number of shares held by the Controlling Shareholders and their associates in aggregate does not exceed 30% of the issued shares of that class of the company in question and the Controlling Shareholders and their associates are not entitled to appoint a majority of the directors of that company.

For the purpose of the Deed of Non-competition, our “core business” means the provision of slimming and beauty services and “associates” has the meaning ascribed to it under Rule 1.01 of the Listing Rules.

The “Restricted Period” stated in the Deed of Non-competition refers to the period during which:

- (a) our Shares remain listed on the Stock Exchange; and
- (b) the Controlling Shareholders and their associates (other than members of our Group), individually or jointly, are entitled to exercise, or control the exercise of, not less than 30% of the voting power at general meetings of our Company; or
- (c) the Controlling Shareholders or the relevant associates remain as a director of any member of our Group.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Each of the Controlling Shareholders have further unconditionally and irrevocably undertaken to procure that, during the Restricted Period, any business investment or other commercial opportunity relating to the Restricted Business (the “**New Opportunity**”) identified by or offered to such Controlling Shareholder and/or any of his, her or its associates (other than members of our Group) (the “**Offeror**”) is first referred to our Company in the following manner:

- (a) The Controlling Shareholders are required to, and shall procure their associates (other than members of our Group) to, refer, or procure the referral of, the New Opportunity to our Company, and shall give written notice to our Company of any New Opportunity containing all information reasonably necessary for our Company to consider whether (i) the New Opportunity would constitute competition with its core business and/or any other new business which our Group may undertake at the relevant time, and (ii) it is in the interest of our Group to pursue the New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs (the “**Offer Notice**”).
- (b) The Offeror will be entitled to pursue of the New Opportunity only if (i) the Offeror has received a written notice from our Company declining the New Opportunity and confirming that the New Opportunity would not constitute competition with its core business, or (ii) the Offeror has not received the notice from our Company within ten (10) business days from our receipt of the Offer Notice by our Company. If there is a material change in the terms and conditions of the New Opportunity pursued by the Offeror, the Offeror will refer the New Opportunity as so received to our Company in the manner as set out above.

Upon receipt of the Offer Notice, our Company shall seek opinions and decisions from a committee of its Board consisting of Directors who do not have a material interest in the matter as to whether (a) such New Opportunity would constitute competition with our Company’s core business, and (b) it is in the interest of our Company and its Shareholders as a whole to pursue the New Opportunity.

Each of the Controlling Shareholders further unconditionally and irrevocably undertaken to our Company that he, she or it will use his, her or its best endeavours to procure that his, her or its associates (other than members of our Group) shall observe the restrictions and undertakings above.

Further undertakings

The Controlling Shareholders have further undertaken to:

- (a) procure all relevant information relating to the implementation of the Deed of Non-competition in their possession and/or the possession of any of their associates to be provided to our Company;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (b) allow, subject to confidentiality restrictions imposed by any third party, our representatives and those of our Company's auditors to have access to their financial and corporate records as may be necessary for our Company to determine whether the non-competition undertakings have been complied with by the Controlling Shareholders and their associates; and
- (c) provide our Company, within ten (10) business days from the receipt of its written request, with a written confirmation in respect of their compliance and that of their associates with the non-competition undertakings and consent to the inclusion of such confirmation in our Company's annual report.

The Controlling Shareholders, for themselves and on behalf of their associates (except any members of our Group), have also acknowledged that our Company may be required by the relevant laws, regulations, rules of the stock exchange(s) on which our Company may be listed and the regulatory bodies to disclose, from time to time, information on the New Opportunity, including but not limited to disclosure in public announcements or our Company's annual report or decision made by our Company to pursue or decline the New Opportunity and has agreed to the disclosure to the extent necessary to comply with any such requirement.

Assessment of compliance with non-competition undertakings

The Controlling Shareholders acknowledge that our Directors who have no material interest in the matters discussed will, based on the information available to them, including information and confirmation provided by or obtained from the Controlling Shareholders and their associates (other than members of our Group) as described above, review on an annual basis (a) the compliance with the non-competition undertakings; and (b) all the decisions taken in relation to whether to exercise the option under the Deed of Non-competition and whether to pursue any business opportunities which may be referred or offered to our Company by the Controlling Shareholders or their associates (other than members of our Group) under the Deed of Non-competition. Findings of such review will be disclosed in our Company's annual report after the Listing.

All Directors confirmed that they do not engage in any business which competes, or is likely to compete, directly or indirectly, with our Company's business.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS

Our Board consists of six Directors including three independent non-executive Directors. The table below shows certain information in respect of members of our Board.

Name	Age	Position	Date of appointment
Dr. Au-Yeung Kong	40	Chairman, CEO and executive Director	11 March 2011
Ms. Au-Yeung Wai	42	Chief Operating Officer and executive Director	11 March 2011
Ms. Au-Yeung Hung	47	Executive Director	11 March 2011
Ms. Hsu Wai Man, Helen	41	Independent non-executive Director	5 December 2011
Mr. Chi Chi Hung, Kenneth	43	Independent non-executive Director	5 December 2011
Ms. Pang Siu Yin	51	Independent non-executive Director	5 December 2011

Executive Directors

Dr. Au-Yeung Kong (歐陽江醫生), aged 40, is an executive Director, the chairman and the CEO of our Group. Dr. Au-Yeung is our Founder. He is principally responsible for our overall management, strategic development and major decision-making. Dr. Au-Yeung founded our Group in 2003 and has accumulated nearly eight years of management and operation experience in slimming and beauty industry. Dr. Au-Yeung graduated from The Chinese University of Hong Kong with a bachelor degree in medicine and surgery in 1995. He has practiced as a General Practitioner since his graduation. In 1997, Dr. Au-Yeung was appointed the Honorary Clinical Lecturer in General Practice of The University of Hong Kong. From 1998 to 2000, Dr. Au-Yeung was appointed as an Honorary Clinical Assistant Professor in Family Medicine by the Centre for Education and Research in Family Medicine of The University of Hong Kong. From 2001 to 2002, Dr. Au-Yeung was appointed the Medical Consultant of Hong Kong Professional Teachers' Union. Dr. Au-Yeung is a registered practising medical practitioner in Hong Kong. Dr. Au-Yeung is the brother of Ms. Au-Yeung Wai and Ms. Au-Yeung Hung. In the three years preceding the Latest Practicable Date, Dr. Au-Yeung did not hold any directorship in any other listed company.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Ms. Au-Yeung Wai (歐陽慧女士), aged 42, is an executive Director and the chief operating officer of our Group. Ms. Au-Yeung is principally responsible for financing and accounting management of our Group. She is also in charge of our human resources, administration department and information technology department. Ms. Au-Yeung graduated from City Polytechnic of Hong Kong with a bachelor degree of arts in accountancy in 1991 and obtained a master's degree in business studies in the Faculty of Social Sciences at The University of Kent at Canterbury in 1995. Since her graduation, she has accumulated many years of experience in the business field. Before joining our Group, Ms. Au-Yeung assisted her husband to run a trading company. Ms. Au-Yeung joined our Group in 2004 as our general manager, and has accumulated over six years of experience in slimming and beauty industry. Ms. Au-Yeung is the sister of Dr. Au-Yeung and Ms. Au-Yeung Hung. In the three years preceding the Latest Practicable Date, Ms. Au-Yeung did not hold any directorship in any other listed company.

Ms. Au-Yeung Hung (歐陽虹女士), aged 47, is an executive Director. Ms. Au-Yeung Hung is principally responsible for the operational management of the service centres of our Group. Ms. Au-Yeung graduated from the University of Southern Queensland with a bachelor degree in business administration in 1992. Shortly after graduation, Ms. Au-Yeung commenced her own businesses of provision of employment agency services which she ceased prior to joining us. Ms. Au-Yeung joined our Group in 2005 as our sales and marketing manager, and has accumulated over five years of experience in slimming and beauty industry. Ms. Au-Yeung is the sister of Dr. Au-Yeung and Ms. Au-Yeung Wai. In the three years preceding the Latest Practicable Date, Ms. Au-Yeung did not hold any directorship in any other listed company.

Independent Non-executive Directors

Ms. Hsu Wai Man, Helen (徐慧敏女士), aged 41, was appointed as an independent non-executive Director on 5 December 2011. Ms. Hsu has over 18 years' experience in accounting. Ms. Hsu graduated from The Chinese University of Hong Kong with a bachelor degree in business administration. Ms. Hsu had been working with Ernst & Young for 18 years and was a partner of Ernst & Young before she retired from the firm in February 2011. Ms. Hsu is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Ms. Hsu is also a member of the advisory board of the School of Accountancy of The Chinese University of Hong Kong. Ms. Hsu is currently an independent non-executive director of China Forestry Holdings Co. Ltd. (stock code: 930). Save as the aforesaid, in the three years preceding the Latest Practicable Date, Ms. Hsu did not hold any directorship in any listed company.

Mr. Chi Chi Hung, Kenneth (季志雄先生), aged 43, was appointed as an independent non-executive Director on 5 December 2011. Mr. Chi has over 18 years of experience in accounting and financial control. He holds a Degree of Bachelor of Accountancy from the Hong Kong Polytechnic University and is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. He is also an associate member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Kingdom. Mr. Chi is currently an executive director of Morning Star Resources Limited (stock code: 542), Hua Yi Copper Holdings Limited (stock code: 559), China Grand Forestry Green Resources Group Limited (stock code: 910) and M Dream Inworld Limited (stock code: 8100). He is also an independent non-executive director of ZMAY Holdings Limited (stock code: 8085), Aurum Pacific (China) Group Limited (stock code: 8148), Sam Woo Holdings Limited (stock code: 2322) and Interchina Holdings Company Limited (stock code: 202). Save as the aforesaid, in the three years preceding the Latest Practicable Date, Mr. Chi did not hold any directorship in any listed company.

Ms. Pang Siu Yin (彭小燕女士), aged 51, was appointed as an independent non-executive Director on 5 December 2011. Ms. Pang is a practicing solicitor in Hong Kong and a partner of Messrs. Cheung, Tong & Rosa, Solicitors, Hong Kong. She is also a member of the Chartered Institute of Arbitrators of the United Kingdom and the Hong Kong Securities Institute. She obtained a master degree of laws from The Victoria University of Manchester in 1992. In the three years preceding the Latest Practicable Date, Ms. Pang did not hold any directorship in any listed company.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention to the Shareholders and there was no information relation to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Name	Age	Position
Mr. So Hin Lung	35	Chief Financial Officer and Company Secretary
Mr. Cheng Cho Fai	36	Finance Manager (Group)
Mr. Cheng Zhi Hua	35	Finance Manager (China Division)
Mr. Cheung Kin Fan	34	Information Technology Manager

Mr. So Hin Lung (蘇顯龍先生), aged 35, is our chief financial officer and company secretary and is responsible for overseeing our finance and accounting, internal control, corporate governance and regulatory compliance. Mr. So joined our Group in March 2011. Mr. So graduated from the University of Glamorgan, UK with a bachelor degree in business accounting in 1999. Mr. So is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining our Group, Mr. So worked with Deloitte Touche Tohmatsu. He has over 10 years of experience in auditing and accounting.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Cheng Cho Fai (鄭楚輝先生), aged 36, is our finance manager (Group) and is responsible for overseeing our financial reporting and daily accounting operations. He joined our Group in September 2008. Mr. Cheng graduated from Lingnan University with a bachelor degree in business administration in 1997. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. Cheng was further accredited as an authorised supervisor of the Hong Kong Institute of Certified Public Accountants from 2009. Mr. Cheng has over 12 years of accounting and auditing experience.

Mr. Cheng Zhi Hua (程芝化先生), aged 35, is our finance manager (China Division) and is responsible for overseeing our financial operations in the PRC. Mr. Cheng joined our Group in 2010. He graduated from Jinan University with a bachelor degree in 1999. He further obtained a master degree of business administration from Jinan University in 2010. Mr. Cheng is a member of the The Chinese Institute of Certified Public Accountants and the China Certified Tax Agents Association. Prior to joining our Group, Mr. Cheng was a manager at Bank of China and a PRC accounting firm. He has nearly 15 years of experience in PRC financial accounting and auditing.

Mr. Cheung Kin Fan (張堅勳先生), aged 34, is our information technology manager and is responsible for overseeing the operations development, maintenance and strategic planning for our information management systems. Mr. Cheung joined our Group in 2008. Mr. Cheung obtained an International Advanced Diploma in Computer Studies issued by National Computing Center Education. Mr. Cheung has been a Microsoft Certified System Engineer (MCSE) and Microsoft Certified Database Administrator (MCDBA) accredited by Microsoft, a IBM Certified Specialist — eServer x Series Technical accredited by IBM, Cisco Certified Network Associate (CCNA) accredited by Cisco, and a Check Point Certified Security Administrator (CCSA) accredited by Check Point. Mr. Cheung has over 14 years of experience in information technology experience.

COMPANY SECRETARY

Mr. So Hin Lung (蘇顯龍先生) — Please refer to the sub-section above under the heading “Senior Management”.

AUDIT COMMITTEE

An audit committee was established by our Company on 5 December 2011 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and approve the Group’s financial reporting process and internal control system. The member of the audit committee are Ms. Hsu Wai Man, Helen, Mr. Chi Chi Hung, Kenneth and Ms. Pang Siu Yin. Ms. Hsu Wai Man, Helen is the chairperson of the audit committee.

REMUNERATION COMMITTEE

A remuneration committee was established by our Company on 5 December 2011 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to Directors and senior management of the Group. The members of the remuneration committee are Ms. Hsu Wai Man, Helen, Mr. Chi Chi Hung, Kenneth, Ms. Pang Siu Yin, Dr. Au-Yeung and Ms. Au-Yeung Wai. Ms. Hsu Wai Man, Helen is the chairperson of the remuneration committee.

NOMINATION COMMITTEE

A nomination committee was established by our Company on 5 December 2011 with written terms of reference. The primary duties of the nomination committee are to make recommendations to the Board on appointment of Directors and the management of the Board succession. The members of the nomination committee are Ms. Hsu Wai Man, Helen, Mr. Chi Chi Hung, Kenneth, Ms. Pang Siu Yin, Dr. Au-Yeung and Ms. Au-Yeung Wai. Ms. Hsu Wai Man, Helen is the chairperson of the nomination committee.

DIRECTORS' REMUNERATION

The remuneration received by our Directors (including fees, basic salaries, bonuses, contributions to defined contribution benefit plans (including pension), housing and other allowances and benefits in kind, and pension costs) for the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011 was HK\$31.2 million, HK\$23.1 million, HK\$12.0 million and HK\$1.2 million, respectively. The decrease in our directors' remuneration during the Track Record Period mainly reflected that our Directors voluntarily reduced their remunerations by making reference to the average market rate of directors' remunerations of around 100 small-to-medium size Hong Kong listed companies in 2008 and 2009.

The aggregate amount of fees, salaries, discretionary bonus, defined contribution benefit plans (including pension), housing and other allowances, and other benefits in kind paid to the five highest paid individuals of our Company, excluding Directors, for the years ended 31 March 2009, 2010 and 2011 and the four months ended 31 July 2011 was HK\$1.6 million, HK\$1.3 million, HK\$2.1 million and HK\$0.6 million, respectively.

We have not paid any remuneration to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended 31 March 2009, 2010 and 2011 and the four months ended 31 July 2011. Further, none of our Directors had waived any remuneration during the same period.

Under the current arrangements, the Directors will be entitled to receive compensation (including remuneration and benefits in kind) from our Company for the year ending 31 March 2012 in the aggregate amount of HK\$3.7 million.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Except as disclosed above, no other payments have been paid or are payable, in respect of the years ended 31 March 2009, 2010 and 2011 and the four months ended 31 July 2011, by us to our Directors.

STAFF

As at 31 July 2011, we had a total of 811 full-time employees, a breakdown of which by function is set forth below:

Function	Number of Employees		
	PRC	Hong Kong	Macau
Management	—	3	—
Business development	9	3	—
Customer services	1	8	—
Marketing	17	7	—
Operation	6	5	—
Finance and accounting	26	21	—
Information technology	5	5	—
Human resources and administration	26	12	—
Frontline staff			
— Consultants	103	13	1
— Customer service	38	15	1
— Receptionists	88	16	1
— Therapists	218	49	5
— Nutritionists	24	2	—
— Supporting staff	71	10	2
	<u>632</u>	<u>169</u>	<u>10</u>

Our Directors are of the view that we have maintained a good relationship with our staff. We have not, in the past, experienced any disruption of operation due to labour disputes.

For the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, our total employee benefit expense excluding directors' remuneration were HK\$55.4 million, HK\$55.5 million, HK\$73.6 million and HK\$30.1 million, respectively.

EMPLOYEES' BENEFITS PROVIDED BY OUR GROUP

Save as disclosed in "Risk Factors — We have not paid certain social insurances and housing provident fund contributions for and on behalf of our employees during the Track Record Period" in this prospectus, we comply in all material aspects with all statutory requirements on retirement contribution in the jurisdictions where we operate.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

We have established various welfare plans including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees who are employed by us pursuant to the PRC rules and regulations and the existing policy requirements of the local government.

In Hong Kong, we have participated in a mandatory provident fund scheme for our employees in Hong Kong in accordance with the applicable Hong Kong laws and regulations.

COMPLIANCE ADVISOR

We intend to appoint China Everbright Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (iii) if we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or if our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (iv) if the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

In addition, the compliance advisor will also provide, inter alia, the following services to us:

- (i) if required by the Stock Exchange, deal with the Stock Exchange in respect of any or all matters listed in paragraphs (i) to (iv) above;
- (ii) in relation to an application by us for a waiver from any of the requirements in Chapter 14A of the Listing Rules, advise us on our obligations and in particular the requirement to appoint an independent financial advisor; and
- (iii) assess the understanding of all new appointees to the Board regarding the nature of their responsibilities and fiduciary duties as a director of a listed issuer, and, to the extent the Directors form an opinion that the new appointees' understanding is inadequate, discuss the inadequacies with the Board and make recommendations to the Board regarding appropriate remedial steps, such as training.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

The terms of the appointment shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for our Company's first full financial year commencing after the Listing Date, and such appointment may be subject to extension by mutual agreement.

In addition, after the Listing Date, our Company will retain legal advisors to advise on ongoing compliance and Listing Rules issues and other applicable laws and regulations in Hong Kong.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme), the following persons will have beneficial interests or short positions in any Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Sure Sino Investments (Note 1)	Beneficial owner/ Long position	382,500,000	38.25%
Market Event Holdings (Note 2)	Beneficial owner/ Long position	187,500,000	18.75%
Earlson Holdings (Note 3)	Beneficial owner/ Long position	180,000,000	18%
Dr. Au-Yeung (Note 1)	Interest of controlled corporation/ Long position	382,500,000	38.25%
Ms. Au-Yeung Hung (Note 2)	Interest of controlled corporation/ Long position	187,500,000	18.75%
Ms. Au-Yeung Wai (Note 3)	Interest of controlled corporation/ Long position	180,000,000	18%

Notes:

- (1) The entire issued share capital of Sure Sino Investments is wholly and beneficially owned by Dr. Au-Yeung. By virtue of the SFO, Dr. Au-Yeung is deemed to be interested in the entire 382,500,000 Shares held by Sure Sino Investments.
- (2) The entire issued share capital of Market Event Holdings is wholly and beneficially owned by Ms. Au-Yeung Hung. By virtue of the SFO, Ms. Au-Yeung Hung is deemed to be interested in the entire 187,500,000 Shares held by Market Event Holdings.
- (3) The entire issued share capital of Earlson Holdings is wholly and beneficially owned by Ms. Au-Yeung Wai. By virtue of the SFO, Ms. Au-Yeung Wai is deemed to be interested in the entire 180,000,000 Shares held by Earlson Holdings.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, our Directors are not aware of any other person who will, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme), have beneficial interests or short positions in any Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of our authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and after completion of the Global Offering:

<i>Authorised:</i>		<i>HK\$</i>
<u>10,000,000,000</u>	Shares	<u>1,000,000,000</u>
<i>Shares issued or to be issued, fully paid or credited as fully paid:</i>		
300	Shares in issue at the date of this prospectus	30
749,999,700	Shares to be issued pursuant to the Capitalisation Issue	74,999,970
250,000,000	Shares to be issued pursuant to the Global Offering (assuming the Over-allotment Option is not exercised) (<i>Note</i>)	25,000,000
<hr/>		
<i>Total Shares issued and to be issued upon completion of the Global Offering (assuming the Over-allotment Option is not exercised)</i>		
<u>1,000,000,000</u>	Shares (<i>Note</i>)	<u>100,000,000</u>

Note: If the Over-allotment Option is exercised in full, 37,500,000 additional Shares will be issued and resulting in a total issued share capital of 1,037,500,000 Shares of nominal value of HK\$0.1 each.

ASSUMPTIONS

The table above assumes that the Global Offering becomes unconditional and will be completed in accordance with the relevant terms and conditions. It takes no account of (a) any of the new Shares which may be issued upon the exercise of the Over-allotment Option; (b) any Shares to be allotted and issued upon exercise of options which may be granted under our Share Option Scheme; (c) any Shares which may be issued under the general mandate given to our Directors for the issue and allotment of Shares; or (d) any Shares which may be repurchased by us pursuant to the general mandate given to our Directors for the repurchase of Shares.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in “Structure of the Global Offering — Conditions of the Hong Kong Public Offer” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of: (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme); and (ii) the aggregate nominal value of the share capital of our Company repurchased by us (if any).

This general mandate to issue Shares will expire:

- (i) at the end of our next annual general meeting;
- (ii) at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed “Written resolutions of our Shareholders passed on 5 December 2011” under the section headed “Further information about our Group” in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in “Structure of the Global Offering — Conditions of the Hong Kong Public Offer” in this prospectus, our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme).

This general mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “Repurchase of our Shares” under the section headed “Further information about our Group” in Appendix V to this prospectus.

SHARE CAPITAL

This general mandate to repurchase Shares will expire:

- (i) at the end of our next annual general meeting;
- (ii) at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

For further details of these general mandates, please refer to the “Appendix V — Written resolutions of the Shareholders passed on 5 December 2011” and “Appendix V — Repurchase of our Shares” to this prospectus.

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The following discussion and analysis should be read in conjunction with our combined financial statements as at and for the years ended 31 March 2009, 2010 and 2011, and the four months ended 31 July 2011 together with the accompanying notes, included in Appendix I to this prospectus. Our combined financial statements have been prepared in accordance with HKFRS, which may differ in material respects from the generally accepted accounting principles in other jurisdictions. The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed in such forward-looking statements as a result of various factors, including those set forth in “Risk Factors” in this prospectus.

(I) OVERVIEW

We are a well-established slimming and beauty service provider and operate under the well-known brand name “Perfect Shape 必瘦站”, targeting mid to high-end clients in the PRC, Hong Kong and Macau. We have our origin in Hong Kong and experienced substantial growth in the PRC market during the Track Record Period. Through years of development, we have established our “Perfect Shape 必瘦站” brand as a well-recognised icon for the provision of quality and effective slimming services. Our brand recognition can be proved by the various achievements we have accomplished over the years such as “Superbrands Hong Kong Award” and “PRC Consumer’s Most Favourable Hong Kong Brands”. As part of our advertising and promotional campaigns to enhance brand recognition, we sponsored large-scale beauty contests in Hong Kong and were the “Miss Hong Kong Pageant 2008 Official Slimming Centre” for Miss Hong Kong Pageant 2008, the “Preferred Slimming Centre” for Miss Chinese International Pageant 2009 and the slimming consultant for Miss Asia Pageant (PRC Division) 2009. Contributing to our successful expansion in the PRC, we achieved a sustaining growth in the past years. Our revenue increased from HK\$236.3 million for the year ended 31 March 2009 to HK\$309.0 million for the year ended 31 March 2011, representing a CAGR of 14.4%. For the four months ended 31 July 2011, our revenue increased to HK\$134.5 million from HK\$100.9 million for the same period in 2010. Our profit attributable to equity holders increased from HK\$28.6 million for the year ended 31 March 2009 to HK\$50.3 million for the year ended 31 March 2011, representing a CAGR of 32.6%. For the four months ended 31 July 2011, our profit attributable to equity holders increased to HK\$28.9 million from HK\$14.3 million for the same period in 2010.

Our Services and Products

We offer around 100 types of slimming treatments in terms of the body parts, the equipment, the slimming products and massage techniques used which not only focus on weight loss management but also emphasise on body shaping and maintenance. We take pride in the provision of tailor-made slimming services. We recommend the most suitable slimming treatments to our clients based upon our clients’ goals and physical conditions. Our slimming consultants and nutritionists are involved in the implementation process and closely monitor the progress of and follow up with each client throughout the whole slimming programme. We also offer around 80 types of beauty treatments including medical beauty treatments which can be further categorised into treatments with focus on individual

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parts of the body such as facial treatments, neck treatments, eye treatments, hand treatments and breast treatments, spa and massage services with different machinery and beauty products used to cater for the needs of different clients. Revenue from provision of slimming and beauty services accounted for HK\$143.3 million, HK\$148.5 million, HK\$203.0 million and HK\$83.7 million, representing 60.6%, 63.2%, 65.7% and 62.2% of our total revenue, for the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, respectively.

In order to complement our services, we sell around 10 types of slimming and beauty products at our service centres. We source our slimming and beauty products from independent manufacturers and the finished products are labelled and sold under our brands. Revenue from the sales of slimming and beauty products accounted for HK\$7.0 million, HK\$13.6 million, HK\$32.8 million and HK\$15.6 million, representing 3.0%, 5.8%, 10.6% and 11.6% of our total revenue, for the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, respectively. In view of the growing demand of high-end slimming and beauty products in the PRC, our Directors consider that sales of slimming and beauty products will be one of the engines driving our future growth.

Our Service Centres and Members

We have strong presence in the PRC, Hong Kong and Macau. As at the Latest Practicable Date, we, being one of the premium Hong Kong brands for slimming and beauty services, operated 57 service centres, of which 44 of them are located in 10 major cities in the PRC, namely Shanghai, Guangzhou, Shenzhen, Beijing, Dongguan, Foshan, Chengdu, Nanjing, Tianjin and Chongqing; 12 in Hong Kong; and one in Macau. Our service centres are mainly located in the prime commercial districts in the PRC. For example, we operate flagship centres in Plaza 66 (恒隆廣場), Dongfang Plaza (東方廣場), Zhengjia Plaza (正佳廣場), and Jinguanghua Plaza (金光華廣場), which are high-end shopping malls located in Shanghai, Beijing, Guangzhou and Shenzhen, respectively. We classify our service centres into two categories, namely flagship centres and standard centres. Our service centres which are located in prestigious shopping malls or high-end departmental stores in prime locations are classified as flagship centres, and the others are classified as standard centres. All standard and flagship centres are operated by ourselves and there is no material difference in the services provided by our standard and flagship centres. As at the Latest Practicable Date, the average size of our flagship centres and standard centres is about 425 sq.m. and 195 sq.m., respectively.

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Set out below is a list of our service centres as at the Latest Practicable Date:

Location	Number of service centres		Total
	Standard centres	Flagship centres	
PRC			
● Shanghai	10	2	12
● Guangzhou	7	3	10
● Shenzhen	4	2	6
● Beijing	5	1	6
● Dongguan	3	—	3
● Foshan	1	—	1
● Chengdu	2	—	2
● Nanjing	1	—	1
● Tianjin	1	—	1
● Chongqing	2	—	2
Hong Kong (Note)	9	3	12
Macau	1	—	1
Total	<u>46</u>	<u>11</u>	<u>57</u>

Note: Our service centres in Hong Kong were located at Central, Causeway Bay, Mongkok, Tsuen Wan, Tsim Sha Tsui, Tuen Mun, Yuen Long, Shatin and Tai Po.

The following table sets out the number of additions and closures of our service centres during the Track Record Period and up to the Latest Practicable Date.

PRC

	Years ended 31 March			From 1 April 2011 up to the Latest Practicable Date
	2009	2010	2011	
Number of service centres at the beginning of the relevant period	—	1	6	30
Addition of service centres during the relevant period	1	5	24	14
Number of service centres at the end of the relevant period	1	6	30	44

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Hong Kong

	Years ended 31 March			From 1 April 2011 up to the Latest Practicable Date
	2009	2010	2011	
Number of service centres at the beginning of the relevant period	20	20	14	15
Addition of service centres during the relevant period	1	2	4	—
Closure of service centres during the relevant period	1	8	3	3
Number of service centres at the end of the relevant period	20	14	15	12

In view that the slimming and beauty market in Hong Kong has saturated and we face increasing competition from other market players, we reduced the number of our service centres in Hong Kong during the Track Record Period and up to the Latest Practicable Date, and revenue derived from Hong Kong market decreased accordingly. At the same time, we continued to reallocate our financial and human resources from Hong Kong market to expand our operation in the PRC market.

Macau

We operated one service centre in Macau during the Track Record Period and up to the Latest Practicable Date.

Our Group has nearly eight years, four years and three years of operating history in Hong Kong, Macau and the PRC, respectively. Based on the experience of the Directors and the historical operating results, it generally takes six to 12 months for a new service centre to break even. We have a well-established client base, which is vital for our business growth. As at the Latest Practicable Date, we had about 38,000 members in the PRC, 48,000 members in Hong Kong and 4,000 members in Macau. Our well-established client base brings confidence to our new clients and provides us with new market opportunities through word-of-mouth referrals. The number of active members as at 31 March 2011, defined as members who received slimming and beauty services in our service centres in that year, were 17,714 in the PRC, 9,105 in Hong Kong and 2,269 in Macau, respectively. Among these active members, 12,623 members in the PRC, 4,231 members in Hong Kong and 890 members in Macau, had unutilised prepaid packages with our Group as at 31 March 2011.

We believe that we have successfully built up our “Perfect Shape 必瘦站” brand which distinguishes us from our competitors. The success of our “Perfect Shape 必瘦站” brand enables us to charge premium prices and position our services towards the higher end of the market. Furthermore, it also lays a solid foundation for our further expansion in the PRC.

Forfeited Income

We promote our slimming and beauty services by offering prepaid packages with discounted pricing to clients. Our Directors believe that this prepayment mode of operation enables us to enhance customer loyalty and establish long-term relationship with our clients. During the Track Record Period, we sold prepaid packages in the amount of HK\$229.2 million, HK\$232.5 million, HK\$306.2 million and HK\$118.3 million, respectively. Our prepaid packages have a validity period of one year. As part of our loyalty programme, with the view to promote through word-of-mouth and encourage sales of new premium packages as well as to enhance customer loyalty and establish long-term relationship with our clients, we may, at our discretion, allow our clients to upgrade their existing slimming and beauty packages to new premium slimming and beauty packages before the expiry of the existing packages. The Directors believe that the upgrade arrangement also provides an option for the clients to experience the latest slimming technology without sacrificing the unutilised value of their existing packages. No upgrade is allowed after the expiry of the existing packages. In the event of package upgrade, contract of the existing package will be terminated and a new contract will be signed between us and the relevant client on the new premium package. Clients are required to pay the difference between the new premium package and the unutilised existing package value. Upon the signing of new contract, the new premium package will have a validity period of one year from the date of the new contract. For details of our loyalty programme, please refer to “Business — Marketing — Marketing and sales — Loyalty programme to clients” in this prospectus. We record these prepaid packages as deferred revenue in the balance sheet at the point of sales. Deferred revenue as at 31 March 2009, 2010, 2011 and 31 July 2011 was HK\$118.3 million, HK\$122.4 million, HK\$148.7 million and HK\$147.0 million, respectively. For financial reporting purposes, we recognise prepaid packages as our sales revenue from time to time in the income statement when the service treatments are delivered to clients. The amount which represents services yet to be rendered will be recorded as liability. As clients are not entitled to enjoy services after expiry date, we fully recognise prepaid packages over one year from the date of purchase as revenue from expired prepaid packages in the income statement. During the Track Record Period, we strictly implemented our revenue recognition policy and no prepaid packages were extended or renewed upon expiry date.

We believe the combination of our (i) well-recognised brand name with strong presence in the PRC, Hong Kong and Macau; (ii) successful track record in brand management and strong execution capability in developing fast-growing and enormous PRC market; and (iii) well-established client base provides us with the strategic advantage necessary to become one of the market leaders in the PRC.

Our Expansion in the PRC

With a population of approximately 1.3 billion in the PRC, our Directors believe that the slimming and beauty market in the PRC has vast development potential. Demand for slimming and beauty services is expected to continue to elevate with the rapid growth of the PRC economy and the sustainable improvement of general living standard in the PRC.

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According to the Euromonitor Report, the market size of beauty centres is estimated to grow from approximately RMB91.3 billion in 2010 to approximately RMB243.1 billion in 2015, with a CAGR of 21.6%, by sales value of services.

In order to capture vast business opportunities arising from the fast-growing and enormous slimming and beauty market in the PRC, we opened our first service centre in Shenzhen in 2009. Since then, we aggressively expanded our service centres network under our well-known brand name “Perfect Shape 必瘦站” in the PRC and successfully achieved the following impressive operational and financial performance:

- the same store sales of our service centres in the PRC, which represent four service centres established prior to 1 January 2010, increased by 87.3% from HK\$7.9 million in the first quarter of 2010 to HK\$14.8 million in the first quarter of 2011;
- the total number of our slimming and beauty service centres in the PRC increased by 43 times from one in a single city as at 31 March 2009 to 44 in 10 cities as at the Latest Practicable Date;
- our number of members in the PRC increased by about 62 times from around 600 as at 31 March 2009 to around 38,000 as at the Latest Practicable Date;
- our revenue contributed from our PRC operation increased by 85 times from HK\$1.9 million for the year ended 31 March 2009 (representing 0.8% of our total revenue during the same year) to HK\$162.9 million for the year ended 31 March 2011 (representing 52.7% of our total revenue during the same year);
- the net profit attributable to our equity holders increased by 70.5% from HK\$29.5 million for the year ended 31 March 2010 to HK\$50.3 million for the year ended 31 March 2011.

Upon the Listing, we will continue to expand our business operation in the PRC aggressively. In order to capitalise the robust growth in the PRC slimming and beauty market, we plan to open 106 new service centres in the PRC during the four years ending 31 March 2015.

Benefiting from the sustainable growth in the slimming and beauty service market and implementation of our aggressive expansion plan in the PRC, we target to increase the percentage of revenue contribution from our PRC operation over our total revenue to around 80% for the year ending 31 March 2012.

(II) BASIS OF PREPARATION OF OUR FINANCIAL INFORMATION

Our Company and companies now comprising our Group are under common control of Dr. Au-Yeung, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai. For the purpose of the accountant’s report, the text of which is set out in Appendix I to this prospectus, the financial information of our Group has been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA. The combined balance sheets as at 31 March 2009, 2010, 2011 and

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31 July 2011 and the combined statements of comprehensive income, combined statements of cash flows and combined statements of changes in equity of our Group for the Track Record Period have been prepared using the financial information of the companies now comprising our Group for the Track Record Period as if the current group structure had been in existence throughout the Track Record Period, except that the financial information of those companies newly set up by us during the Track Record Period is included in the financial information from their respective dates of incorporation.

(III) FACTORS AFFECTING OUR OPERATING RESULTS AND FINANCIAL CONDITION

Our financial condition and results of operations have been, and will continue to be, affected by a number of factors, including those set out below.

Economic growth in the PRC

We conduct the majority of our operations in the PRC and expect such expansion in operation in the PRC will continue in the future. The PRC has experienced significant economic growth in recent years. From 2005 to 2007, the PRC's GDP maintained a robust growth rate at over 10%, and the growth rate hit the historical high in 2007 at 13%. From 2008 to 2009, the PRC's GDP growth rate dropped to about 9.0% and 8.7% respectively. The GDP growth rate for the PRC was up to about 10.3% in 2010 because of the recovery of the global economy. We believe that the growth of the economy of the PRC will lead to a rise in living standards and consumer spending on beauty and slimming services. According to the Euromonitor Report, the market size of slimming industry in the PRC is expected to grow at a CAGR of 24.0% by sales value of services from 2010 to 2015 and the market size of beauty industry in the PRC is also estimated to grow at a CAGR of 21.6% by sales value of services from 2010 to 2015. For the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, our revenue contributed from the PRC market were HK\$1.9 million, HK\$34.1 million, HK\$162.9 million and HK\$99.5 million, which represented 0.8%, 14.5%, 52.7% and 74.0% of our total revenue, respectively. We strategically plan to establish 106 new service centres in the PRC during the four years ending 31 March 2015. In general, we expect continuing growth of the economy in the PRC to have a positive impact on our business prospects.

Ability to maintain brand recognition and marketing success of our products

We believe brand image is important to consumers' purchasing decisions. Our brands are therefore critical to the success of our business. We place great emphasis on multi-brand building and we promote our products through a series of advertising and promotional campaigns. During the Track Record Period, our marketing expenses accounted for approximately 19.8%, 20.1%, 18.3% and 17.2%, respectively of our revenue. Our ability to promote our brand name "Perfect Shape 必瘦站" as a premium brand for high quality slimming and beauty service through our marketing efforts will affect our sales growth and results of operations.

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Expansion of retail network

Our revenue and profitability is directly affected by the expansion of our Group's retail network. We experienced substantial growth in the PRC slimming and beauty market since our first presence in the PRC market in 2009. As at 31 March 2009, 2010, 2011 and 31 July 2011, we operated one, 6, 30 and 37 service centres in the PRC, respectively, and revenue contributed from the PRC operation amounted to HK\$1.9 million, HK\$34.1 million, HK\$162.9 million and HK\$99.5 million for the three years ended 31 March 2009, 2010, 2011 and four months ended 31 July 2011, which represented a CAGR of 825.8%, and accounted for 0.8%, 14.5%, 52.7% and 74.0% of our total revenue, respectively.

We commenced our business in the PRC in 2009, we intend to use HK\$254.4 million, which is equivalent to 70% of the total net proceeds of the Listing, for the expansion of our service centres network under our well-known brand name of "Perfect Shape 必瘦站". We expect to establish 106 new service centres in the PRC during the four years ending 31 March 2015.

Cost of operating lease rentals, director and staff cost

Operating lease rentals, director and staff cost represent a significant portion of our revenue. During the Track Record Period, (i) operating lease rentals were HK\$20.1 million, HK\$20.4 million, HK\$29.9 million and HK\$12.1 million, respectively; and (ii) employee benefit expenses were HK\$86.6 million, HK\$78.7 million, HK\$85.6 million and HK\$31.3 million, respectively. Such costs represented 45.2%, 42.2%, 37.4% and 32.0% of our revenue for the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011. Since most of our service centres are located at prime location in major cities in the PRC and due to continuous improvement in the wages and salaries of staff, we expect the lease rentals and staff cost for our PRC operations to increase in the future which may in turn affect our operating profit.

Competitive dynamics

We face competition in the beauty and slimming industry in the PRC and Hong Kong and consumers are tempted to shift their choices and preferences whenever there are new promotion launched and pricing campaigns introduced by different brands. Our financial condition and results of operations will be affected by our ability to remain competitive in this industry, which in turn depends on our ability to compete effectively by responding rapidly to market trends, increasing our brand awareness and differentiating our services from those offered by our competitors in ways that will appear to consumers.

(IV) CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The principal accounting policies applied in the preparation of the financial statements are in accordance with HKFRSs.

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The preparation of financial statements in conformity with HKFRSs requires the management of our Company to make estimates and assumptions that affect amounts reported in its financial statements. Our Group's significant accounting policies, which are important for an understanding of the results of operations and financial condition of our Group, are set forth in detail in Section II to the Accountant's Report as set out in Appendix I to this prospectus. The policies have been consistently applied to all the years presented unless otherwise stated. In applying those accounting policies, we make subjective and complex judgments that frequently require estimates about matters that are of an inherently uncertain nature and may change in subsequent periods. The following sections discuss certain key accounting policies, judgment and estimates which have been applied in preparing our Group's financial statements.

Revenue and income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of our activities. Revenue is shown net of value-added tax, returns, services refunds, and discounts and after eliminating sales within our Group.

We recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of our activities as described below. We base our estimates on historical results, taking into consideration the type of clients, the type of transactions and the specifics of each arrangement.

(a) Sales of services

Revenue from the provision of slimming and beauty services are recognised when the services have been rendered to clients. Receipts in respect of treatment packages for which the relevant services have not been rendered are deferred and recorded as deferred revenue in the balance sheet. We implement a contractual one-year service expiry policy under which any unutilised treatments at the end of the service period are fully recognised in profit or loss.

We allow our clients to upgrade their existing slimming and beauty packages to new premium slimming and beauty packages before the expiry of the existing packages. Clients are required to pay the difference between the new premium package and the unutilised existing package value. The existing package contract is terminated and a new contract with a validity period of one year is signed for the new premium package. The deferred revenue of the unutilised existing package together with the receipt is recognised as deferred revenue, and is recognised as revenue when the services has been rendered to clients. Any unutilised treatments at the end of the service period of the new premium package are fully recognised in profit or loss.

During the year ended 31 March 2010, we launched a refundable slimming programme under which clients entered into slimming treatments for prescribed periods with a designated weight reduction target as contractually laid down in the respective sales contracts prior to the commencement of slimming treatments. Clients

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who had fulfilled their reduction target at the end of treatment periods were eligible for a 12-month refund period during which they were required to maintain and update their weight records at our service centres on a monthly basis. A refund equivalent to the original gross sales contract amount divided by the number of months of refund period would be made if the designated weight reduction was maintained in each month during the refund period. Any particular unsuccessful records during the refund period would not preclude the rights of refund in subsequent months.

Revenue under this programme was recognised at the time when our refund obligation no longer exist, the timing of which was dependent on whether the clients could fulfil their weight reduction target at the end of the treatment period as follows:

- If the weight reduction target was not achieved, the clients were not eligible to a 12-month refund period. Revenue was recognised at the time when all treatment services had been rendered.
- If the weight reduction target was achieved, revenue was recognised over the entire refund period depending on whether the clients could maintain their weight records in each month during the 12-month refund period.

In addition, we maintain a standardised refundable programme during the Track Record Period. If the designated weight reduction target could not be achieved over a fixed period of two weeks, refunds are made at the original contracted amount proportional to the unit of unsuccessful weight reduction against the original target, after the relevant handling charges. Revenue under this programme is recognised at the time when the refund obligation is discharged.

(b) Sales of products

Revenue from the sales of slimming and beauty products is recognised on the transfer of risks and rewards of the related products, which generally coincides with the time when the products are delivered to clients.

(c) Interest income

Interest income is recognised using the effective interest method.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisitions of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to our Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost of each asset to their residual values over their estimated useful lives, as follows:

Machinery and equipment	30%
Leasehold improvements	Over the unexpired period of lease
Furniture and fixtures	20% to 30%
Motor vehicles	20%
Office equipment	30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating units"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance date.

Financial Assets

We classify our financial assets into the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled with 12 months; otherwise, they are classified as non-current.

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(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Our loans and receivables comprises trade and other receivables, deposits, amounts due from directors, a shareholder and related companies and cash and cash equivalents.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular way purchases and sales of financial assets are recognised on trade-date, that is the date on which we commit to purchase or sell the asset. Investments are initially recognised at fair value plus transactions costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and we have transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'other gains — net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of other income when our right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sales are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in profit or loss as part of other income. Dividends on available-for-sale equity instruments are recognised in profit or loss as part of other income when our right to receive payments is established.

Impairment of financial assets

(a) Assets carried at amortised cost

We assess at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

We first assess whether objective evidence of impairment exists.

For loans and receivable category, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The asset’s carrying amount is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, we may measure impairment on the basis of an instrument’s fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(b) Assets classified as available-for-sale

We assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, we use the criteria refer to (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in the combined statement of comprehensive income. Impairment losses recognised in the combined statement of comprehensive income on equity instruments are not reversed through the combined statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the combined statement of comprehensive income.

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Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by using the first in, first out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where our Company and our subsidiaries operate and generate taxable income. Our management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting for taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that we will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying

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amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Provisions

Provisions are recognised when we have a present legal or constructive obligation as a result of past events; and it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

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(V) OUR OPERATING RESULTS DURING THE TRACK RECORD PERIOD

(A) Description of Certain Components of Combined Income Statements

The combined financial data set forth below presents the summary of combined financial information of our Group for the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011 extracted from the Accountant's Report as set out in Appendix I to this prospectus.

Combined Income Statements

	Year ended 31 March			Four months ended 31 July	
	2009	2010	2011	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Revenue	236,273	234,857	308,976	100,875	134,499
Other income	212	130	384	71	54
Other (losses)/gains — net	(1,024)	21	1,580	68	660
Cost of inventories and consumables	(1,925)	(4,928)	(7,450)	(2,478)	(2,240)
Employee benefit expenses	(86,631)	(78,665)	(85,648)	(28,878)	(31,318)
Marketing expenses	(46,899)	(47,315)	(56,420)	(24,286)	(23,091)
Depreciation	(16,516)	(15,143)	(16,494)	(5,515)	(5,658)
Operating lease rentals	(20,055)	(20,389)	(29,875)	(8,138)	(12,106)
Other operating expenses	(28,764)	(32,858)	(49,590)	(13,855)	(21,767)
Operating profit	34,671	35,710	65,463	17,864	39,033
Interest income	4	25	238	19	596
Profit before income tax	34,675	35,735	65,701	17,883	39,629
Income tax expense	(6,092)	(6,216)	(15,441)	(3,581)	(10,743)
Profit for the year/period attributable to equity holders of the Company	28,583	29,519	50,260	14,302	28,886

The following paragraphs set out a brief discussion on the revenue, cost of inventories and consumables, employee benefit expenses, operating lease rentals and other components of combined income statements during the Track Record Period.

Revenue

For provision of slimming and beauty services, we normally charge our clients by way of prepaid packages which have a validity period of one year. As part of our loyalty programme, with the view to promote through word-of-mouth and encourage sales of new premium packages as well as to enhance customer loyalty and establish long-term relationship with our clients, we may, at our discretion, allow our clients to upgrade their existing slimming and beauty packages to new premium slimming and beauty packages before the expiry of the existing packages. The Directors believe that the upgrade arrangement also

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provides an option for the clients to experience the latest slimming technology without sacrificing the unutilised value of their existing packages. No upgrade is allowed after the expiry of the existing packages. In the event of package upgrade, contract of the existing package will be terminated and a new contract will be signed between us and the relevant client on the new premium package. Clients are required to pay the difference between the new premium package and the unutilised existing package value. Upon the signing of new contract, the new premium package will have a validity period of one year from the date of the new contract. For details of our loyalty programme, please refer to “Business — Marketing — Marketing and sales — Loyalty programme to clients” in this prospectus. For financial reporting purposes, the prepaid packages are recorded as deferred revenue, which are current liabilities, in the balance sheet at the point of sales and subsequently recognised as revenue in the income statement when the service treatments are delivered to clients. Prepaid packages over one year from the date of purchase are fully recognised as revenue recognised from expired prepaid packages.

Cost of inventories and consumables

Our inventories and consumables mainly comprise of slimming and beauty products for sale and some of slimming gel and skincare products that were used during the course of treatments. During the Track Record Period, our cost of inventories and consumables were HK\$1.9 million, HK\$4.9 million, HK\$7.5 million and HK\$2.2 million, respectively.

Employee benefit expenses

Our employee benefit expenses mainly include wages and salaries, pension costs, staff welfare and directors’ remunerations. During the Track Record Period, our employee benefit expenses were HK\$86.6 million, HK\$78.7 million, HK\$85.6 million and HK\$31.3 million, respectively. Among which, our directors’ remunerations were HK\$31.2 million, HK\$23.1 million, HK\$12.0 million and HK\$1.2 million, respectively.

Set out below is a breakdown of the major components of our employee benefit expenses during the Track Record Period:

	Year ended 31 March			Four months ended 31 July	
	2009	2010	2011	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Wages and salaries	83,812	75,034	80,012	26,902	29,445
Pension costs — defined contribution plans	2,048	2,165	3,430	998	1,546
Other staff welfare	771	1,466	2,206	978	327
	<u>86,631</u>	<u>78,665</u>	<u>85,648</u>	<u>28,878</u>	<u>31,318</u>

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We provide staff welfare including accommodation to overseas staff, complimentary gifts to reward outperforming staff and gifts to staff during traditional Chinese festivals.

Operating lease rentals

The following table shows a breakdown of our Group's number of service centres and rental expenses for our service centres for each of the geographical locations during the Track Record Period:

	Year ended/as at 31 March			Four months ended/as at
	2009	2010	2011	31 July 2011
The PRC				
— number of service centres	1	6	30	37
— rental expenses (HK\$'000)	440	4,127	15,455	8,370
Hong Kong				
— number of service centres	20	14	15	15
— rental expenses (HK\$'000)	19,451	16,091	14,207	3,667
Macau				
— number of service centres	1	1	1	1
— rental expenses (HK\$'000)	164	171	213	69
All service centres of the Group				
— number of service centres	22	21	46	53
— rental expenses (HK\$'000)	20,055	20,389	29,875	12,106

Operating lease rentals comprise our leased properties located in the PRC, Hong Kong and Macau and are primarily used for the operations of our service centres and office premises. During the Track Record Period, our operating lease rentals were HK\$20.1 million, HK\$20.4 million, HK\$29.9 million and HK\$12.1 million, respectively. The lease terms under our lease agreements of service centres usually last for two to five years and the rental fees are fixed and payable on monthly basis.

Other operating expenses

Other operating expenses consist of doctor consultation fee which represent the fee paid to practising doctors for provision of consultation and medical beauty services to our clients under the brand name of "Dr. Face", building management fee, auditor's remuneration, credit card commissions which represent the discount offered by us to banks on providing credit card interest-free instalment service to our clients and other miscellaneous expenses. Other operating expenses were HK\$28.8 million, HK\$32.9 million, HK\$49.6 million and HK\$21.8 million during the Track Record Period, respectively.

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The following table sets out a breakdown of our other operating expenses during the Track Record Period:

	Year ended 31 March			Four months ended 31 July	
	2009	2010	2011	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Doctor consultation fee	2,428	1,871	1,381	655	790
Building management fee	4,278	4,760	6,233	1,841	2,799
Auditor's remuneration	446	434	2,000	668	686
Credit card commissions	11,242	10,794	11,780	3,319	4,396
Business tax	95	1,730	7,581	2,124	4,509
Printing, stationeries and general office expenses	975	3,230	3,912	832	1,193
Utility charges	935	1,030	1,950	579	893
Courier, postages and delivery charges	1,246	1,019	1,885	401	1,051
Travelling expenses	425	529	1,964	687	852
Other expenses	<u>6,694</u>	<u>7,461</u>	<u>10,904</u>	<u>2,749</u>	<u>4,598</u>
	<u>28,764</u>	<u>32,858</u>	<u>49,590</u>	<u>13,855</u>	<u>21,767</u>

Other expenses mainly include utilities expenses, repair and maintenance expenses, other taxes, office expenses and legal and professional fees. Among which, our legal and professional fees were HK\$0.3 million, HK\$0.4 million, HK\$0.3 million and HK\$1.9 million for the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, respectively, which represent fees paid to our legal advisors for provision of advice to our operational issues, registration fee for our trademark applications and professional fees incurred for our Company's proposed listing.

Interest income

Our interest income mainly consists of bank interest income. During the Track Record Period, our interest income were HK\$4,000, HK\$25,000, HK\$0.2 million and HK\$0.6 million, respectively.

Income tax expense

Income tax on the profit or loss for the year comprises current and deferred tax. Our Company and subsidiaries are incorporated in different jurisdictions, with different taxation requirements and they are illustrated as follows:

Cayman Islands

Pursuant to the rules and regulations of Cayman Islands, our Group is not subject to any taxation under the jurisdictions of the Cayman Islands.

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The BVI

Pursuant to the rules and regulations of the BVI, our Group is not subject to any taxation under the jurisdictions of the BVI.

The PRC

Pursuant to the Corporate Income Tax Law of the PRC being effective on 1 January 2008, the PRC corporate income tax rate of our Group's subsidiaries operating in the PRC during the Track Record Period was 25% on their taxable profits.

Hong Kong

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at the rate of 16.5% during the Track Record Period.

Macau

Macau complementary tax has been charged at 9% on the taxable income above MOP0.2 million but below MOP0.3 million, and thereafter at a fixed rate at 12% on the estimated taxable profit.

The following table provides a breakdown of our income tax expense during the Track Record Period:

	Year ended 31 March			Four months ended 31 July	
	2009	2010	2011	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
Current income taxation:					
— Hong Kong profits tax	3,636	4,316	8,312	3,110	2,693
— PRC corporate income tax	71	1,698	12,339	3,237	8,983
— Macau complementary tax	690	641	1,217	352	—
Deferred taxation	<u>1,695</u>	<u>(439)</u>	<u>(6,427)</u>	<u>(3,118)</u>	<u>(933)</u>
	<u>6,092</u>	<u>6,216</u>	<u>15,441</u>	<u>3,581</u>	<u>10,743</u>

Our income tax expense increased substantially from HK\$6.1 million for the year ended 31 March 2009 to HK\$15.4 million for the year ended 31 March 2011 which was mainly due to the combined effect of (i) substantial increase in our PRC corporate income tax from HK\$71,000 for the year ended 31 March 2009 to HK\$12.3 million for the year ended 31 March 2011, which was in line with our increasing revenue and profits derived from our PRC operation; and (ii) change of

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deferred income tax charged to profit and loss of HK\$1.7 million for the year ended 31 March 2009 to deferred income tax credited to profit and loss of HK\$6.4 million for the year ended 31 March 2011 which was mainly due to an increase in our deferred tax assets arising from decelerated tax depreciation and PRC accrued expenses from our expanding PRC operation.

Our income tax expense increased from HK\$3.6 million for the four months ended 31 July 2010 to HK\$10.7 million for the same period in 2011 which was mainly due to the substantial increase in the PRC corporate income tax from HK\$3.2 million for the four months ended 31 July 2010 to HK\$9.0 million for the same period in 2011, which was in line with the increase in revenue contributed from our PRC operations.

During the Track Record Period, we have received letters from IRD enquiring on certain of our subsidiaries profits tax. Details are set out below:

Subsidiaries	Issue date of IRD letter	Issue	Status	Date of submission of replies to the IRD
1. Perfect Shape & Skin SS	22 December 2010	Enquiry on the amount of holdover of provisional profits tax for the year of assessment 2009/10	The Company has replied and provided certain basis and evidence for IRD's review.	13 January 2011
2. Perfect Shape & Spa TW	29 December 2010	Enquiry on the amount of holdover of provisional profits tax for the year of assessment 2009/10	The Company has replied and provided certain basis and evidence for IRD's review.	13 January 2011
3. Perfect Shape & Skin CNT	31 January 2011	Enquiry on the amount of holdover of provisional profits tax for the year of assessment 2009/10	The Company has replied and provided certain basis and evidence for IRD's review.	1 February 2011
4. Perfect Shape & Skin TM	26 January 2011	Enquiry on the amount of holdover of provisional profits tax for the year of assessment 2009/10	The Company has replied and provided certain basis and evidence for IRD's review.	21 February 2011
5. Perfect Shape & Spa TST	1 March 2010	Enquiry on details of certain expenses shown on the audited financial statements for the years of assessment 2007/08 and 2008/09 filed to IRD	The Company has replied and provided certain basis and evidence for IRD's review.	28 December 2010
6. Perfect Shape & Spa KT	24 February 2010	Enquiry on details of certain expenses shown on the audited financial statements for the year of assessment 2008/09 filed to IRD	The Company has replied and provided certain basis and evidence for IRD's review.	19 March 2010

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We received letters from the IRD enquiring on the holdover application of 2009/10 provisional profits tax by certain subsidiaries in 2009 and the details of certain intercompany transaction within the Group. The letters issued by the IRD are fact-finding in nature and the IRD did not indicate a need/proposal to issue any additional assessment at the date of submission.

We have explained to the IRD the background and reasons for the holdover and we believe the information submitted to the IRD at the time of application should be sufficient to substantiate the holdover application. Thus, we do not expect any surcharge or penalty to be imposed by the IRD.

The said intercompany transactions under query by the IRD amounted to HK\$43.6 million and HK\$4.9 million for years ended 31 March 2008 and 31 March 2009, respectively. Having said, these transactions were conducted between the subsidiaries whose profits are subject to Hong Kong profits tax. These intercompany transactions were eliminated when preparing the combined financial information included in the accountant's report. The Directors believe that these intercompany transactions were carried out in the normal and ordinary course of business of the said subsidiaries and the pricing basis of these transactions determined were reasonable and on arm's length. The Directors consider no further provision for Hong Kong profits tax is required and there is no impact to our Group's profit after tax during the Track Record Period.

In addition, each of the Controlling Shareholders has, pursuant to the Deed of Indemnity, given indemnity in favour of our Group from and against, among other things, any tax liabilities which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or deemed to be so earned, accrued or received before the Listing Date. For further details, please refer to "Other Information — Tax indemnity and other indemnity" in Appendix V to this prospectus.

(B) Management discussion and analysis

Four months ended 31 July 2010 compared with four months ended 31 July 2011

Revenue

Our revenue increased by HK\$33.6 million, or 33.3%, from HK\$100.9 million for the four months ended 31 July 2010 to HK\$134.5 million for the four months ended 31 July 2011. This increase was mainly due to an increase of HK\$13.5 million, or 19.2%, in revenue from provision of treatment services to HK\$83.7 million for the four months ended 31 July 2011, compared with HK\$70.2 million for the four months ended 31 July 2010. In addition, our revenue from sales of slimming and beauty products increased by HK\$9.6 million, or 160.0%, to HK\$15.6 million for the four months ended 31 July 2011, compared with HK\$6.0 million for the four months ended 31 July 2010. Our revenue recognised

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upon expiry of prepaid treatment packages also increased by HK\$10.5 million, or 42.7%, to HK\$35.1 million for the four months ended 31 July 2011, compared with HK\$24.6 million for the four months ended 31 July 2010.

For the four months ended 31 July 2011, our revenue derived from the PRC operation increased by HK\$57.0 million, or 134.1%, to HK\$99.5 million for the four months ended 31 July 2011, compared with HK\$42.5 million for the four months ended 31 July 2010. As at 31 July 2011, we had 37 operating service centres in the PRC as compared with 10 operating service centres in the PRC as at 31 July 2010.

The effect of the increase in revenue derived from the PRC was partially offset by the decrease in revenue derived from Hong Kong from HK\$53.5 million for the four months ended 31 July 2010 to HK\$30.1 million for the four months ended 31 July 2011, representing a decrease of HK\$23.4 million, or 43.7%. We face continuous competition from other market players in Hong Kong, we strategically maintain our presence in Hong Kong by operating 15 service centres in Hong Kong as at 31 July 2011. Meanwhile, revenue derived from Macau was HK\$4.9 million for the four months ended 31 July 2011, which was comparable to HK\$4.9 million for the same period in 2010.

Other Income

Our other income decreased by HK\$17,000 from HK\$71,000 for the four months ended 31 July 2010 to HK\$54,000 for the four months ended 31 July 2011. Our other income mainly included dividend income received of HK\$43,000 and other miscellaneous income of HK\$11,000.

Other (losses)/gains — net

Our other gains increased by HK\$592,000 from HK\$68,000 for the four months ended 31 July 2010 to HK\$660,000 for the four months ended 31 July 2011. Such increase in other gains was mainly due to we recorded (i) gains on disposal of financial assets at fair value through profit or loss of HK\$460,000; and (ii) gains on disposal of available-for-sale financial assets of HK\$235,000 for the four months ended 31 July 2011.

Cost of inventories and consumables

Our cost of inventories and consumables decreased slightly by HK\$0.3 million, or 12.0%, from HK\$2.5 million for the four months ended 31 July 2010 to HK\$2.2 million for the four months ended 31 July 2011.

Employee benefit expenses

Our employee benefit expenses increased by HK\$2.4 million, or 8.3%, from HK\$28.9 million for the four months ended 31 July 2010 to HK\$31.3 million for the four months ended 31 July 2011. Such increase was mainly a result of (i) the

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increase in employee benefit expenses excluding directors' remunerations from HK\$24.9 million for the four months ended 31 July 2010 to HK\$30.1 million for the four months ended 31 July 2011 since we employed more staff to support our expansion of service centres network in the PRC; and (ii) offset by the decrease in directors' remunerations from HK\$4.0 million for the four months ended 31 July 2010 to HK\$1.2 million for the four months ended 31 July 2011.

Marketing expenses

Our marketing expenses decreased by HK\$1.2 million, or 4.9%, from HK\$24.3 million for the four months ended 31 July 2010 to HK\$23.1 million for the four months ended 31 July 2011. Our marketing expenses as a percentage of our revenue decreased from 24.1% for the four months ended 31 July 2010 to 17.2% for the four months ended 31 July 2011. The decrease reflected that we continuously enjoyed cost advantage in marketing expenses as we could spread our marketing expenses over our enlarged service centres network across the PRC, Hong Kong and Macau.

Operating lease rentals

Our operating lease rentals increased by HK\$4.0 million, or 49.4%, from HK\$8.1 million for the four months ended 31 July 2010 to HK\$12.1 million for the four months ended 31 July 2011. The increase was contributed to the expansion of our PRC service centres network. We had 37 service centres in the PRC as at 31 July 2011, as compared with 10 service centres as at 31 July 2010.

Other operating expenses

Our other operating expenses increased by HK\$7.9 million, or 56.8%, from HK\$13.9 million for the four months ended 31 July 2010 to HK\$21.8 million for the four months ended 31 July 2011. The increase was primarily due to the combined effect of (i) an increase in PRC business tax of HK\$2.4 million, or 114.3%, from HK\$2.1 million for the four months ended 31 July 2010 to HK\$4.5 million for the four months ended 31 July 2011, which was in line with our continuing increase in revenue contributed from our PRC operation; (ii) an increase in credit card commission of HK\$1.1 million, or 33.3%, from HK\$3.3 million for the four months ended 31 July 2010 to HK\$4.4 million for the four months ended 31 July 2011, such increase was in line with the increase in our revenue; and (iii) an increase in building management fee of HK\$1.0 million, or 55.6%, from HK\$1.8 million for the four months ended 31 July 2010 to HK\$2.8 million for the four months ended 31 July 2011, which was in line with our continuous expansion of service centres network in the PRC.

Operating profit

As a result of the foregoing, our operating profit increased by HK\$21.1 million, or 117.9%, to HK\$39.0 million for the four months ended 31 July 2011 from HK\$17.9 million for the four months ended 31 July 2010.

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Income tax expense

Our income tax expense increased by HK\$7.1 million, or 197.2%, from HK\$3.6 million for the four months ended 31 July 2010 to HK\$10.7 million for the four months ended 31 July 2011. Such increase was mainly due to the increase in our PRC corporate income tax from HK\$3.2 million for the four months ended 31 July 2010 to HK\$9.0 million for the four months ended 31 July 2011, which was consistent with the increasing trend of our revenue derived from the PRC during the period.

Profit for the period

As a result of the foregoing, our profit increased by HK\$14.6 million, or 102.0%, from HK\$14.3 million for the four months ended 31 July 2010 to HK\$28.9 million for the four months ended 31 July 2011.

Year ended 31 March 2010 compared with year ended 31 March 2011

Revenue

Our revenue increased by HK\$74.1 million, or 31.5%, from HK\$234.9 million for the year ended 31 March 2010 to HK\$309.0 million for the year ended 31 March 2011. The increase was primarily due to an increase of HK\$54.5 million, or 36.7%, in revenue from provision of treatment services to HK\$203.0 million for the year ended 31 March 2011, compared with HK\$148.5 million for the year ended 31 March 2010. In addition, our revenue from sales of slimming and beauty products increased by HK\$19.2 million, or 141.2%, to HK\$32.8 million for the year ended 31 March 2011, compared with HK\$13.6 million for the year ended 31 March 2010. The increase in revenue from provision of treatment services and sales of slimming and beauty products was mainly due to the expansion of our business and the growing recognition of our “Perfect Shape 必瘦站” brand in the PRC. Our revenue recognised upon expiry of prepaid treatment packages also increased by HK\$0.5 million, or 0.7%, to HK\$73.3 million for the year ended 31 March 2011, compared with HK\$72.8 million for the year ended 31 March 2010.

For the year ended 31 March 2011, our revenue derived from the PRC increased by HK\$128.8 million, or 377.7%, to HK\$162.9 million for the year ended 31 March 2011, compared with HK\$34.1 million for the year ended 31 March 2010. As at 31 March 2011, we had 30 service centres in the PRC as compared with six service centre in the PRC as at 31 March 2010, and our number of members in the PRC increased by 197.1%, to 24,717 members as at 31 March 2011, as compared with 8,320 members as at 31 March 2010.

The effect of the increase in revenue derived from the PRC was partially offset by the decrease in revenue derived from Hong Kong from HK\$188.1 million for the year ended 31 March 2010 to HK\$131.9 million for the year ended 31 March 2011, representing a decrease of HK\$56.2 million, or 29.9%. As the slimming and beauty market in Hong Kong has already saturated and we face

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intensive competition from other market players which led to the decrease in revenue contributed from our Hong Kong operation and the number of Hong Kong service centres during the Track Record Period, we strategically keep our presence in Hong Kong by operating 15 service centres as at 31 March 2011 as compared with 14 service centres as at 31 March 2010. At the same time, we started to reallocate our financial and human resources from Hong Kong market to expand our operation in the PRC market.

Other Income

Our other income increased slightly by HK\$0.3 million, from HK\$0.1 million for the year ended 31 March 2010 to HK\$0.4 million for the year ended 31 March 2011. We received other income mainly include HK\$0.2 million dividend income and an increase of HK\$0.1 million in other miscellaneous income, mainly including claims for employee's compensation and administrative fee income from staffs, from HK\$34,000 for the year ended 31 March 2010 to HK\$0.2 million for the year ended 31 March 2011.

Other (losses)/gains — net

Our other gains increased from HK\$21,000 for the year ended 31 March 2010 to HK\$1.6 million for the year ended 31 March 2011. The other gains for the year ended 31 March 2011 comprised mainly financial assets fair value gains of HK\$1.0 million and gains on disposal of financial assets accounted for HK\$0.5 million.

Cost of inventories and consumables

Our cost of inventories and consumables increased by HK\$2.6 million, or 53.1%, from HK\$4.9 million for the year ended 31 March 2010 to HK\$7.5 million for the year ended 31 March 2011. The increase was in line with our continuous increase in revenue derived from sales of slimming and beauty products.

Employee benefit expenses

Our employee benefit expenses increased by HK\$6.9 million, or 8.8%, from HK\$78.7 million for the year ended 31 March 2010 to HK\$85.6 million for the year ended 31 March 2011. Such increase was mainly a result of the combined effect of: (i) a decrease of HK\$11.1 million, or 48.1%, in directors' remunerations from HK\$23.1 million for the year ended 31 March 2010 to HK\$12.0 million for the year ended 31 March 2011, as our directors voluntarily reduced their remunerations by making reference to the market trend during the year; and (ii) an increase of HK\$18.0 million, or 32.6%, in other employee benefit expenses excluding directors remunerations from HK\$55.6 million for the year ended 31 March 2010 to HK\$73.6 million for the year ended 31 March 2011 since we employed more staff to support our expansion plan of service centres network in the PRC.

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Marketing expenses

Our marketing expenses increased by HK\$9.1 million, or 19.2%, from HK\$47.3 million for the year ended 31 March 2010 to HK\$56.4 million for the year ended 31 March 2011. The increase in marketing expenses was primarily due to our increasing marketing activities in the PRC in order to boost our brand awareness and capture market share in the PRC. Our marketing expenses as a percentage of our revenue decreased from 20.1% for the year ended 31 March 2010 to 18.3% for the year ended 31 March 2011. The decrease reflected our revenue growth outweighed our marketing expenses, which was mainly because we enjoyed cost advantage in marketing expenses as we could spread our marketing expenses over our enlarged service centres network across the PRC, Hong Kong and Macau.

Operating lease rentals

Our operating lease rentals increased by HK\$9.5 million, or 46.6%, from HK\$20.4 million for the year ended 31 March 2010 to HK\$29.9 million for the year ended 31 March 2011. The increase was contributed to the expansion of our PRC service centres network. As at 31 March 2011, we had 30 service centres in the PRC, compared with six service centres as at 31 March 2010.

Other operating expenses

Our other operating expenses increased by HK\$16.7 million, or 50.8%, from HK\$32.9 million for the year ended 31 March 2010 to HK\$49.6 million for the year ended 31 March 2011. The increase was primarily due to the combined effect of (i) an increase in PRC business tax of HK\$5.9 million, or 347.1%, from HK\$1.7 million for the year ended 31 March 2010 to HK\$7.6 million for the year ended 31 March 2011; (ii) an increase in general office expenses of HK\$0.7 million, or 21.9%, from HK\$3.2 million for the year ended 31 March 2010 to HK\$3.9 million for the year ended 31 March 2011; (iii) an increase in building management fee of HK\$1.4 million, or 29.2%, from HK\$4.8 million for the year ended 31 March 2010 to HK\$6.2 million for the year ended 31 March 2011 and (iv) an increase in auditor's remuneration by HK\$1.6 million, or 400.0%, from HK\$0.4 million for the year ended 31 March 2010 to HK\$2 million for the year ended 31 March 2011.

Operating profit

As a result of the foregoing, our operating profit increased by HK\$29.8 million, or 83.5%, to HK\$65.5 million for the year ended 31 March 2011 from HK\$35.7 million for the year ended 31 March 2010.

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Income tax expense

Our income tax expense increased by HK\$9.2 million, or 148.4%, from HK\$6.2 million for the year ended 31 March 2010 to HK\$15.4 million for the year ended 31 March 2011. The increase was consistent with the increasing trend of our profit before income tax and our profit before income tax derived from the PRC, which was subject to higher tax rate, during the period.

Profit for the year

As a result of the foregoing, our profit for the year increased by HK\$20.8 million, or 70.5%, to HK\$50.3 million for the year ended 31 March 2011 from HK\$29.5 million for the year ended 31 March 2010.

Year ended 31 March 2009 compared with year ended 31 March 2010

Revenue

Our revenue decreased by HK\$1.4 million, or 0.6%, from HK\$236.3 million for the year ended 31 March 2009 to HK\$234.9 million for the year ended 31 March 2010. This decrease was primarily due to a decrease of HK\$13.2 million, or 15.3%, in our revenue recognised upon expiry of prepaid treatment packages. This was partially offset by (i) an increase of HK\$5.2 million, or 3.6%, in our revenue from provision of treatment services and (ii) an increase of HK\$6.6 million, or 94.3%, in our revenue from sales of slimming and beauty products.

For the year ended 31 March 2010, our revenue derived from the PRC increased by HK\$32.2 million, or 1,694.7%, to HK\$34.1 million for the year ended 31 March 2010, compared with HK\$1.9 million for the year ended 31 March 2009. As at 31 March 2010, we had six service centres in the PRC as compared with one service centre in the PRC as at 31 March 2009, and our number of members in the PRC increased by 1,224.8% to 8,320 as at 31 March 2010 as compared with 628 members as at 31 March 2009.

The effect of the increase in revenue derived from the PRC was partially offset by the decrease in revenue derived from Hong Kong from HK\$223.5 million for the year ended 31 March 2009 to HK\$188.1 million for the year ended 31 March 2010, representing a decrease of HK\$35.4 million, or 15.8%. In view that the slimming and beauty market in Hong Kong has saturated, we reduced our service centres to 20 as at 31 March 2009 to 14 as at 31 March 2010 in Hong Kong, as such, revenue derived from Hong Kong market decreased accordingly. At the same time, we continued to reallocate our financial and human resources from Hong Kong market to expand our operation in the PRC market.

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Other Income

Our other income decreased by HK\$82,000, or 38.7%, from HK\$0.2 million for the year ended 31 March 2009 to HK\$0.1 million for the year ended 31 March 2010. The decrease was primarily due to a decrease of HK\$71,000 in management fee income received from The SPA House Limited, a related party, which was principally engaged in the provision of slimming, facial and spa services and is currently inactive. Such management fee income was received for staff training services provided to The SPA House Limited by us given our experience in operating slimming business. Our services included the provision of staff training on basic slimming concepts, appliance operations, client service techniques and complaint management.

Other (losses)/gains — net

Our other losses were HK\$1.0 million for the year ended 31 March 2009, compared with other gains of HK\$21,000 for the year ended 31 March 2010. Other losses for the year ended 31 March 2009 comprised mainly losses on disposals of property, plant and equipment of HK\$1.1 million, primarily including losses on disposal of leasehold improvements upon closure of service centres.

Cost of inventories and consumables

Our cost of inventories and consumables increased by HK\$3.0 million, or 157.9%, from HK\$1.9 million for the year ended 31 March 2009 to HK\$4.9 million for the year ended 31 March 2010. The increase was driven by the increase in our sales of slimming and beauty products.

Employee benefit expenses

Our employee benefit expenses decreased by HK\$7.9 million, or 9.1%, from HK\$86.6 million for the year ended 31 March 2009 to HK\$78.7 million for the year ended 31 March 2010. Such decrease in our employee benefit expenses was mainly due to a decrease in directors' remuneration by HK\$8.1 million, or 26.0%, from HK\$31.2 million for the year ended 31 March 2009 to HK\$23.1 million for the year ended 31 March 2010 as our directors voluntarily reduced their remunerations by making reference to the market trend during the year.

Marketing expenses

Our marketing expenses increased by HK\$0.4 million, or 0.9%, from HK\$46.9 million for the year ended 31 March 2009 to HK\$47.3 million for the year ended 31 March 2010. The increase was consistent with our business expansion. Our marketing expenses as a percentage of our revenue increased from 19.8% for the year ended 31 March 2009 to 20.1% for the year ended 31 March 2010. During the year, we shifted part of our marketing activities to engage call centres to make "cold calls" to our target customers.

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Operating lease rentals

Our operating lease rentals increased by HK\$0.3 million, or 1.5%, from HK\$20.1 million for the year ended 31 March 2009 to HK\$20.4 million for the year ended 31 March 2010. The slight increase was mainly due to the combined effect of (i) our number of service centres in Hong Kong decreased from 20 service centres as at 31 March 2009 to 14 services centres as at 31 March 2010 and (ii) we operated six service centres in the PRC as at 31 March 2010 as compared with one service centre in the PRC as at 31 March 2009 and the rentals in the PRC was generally lower than that in Hong Kong.

Other operating expenses

Our other operating expenses increased by HK\$4.1 million, or 14.2%, from HK\$28.8 million for the year ended 31 March 2009 to HK\$32.9 million for the year ended 31 March 2010. The substantial increase was mainly due to the combined effect of (i) an increase in business tax by HK\$1.6 million from HK\$95,000 for the year ended 31 March 2009 to HK\$1.7 million for the year ended 31 March 2010, (ii) an increase in general office expenses by HK\$2.2 million from HK\$1.0 million for the year ended 31 March 2009 to HK\$3.2 million for the year ended 31 March 2010 and (iii) an increase in other expenses mainly including repairs and maintenance, utilities expenses and legal and professional fees by HK\$0.8 million from HK\$6.7 million for the year ended 31 March 2009 to HK\$7.5 million for the year ended 31 March 2010.

Operating profit

As a result of the foregoing, our operating profit increased by HK\$1.0 million, or 2.9%, to HK\$35.7 million for the year ended 31 March 2010 from HK\$34.7 million for the year ended 31 March 2009.

Income tax expense

Our income tax expense increased by HK\$0.1 million, or 1.6%, from HK\$6.1 million for the year ended 31 March 2009 to HK\$6.2 million for the year ended 31 March 2010. The increase was primarily due to the combined effect of an increase of our PRC corporate income tax expense by HK\$1.6 million to HK\$1.7 million for the year ended 31 March 2010 from HK\$71,000 for the year ended 31 March 2009 and a deferred income tax credit of HK\$0.4 million for the year ended 31 March 2010, compared with a deferred income tax charge of HK\$1.7 million for the year ended 31 March 2009.

Profit for the year

As a result of the foregoing, our profit for the year increased by HK\$0.9 million, or 3.1%, to HK\$29.5 million for the year ended 31 March 2010 from HK\$28.6 million for the year ended 31 March 2009.

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**(VI) ANALYSIS ON CERTAIN COMBINED BALANCE SHEET ITEMS AND
SELECTED FINANCIAL RATIOS**

(A) Analysis on certain balance sheet items

	As at 31 March			As at
	2009	2010	2011	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	20,109	26,493	32,403	34,298
Available-for-sale financial assets	—	—	9,943	4,864
Deposits and prepayments (non-current)	7,714	6,071	15,109	17,912
Deferred income tax assets	3,451	4,214	12,897	15,632
Inventories	511	1,018	1,068	668
Trade receivables	17,412	11,810	8,103	8,980
Other receivables, deposits and prepayments	5,620	9,740	20,825	22,135
Amounts due from related companies	33	82	290	328
Amounts due from directors	68,338	38,359	37,268	36,678
Amount due from a shareholder	—	29,106	—	—
Financial assets at fair value				
through profit or loss	—	10,093	46,760	6,055
Deferred income tax liabilities	275	599	2,622	4,224
Trade payables	454	615	1,503	1,142
Deferred revenue	118,323	122,433	148,672	146,970
Accruals and other payables	11,983	16,934	22,264	16,822
Amount due to a related company	83	—	—	—
Amount due to a director	—	—	15,791	16,378
Amount due to a shareholder	—	—	2,677	2,677

Property, plant and equipment

Our property, plant and equipment amounted to HK\$20.1 million, HK\$26.5 million, HK\$32.4 million and HK\$34.3 million as at 31 March 2009, 2010, 2011 and 31 July 2011, respectively.

The increase was primarily due to our business expansion in the PRC during the Track Record Period, resulting in the increase in capital expenditure in property, plant and equipment outweighed the increase in disposals and depreciation charges during the same period. For the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, our capital expenditures incurred in the PRC were HK\$1.4 million, HK\$13.3 million, HK\$17.5 million and HK\$6.6 million, respectively. We operated 22, 21, 46 and 53 service centres in the PRC, Hong Kong and Macau as at 31 March 2009, 2010, 2011 and 31 July 2011 respectively.

For the details of our Group's property, plant and equipment, please refer to Note 8 to the Accountant's Report set out in Appendix I to this prospectus.

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Available-for-sale financial assets

Our available-for-sale financial assets amounted to nil, nil, HK\$9.9 million and HK\$4.9 million as at 31 March 2009, 2010, 2011 and 31 July 2011, respectively.

During the year ended 31 March 2011, we purchased available-for-sale financial assets to secure a more favourable credit term from a local financial institution through which a significant portion of credit card and instalment sales were transacted. At the request of that financial institution, we pledged our available-for-sale financial assets for the security of its credit line with that local financial institution. During the four months ended 31 July 2011, we disposed of available-for-sale financial assets of HK\$5.2 million with net gain of HK\$235,000 from the disposal.

As at 31 July 2011, our available-for-sale financial assets are not pledged to any banking facilities.

Deferred income tax assets and liabilities

Our deferred income tax assets amounted to HK\$3.5 million, HK\$4.2 million, HK\$12.9 million and HK\$15.6 million as at 31 March 2009, 2010, 2011 and 31 July 2011, respectively, and our deferred income tax liabilities amounted to HK\$0.3 million, HK\$0.6 million, HK\$2.6 million and HK\$4.2 million as at 31 March 2009, 2010, 2011 and 31 July 2011, respectively.

There is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority, our deferred income tax assets and liabilities are offset. The balances of our deferred income tax assets and liabilities after appropriate offsetting as at 31 March 2009, 2010, 2011 and 31 July 2011 are set forth below:

	As at 31 March			As at 31 July
	2009	2010	2011	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred income tax assets, to be recovered after more than 12 months	3,451	4,214	12,897	15,632
Deferred income tax liabilities, to be settled after more than 12 months	(275)	(599)	(441)	(1,142)
Deferred income tax liabilities, to be settled within 12 months	<u>—</u>	<u>—</u>	<u>(2,181)</u>	<u>(3,082)</u>
Net deferred income tax assets	<u>3,176</u>	<u>3,615</u>	<u>10,275</u>	<u>11,408</u>

Our deferred tax assets mainly comprise decelerated tax depreciation, advertising expenses, tax losses and accrued expenses arising from our expanding PRC operation during the Track Record Period.

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Inventories

Inventories mainly represented slimming and beauty products being sold at our services centres. As at 31 March 2009, 2010, 2011 and 31 July 2011, our inventories amounted to HK\$0.5 million, HK\$1.0 million, HK\$1.1 million and HK\$0.7 million, respectively.

As at 31 October 2011, the subsequent usage of our inventories was 34%.

Trade receivables

As at 31 March 2009, 2010, 2011 and 31 July 2011, our trade receivables amounted to HK\$17.4 million, HK\$11.8 million, HK\$8.1 million and HK\$9.0 million, respectively. Our major clients were banks who offered our clients interest-free credit card installment, the credit terms for such banks generally range from 3 days to 90 days. Our trade receivables do not subject to credit risk due to concentration as there is a large number of widely dispersed clients. An aging analysis of our trade receivables as at 31 March 2009, 2010, 2011 and 31 July 2011 is set forth below:

	As at 31 March			As at
	2009	2010	2011	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2011</i> <i>HK\$'000</i>
Less than 60 days	8,262	10,016	6,224	7,564
61 days to 90 days	2,093	1,501	761	369
91 days to 120 days	5,808	200	192	331
Over 120 days	<u>1,249</u>	<u>93</u>	<u>926</u>	<u>716</u>
	<u><u>17,412</u></u>	<u><u>11,810</u></u>	<u><u>8,103</u></u>	<u><u>8,980</u></u>

Our trade receivables experienced a decreasing trend during the Track Record Period. The trade receivables decreased by HK\$9.3 million, or 53.4%, from HK\$17.4 million as at 31 March 2009 to HK\$8.1 million as at 31 March 2011, and remained HK\$9.0 million as at 31 July 2011. The decreasing trend was mainly due to the fact that customers in the PRC preferred to use cash to procure our slimming and beauty package.

As at 31 October 2011, 91% of the balance of trade receivables was subsequently settled.

During the Track Record Period, no trade receivables were impaired. As at 31 March 2009, 2010, 2011 and 31 July 2011, trade receivables of HK\$2.3 million, HK\$0.6 million, HK\$0.3 million and HK\$0.9 million, respectively, were past due. Such trade receivables mainly related to a number of financial institutions with no recent history of default and therefore were not considered to be impaired.

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For details of our trade receivables, please refer to Note 13 to the Accountant's Report set out in Appendix I to this prospectus.

Other receivables, deposits and prepayments

Our total other receivables, deposits and prepayments amounted to HK\$13.3 million, HK\$15.8 million, HK\$35.9 million and HK\$40.0 million as at 31 March 2009, 2010, 2011 and 31 July 2011, respectively. Among which, the current portion of other receivables, deposits and prepayments amounted to HK\$5.6 million, HK\$9.7 million, HK\$20.8 million and HK\$22.1 million as at 31 March 2009, 2010, 2011 and 31 July 2011, respectively. The following table sets forth the breakdown of other receivables, deposits and prepayments:

	As at 31 March			As at
	2009	2010	2011	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current				
Prepayments	2,800	3,294	16,451	16,111
Deposits	2,793	5,501	2,732	3,487
Other receivables	<u>27</u>	<u>945</u>	<u>1,642</u>	<u>2,537</u>
	5,620	9,740	20,825	22,135
Non-current				
Prepayments for the acquisition of property, plant and equipment	2,596	1,863	4,903	5,643
Rental and utility deposits	5,118	4,208	9,793	12,176
Other deposits	<u>—</u>	<u>—</u>	<u>413</u>	<u>93</u>
	<u>7,714</u>	<u>6,071</u>	<u>15,109</u>	<u>17,912</u>
Total	<u><u>13,334</u></u>	<u><u>15,811</u></u>	<u><u>35,934</u></u>	<u><u>40,047</u></u>

Prepayments under the current portion amounted to HK\$2.8 million, HK\$3.3 million, HK\$16.5 million and HK\$16.1 million mainly represented prepayments for rental and building management fee, advertising expenses and call centres fee as at 31 March 2009, 2010, 2011 and 31 July 2011, respectively. Increase in the balance of prepayments as at 31 July 2011 was mainly due to the prepayments of HK\$6.6 million listing expenses in relation to the preparation of the Listing. Deposits under the current portion amounted to HK\$2.8 million, HK\$5.5 million, HK\$2.7 million and HK\$3.5 million mainly represented rental deposits paid for our new service centres as at 31 March 2009, 2010, 2011 and 31 July 2011, respectively.

To cope with our expansion plan in the PRC, we incurred prepayments for the acquisition of property, plant and equipment including leasehold improvements, computer equipments and beauty equipments of HK\$2.6 million,

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HK\$1.9 million, HK\$4.9 million and HK\$5.6 million as at 31 March 2009, 2010 and 2011 and 31 July 2011, respectively; and rental and utility deposits of HK\$5.1 million, HK\$4.2 million, HK\$9.8 million and HK\$12.2 million as at 31 March 2009, 2010, 2011 and 31 July 2011, respectively.

Amounts due from related companies/to a related company

Our amount due from Excellent Professional Holdings Limited and Right Time Management Limited amounted to HK\$33,000, HK\$42,000 and HK\$54,000 as at 31 March 2009, 2010 and 2011. Both Excellent Professional Holdings Limited and Right Time Management Limited were inactive companies and such amounts were primarily attributed to general administration expenses such as license fee and registration fee paid by us on behalf of these related companies. Our amount due to The SPA House Limited amounted to HK\$83,000 as at 31 March 2009. Such amount was primarily because during the year ended 31 March 2009, The SPA House Limited borrowed our POS terminals to process credit card payments from its customers while it was applying for its own POS terminals. Our amount due from The SPA House Limited amounted to HK\$40,000, HK\$0.2 million and HK\$0.2 million as at 31 March 2010, 2011 and 31 July 2011. Such amounts were primarily because we borrowed the POS terminals of The SPA House Limited to process credit card payments from our customers resulting from the tightened bank policy and lengthened POS terminal application process after the financial crisis. Our Directors confirm that our Group did not and will not borrow POS terminal from or share our POS terminal with any third party after 31 March 2011. Our Directors confirm that transaction with Excellent Professional Holdings Limited, Right Time Management Limited and The SPA House Limited were conducted on normal commercial terms and arm's length basis. The following table sets forth our major balances with related companies:

	As at 31 March			As at
	2009	2010	2011	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
The SPA House Limited	(83)	40	236	237
Excellent Professional Holdings Limited	11	16	22	22
Right Time Management Limited	22	26	32	32

As at 31 March 2009, 2010, 2011 and 31 July 2011, the balances with related companies were unsecured, interest free, repayable on demand, and denominated in Hong Kong dollars. The balances with related companies will be fully settled prior to the Listing.

For details of our amounts due from related companies, please refer to Note 15 to the Accountant's Report set out in Appendix I to this prospectus.

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Amounts due from directors/(to a director)

Our amounts due from directors amounted to HK\$68.3 million, HK\$38.4 million, HK\$37.3 million and HK\$36.7 million as at 31 March 2009, 2010, 2011 and 31 July 2011, respectively. The amounts due from directors mainly represented loans to the directors during the Track Record Period. Save as disclosed in “Relationship with the Controlling Shareholders — Controlling Shareholders — Other Businesses of the Controlling Shareholders” in this prospectus, the Directors have no other significant business interests outside our Group. The amounts due to a director amounted to nil, nil, HK\$15.8 million and HK\$16.4 million as at 31 March 2009, 2010, 2011 and 31 July 2011 respectively. The following table sets forth the breakdown of our balance with directors:

	As at 31 March			As at
	2009	2010	2011	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Ms. Au-Yeung Wai	28,966	31,339	18,307	18,016
Ms. Au-Yeung Hung	26,853	—	18,961	18,662
Dr. Au-Yeung	12,451	7,020	(15,791)	(16,378)
Ms. Li Yi Fan	68	—	—	—
	<u>68,338</u>	<u>38,359</u>	<u>21,477</u>	<u>20,300</u>

As at 31 March 2009, 2010, 2011 and 31 July 2011, the balances with directors were unsecured, interest free, repayable on demand and denominated in Hong Kong dollars. Amounts due from/(to) directors have been fully settled in November 2011.

For details of our balances with directors, please refer to Note 16 to the Accountant’s Report set out in Appendix I to this prospectus. For details of other businesses of the Directors, please refer to “Relationship with the Controlling Shareholders — Controlling Shareholders — Other Businesses of the Controlling Shareholders” in this prospectus.

Amounts due from/(to) shareholders

Our amounts due from shareholders, Ms. Au-Yeung Hung, amounted to nil, HK\$29.1 million, nil and nil as at 31 March 2009, 2010, 2011 and 31 July 2011, respectively. The amount represented loans to Ms. Au-Yeung Hung during the Track Record Period. Our amounts due to a shareholder, Ms. Li Yi Fan, amounted to nil, nil, HK\$2.7 million and HK\$2.7 million as at 31 March 2009, 2010, 2011 and 31 July 2011, respectively. The amount represented dividends declared to Ms. Li Yi Fan during the year 31 March 2011.

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As at 31 March 2010, 2011 and 31 July 2011, balances with shareholders were unsecured, interest free, repayable on demand, and denominated in Hong Kong dollars. The amount due to a shareholder has been settled in November 2011.

For details of our amounts due from/to shareholders, please refer to Note 17 to the Accountant's Report set out in Appendix I to this prospectus.

Trade payables

Our trade payables amounted to HK\$0.5 million, HK\$0.6 million, HK\$1.5 million and HK\$1.1 million as at 31 March 2009, 2010, 2011 and 31 July 2011, respectively. Our suppliers mainly provide us with slimming products like body gel and beauty products like paper mask, meal replacement and skin care products. Majority of our suppliers are on open account and certain suppliers grant us credit period ranging from 30 to 60 days.

Our trade payables increased from HK\$0.5 million as at 31 March 2009 to HK\$0.6 million as at 31 March 2010 and to HK\$1.5 million as at 31 March 2011 and remained at HK\$1.1 million as at 31 July 2011. The increasing trend was generally in line with the increase in cost of inventories and consumables during the Track Record Period.

As at 31 October 2011, 60% of the balance of trade payables was subsequently settled.

For details of our trade payables, please refer to Note 23 to the Accountant's Report set out in Appendix I to this prospectus.

Deferred revenue

Our deferred revenue amounted to HK\$118.3 million, HK\$122.4 million, HK\$148.7 million and HK\$147.0 million as at 31 March 2009, 2010, 2011 and 31 July 2011 respectively. The following table sets forth the breakdown of our deferred revenue by product segments:

	As at 31 March			As at
	2009	2010	2011	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepaid treatment packages	116,465	121,044	147,682	146,810
Product sales	<u>1,858</u>	<u>1,389</u>	<u>990</u>	<u>160</u>
	<u>118,323</u>	<u>122,433</u>	<u>148,672</u>	<u>146,970</u>

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Our prepaid packages have a validity period of one year. For financial reporting purposes, we recorded prepaid packages received as deferred revenue in the balance sheet at the point of sales and we recognise prepaid packages as our revenue in the income statement when the service treatments are delivered to clients. Prepaid packages over one year from the date of purchase are fully recognised as revenue. The balance of deferred revenue of prepaid treatment packages as at 31 March 2009, 2010, 2011 and 31 July 2011 represents services not yet delivered and to be rendered to clients. The balance of deferred revenue of product sales as at 31 March 2009, 2010, 2011 and 31 July 2011 represents products that were purchased by clients but were left in our service centres at each balance sheet date. There is no validity period for these products and the clients generally pick the products during their next visit to our service centres.

Our deferred revenue increased by HK\$4.1 million, or 3.5%, from HK\$118.3 million as at 31 March 2009 to HK\$122.4 million as at 31 March 2010. Such increase was primarily due to an increase in deferred revenue from prepaid treatment packages, which was in line with our increase of 3.6% in revenue generated from provision of treatment services. Our deferred revenue increased by HK\$26.3 million, or 21.5%, from HK\$122.4 million as at 31 March 2010 to HK\$148.7 million as at 31 March 2011. Our deferred revenue decreased slightly by HK\$1.7 million, or 1.1%, from HK\$148.7 million as at 31 March 2011 to HK\$147.0 million as at 31 July 2011. The growth rate of our deferred revenue was lower than that of our total revenue primarily due to deviation of customer behaviour between the PRC and Hong Kong, where PRC customers tend to consume more prepaid packages during the validity period.

During the Track Record Period, most of our deferred revenue was from prepaid slimming and beauty service packages. As at 31 March 2009, 2010, 2011 and 31 July 2011, deferred revenue generated from prepaid treatment packages represented 98.5%, 98.9%, 99.3% and 99.9% of our total deferred revenue, respectively. As at respective balance sheet dates, all deferred revenue in respect of prepaid treatment packages were aged within one year from the date when the sales contracts in respect of treatment packages were entered into.

For details of our deferred revenue, please refer to Note 25 to the Accountant's Report set out in Appendix I to this prospectus.

Accruals and other payables

Our accruals and other payables amounted to HK\$12.0 million, HK\$16.9 million, HK\$22.3 million and HK\$16.8 million as at 31 March 2009, 2010, 2011 and 31 July 2011, respectively. Among which, accrued operating expenses amounted to HK\$10.7 million, HK\$13.5 million, HK\$17.4 million and HK\$13.4 million as at 31 March 2009, 2010, 2011 and 31 July 2011, respectively.

Our accrued operating expenses included mainly accrued operating lease rentals, staff salaries and welfare and advertising expenses. Our other payables included mainly call centres expenses, uniform deposit and other taxes.

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For details of our accruals and other payables, please refer to Note 24 to the Accountant's Report set out in Appendix I to this prospectus.

(B) Key financial ratios

		Year ended 31 March			Four months ended 31 July 2011
	<i>Notes</i>	2009	2010	2011	2011
Trade receivables turnover days	<i>(1)</i>	26.2	22.7	11.8	7.7
Trade payables turnover days	<i>(2)</i>	45.5	39.6	51.9	72.0
Operating profit margin	<i>(3)</i>	14.7%	15.2%	21.2%	29.0%
Net profit margin	<i>(4)</i>	12.1%	12.6%	16.3%	21.5%
Return on Equity	<i>(5)</i>	279.9%	116.9%	116.4%	N/A

		As at 31 March			As at 31 July 2011
	<i>Note</i>	2009	2010	2011	2011
Current ratio	<i>(6)</i>	0.88	1.02	0.91	1.06

Notes:

- (1) The calculation of trade receivables turnover days is based on the average of the opening and closing trade receivables balances divided by the revenue and multiplied by 365/122 days.
- (2) The calculation of trade payables turnover days is based on the average of the opening and closing trade payables balances divided by cost of inventories and consumables and multiplied by 365/122 days.
- (3) The calculation of operating profit margin is based on operating profit for the year/period divided by the revenue.
- (4) The calculation of net profit margin is based on profit for the year/period attributable to equity holders of the Company divided by the revenue.
- (5) The calculation of return on equity is based on profit for the year attributable to equity holders of the Company divided by the average of the opening and closing total equity.
- (6) The calculation of current ratio is based on current assets divided by current liabilities.

Trade receivables turnover days

Our trade receivable turnover days were 26.2 days, 22.7 days, 11.8 days and 7.7 days during the Track Record Period. Our trade receivables turnover days indicate the number of day required for us to receive cash from our sales, our trade receivable turnover days were in the range of credit terms offered by various financial institutions on instalment and credit sales arrangement generally ranged from 3 days to 90 days.

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Our relatively low trade receivable turnover days and its decreasing trend were mainly attributed to our effective implementation of collection policy. During the Track Record Period, no trade receivables were impaired.

Trade payables turnover days

Our trade payable turnover days were 45.5 days, 39.6 days, 51.9 days and 72.0 days during the Track Record Period. Our trade payables turnover days indicate the number of day required for us to settle our payment with suppliers in cash.

During the Track Record Period, most of our suppliers granted us with open account terms and certain suppliers granted credit period ranging from 30 to 60 days. For the year ended 31 March 2009, 2010 and 2011, our trade payables turnover days remained relatively stable and were maintained generally in line with credit periods granted by our suppliers.

Operating profit margin

During the Track Record Period, our operating profit margin were 14.7%, 15.2%, 21.2% and 29.0%, respectively. Our operating profit margin were comparable for the years ended 31 March 2009 and 2010 as we just commenced our expansion into the PRC market and our revenue was mainly derived from the Hong Kong market. Our operating profit margin increased to 21.2% for the year ended 31 March 2011 from 15.2% for the year ended 31 March 2010, which was mainly due to (i) an increase in revenue of HK\$74.1 million or 31.5%; while (ii) major operating expenses including employee benefit expenses, marketing expenses, operating lease rentals and other operating expenses increased in a rate lower than the growth rate in revenue during the year ended 31 March 2011 as lease rentals, employee costs and marketing expenses were relatively cheaper in the PRC than those in Hong Kong. Our operating profit margin further increased to 29.0% for the four months ended 31 July 2011, which was mainly due to the fact that we continuously enjoyed cost advantage in marketing expenses, operating lease rentals and other operating expenses over our enlarged service centres network across the PRC, Hong Kong and Macau.

Net profit margin

Our net profit margin amounted to 12.1%, 12.6%, 16.3% and 21.5% for the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, respectively. The increasing trend was generally in line with the increasing trend of our operating profit margin during the same period. Our net profit margin were comparable for the years ended 31 March 2009 and 2010 as we just commenced our expansion in the PRC market and our revenue was mainly derived from the Hong Kong market. For the year ended 31 March 2011, our net profit margin increased to 16.3%, which was in line with our increase in revenue and profit

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derived from our PRC operation. Our net profit margin further increased to 21.5% for the four months ended 31 July 2011 which was mainly contributed by our expanding PRC operation.

Return on equity

Our return on equity were 279.9%, 116.9% and 116.4% for the years ended 31 March 2009, 2010 and 2011, respectively. The decrease from 279.9% for the year ended 31 March 2009 to 116.4% for the year ended 31 March 2011 was primarily due to we had retained all of our earnings for funding our business expansion and the opening of new service centres in the PRC, and the increase in our reserves outweighed the increase in revenue during the same period. Detailed analysis of operating results during the Track Record Period are set out in the section headed “Financial Information — (V) Our operating results during the Track Record Period — (B) Management discussion and analysis” in this prospectus.

Current ratio

Our current ratio were 0.88, 1.02, 0.91 and 1.06 as at 31 March 2009, 2010 and 2011 and 31 July 2011, respectively. As at 31 March 2010, our stronger liquidity position was primarily due to our business expansion, resulting in our net cash generated from operating activities experienced a significant increase during the year ended 31 March 2010. Given we also experienced strong net cash generated from operating activities during the year ended 31 March 2011, our current ratio decreased from 1.02 as at 31 March 2010 to 0.91 31 March 2011 primarily because the increase in our amounts due to directors and shareholders amounted to HK\$18.5 million. Our current ratio further increased to 1.06 as at 31 July 2011 as we have strong net cash generated from operating activities of HK\$24.7 million during the four months ended 31 July 2011.

(VII) CAPITAL STRUCTURE, LIQUIDITY AND FINANCE RESOURCES

(A) Overview

During the Track Record Period, we generally finance our operations, business expansion and to meet our working capital requirements through cash generated from our operations.

Based on our current and anticipated levels of operations and conditions in the markets and industry, we believe that the proceeds from the Global Offering, our cash and bank deposits and cash flows from operations will enable us to meet our working capital, capital expenditures, and other funding requirements for the foreseeable future. However, our ability to fund working capital needs, repay our indebtedness and finance other obligations depends on our future operating performance and cash flows, which are in turn subject to prevailing economic conditions and other factors, many of

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which are beyond our control. Any future significant acquisition or expansion may require additional capital, and we cannot assure that such capital will be available to us on acceptable terms.

We had cash and bank balances of HK\$26.3 million, HK\$48.2 million, HK\$74.2 million and HK\$139.8 million as at 31 March 2009, 2010, 2011 and 31 July 2011 respectively.

(B) Net current assets/(liabilities)

The following table sets forth the breakdown of our Group's current assets and liabilities for its operation as at 31 March 2009, 2010, 2011, 31 July 2011 and 31 October 2011:

	As at 31 March			As at	As at
	2009	2010	2011	31 July 2011	31 October 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(unaudited)
Current assets					
Inventories	511	1,018	1,068	668	1,961
Trade receivables	17,412	11,810	8,103	8,980	9,313
Other receivables, deposits and prepayments	5,620	9,740	20,825	22,135	30,684
Amounts due from related companies	33	82	290	328	332
Amounts due from directors	68,338	38,359	37,268	36,678	36,359
Amount due from a shareholder	—	29,106	—	—	—
Financial assets at fair value through profit or loss	—	10,093	46,760	6,055	6,055
Cash and cash equivalents	26,280	48,183	74,206	139,849	144,025
	<u>118,194</u>	<u>148,391</u>	<u>188,520</u>	<u>214,693</u>	<u>228,729</u>
Current liabilities					
Provision for reinstatement costs	403	713	424	599	552
Trade payables	454	615	1,503	1,142	3,863
Accruals and other payables	11,983	16,934	22,264	16,822	11,729
Deferred revenue	118,323	122,433	148,672	146,970	129,377
Tax payable	3,313	4,957	14,781	18,790	19,086
Amount due to a related company	83	—	—	—	—
Amount due to a director	—	—	15,791	16,378	8,301
Amount due to a shareholder	—	—	2,677	2,677	2,677
	<u>134,559</u>	<u>145,652</u>	<u>206,112</u>	<u>203,378</u>	<u>175,585</u>
Net current (liabilities)/assets	<u>(16,365)</u>	<u>2,739</u>	<u>(17,592)</u>	<u>11,315</u>	<u>53,144</u>

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As at 31 March 2009, we had net current liabilities of HK\$16.4 million. For the year ended 31 March 2010, our cash flows from operating activities increased significantly which strengthened our cash position. As such, we recorded net current assets of HK\$2.7 million as at 31 March 2010. We incurred net current liabilities of HK\$16.4 million and HK\$17.6 million as at 31 March 2009 and 2011, respectively, which were mainly attributable to the increase of our Group's deferred revenue. As at 31 March 2011, we incurred deferred revenue of HK\$148.7 million, up 21.5% from HK\$122.4 million as at 31 March 2010. According to the accounting policies of our Group, revenue from the provision of slimming and beauty services are recognised when the services has been rendered to clients. Receipts in respect of treatment packages for which the relevant services have not been rendered are deferred and recorded as deferred revenue in the balance sheet. As advised by our Directors, the increase in our deferred revenue mainly reflect the growth of our Group's revenue generated from its normal and ordinary course of business. However, the increase in our Group's deferred revenue does not impose any negative impact on our working capital position because: (i) cash generated from the sales of prepaid treatment packages had already reflected in cash generated from operating activities and recognised as cash and cash equivalent on balance sheet; (ii) recognition of deferred revenue and the subsequent revenue recognition has no cash flows effect and are solely for financial reporting purpose; and (iii) deferred revenue will be fully recognised as revenue in the income statement when the service treatments are delivered to clients or recognised as revenue from expired prepaid packages at the end of the contractual one-year service period. As at 31 July 2011, we had net current assets of HK\$11.3 million resulted from strong net cash generated from operating activities. As at 31 October 2011, our net current assets further increased to HK\$53.1 million.

(C) Capital expenditure

Our capital expenditure primarily relate to the expenditures for purchasing property, plant and equipment, including leasehold improvements and the purchase of furniture, fixtures and office equipment for our service centres expansion. During the Track Record Period, we funded our capital expenditures through cash flows generated from operating activities. The following table sets forth our Group's capital expenditures for the periods indicated:

	Year ended 31 March			Four months ended	
	2009	2010	2011	31 July	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)	
The PRC	1,385	13,331	17,467	5,285	6,624
Hong Kong	5,033	7,963	3,872	856	203
Macau	1,858	3	11	3	—
	<u>8,276</u>	<u>21,297</u>	<u>21,350</u>	<u>6,144</u>	<u>6,827</u>

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Our Group's total capital expenditure increased by 156.6% from HK\$8.3 million for the year ended 31 March 2009 to approximately HK\$21.3 million for the year ended 31 March 2010. The increase was primarily due to the opening of new service centres in the PRC during the year. Our total capital expenditure for the year ended 31 March 2011 amounted to HK\$21.4 million as we continued our expansion plan of opening service centres in the PRC. Our total capital expenditure for the four months ended 31 July 2011 increased slightly to HK\$6.8 million from HK\$6.1 million for the same period in 2010, which is mainly used for our service centres network expansion in the PRC.

Planned capital expenditures

Our planned capital expenditures primarily relate to the expansion of our service centres network in the PRC under our well-known brand name of “必瘦站”.

The estimated total expenses for setting up of the 106 service centres under the brand name of “Perfect Shape 必瘦站” in the PRC will be HK\$254.4 million by 31 March 2015. The estimated total cost per service centre in the PRC is HK\$2.4 million, of which HK\$1.8 million will be used for fixed assets including leasehold improvement and equipment, HK\$240,000 will be used for rental deposits and expenses, HK\$71,400 will be used for initial staff cost and HK\$288,600 will be used for general working capital. Other than the net proceeds of the Global Offering, where necessary, we will apply our internally generated financial resources as additional funding for the expansion of our service centres network in the PRC.

For more details, please see “Futures Plans and Use of Proceeds” in this prospectus. There is no guarantee that any of the planned capital expenditures will proceed as planned. As our Group continues to expand, it may incur additional capital expenditures. In the future, we may consider debt or equity financing, depending on market conditions, our financial performance, our capital needs and other relevant factors.

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(D) Cash flow statements

The following table sets forth selected cash flows data from our combined statements of cash flows during the Track Record Period:

Combined Statements of Cash Flows

	Year ended 31 March			Four months ended 31 July	
	2009	2010	2011	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)				
Cash flows from operating activities					
Cash generated from operations	21,393	57,934	105,650	46,619	32,039
Interest received	4	25	238	19	596
Income tax paid	<u>(2,135)</u>	<u>(5,011)</u>	<u>(12,341)</u>	<u>(698)</u>	<u>(7,940)</u>
Net cash generated from operating activities	19,262	52,948	93,547	45,940	24,695
Cash flows from investing activities					
Purchase of property, plant and equipment	(10,872)	(20,564)	(24,390)	(6,006)	(7,567)
Sales proceeds from disposal of property, plant and equipment	808	—	38	—	1
Reinstatement costs paid for shop and office premises	(37)	(481)	(528)	(97)	—
Purchase of available-for-sale financial assets	—	—	(14,912)	—	—
Purchase of financial assets at fair value through profit or loss	—	(10,000)	(172,976)	—	(72,159)
Sales proceeds from disposal of available-for-sale financial assets	—	—	5,093	—	5,191
Sales proceeds from disposal of financial assets at fair value through profit or loss	—	—	138,412	—	113,819
Dividend income received from available-for-sale financial assets	<u>—</u>	<u>—</u>	<u>203</u>	<u>70</u>	<u>43</u>
Net cash (used in)/generated from investing activities	<u>(10,101)</u>	<u>(31,045)</u>	<u>(69,060)</u>	<u>(6,033)</u>	<u>39,328</u>
Cash flows from financing activities					
Issue of ordinary shares	<u>97</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net cash generated from financing activities	<u>97</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net increase in cash and cash equivalents	9,258	21,903	24,487	39,907	64,023
Cash and cash equivalents at 1 April	17,022	26,280	48,183	48,183	74,206
Effect of foreign exchange rate changes	<u>—</u>	<u>—</u>	<u>1,536</u>	<u>270</u>	<u>1,620</u>
Cash and cash equivalents at 31 March/31 July	<u><u>26,280</u></u>	<u><u>48,183</u></u>	<u><u>74,206</u></u>	<u><u>88,360</u></u>	<u><u>139,849</u></u>

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Cash flows from operating activities

Our net cash generated from operating activities during the Track Record Period mainly included the prepaid package monies received from our clients. We first tapped into the PRC market in 2009 and we experienced rapid growth in our PRC operation during the Track Record Period, which increased our revenue, in return, increased net cash generated from operating activities.

Net cash generated from operating activities for the four months ended 31 July 2011 were HK\$24.7 million while our profit before income tax was HK\$39.6 million. The difference was primarily due to the combined effect of (i) adjustment for depreciation of HK\$5.7 million; (ii) increase in other receivables, deposits and prepayments of HK\$2.9 million; (iii) decrease in balances with directors, shareholders and related companies of HK\$1.2 million; (iii) decrease in deferred revenue of HK\$3.7 million; and (iv) income tax paid of HK\$7.9 million.

Net cash generated from operating activities for the year ended 31 March 2011 were HK\$93.5 million while our profit before income tax was HK\$65.7 million. The difference was primarily due to the combined effect of (i) adjustment for depreciation of HK\$16.5 million; (ii) increase in other receivables, deposits and prepayments of HK\$16.5 million; (iii) increase in deferred revenue of HK\$23.6 million; and (iv) income tax paid of HK\$12.3 million.

Net cash generated from operating activities for the year ended 31 March 2010 were HK\$52.9 million while our profit before income tax was HK\$35.7 million. The difference was primarily due to the combined effect of (i) adjustment for depreciation of HK\$15.1 million; (ii) decrease in trade receivables of HK\$5.6 million; (iii) increase in other receivables, deposits and prepayments of HK\$3.2 million; and (iv) income tax paid of HK\$5.0 million.

Net cash generated from operating activities for the year ended 31 March 2009 were HK\$19.3 million while our profit before income tax was HK\$34.7 million. The difference was primarily due to the combined effect of (i) adjustment for depreciation of HK\$16.5 million; (ii) increase in balances with directors, shareholders and related companies of HK\$33.4 million; and (iii) income tax paid of HK\$2.1 million.

Cash flows used in investing activities

Our investing activities during the Track Record Period primarily included purchase of leasehold improvements, furniture, fixtures and office equipment for our business expansion in the PRC and purchase of financial assets in 2010 and 2011. We receive strong cash inflow from our business operation from time to time and purchase financial assets in order to protect the capital value and achieve appreciation of our idle cash. During the year ended 31 March 2011, we invested idle cash in the principal sum of approximately HK\$35 million in the PRC in several entrusted investment funds which are usually short-term in nature. Upon expiry of the maturity period of the investment funds, we re-invested the principal

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sum in similar investment funds which led to the cumulative amounts of purchases of financial assets at fair value through profit or loss in the amount of HK\$173.0 million and the sales of financial assets at fair value through profit or loss in the amount of HK\$138.4 million during the year ended 31 March 2011. Our Directors consider that the nature of our investment strategy is conservative as (i) we did not make any investment which would expose us to liability which is larger than the idle cash invested by us; and (ii) we did not invest in options, warrants, future contracts, and derivative financial instruments. During the year ended 31 March 2011, in Hong Kong, we also purchased available-for-sale financial assets to secure a more favourable credit term from a local financial institution through which a significant portion of credit card and instalment sales were transacted. At the request of that financial institution, we pledged our available-for-sale financial assets for the security of its credit line with that local financial institution. During the year ended 31 March 2011, we participated in several transactions of investment funds which comprise several SFC-registered mutual funds led to the cumulative amount of purchases of available-for-sale financial assets in the amount of HK\$14.9 million and sales proceeds of available-for-sale financial assets in the amount of HK\$5.1 million.

As at the Latest Practicable Date, we have sold out all our financial assets save and except for an investment fund with guaranteed interest rate in the principal sum of RMB5 million with maturity date in April 2012.

Net cash generated from investing activities for the four months ended 31 July 2011 were HK\$39.3 million which was mainly attributable to (i) cash out flows of HK\$7.6 million for purchasing property, plant and equipment for our continuous expansion of service centres network in the PRC during the period; (ii) net cash inflows of HK\$41.7 million from disposal of financial assets at fair value through profit or loss; and (iii) net cash inflows of HK\$5.2 million from disposal of available-for-sale financial assets during the period.

Net cash used in investing activities for the year ended 31 March 2011 were HK\$69.1 million which was mainly attributable to (i) we opened 20 service centres in the PRC and incurred cash outflow of HK\$24.4 million for purchasing slimming and beauty equipment, office equipment, furniture and fixtures and leasehold improvements during the year; and (ii) net purchases of financial assets amounted to HK\$44.4 million.

Net cash used in investing activities for the year ended 31 March 2010 were HK\$31.0 million which was mainly attributable to (i) we opened 9 service centres in the PRC during the year and incurred cash out flows of HK\$20.6 million in purchasing slimming and beauty equipment, office equipment, furniture and fixtures and leasehold improvements; and (ii) we used our idle cash and bought financial assets of HK\$10.0 million.

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Net cash used in investing activities for the year ended 31 March 2009 were HK\$10.1 million which mainly included our investment in purchasing plant and equipment in new service centres in both the PRC and Hong Kong of HK\$10.9 million.

Upon Listing, we will continue to adopt conservative treasury policies, control tightly over our cash and strengthen our risk management. Our surplus cash will generally be placed in short-term deposits denominated in HK dollars and RMB. In order to achieve greater flexibility in our cash management to enhance the return on surplus cash available, we will continue to invest in general not exceeding 10% of the total amount of our surplus cash in low-risk short-term fixed income investment products, including certificates of deposit issued by authorised institutions or banks in Hong Kong and the PRC. In general, such fixed income investment products will be held to maturity. In view of the low-risk investments, the Directors do not find it necessary to implement a stop-loss policy.

Dr. Au-Yeung and Mr. So Hin Lung, our chief financial officer, will be responsible to manage and implement the above investment management policy. Mr. So is a member of the Hong Kong Institute of Certified Public Accountants, and has over 10 years of experience in auditing and accounting. For the details of qualifications and experiences of Dr. Au-Yeung and Mr. So, please refer to the section headed “Directors, Senior Management and Staff” of this prospectus.

To ensure the above investment management policy can be strictly implemented, the Board will regularly monitor the cash position and investment decisions of our Group and Dr. Au-Yeung and Mr. So are required to seek approvals from the Board when they carry out any investment decisions. The Board will review the investment management policy of the Group from time to time, adjust the investment management policy as and when appropriate and make relevant disclosures in the annual reports of our Company.

Cash flows from financing activities

Our financing activities during the Track Record Period were primarily issue of ordinary shares.

During the years ended 31 March 2010 and 2011 and the four months ended 31 July 2011, we did not have any cash generated from or used in financing activities.

Net cash from financing activities for the year ended 31 March 2009 were HK\$97,000 which represented monies from issue of ordinary shares.

(E) Working capital

Taking into account (i) the estimated net proceeds available to us from the Global Offering; (ii) our cash and cash equivalents as at the Latest Practicable Date; and (iii) the expected cash flows to be generated from our operations, our Directors confirm that we have sufficient working capital for at least the next 12 months from the date of this prospectus.

(F) Financial risk

Our activities expose us to a variety of financial risks: foreign exchange risk, price risk, credit risk, liquidity risk, and cash flows and fair value interest-rate risks. Our overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the our financial performance.

(a) Foreign exchange risk

We operate in the PRC, Hong Kong and Macau with most of the transactions denominated and settled in the respective local currencies, which are Renminbi, Hong Kong dollars and MOP, respectively. Management are of the opinion that our exposures to changes in exchange rates of foreign currencies is insignificant.

Our Company does not use any derivative financial instruments to hedge its exposure to foreign exchange risk.

(b) Price risk

We are exposed to securities price risk as investments held by us are classified as financial assets at fair value through profit or loss and available-for-sale financial assets in the balance sheets. We are not exposed to commodity price risk.

As at 31 March 2010 and 2011 and 31 July 2011, if the quoted price of the financial assets at fair value through profit or loss had appreciated/depreciated by 10% with all other variables held constant, our post-tax profit would have been HK\$0.8 million, HK\$3.6 million and HK\$0.5 million higher/lower respectively as a result of gains/losses on change in value of these financial assets.

As at 31 March 2011 and 31 July 2011, if the quoted price of the available-for-sale financial assets had appreciated/depreciated by 10% with all other variables held constant, the Group's other comprehensive income would have been approximately HK\$0.8 million and HK\$0.4 million higher/lower respectively as a result of gains/losses on change in value of these financial assets.

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(c) Credit risk

We have no significant concentrations of credit risk. The carrying amounts of cash at banks, financial assets at fair value through profit or loss, available-for-sale financial assets, trade receivables, deposits and other receivables and amounts due from related companies, a shareholder and directors included in the balance sheets represent the our maximum exposure to credit risk in relation to its financial assets.

The majority of our cash at banks are deposited in major financial institutions located in the PRC, Hong Kong and Macau, which are of high credit rating. Management does not expect any losses arising from non-performance by these counterparties.

As at 31 March 2009, 2010 and 2011 and 31 July 2011, our trade receivables represent amounts due from various financial institutions as a result of credit cards and instalment payment arrangement. The economic downturn during the years ended 31 March 2009 and 2010 led to a lengthening of the settlement period from these counterparties. Taking into account the high credit rating of these counterparties, who has no recent history of default and that we are not contractually exposed to the risk of default by the ultimate clients arising from these payment arrangements, management consider that no provision on these receivable balance is required.

As at 31 March 2010 and 2011 and 31 July 2011, the financial assets at fair value through profit or loss and available-for-sale financial assets are placed in financial institutions which are independently rated at high credit ratings. Management does not expect any losses from non-performance by these financial institutions.

The amounts due from our Directors have been fully settled in November 2011. The amounts due from related companies will be settled prior to the Listing.

(d) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

Our primary cash requirements have been the payment for operating expenses. We mainly finance our working capital requirements through internal resources.

Our Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and adequate amount of committed credit facilities to meet its liquidity requirements in the short and long term.

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As a result of the economic downturns during the years ended 31 March 2009 and 2010, settlement period of both installment and credit card sales from certain local financial institutions have been significantly lengthened, up to 180 days from the days of sales. In order to secure a more favourable credit term, we pledged our available-for-sale financial assets amounting to HK\$9.9 million to a major local financial institution as at 31 March 2011. Personal guarantee from Ms. Au-Yeung Wai and charges over private real estate properties from our Directors, Dr. Au-Yeung and Ms. Au-Yeung Wai, have also been provided to the financial institution. These have significantly shortened the credit term with the financial institution to 3 days from the time when the credit level or instalment sales were made. Upon Listing, the personal guarantee given by Ms. Au-Yeung Wai and the charges over real estate properties given by Dr. Au-Yeung and Ms. Au-Yeung Wai will be released and replaced by corporate guarantee of our Company. We have liaised with the said financial institution and understand that the said financial institution will not lengthen its credit term given to us as a result of the release of the personal guarantee by Ms. Au-Yeung Wai and the charge over real estate properties by Dr. Au-Yeung and Ms. Au-Yeung Wai. During 31 March 2011, the credit terms with various financial institutions on instalment and credit sales arrangement generally ranged from 3 days to 90 days.

As at 31 March 2009, 2010 and 2011 and 31 July 2011, the contractual undiscounted cash flows of the our current financial liabilities approximate their respective carrying amounts due to their short maturities.

(e) Cash-flow and fair value interest-rate risk

We do not have any significant interest bearing financial assets or liabilities except for cash at banks.

(VIII) INDEBTEDNESS

(A) Borrowings and bank facilities

As at 31 October 2011, being the latest practicable date for the purpose of preparing this indebtedness statements prior to the printing of this prospectus, our Group had no outstanding borrowings.

On 30 November 2011, we obtained a banking facility of HK\$50 million. As at the Latest Practicable Date, we have not drawn down the available banking facility. The said banking facility is secured by a pledge of cash deposits of our Director, Dr. Au-Yeung, with the relevant financial institution which will be released and replaced by corporate guarantee to be issued by us upon the Listing.

(B) Contingent liabilities

We did not have any material contingent liabilities as at 31 March 2009, 2010, 2011, 31 July 2011 and 31 October 2011.

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(C) Charges

As at 31 July 2011, our Directors, Ms. Au-Yeung Wai has made personal guarantee and Dr. Au-Yeung and Ms. Au-Yeung Wai pledged of real estate properties owned by them to a financial institution to secure our Group's banking facilities. The relevant personal guarantee given by Ms. Au-Yueng Wai and pledge of real estate properties given by Dr. Au-Yeung and Ms. Au-Yeung Wai will be released and replaced by corporate guarantee to be issued by us upon the Listing.

(D) Capital and other commitments

(i) Operating lease commitment

We had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	As at 31 March			As at
	2009	2010	2011	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	19,735	20,025	35,691	39,778
Later than one year and not later than five years	10,404	21,458	80,356	67,501
Later than five years	—	844	384	129
	<u>30,139</u>	<u>42,327</u>	<u>116,431</u>	<u>107,408</u>

(ii) Capital commitments

	As at 31 March			As at
	2009	2010	2011	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure contracted for but not yet incurred in respect of acquisition of property, plant and equipment	—	3,988	5,752	6,035
	<u>—</u>	<u>3,988</u>	<u>5,752</u>	<u>6,035</u>

(E) Disclaimer

Except as disclosed in “Financial Information — Indebtedness” above, we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees

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or other material contingent liabilities outstanding as at 31 October 2011. Our Directors confirm that, since 31 October 2011, there has been no material changes in our indebtedness and contingent liabilities.

(IX) DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, they are not aware of any circumstances which would give rise to a disclosure obligation under Rules 13.13 to 13.19 of the Listing Rules.

(X) OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development service with us.

(XI) DIVIDEND AND DISTRIBUTABLE RESERVES

(A) Dividends and dividend policy

During the Track Record Period, the dividends distributed by the companies now comprising our Group amounted to nil, HK\$5.0 million, HK\$39.4 million and nil, respectively.

In November 2011, special cash dividends of HK\$88,500,000 in total were declared by the Hong Kong and Macau Group companies. Pursuant to the shareholders' resolutions of the following Group companies all dated 3 November 2011, (i) Perfect Shape & Skin declared special cash dividend of HK\$5,000,000; (ii) Perfect Shape & Skin SS declared special cash dividend of HK\$1,000,000; (iii) Perfect Shape & Skin TW declared special cash dividend of HK\$738,835; (iv) Perfect Shape & Spa MOS declared special cash dividend of HK\$500,000; (v) Perfect Shape Holdings declared special cash dividend of HK\$12,000,000; (vi) Perfect Skin Medical declared special cash dividend of HK\$2,800,000; (vii) Perfect Shape & Skin Management declared special cash dividend of HK\$22,000,000; (viii) Perfect Shape Advertising declared special cash dividend of HK\$500,000; and (ix) Perfect Shape Investment Shanghai declared special cash dividend of HK\$36,000,000; and (x) Perfect Shape Macau declared special cash dividend of HK\$7,961,165 (MOP8,200,000), for payment to their respective shareholders. The above special cash dividends will be fully settled prior to the Listing. Save for the above, no dividend was approved or declared by our Company during the Track Record Period and up to the Latest Practicable Date.

The special cash dividends of HK\$88,500,000 in total were declared out of our Group's retained profits, which were generated by shareholders' equity and management efforts of our existing Shareholders during the Track Record Period. Therefore, our Directors consider the dividends represented investment returns and rewards to our existing Shareholders due to their past contributions to our Group during the Track Record Period. We had carefully considered and assessed our

FINANCIAL INFORMATION

working capital position before declaration of the special cash dividends and in view of our cash and cash equivalents position of HK\$139.8 million as at 31 July 2011, our Directors consider that our Company's internal resources are sufficient to cover the full payment of the special cash dividends.

Following the Listing, subject to the relevant law and the Articles, we, through a general meeting, may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by our Board. The Articles provide that dividends may be declared and paid out of our profit, realised or unrealised, or from any reserve set aside from profits which our Directors determine is no longer needed. With the approval of the Shareholders, we may also declare dividend out of a share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law. Future dividend payments will also depend upon the availability of dividend received from our subsidiaries in the PRC. In the PRC, the laws require that dividend be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from HKFRS and accepted accounting principles in other jurisdictions. The PRC laws also require companies (including foreign investment enterprises) to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries in the PRC may also be restricted if they incur debts or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries in the PRC may enter into in the future.

Subject to the availability of our cash and distributable reserves, investment requirements, our cash flows and working capital requirements and the approval of our Shareholders, our Directors currently intend to declare and recommend all annual distributable profit as dividend, if any, from ordinary activities starting from the full financial year ending 31 March 2013.

(B) Distributable reserves

Our Company did not have any distributable reserves as at 31 July 2011 because it is newly incorporated, has not been involved in any significant transaction and the Reorganisation was not completed.

(XII) RELATED PARTY TRANSACTIONS

With respect to the related party transactions set forth in our combined financial statements included in the Accountant's Report set forth in Appendix I in this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

FINANCIAL INFORMATION

(XIII) UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group, which has been prepared in accordance with Rule 4.29 of the Listing Rules, is for illustrative purposes only, and is set forth to illustrate the effect of the Global Offering on our combined net tangible assets as at 31 July 2011 as if the Global Offering had taken place on 31 July 2011.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our combined net tangible assets as of 31 July 2011 or any future date following the Global Offering. It is prepared based on our audited combined financial information as of 31 July 2011 as set forth in the Accountant's Report in Appendix I to this prospectus, and adjusted as described below. This unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report as set forth in Appendix I to this prospectus.

	Audited combined net tangible assets attributable to equity holders of our Company as at 31 July 2011	Add: Estimated net proceeds received by our Company from the Global Offering	Unaudited pro forma adjusted net tangible assets attributable to equity holders of our Company	Unaudited pro forma adjusted combined net tangible assets per Share
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Notes 3 and 4)</i>
Based on an Offer				
Price of				
HK\$1.35 per				
Offer Share	78,405	307,211	385,616	0.39
Based on an Offer				
Price of				
HK\$1.80 per				
Offer Share	78,405	416,327	494,732	0.49

Notes:

1. The audited combined net tangible assets attributable to equity holders of our Company as at 31 July 2011 is based on the audited combined net assets extracted from the Accountant's Report set out in Appendix I in this prospectus.
2. The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK\$1.35 per Share and HK\$1.80 per Offer Share after deduction of the underwriting fees and other related expenses payable by our Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.
3. The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in Note 2 above and on the basis that 1,000,000,000 Shares were in issue assuming that the Global Offering has been completed on 31 July 2011 but takes no account of any Shares which may be issued upon the exercise of the share options granted under the Share Option Scheme and the Over-allotment Option.

FINANCIAL INFORMATION

4. In November 2011, certain companies now comprising the Group declared special interim dividends of totaling HK\$88.5 million to our shareholders. The unaudited pro forma adjusted net tangible assets attributable to equity holders of our Company and the unaudited pro forma adjusted net tangible assets per Share as presented above have not taken into account of these special interim dividends. Had the special interim dividends been taken into account for, the unaudited pro forma adjusted net tangible assets per Share would be HK\$0.30 (assuming an Offer Price of HK\$1.35) and HK\$0.41 (assuming an Offer Price of HK\$1.80), respectively.
5. No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to 31 July 2011.

(XIV) NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in the financial or trading position since 31 July 2011, being the date of the latest audited combined financial statements set forth in Appendix I to this prospectus.

(XV) NO SIGNIFICANT INTERRUPTIONS

Our Directors confirm that there have been no interruptions in our Group's business that may have a significant effect on our business, operation and financial performance in the last 12 months.

(XVI) PROPERTY INTERESTS

As at 31 July 2011, our property interests carried no commercial value. Jones Lang LaSalle Sallmanns Limited, an independent property valuer, has valued interests of our properties as at 30 September 2011 at no commercial value. The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are set out in Appendix III to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Our objective is to capture market share in the fast-growing PRC slimming and beauty industry with enormous development potential and become one of the largest providers of slimming and beauty services in the PRC. We plan to continue with the strategic expansion of our service centre network in the PRC as we believe that scale and broad geographical coverage promotes brand recognition. By leveraging on (i) our famous brand name “Perfect Shape 必瘦站”; (ii) our successful business operation experience in slimming and beauty market in the PRC; and (iii) the rapid economic growth and increasing affluence of female clients in the PRC, we plan to establish an additional 78 new service centres in first-tier cities in the PRC and an additional 28 new service centres in second and lower-tier cities in the PRC under our well-known brand name “Perfect Shape 必瘦站” by 31 March 2015. It is one of our business strategies to, among other things, widen our brand portfolio and service offerings in order to progressively expand our client base and reach out to different sectors of the slimming and beauty market. In order to achieve our objective, we intend to implement the business strategies as set out in “Business — Our Business Strategies” in this prospectus.

USE OF PROCEEDS

Assuming an Offer Price of HK\$1.58 per Offer Share (being the mid-point of the indicative Offer Price range of HK\$1.35 to HK\$1.80 per Offer Share), after deduction of the underwriting fees and estimated expenses payable by us in connection with the Global Offering, the net proceeds of the Global Offering are estimated to be HK\$363.0 million. Our Directors presently intend to apply the net proceeds as follows:

(1) Expansion of our service centres network in the PRC under our well-known brand name “Perfect Shape 必瘦站”

We will apply HK\$254.0 million (or 70% of the net proceeds of the Global Offering) for the expansion of our service centres network in the PRC under our well-known brand name of “Perfect Shape 必瘦站”, which we expect will continue to enjoy rapid growth and present enormous potential for our development.

In order to increase our market presence, we intend to establish (i) an additional 78 new service centres making a total of 112 service centres in the first-tier cities, namely Shanghai, Guangzhou, Shenzhen and Beijing; and (ii) an additional 28 new service centres making a total of 38 service centres in second and lower-tier cities, including but not limited to Hangzhou, Wuhan, Chongqing, Ningbo, Shenyang, Dongguan, Foshan, Chengdu, Nanjing and Tianjin by 31 March 2015.

FUTURE PLANS AND USE OF PROCEEDS

The following table sets out our expansion plan in the PRC for the years ending 31 March 2015:

Location	No. of new service centres to be opened for the year ending 31 March			
	2012	2013	2014	2015
First-tier cities	7	25	23	23
Second and lower- tier cities	3	5	10	10
Total:	10	30	33	33

The estimated total expenses for setting up of the 106 service centres under the brand name of “Perfect Shape 必瘦站” in the PRC will be HK\$254.4 million by 31 March 2015. The estimated total cost per service centre in the PRC is HK\$2.4 million, of which HK\$1.8 million will be used for fixed assets including leasehold improvement and equipment, HK\$240,000 will be used for rental deposits and expenses, HK\$71,400 will be used for initial staff cost and HK\$288,600 will be used for general working capital. Other than the net proceeds of the Global Offering, where necessary, we will apply our internally generated financial resources as additional funding for the expansion of our service centres network in the PRC.

(2) Brand promotion and marketing

We will apply HK\$54.5 million (or 15% of the net proceeds of the Global Offering) for promotion of our brands and marketing activities which will be budgetted for the years ending 31 March 2012 and 2013, of which 20% will be used for engagement of spokespersons, 15% will be used for outdoor billboards advertisements, and 65% for the other advertising activities through various channels including television, radio, newspapers, magazines and promotional events in the PRC and Hong Kong. Our marketing manager will formulate annual budget to be approved by the Board. We will review its implementation on a half-yearly basis and make necessary adjustment to our budget for brand promotion and marketing.

(3) Upgrading our management information system and building up an electronic CRM platform

In order to enhance our operational efficiency to optimise customer satisfaction, and strengthen our customer database management for better sales and marketing and fostering customer loyalty, we will apply HK\$18.2 million (or 5% of the net proceeds of the Global Offering) to upgrade our management information system and build up an electronic CRM platform. Our electronic CRM platform enables us to analyse clients’ information such as spending power and purchase patterns.

FUTURE PLANS AND USE OF PROCEEDS

(4) General working capital

A balance of HK\$36.3 million (or 10% of net proceeds of the Global Offering) will be retained as our general working capital.

In the event that the Offer Price is set at the high end of the indicative Offer Price range, being HK\$1.80 per Offer Share, the net proceeds from the Global Offering (assuming that the Over-allotment Option is not exercised) will increase to HK\$416.3 million. In that case, our Directors intend to apply the additional net proceeds for the expansion of our operations in the PRC.

In the event that the Offer Price is set at the low end of the indicative Offer Price range, being HK\$1.35 per Offer Share, the net proceeds from the Global Offering (assuming that the Over-allotment Option is not exercised) will decrease to HK\$307.2 million. The amount of net proceeds proposed to be used for the expansion of our operations in the PRC will be reduced after full utilisation of our general working capital. Any shortfall is intended to be financed by internal resources of our Group.

Should the Over-allotment Option be exercised in full (assuming an Offer Price of HK\$1.58 per Offer Share, being the mid-point of the indicative range of Offer Price), we will receive additional net proceeds of HK\$56.9 million. Our Directors intend to apply the additional net proceeds for the expansion of our operations in the PRC.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes, it is the present intention of our Directors that such proceeds will be placed on short term deposits with licensed banks and/or authorised financial institutions in Hong Kong and/or the PRC.

UNDERWRITING

SOLE BOOKRUNNER AND SOLE LEAD MANAGER

China Everbright Securities (HK) Limited

UNDERWRITERS FOR THE GLOBAL OFFERING

Hong Kong Underwriters

China Everbright Securities (HK) Limited
Sun Hung Kai Investment Services Limited
VC Brokerage Limited

International Underwriter

China Everbright Securities (HK) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Public Offer, our Company is offering the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to the Listing Committee granting listing of, and permission to deal in, our Shares in issue and our Shares to be issued as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for, their respective applicable proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Offer Shares are fully underwritten pursuant to the Hong Kong Underwriting Agreement.

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Grounds for termination

The respective obligations of the Hong Kong Underwriters to subscribe for, or procure subscribers for, the Hong Kong Offer Shares are subject to termination. The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) shall be entitled to terminate their obligations under the Hong Kong Underwriting Agreement upon the occurrence of any of the following events by notice in writing to our Company given by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (the “Termination Time”) if prior to the Termination Time,

- (a) there comes to the notice of the Sole Global Coordinator or any of the Hong Kong Underwriters:
 - (i) that any statement contained in this prospectus and the Application Forms (the “Hong Kong Public Offer Documents”), the formal notice in the agreed form required to be published in connection with the Hong Kong Public Offer in certain newspapers under Chapter 12 of the Listing Rules (the “Formal Notice”) and any announcements issued by our Company in connection with the Hong Kong Public Offer (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respects, or that any forecasts, expressions of opinion, intention or expectation expressed in the Hong Kong Public Offer Documents, the Formal Notice and/or any announcements issued by our Company in connection with the Hong Kong Public Offer (including any supplement or amendment thereto) are not fair or honest, or based on reasonable assumptions, when taken as a whole; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus and having not been disclosed in this prospectus, constitute a material omission with material adverse effect herefrom; or
 - (iii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement (other than on any of the Hong Kong Underwriters); or
 - (iv) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the Hong Kong Underwriting Agreement; or
 - (v) any material adverse change or development involving a prospective change (whether permanent or not) in the assets, liabilities, conditions, business affairs, prospects, profits, losses or financial or trading position or performance of any member of our Group; or

UNDERWRITING

- (vi) any breach of, or any event rendering untrue or incorrect in any of the warranties set out in the Hong Kong Underwriting Agreement in any material respects; or
 - (vii) approval by the Listing Committee of the listing of, and permission to deal in, our Shares to be issued (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option or the option which may be granted under the Share Option Scheme) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of approval of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (viii) our Company withdraws this prospectus (and any other documents used in connection with the contemplated subscription of our Shares) or the Global Offering;
- (b) there shall develop, occur, exist or come into effect:
- (i) commotion, riot, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, accident or interruption or delay in transportation or acts of terrorism or any state of emergency or calamity or crisis in or affecting Hong Kong, the PRC, or any other jurisdiction related to any member of our Group); or
 - (ii) any material change or development involving a prospective change or development, or any event or series of events or results, likely to result in or represents any change or prospective change, or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions or any monetary or trading settlement system or matters and/or disaster (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States, imposition or declaration of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, or a material devaluation of Hong Kong dollars or the Renminbi against any foreign currencies, or any moratorium on banking activities or disruption in commercial banking activities or foreign exchange or securities settlement or clearance services or procedures in or affecting Hong Kong, the PRC, or any other jurisdiction relevant to any member of the Group) in or affecting Hong Kong, the PRC, or any other relevant jurisdiction which may materially affect the operation of our Group; or

UNDERWRITING

- (iii) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), the PRC or any other jurisdiction relevant which may materially affect the operation of our Group, or there is a material disruption in commercial banking or securities settlement or clearance services in those places; or
- (iv) any new law or regulation or change or development involving a prospective material change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, or any other relevant jurisdiction which may materially affect the operation of our Group; or
- (v) the imposition of economic or other sanctions, in whatever form, directly or indirectly, by, or for Hong Kong, the PRC or any other relevant jurisdiction which may materially affect the operation of our Group; or
- (vi) a change or development occurs involving a prospective material change in taxation or exchange control, currency exchange rates or foreign investment regulations (or the implementation of any exchange control) in Hong Kong, the PRC, or any other relevant jurisdiction which may materially affect the operation of our Group and adversely affecting an investment in our Shares; or
- (vii) any material litigation or claim of any third party being threatened or instigated against any member of our Group; or
- (viii) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (ix) the commencement by any regulatory body or organisation of any action against a Director or an announcement by any regulatory body or organisation that it intends to take any such action; or
- (x) a material contravention by any member of our Group of the Companies Ordinance, the Companies Law, the SFO, or any of the Listing Rules; or
- (xi) a prohibition on our Company for whatever reason from allotting our Shares (including any Shares which may be allotted and issued upon exercise of the Over-allotment Option or the option which may be granted under the Share Option Scheme) pursuant to the terms of the Global Offering; or
- (xii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription for the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or

UNDERWRITING

- (xiii) other than with the approval of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), the issue or requirement to issue by our Company of a supplementary prospectus (or any other documents used in connection with the contemplated subscription for our Shares) pursuant to the Companies Ordinance or the Listing Rules; or
- (xiv) a valid petition is presented or an order is made for the winding up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any material member of our Group; or
- (xv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting Hong Kong, the PRC, or any other relevant jurisdiction which may materially affect the operation of our Group; or
- (xvi) any loss or damage sustained by any member of our Group;

which, in any such case and in the sole opinion of the Sole Global Coordinator:

- (a) is or is likely or will individually or in aggregate have a material adverse effect on the business, financial condition or trading position or prospects of our Group as a whole; or
- (b) is or is likely or has or will have a material adverse effect on the success of the Hong Kong Public Offer or the Global Offering or the level of applications under the Hong Kong Public Offer or the level of interest under the International Placing; or
- (c) is or will or is likely to make it inadvisable or inexpedient or impracticable for Hong Kong Public Offer and/or the Global Offering to proceed or to market the Hong Kong Public Offer and/or the Global Offering; or
- (d) would or is or will or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement or the Global Offering (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

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International Placing

In connection with the International Placing, it is expected that our Company will enter into the International Underwriting Agreement with the International Underwriter. It is expected that upon the entering into the International Underwriting Agreement, the International Placing will be fully underwritten.

Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriter is expected to agree to subscribe or procure purchasers for, or failing which, to purchase, the International Placing Shares initially being offered pursuant to the International Placing. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. It is expected that pursuant to the International Underwriting Agreement, our Company will make similar undertakings as those given pursuant to the Hong Kong Underwriting Agreement as described in “Undertakings” below in this section.

Commissions and expenses

The Underwriters will receive a commission of 3.0% of the aggregate Offer Price of the Offer Shares. In consideration of the Sole Sponsor’s services in sponsoring the Global Offering, the Sole Sponsor will also receive a financial advisory fee. Such fee and commission, together with the Stock Exchange listing fee, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering which are currently estimated to be approximately HK\$32.0 million in aggregate (assuming an Offer Price of HK\$1.58 per Offer Share (being the mid-point of the indicative Offer Price of HK\$1.35 to HK\$1.80 per Offer Share)), are to be borne by us, without taking into account the commissions and expenses relating to the exercise of Over-allotment Option.

Undertakings

Each of the Controlling Shareholders has given an undertaking to each of our Company, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that except as disclosed in this prospectus:

- (a) at any time during the period from the date of this prospectus and ending on the date which is six months from the Listing Date (the “First Six-month Period”), he/she/it shall not, and shall procure that the relevant registered holder(s) and his/her/its associates and companies controlled by him/her/it and any nominee or trustee holding in trust for himself/herself/itself shall not, without the prior written consent of the Sole Global Coordinator and unless as a result of any exercise of the Over-allotment Option or pursuant to the Global Offering, the Capitalisation Issue, the Share Option Scheme and/or the Stock Borrowing Agreement or otherwise in compliance with the requirements of the Listing Rules, (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any

UNDERWRITING

option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of our Shares or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such Shares or such securities; or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Shares, whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise; (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a) or (b) above; or (d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) or (c) above;

- (b) he/she/it shall not, and shall procure that the relevant registered holder(s) and his/her/its associates or companies controlled by him/her/it and any nominee or trustee holding in trust for himself/herself/itself shall not, without the prior written consent of the Sole Global Coordinator at any time during the period of six months commencing on the date on which the First Six-month Period expires (the “Second Six-month Period”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares held by him/her/it or any of his/her/its associates or companies controlled by him/her/it or any nominee or trustee holding in trust for himself/herself/itself, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be controlling shareholder (as defined in the Listing Rules) of our Company or the aggregate interest of all members of the Controlling Shareholders would be less than 30% of our Company’s issued share capital; and
- (c) in the event of a disposal of any Shares or securities of our Company or any interest therein during the Second Six-month Period he/she/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for the Shares or other securities of our Company;

except for using securities of our Company beneficially owned by the Controlling Shareholders as security (including a charge or pledge) in favour of any authorised institution (as defined in the Banking Ordinance of the laws of Hong Kong) for a bona fide commercial loan or such other circumstances as permitted under the Listing Rules.

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Each of the Controlling Shareholders has given an undertaking to our Company, the Sole Global Coordinator and the Hong Kong Underwriters that he/she/it will, at any time within the period commencing on the date of this prospectus and ending on the date which is 12 months after the Listing Date:

- (a) if and when he/she/it pledges or charges, directly or indirectly, any Shares or other securities of our Company beneficially owned by him/her/it (or any beneficial interest therein), immediately inform our Company and the Sole Global Coordinator in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (b) if and when he/she/it or it receives indications, either verbal or written, from any pledgee or chargee that any Shares or other securities in our Company (or any beneficial interest therein) pledged or charged by him/her/it will be disposed of, immediately inform our Company and the Sole Global Coordinator in writing of such indications.

Our Company will notify the Stock Exchange as soon as we have been informed of such event and shall make a public disclosure by way of announcement in accordance with the Listing Rules within the period commencing on the date of this prospectus and ending on the date which is 12 months after the Listing Date.

Our Company undertakes to the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters, and each of our Company, the Controlling Shareholders, and the executive Directors undertakes to the Sole Sponsor, Sole Global Coordinator and the Hong Kong Underwriters to procure that, without the prior written consent of the Sole Global Coordinator and subject always to the requirements of the Stock Exchange, save pursuant to the Global Offering, the Capitalisation Issue, the exercise of the Over-allotment Option or the options granted under the share option scheme of our Company adopted from time to time, neither our Company nor any of its subsidiaries from time to time shall:

- (a) offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its subsidiaries), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction during the First Six-Month Period;
- (b) except for using securities of our Company beneficially owned by the Controlling Shareholders as security (including a charge or pledge) in favour of any authorised institution (as defined in the Banking Ordinance of the laws of Hong Kong) for a bona fide commercial loan or such other circumstances as permitted

UNDERWRITING

under the Listing Rules, not at any time during the First Six-month Period, issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein of our Controlling Shareholders (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or securities of our Company or grant any options, warrants or other rights to subscribe for any Shares or other securities of our Company or agree to do any of the foregoing except pursuant to the Global Offering, the Capitalisation Issue or the exercise of the Over-allotment Option or the options granted under the share option scheme of our Company adopted from time to time;

- (c) not at any time within the Second Six-month Period do any of the acts set out in paragraphs (a) and (b) above such that the Controlling Shareholders together, directly and indirectly, would cease to be a controlling shareholder of the Company (within the meaning defined in the Listing Rules); and
- (d) not at any time during the First Six-month Period purchase any of the outstanding share capital of our Company other than permitted in the Listing Rules.

SOLE GLOBAL COORDINATOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY

The Sole Global Coordinator and the Hong Kong Underwriters will receive an underwriting commission of 3.0% of the aggregate Offer Price payable for the Offer Shares. Particulars of these commissions and expenses are set forth in "Commissions and expenses" above in this section.

Save as disclosed above, none of the Sole Global Coordinator and the Hong Kong Underwriters is interested legally or beneficially in shares of any of our Group's members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of its members nor any interest in the Global Offering.

MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be Friday, 16 December 2011, and in any event, not later than Saturday, 17 December 2011.

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lower than indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$1.80 per Offer Share and is expected to be not less than HK\$1.35 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offer.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where it considers appropriate, based on the level of interest expressed by prospective professional, institutional and private investors during a book-building process, and with the consent of the Company, reduce the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day lodging applications under the Hong Kong Public Offer, cause there to be published in on the Company's website at www.perfectshape.com.hk and the Stock Exchange's website at www.hkexnews.hk notice of reduction in the indicative Offer Price range. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon with the Company, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Global Offering statistics as currently set out in "Summary" in this prospectus, and any other financial information which may change as a result of such reduction. **If applications for Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offer, then even if the Offer Price range is so reduced, such applications cannot be subsequently withdrawn.** In the absence of any notice being published in The Standard (in English) and the Sing Tao Daily (in Chinese) of a reduction in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offer, the Offer Price, if agreed upon with our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company are unable to enter into the Price Determination Agreement by the Price Determination Date, the Global Offering will not become unconditional and will not proceed and will lapse.

STRUCTURE OF THE GLOBAL OFFERING

Announcement of the Offer Price, together with indication of the level of interests in the International Placing and the results of application under the Hong Kong Public Offer and basis of allocation of the Hong Kong Offer Shares is expected to be published on Thursday, 22 December 2011.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$1.80 per Offer Share and is expected to be not less than HK\$1.35 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offer as set out above. Prospective investors should be aware that the Offer Price as determined on the Price Determination Date may be lower than the indicative Offer Price as stated in this prospectus.

Applicants under the Hong Kong Public Offer should pay, on application, the maximum price of HK\$1.80 per Offer Share and 1% brokerage fee, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy. That means a total of HK\$3,636.29 is payable for every board lot of 2,000 Shares. The Application Forms have tables showing the exact amount payable for certain multiples of Hong Kong Offer Shares. If the Offer Price, as finally determined in the manner as described above, is lower than the maximum price of HK\$1.80 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application money) will be made to applicants, without interest. Further details are set out in “How to Apply for Hong Kong Offer Shares” in this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFER

Acceptance of the application for the Offer Shares pursuant to the Hong Kong Public Offer is conditional upon:

1. Listing

The Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Stock Exchange and such approval not subsequently having been revoked prior to the commencement of dealings in the Shares.

2. Underwriting Agreements

- (i) The obligations of the Underwriters under the Underwriting Agreements becoming unconditional, and not being terminated in accordance with the terms thereof; and
- (ii) the execution and delivery of the International Underwriting Agreement prior to or on the Price Determination Date.

STRUCTURE OF THE GLOBAL OFFERING

3. Price determination

The Offer Price having been determined and the execution of the Price Determination Agreement on or around the Price Determination Date.

If any of the conditions is not fulfilled or waived on or before the times specified above, the Global Offering will lapse and the application money will be returned to the applicants, without interest. The terms on which the application money will be returned to the applicants are set out in the paragraph headed “Refund of your monies” in the relevant Application Forms.

In the meantime, the application money will be held in one or more separate bank accounts with the receiving banker or other bank(s) in Hong Kong, licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

THE GLOBAL OFFERING

The Global Offering comprises the International Placing and the Hong Kong Public Offer. A total of initially 250,000,000 Offer Shares will be made available under the Global Offering, of which 225,000,000 International Placing Shares (subject to re-allocation and the Over-allotment Option), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and private investors under the International Placing. The remaining 25,000,000 Hong Kong Offer Shares (subject to re-allocation), representing 10% of the Offer Shares, will initially be offered to the public in Hong Kong under the Hong Kong Public Offer.

The Hong Kong Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Underwriters have severally agreed to underwrite the Hong Kong Offer Shares under the terms of the Hong Kong Underwriting Agreement. The International Underwriter will underwrite the International Placing Shares pursuant to the terms of the International Underwriting Agreement. Further details of the underwriting are set out in “Underwriting” in this prospectus.

Investors may apply for the Offers Shares under the Hong Kong Public Offer or indicate an interest for Offer Shares under the International Placing, but may not do both.

International Placing

Our Company is expected to offer initially 225,000,000 International Placing Shares (subject to re-allocation and the Over-allotment Option) at the Offer Price under the International Placing. The number of International Placing Shares expected to be initially available for application under the International Placing represents 90% of the total number of Offer Shares being initially offered under the Global Offering. The International Placing is expected to be fully underwritten by the International Underwriter. Investors subscribing for the International Placing Shares are also required to pay the maximum Offer Price of HK\$1.80 per Share plus a 1% brokerage fee, a 0.005% Stock Exchange trading fee and a 0.003% SFC transaction levy of the Offer Price.

STRUCTURE OF THE GLOBAL OFFERING

It is expected that the International Underwriter, or selling agents nominated by it, on behalf of our Company, will conditionally place the International Placing Shares at the Offer Price with selected professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Private investors applying through banks or other institutions who sought the International Placing Shares in the International Placing may also be allocated the International Placing Shares.

Allocation of the International Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of the Company and its shareholders as a whole. Investors to whom International Placing Shares are offered will be required to undertake and confirm in the Application Form that he/she has not applied for Shares under the Hong Kong Public Offer.

Our Company, our Directors, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Hong Kong Public Offer from investors who receive Shares under the International Placing, and to identify and reject indications of interest in the International Placing from investors who receive Shares under the Hong Kong Public Offer.

The International Placing is expected to be subject to the conditions as stated in “Conditions of the Hong Kong Public Offer” in this section.

Hong Kong Public Offer

Our Company is initially offering 25,000,000 Hong Kong Offer Shares for subscription (subject to re-allocation) by the public in Hong Kong under the Hong Kong Public Offer, representing 10% of the total number of Offer Shares offered under the Global Offering. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters. Applicants for the Hong Kong Offer Shares are required on application to pay the maximum Offer Price of HK\$1.80 per Share plus a 1% brokerage, a 0.005% Stock Exchange trading fee and a 0.003% SFC transaction levy.

The Hong Kong Public Offer is open to all members of the public in Hong Kong. An applicant for Shares under the Hong Kong Public Offer will be required to give an undertaking and confirmation in the Application Form submitted by him/her that he/she has not applied for nor taken up any Shares under the International Placing nor otherwise participated in the International Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant’s application under the Hong Kong Public Offer is liable to be rejected.

STRUCTURE OF THE GLOBAL OFFERING

For allocation purposes only, the number of the Hong Kong Offer Shares will be divided equally into two pools: 12,500,000 Shares in pool A and 12,500,000 Shares in pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares in the value of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy thereon) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares in the value of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pool is under-subscribed, the surplus Hong Kong Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 100% of the Hong Kong Offer Shares initially available under pool A or pool B will be rejected.

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. When there is over-subscription under the Hong Kong Public Offer, allocation of the Hong Kong Offer Shares may involve balloting, which would mean that some applicants may be allotted more Hong Kong Offer Shares than others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

BASIS OF ALLOCATION OF THE OFFER SHARES

The allocation of the Offer Shares between the International Placing and the Hong Kong Public Offer is subject to reallocation on the following basis:

- (a) if the number of Shares validly applied for under the Hong Kong Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Hong Kong Public Offer, then Shares will be allocated to the Hong Kong Public Offer from the International Placing, so that the total number of Shares available for subscription under the Hong Kong Public Offer will be increased to 75,000,000 Shares, representing 30% of the Offer Shares;
- (b) if the number of Shares validly applied for under the Hong Kong Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Hong Kong Public Offer, then Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the number of Shares available for subscription under the Hong Kong Public Offer will be increased to 100,000,000 Shares, representing 40% of the Offer Shares; and

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- (c) if the number of Shares validly applied for under the Hong Kong Public Offer represents 100 times or more the number of Shares initially available for subscription under the Hong Kong Public Offer, then Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the number of Shares available for subscription under the Hong Kong Public Offer will be increased to 125,000,000 Shares, representing 50% of the Offer Shares.

In all cases, the additional Shares reallocated to the Hong Kong Public Offer will be allocated equally between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced.

If the Hong Kong Public Offer is not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any of the unsubscribed Hong Kong Offer Shares originally included in the Hong Kong Public Offer to the International Placing in such proportions as it deems appropriate.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant to the Sole Global Coordinator the Over-allotment Option which will expire on a date which is 30 days from the date of the last day of lodging application under the Hong Kong Public Offer. Pursuant to the Over-allotment Option, our Company may be required by the Sole Global Coordinator to allot and issue up to and not more than 37,500,000 additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Global Offering) at the Offer Price to cover over-allocations in the International Placing. The Sole Global Coordinator may also cover such over-allocations by, among other means, purchasing Shares in the secondary market or through stock borrowing arrangements with Sure Sino Investments or by a combination of these means or otherwise as may be permitted under the applicable laws and regulatory requirements. Any such secondary market purchases will be made in compliance with all application laws, rules and regulations. If the Over-allotment Option is exercised in full, the additional 37,500,000 new Shares will represent approximately 3.6% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue, the Global Offering and the exercise of the Over-allotment Option in full. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the Offer Price. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Sole Global Coordinator, as the stabilising manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions which stabilise or maintain the market price of the

STRUCTURE OF THE GLOBAL OFFERING

Shares at levels above those which might otherwise prevail for a limited period after the Listing Date. The number of Shares that may be over-allocated will be up to, but not more than, an aggregate of 37,500,000 additional Shares, being the number of the Shares that may be issued under the Over-allotment Option. Such stabilising actions may include over-allocating International Placing Shares and covering such over allocations by exercising the Over-allotment Option or by making purchases in the secondary market or through stock borrowing arrangement with Sure Sino Investments or through a combination of these means or otherwise. However, there is no obligation on the Sole Global Coordinator to do this. Such stabilisation action, if commenced, may be discontinued at any time, and is required to be brought to an end after a limited period. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements.

Subject to and under the Securities and Futures (Price Stabilising) Rules of the SFO, the Sole Global Coordinator (for itself and on behalf of the Underwriters) may take all or any of the following actions (“primary stabilising action”) with respect to any Shares during the stabilisation period, which should end on Sunday, 15 January 2012:

- (1) purchase, or agree to purchase, any of the Shares;
- (2) offer or attempt to do anything as described in paragraph (1), for the sole purpose of preventing or minimising any reduction in the market price of the Shares. The Sole Global Coordinator (for itself and on behalf of the Underwriters) may also, in connection with any primary stabilising action, take all or any of the following actions:
 - (a) for the purpose of preventing or minimising any reduction in the market price of the Shares;
 - (i) allocate a greater number of Shares than the number that is initially offered under the Global Offering; or
 - (ii) sell or agree to sell Shares so as to establish a short position in them;
 - (b) pursuant to an option or other right to purchase or subscribe for Shares, purchase or subscribe for or agree to purchase or subscribe for Shares in order to close out any position established under paragraph (a);
 - (c) sell or agree to sell any Shares acquired by it in the course of the primary stabilising action in order to liquidate any position that has been established by such action; and/or
 - (d) offer or attempt to do anything as described in paragraphs (a)(ii), (b) or (c).

STRUCTURE OF THE GLOBAL OFFERING

Investors should be aware that:

- the Sole Global Coordinator (for itself and on behalf of the Underwriters) may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Sole Global Coordinator will maintain such a long position;
- liquidation of such a long position by the Sole Global Coordinator may have an adverse impact on the market price of our Shares;
- stabilising action cannot be taken to support the price of our Shares for longer than the stabilising period which begins on the Listing Date and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer, that the stabilising period is expected to expire on Sunday, 15 January 2012, and that after this date, when no further stabilising action may be taken, demand for our Shares, and therefore its price could fall; and
- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and that stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price the investor has paid for our Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules of SFO will be made within seven days of the expiration of the stabilisation period.

STOCK BORROWING ARRANGEMENT

In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 37,500,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such over-allocations, the Sole Global Coordinator may borrow up to 37,500,000 Shares from Sure Sino Investments, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. Stock borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with. The principal terms of the Stock Borrowing Agreement are:

- the stock borrowing arrangement will only be effected by the borrower for settlement of over-allocations in connection with the International Placing;

STRUCTURE OF THE GLOBAL OFFERING

- the maximum number of Shares borrowed from Sure Sino Investments will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Sure Sino Investments or its nominees on no later than three business days following the earlier of (i) the last day for exercising the Over-allotment Option; and (ii) the day on which the Over-allotment Option is exercised in full;
- the stock borrowing arrangement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and
- no payments will be made to Sure Sino Investments by the Sole Global Coordinator in relation to the stock borrowing arrangement.

HOW TO APPLY FOR HONG KONG OFFER SHARES

I. MIXED MEDIA OFFER

Our Company will be relying on section 9A of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing **WHITE** or **YELLOW** Application Forms without them being accompanied by a printed prospectus. The contents of this prospectus are identical to the electronic form prospectus. From 9:00 a.m. on Tuesday, 13 December 2011 until 12:00 noon on Friday, 16 December 2011, an electronic form of this prospectus can be accessed and downloaded from the websites of our Company at www.perfectshape.com.hk under the “Investor Relations > HKIPO Prospectus” section and the Stock Exchange at www.hkexnews.hk, under the “HKExnews > Listed Company Information > Latest Listed Company Information” section, respectively.

Members of the public who wish to obtain a copy of this printed prospectus may obtain a copy, free of charge, upon request during normal business hours from 9:00 a.m. on Tuesday, 13 December 2011 until 12:00 noon on Friday, 16 December 2011 at the following locations:

1. any of the following addresses of the Sole Sponsor and the Hong Kong Underwriters:

China Everbright Capital Limited

17th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

China Everbright Securities (HK) Limited

36th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

Sun Hung Kai Investment Services Limited

42nd Floor, The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

VC Brokerage Limited

28th Floor, The Centrium
60 Wyndham Street
Central
Hong Kong

2. the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

3. any of the following branches of The Hongkong and Shanghai Banking Corporation Limited:

	Branch name	Address
Hong Kong Island	North Point Branch	G/F, Winner House, 306–316 King’s Road, North Point, Hong Kong
Kowloon	Pioneer Centre Branch	Shop 218, 2/F, Pioneer Centre, 750 Nathan Road, Kowloon
New Territories	Tai Wai Branch	Shops 42–44, MTR Tai Wai Station, Sha Tin, New Territories

Details of where printed prospectus may be obtained will be displayed prominently at every location where Application Forms may be lodged.

During normal business hours from 9:00 a.m. on Tuesday, 13 December 2011 until 12:00 noon on Friday, 16 December 2011, at least three copies of this printed prospectus will be available for inspection at every location where the **WHITE** or **YELLOW** Application Forms are distributed.

II. METHODS OF APPLYING FOR THE HONG KONG OFFER SHARES

There are two ways to make an application for the Hong Kong Offer Shares. You may apply for the Hong Kong Offer Shares by either using a **WHITE** or **YELLOW** Application Form or giving **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC.

HOW TO APPLY FOR HONG KONG OFFER SHARES

III. APPLYING BY USING A WHITE OR YELLOW APPLICATION FORM

1. Which Application Form to Use

- (a) Use a **WHITE** Application Form if you want the Hong Kong Offer Shares to be issued in your own name.
- (b) Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Note: The Hong Kong Offer Shares are not available to existing beneficial owners of Shares in the Company, Directors or chief executives of the Company or any of its subsidiaries, or associates of any of them (an "associate" is defined in the Listing Rules) or to legal or natural persons of the PRC or persons who do not have a Hong Kong address.

2. Where to Collect the Application Forms

- (a) You can collect a **WHITE** Application Form from:

Any of the following addresses of the Sole Sponsor and the Hong Kong Underwriters:

1. **China Everbright Capital Limited**
17th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong
2. **China Everbright Securities (HK) Limited**
36th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong
3. **Sun Hung Kai Investment Services Limited**
42nd Floor, The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong
4. **VC Brokerage Limited**
28th Floor, The Centrium
60 Wyndham Street
Central
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

or any of the following branches of The Hongkong and Shanghai Banking Corporation Limited:

	Branch Name	Address
Hong Kong Island	Hong Kong Office	Level 3, 1 Queen's Road Central, Hong Kong
	Central Branch	Basement, 29 Queen's Road Central, Central, Hong Kong
	Pacific Place Branch	Shop 401, Pacific Place, 88 Queensway, Hong Kong
	North Point Branch	G/F, Winner House, 306-316 King's Road, North Point, Hong Kong
	Des Voeux Road Central Branch	China Insurance Group Bldg, 141 Des Voeux Road Central, Hong Kong
	The Westwood Branch	LG01-3, LG Floor, The Westwood, 8 Belcher's Street, Hong Kong
	Causeway Bay Branch	1/F, Causeway Bay Plaza 2, 463-483 Lockhart Road, Hong Kong
	Hopewell Centre Branch	Shops 2A, 2/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Kowloon	Kwun Tong Branch	No. 1, Yue Man Square, Kwun Tong, Kowloon
	Kowloon City Branch	1/F, 18 Fuk Lo Tsun Road, Kowloon City, Kowloon
	Pioneer Centre Branch	Shop 218, 2/F, Pioneer Centre, 750 Nathan Road, Kowloon
	To Kwa Wan Branch	142-144A Pau Chung Street, To Kwa Wan, Kowloon
New Territories	Kingswood Ginza Branch	G/F Phase II, Kingswood Ginza, Tin Shui Wai, New Territories
	Tai Wai Branch	Shops 42-44, MTR Tai Wai Station, Sha Tin, New Territories
	East Point City Branch	Shop No. 198, East Point City, 8 Chung Wa Road, Tseung Kwan O, New Territories

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (b) You can collect a **YELLOW** Application Form during normal business hours from 9:00 a.m. on Tuesday, 13 December 2011 till 12:00 noon on Friday, 16 December 2011 from:
 - (i) the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or
 - (ii) your stockbroker, who may have the Application Forms available.

3. How to complete the Application Form and make payment

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

You should note that by completing and submitting the Application Form, amongst other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:

- (a) **agree** with our Company and each Shareholder, and our Company agrees with each of our Shareholders, to observe and comply with the Companies Ordinance, the memorandum of association of the Company and the Articles;
- (b) **agree** with our Company and each Shareholder that the Shares in our Company are freely transferable by the holders thereof;
- (c) **authorise** our Company to enter into a contract on your behalf with each of the Directors and officers of our Company whereby each such Director and officer undertakes to observe and comply with his obligations to shareholders as stipulated in the memorandum of association of our Company and the Articles;
- (d) **confirm** that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations;
- (e) **agree** that our Company and the Directors are liable only for the information and representations contained in this prospectus;
- (f) **undertake** and **confirm** that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

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- (g) **agree** to disclose to our Company, our registrar, receiving banker, the Sole Global Coordinator and their respective advisors and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application;
- (h) **instruct** and **authorise** our Company and/or the Sole Global Coordinator as agent for our Company (or their respective agents or nominees) to do on your behalf all things necessary to effect registration of any Hong Kong Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by the Articles and otherwise to give effect to the arrangements described in this prospectus and the Application Form;
- (i) **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (j) **warrant** the truth and accuracy of the information contained in your application;
- (k) **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (l) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and the Application Form and agree to be bound by them;
- (m) **undertake** and **agree** to accept the Shares applied for, or any lesser number allocated to you under the application;
- (n) if the laws of any place outside Hong Kong are applicable to your application, **agree** and **warrant** that you have complied with all such laws and none of our Company, the Sole Global Coordinator and the Hong Kong Underwriters nor any of their respective officers or advisors will infringe any laws outside Hong Kong as a result of the acceptance of your offer to subscribe, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus;
- (o) **undertake** to sign all documents and to do all things necessary to enable you to be registered as the holder of the Offer Shares allocated to you, and as required by the Articles;

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- (p) **represent, warrant and undertake** that you/none of the persons for whose benefit you are applying is restricted by any applicable laws of Hong Kong or elsewhere from making the application, paying any application moneys for, or being allotted or taking up, any Hong Kong Offer Shares; and at the time the offer of Hong Kong Offer Shares was made to you and at the time you are completing and submitting the application to originate your buy order, you are, and each of the other person(s) for whose benefit you are applying is, located outside the United States (as defined in Regulation S under the U.S. Securities Act 1933) and will acquire the Hong Kong Offer Shares in an offshore transaction (within the meaning of Regulation S under the U.S. Securities Act) outside the United States; or the allotment of or the application for the Hong Kong Offer Shares to or by whom your application is made would require our Company to comply with any requirement under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong;
- (q) (if the application is made for your own benefit) **warrant** that your application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC;
- (r) (if the application is made by an agent on your behalf) **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;
- (s) (if you are an agent for another person) **warrant** that reasonable inquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, and that you are duly authorised to sign the Application Form or to give **electronic application instructions** as that other person's agent;
- (t) **agree** that once your application is accepted, your application will be evidenced by the results of the Hong Kong Public Offer made available by our Company;
- (u) **agree** to disclose to our Company, the Sole Bookrunner and their respective agents any information about you or the person(s) for whose benefit you have made the application which they require;

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- (v) **authorise** our Company to place your name(s) or HKSCC Nominees, as the case may be, on our Company's register of members as the holder(s) in Hong Kong of any Offer Shares allocated to you, and our Company and/or our Company's agents to send any Share certificate(s) (where applicable) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the first-named applicant in the Application Form by ordinary post to the address stated on the Application Form at your own risk (except if you have applied for 1,000,000 Hong Kong Offer Shares or more, as the case may be, and have indicated in the Application Form that you wish to collect your refund cheque and/or Share certificates (where applicable) in person);
- (w) **confirm** that you are aware of the restrictions on the Global Offering of the Offer Shares described in this prospectus;
- (x) **understand** that these declarations and representations will be relied upon by our Company and the Sole Global Coordinator in deciding whether or not to allocate any Offer Shares in response to your application; and
- (y) **agree** with our Company, for itself and for the benefit of each shareholder of the Company (and so that our Company will be deemed by its acceptance in whole or in part of the application to have agreed, for itself and on behalf of each shareholder of our Company) (and if applicable, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Memorandum and the Articles.

In order for the **YELLOW** Application Forms to be valid:

- (a) **If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**
 - (i) the designated CCASS Participant must endorse the Application Form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.
- (b) **If the application is made by an individual CCASS Investor Participant:**
 - (i) the Application Form must contain the CCASS Investor Participant's name and Hong Kong Identity Card number; and
 - (ii) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.

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- (c) **If the application is made by a joint individual CCASS Investor Participant:**
- (i) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong Identity Card number of all joint CCASS Investor Participants; and
 - (ii) the participant I.D. must be inserted in the appropriate box in the Application Form.
- (d) **If the application is made by a corporate CCASS Investor Participant:**
- (i) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong Business Registration number; and
 - (ii) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission of participant I.D. or other similar matters may render the application invalid.

If your application is made through a duly authorised attorney, our Company and the Sole Global Coordinator as its agent may accept it at their discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney. Our Company and the Sole Global Coordinator, in the capacity as its agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

4. How to Make Payment for the Application

Each completed **WHITE** or **YELLOW** Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left hand corner of the Application Form.

If you pay by cheque, the cheque must:

- be in Hong Kong dollars;
- not be post-dated;
- be drawn on your Hong Kong dollar bank account in Hong Kong;
- show your account name (or, in the case of joint applicants, the name of the first-named applicant) (either pre-printed on the cheque or endorsed at the back of the cheque by an authorised signatory of the bank on which it is drawn), which must be the same as the name on your Application Form (or, in the case of joint applicants, the name of the first-named applicant). If the cheque is drawn on a joint account, one of the joint account names must be the same as the name of the first-named applicant);

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- be made payable to “HSBC Nominees (Hong Kong) Limited – Perfect Shape Public Offer”; and
- be crossed “Account Payee Only”.

Your application may be rejected if your cheque does not meet all these requirements or is dishonoured on first presentation.

If you pay by banker’s cashier order, the banker’s cashier order must:

- be issued by a licensed bank in Hong Kong and have your name certified at the back of the banker’s cashier order by an authorised signatory of the bank on which it is drawn. The name on the back of the banker’s cashier order and the name on the Application Form must be the same. If the application is a joint application, the name on the back of the banker’s cashier order must be the same as the name of the first-named applicant;
- not be post-dated;
- be in Hong Kong dollars;
- be made payable to “HSBC Nominees (Hong Kong) Limited – Perfect Shape Public Offer”; and
- be crossed “Account Payee Only”.

Your application may be rejected if your banker’s cashier order does not meet all of these requirements.

The right is reserved to present all or any remittance for payment. However, your cheque or banker’s cashier order will not be presented for payment before 12:00 noon on Friday, 16 December 2011. Our Company will not give you a receipt for your payment. Our Company will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of despatch of refund cheques). The right is also reserved to retain any Share certificates and/or any surplus application monies or refunds pending clearance of your cheque or banker’s cashier order.

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5. Members of the Public — Time for Applying for Hong Kong Offer Shares

Completed **WHITE** or **YELLOW** Application Forms, together with payment attached, must be lodged by 12:00 noon on Friday, 16 December 2011, or, if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed “Effect of bad weather on the opening of the application lists” below.

Your completed Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of The Hongkong and Shanghai Banking Corporation Limited listed under the sub-paragraph headed “Where to collect the Application Forms” above at the following times:

Tuesday, 13 December 2011	—	9:00 a.m. to 4:30 p.m.
Wednesday, 14 December 2011	—	9:00 a.m. to 4:30 p.m.
Thursday, 15 December 2011	—	9:00 a.m. to 4:30 p.m.
Friday, 16 December 2011	—	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 16 December 2011.

No proceedings will be taken on applications for the Hong Kong Offer Shares and no allotment of any such Hong Kong Offer Shares will be made until after the closing of the application lists.

6. Effect of Bad Weather on the Opening of the Application Lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 16 December 2011. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

Business day means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

IV. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

1. General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F
Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to the Company and its registrars.

2. Giving Electronic Application Instructions to HKSCC to Apply for Hong Kong Offer Shares by HKSCC Nominees on your Behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

- (a) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

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- (b) HKSCC Nominees does the following things on behalf of each such person:
- **agrees** that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
 - **undertakes** and **agrees** to accept the Hong Kong Offer Shares with respect to which that person has given **electronic application instructions** or any lesser number;
 - **undertakes** and **confirms** that that person has not applied for or taken up any Offer Shares under the International Placing nor otherwise participated in the International Placing;
 - (if the **electronic application instructions** are given for that person's own benefit) **declares** that only one set of **electronic application instructions** has been given for that person's benefit;
 - (if that person is an agent for another person) **declares** that that person has only given one set of **electronic application instruction** for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;
 - **understands** that the above declaration will be relied upon by the Company, the Sole Sponsor, the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in deciding whether or not to make any allotment of the Hong Kong Offer Shares in respect of the electronic application instructions given by that person and that that person may be prosecuted if he makes a false declaration;
 - **authorises** the Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allotted in respect of that person's electronic application instructions and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;
 - **confirms** that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
 - **confirms** that that person has only relied on the information and representations in this prospectus in giving that person's electronic application instructions or instructing that person's broker or custodian to give electronic application instructions on that person's behalf;

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- **agrees** that our Company and the Directors are only liable for the information and representations contained in this prospectus and any supplement thereto;
- **agrees** to disclose that person's personal data to our Company and its registrars, receiving banker, advisors and agents and any information which they may require about that person;
- **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;
- **agrees** that that any application made by HKSCC Nominees on behalf of that person pursuant to the electronic application instructions given by that person is irrevocable before fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or a public holiday in Hong Kong), unless a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus; However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- **agrees** that once the application of HKSCC Nominees is accepted, neither that application nor that person's electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offer published by our Company;
- **agrees** to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of electronic application instructions relating to the Hong Kong Offer Shares;
- **agrees** with our Company (for the Company itself and for the benefit of each shareholder of our Company) that Shares in our Company are freely transferable by the holders thereof; and
- **agrees** that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

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3. Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participant) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designed bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the initial price per Share paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account;
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the white Application Form.

4. Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of the Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of the Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made. No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. Minimum subscription amount and permitted multiples

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions in respect of a minimum of 2,000 Hong Kong Offer Shares. Such instructions in respect of more than 2,000 Hong Kong Offer Shares must be in one of the multiples set out in the table in the Application Forms.

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6. Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, 13 December 2011	—	9:00 a.m. to 8:30 p.m. ⁽¹⁾
Wednesday, 14 December 2011	—	8:00 a.m. to 8:30 p.m. ⁽¹⁾
Thursday, 15 December 2011	—	8:00 a.m. to 8:30 p.m. ⁽¹⁾
Friday, 16 December 2011	—	8:00 a.m. ⁽¹⁾ to 12:00 noon

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 13 December 2011 until 12:00 noon on Friday, 16 December 2011 (24 hours daily, except the last application day).

7. Effect of bad weather on the last application day

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 16 December 2011. If:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal is in force in Hong Kong at any time between 9:00 a.m. to 12:00 noon on Friday, 16 December 2011, the last application day will be postponed to the next Business Day which does not have either of those warning signals in force in Hong Kong during 9:00 a.m. to 12:00 noon on such day.

8. Allocation of Hong Kong Offer Shares

For the purpose of allocating the Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit such instructions is given will be treated as an applicant.

9. Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation in this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

10. Personal data

The section headed “Personal data” of the Application Forms applies to any personal data held by our Company and the registrars about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

11. Warning

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Hong Kong Underwriters and any persons involved in the Global Offering take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either (a) submit a white or yellow Application Form; or (b) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 16 December 2011 or such later date as stated in the subparagraph headed "Effect of bad weather on the opening of the application list" above.

12. If your application for offer shares is successful

No receipt will be issued for application money paid.

If your application is wholly or partly successful, your share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your CCASS Investor Participant stock account or the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf, on Thursday, 22 December 2011 or under contingent situation, on any other date HKSCC or HKSCC Nominees chooses.

Our Company will publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company shall include information relating to the beneficial owner, if supplied), your Hong Kong Identity Card/passport number or other identification code (Hong Kong Business Registration number for corporations) and the basis of allotment of the public offer, in the newspapers on Thursday, 22 December 2011. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m., on Thursday, 22 December 2011 or any other date HKSCC or HKSCC Nominees chooses.

If you are instructing your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Offer Shares allocated to you and the amount of refund (if any) payable to you with that broker or custodian.

If you are applying as a CCASS Investor Participant, you can also check the number of offer shares allotted to you and the amount of refund (if any) payable to you via the CCASS Phone System and CCASS Internet System on Thursday,

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22 December 2011. Immediately following the credit of the offer shares to your stock account and the credit of the refund monies to your bank account, HKSCC will make available to you an activity statement showing the number of offer shares credited to your stock account and the amount of refund money credited to your designated bank account (if any).

Our Company will not issue temporary documents of title.

13. Refund of your money

All refunds of your application monies (including brokerage, transaction levy and trading fee) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 22 December 2011.

V. HOW MANY APPLICATIONS YOU CAN MAKE

1. You may make more than one application for the Hong Kong Offer Shares only if:

You are a nominee, in which case you may make an application as a nominee by: (i) giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Participant); or (ii) using a **WHITE** or **YELLOW** Application Form and lodging more than one application in your own name on behalf of different beneficial owners. In the box on the **WHITE** or **YELLOW** Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code for each beneficial owner (or, in the case of joint beneficial owners, for each such joint beneficial owner).

If you do not include this information, the application will be treated as being made for your own benefit.

2. All of your applications for the Hong Kong Offer Shares (including the part of the application made by HKSCC Nominees Limited acting on **electronic application instructions**) will be rejected as multiple applications if you, or you and your joint applicant(s) together or any of your joint applicants:
 - make more than one application (whether individually or jointly with others) on **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant); or

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- both apply (whether individually or jointly with others) on one (or more) **WHITE** Application Form and one (or more) **YELLOW** Application Form or on one (or more) **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC via CCASS; or
 - apply (whether individually or jointly with others) on one (or more) **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) for more than 100% of the Hong Kong Offer Shares being initially available in either pool A or pool B to the public as referred to under the section headed “Structure of the Global Offering” in this prospectus; or
 - have applied for or taken up, or indicated an interest in applying for or taking up or have been or will be placed (including conditionally and/or provisionally) any International Placing Shares under the International Placing.
3. All of your applications for the Hong Kong Offer Shares are liable to be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees Limited acting on electronic application instructions. If an application is made by an unlisted company and:
- (a) the only business of that company is dealing in securities; and
 - (b) you exercise statutory control over that company, then the application will be deemed to be made for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control in relation to a company means you:

- (a) control the composition of the board of directors of that company; or
- (b) control more than half of the voting power of that company; or
- (c) hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

VI. PUBLICATION OF RESULTS

Our Company expects to publish (i) the final Offer Price; (ii) the level of indication of interests in the International Placing; (iii) the level of applications in the Hong Kong Public Offer; and (iv) the basis of allotment of the Hong Kong Offer Shares on the website of our Company at www.perfectshape.com.hk and the website of the Stock Exchange at

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www.hkexnews.hk by no later than 9:00 a.m. on Thursday, 22 December 2011 and in The Standard (in English) and the Sing Tao Daily (in Chinese) on or before Thursday, 22 December 2011.

Results of allocations in the Hong Kong Public Offer, including the Hong Kong identity card numbers, passport numbers or Hong Kong business registration numbers of successful applicants (where supplied) and the number of the Hong Kong Offer Shares successfully applied for will be made available at the times and dates and in the manner specified below:

- on our website at www.perfectshape.com.hk and the Stock Exchange's website at www.hkexnews.hk from 9:00 a.m. on Thursday, 22 December 2011 onwards;
- on our Hong Kong Public Offer results of allocations website at www.tricor.com.hk/ipo/result on a 24-hour basis from 8:00 a.m. on Thursday, 22 December 2011 to 12:00 midnight on Friday, 30 December 2011. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its Application Form to search for his/her/its own allocation result;
- from our Hong Kong Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of the Hong Kong Offer Shares allocated to them, if any, by calling 3691-8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 22 December 2011 to Thursday, 29 December 2011 (excluding Saturday, Sunday and Public Holiday); and
- from special allocation results booklets setting out the results of allocations which will be available for inspection during opening hours of the designated branches of the receiving banker of the Hong Kong Public Offer from Thursday, 22 December 2011 to Wednesday, 28 December 2011 at the addresses set out under "Where to collect the Application Forms" above in this section.

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VII. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND CHEQUES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than HK\$1.80 per Share (excluding brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% thereon) initially paid on application, or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with “Structure of the Global Offering — Conditions of the Hong Kong Public Offer” in this prospectus or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage fee, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

No temporary documents of title will be issued with respect to the Hong Kong Offer Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on your Application Form:

- (a) for applications on **WHITE** Application Forms: (i) Share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or (ii) Share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (for wholly successful and partially successful applicants on **YELLOW** Application Forms: Share certificates for their Hong Kong Offer Shares successfully applied for will be deposited into CCASS as described below); and/or
- (b) for applications on **WHITE** or **YELLOW** Application Forms, refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the maximum Offer Price per Share paid on application in the event that the Offer Price is less than the Offer Price per Share initially paid on application, in each case including the brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest.

Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data could also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment

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of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of, or may invalidate, your refund cheque.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) with respect to wholly and partially unsuccessful applications and the difference between the Offer Price and the Offer Price per Share initially paid on application (if any) under white or yellow Application Forms; and Share certificates for wholly and partially successful applicants under white Application Forms are expected to be posted on or around Thursday, 22 December 2011. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s).

Share certificates will only become valid certificates of title at 8:00 a.m. on Friday, 23 December 2011 provided that the Hong Kong Public Offer has become unconditional in all respects and the right of termination described in “Underwriting — Grounds for Termination” in this prospectus has not been exercised.

*(a) If you apply using a **WHITE** Application Form:*

If you apply for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** Application Form and have indicated your intention in your Application Form to collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) from our Company’s Hong Kong branch shares registrar and transfer office, Tricor Investor Services Limited and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and Share certificate(s) (where applicable) from our Company’s Hong Kong branch shares registrar and transfer office, Tricor Investor Services Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 22 December 2011 or such other place and date as notified by the Company in the newspapers as the place and date of collection/despatch of refund cheques/Share certificates. If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Company’s Hong Kong branch shares registrar and transfer office, Tricor Investor Services Limited. If you do not collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) in person, your refund cheque(s) (where

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applicable) and/or Share certificate(s) (where applicable) will be sent to the address on your Application Form on or around Thursday, 22 December 2011, by ordinary post and at your own risk.

*(b) If you apply using a **YELLOW** Application Form:*

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) in person, your refund cheque(s) (where applicable) will be sent to the address on your Application Form on or around Thursday, 22 December 2011, by ordinary post and at your own risk.

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Thursday, 22 December 2011, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

(c) If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

For Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

(d) If you are applying as a CCASS Investor Participant:

Our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the newspapers on Thursday, 22 December 2011. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 22 December 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System or CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

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VIII. REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Offer Shares for any reasons, our Company will refund to you your application monies, including the related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon.

If your application is accepted only in part, our Company will refund to you the appropriate portion of your application monies, including the related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, without interest.

If the Offer Price as finally determined is less than HK\$1.80 per Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, our Company will refund to you the surplus application monies, together with the related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies, without interest. Please refer to “Despatch/Collection of Share Certificates and Refund Cheques” above in this section.

Refund cheques will be crossed “Account Payee Only”, and made out to you, or, if you are joint applicants, to the first-named applicant on the Application Form. Part of your Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong Identity Card number/passport number may lead to delay in encashment of or may invalidate your refund cheque. Refund cheques are expected to be despatched on Thursday, 22 December 2011.

Refund of your application monies (if any) will be made on or about Thursday, 22 December 2011 in accordance with the various arrangements as described in this section.

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IX. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED THE HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted Hong Kong Offer Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note in particular the following situations in which the Hong Kong Offer Shares will not be allotted to you:

If your application is revoked:

By completing and submitting an Application Form or submitting **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees Limited on your behalf may only be revoked after the fifth business day after the time of the opening of the application lists of the Hong Kong Public Offer. This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person on or before that day except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may be revoked before the fifth business day after the time of the opening of the application lists if a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allotment, and where such basis of allotment is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

If our Company or its agents or nominees exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator (on behalf of the Company) or their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. Our Company, the Sole Global Coordinator (on behalf of the Company) or their respective agents or nominees do not have to give any reason for any rejection or acceptance.

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If the allotment of the Hong Kong Offer Shares is void:

Your allotment of the Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares in issue and to be issued as mentioned in this prospectus either:

- within three weeks from the closing of the application lists in respect of the Hong Kong Public Offer; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies our Company of that longer period within three weeks of the closing of the application lists in respect of the Hong Kong Public Offer.

If your application is rejected:

Your application will be rejected if:

- it is a multiple or suspected multiple application;
- your Application Form is not completed correctly in accordance with the instructions therein;
- you or the person(s) for whose benefit you are applying have applied for and/or been allotted or will be allotted with the International Placing Shares;
- your payment is not in the correct form;
- you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;
- our Company and the Sole Global Coordinator (on behalf of the Company) believe that the acceptance of your application would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is completed and/or signed or your address appeared in the Application Form is located;
- your application is for more than 100% of the Hong Kong Offer Shares initially offered for public subscription in either pool A (12,500,000 Shares) or pool B (12,500,000 Shares); or
- any of the Underwriting Agreements does not become unconditional in accordance with its terms or is terminated in accordance with its terms.

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X. COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares are expected to commence on Friday, 23 December 2011.

The Shares will be traded in board lots of 2,000 Shares each.

The Stock Exchange stock code for the Shares is 1830.

XI. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to China Everbright Capital Limited pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

13 December 2011

The Directors
Perfect Shape (PRC) Holdings Limited

China Everbright Capital Limited

Dear Sirs

We report on the financial information of Perfect Shape (PRC) Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the combined balance sheets as at 31 March 2009, 2010 and 2011 and 31 July 2011 and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 March 2009, 2010 and 2011 and the four months ended 31 July 2011 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to V below for inclusion in Appendix I to the prospectus of the Company dated 13 December 2011 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 11 March 2011 as an exempted company with limited liability under Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 2 of Section II headed "Reorganisation" below, which was completed on 1 December 2011, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 2 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

The subsidiaries incorporated in the People's Republic of China and Macau have adopted 31 December as their financial year end date. All other companies now comprising the Group have adopted 31 March as their financial year end date.

No audited financial statements have been prepared by the Company as it is newly incorporated and has not been involved in any significant business transactions since its date of incorporation other than the Reorganisation. The audited financial statements of other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their respective places of incorporation or establishment. The details of the statutory auditors of the subsidiaries now comprising the Group are set out in Note 2 of Section II below.

The directors of the Company have prepared the combined financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSA") issued by the HKICPA pursuant to separate terms of engagement with the Company.

The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and presented on the basis set out in Note 3 of Section II below.

Directors' responsibility for the financial information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with the basis of presentation set out in Note 3 of Section II below and in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in Note 3 of Section II below, a true and fair view of the combined state of affairs of the Group as at 31 March 2009, 2010 and 2011 and 31 July 2011 and of the Group's combined results and cash flows for each of the Relevant Periods then ended.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I to III below included in Appendix I to the Prospectus which comprises the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the four months ended 31 July 2010 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation set out in Note 3 of Section II below and the accounting policies set out in Note 4 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report and presented on the basis set out in Note 3 of Section II below, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 4 of Section II below.

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 March 2009, 2010 and 2011 and 31 July 2011 and for each of the years ended 31 March 2009, 2010 and 2011 and the four months ended 31 July 2010 and 2011 (the "Financial Information"), presented on the basis set out in Note 3 of Section II below:

(A) COMBINED BALANCE SHEETS

	Section II <i>Note</i>	As at 31 March			As at 31 July
		2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
ASSETS					
Non-current assets					
Property, plant and equipment	8	20,109	26,493	32,403	34,298
Available-for-sale financial assets	9	—	—	9,943	4,864
Deposits and prepayments	14	7,714	6,071	15,109	17,912
Deferred income tax assets	21	<u>3,451</u>	<u>4,214</u>	<u>12,897</u>	<u>15,632</u>
		<u>31,274</u>	<u>36,778</u>	<u>70,352</u>	<u>72,706</u>
Current assets					
Inventories	12	511	1,018	1,068	668
Trade receivables	13	17,412	11,810	8,103	8,980
Other receivables, deposits and prepayments	14	5,620	9,740	20,825	22,135
Amounts due from related companies	15	33	82	290	328
Amounts due from directors	16	68,338	38,359	37,268	36,678
Amount due from a shareholder	17	—	29,106	—	—
Financial assets at fair value through profit or loss	10	—	10,093	46,760	6,055
Cash and cash equivalents	18	<u>26,280</u>	<u>48,183</u>	<u>74,206</u>	<u>139,849</u>
		<u>118,194</u>	<u>148,391</u>	<u>188,520</u>	<u>214,693</u>
Total assets		<u>149,468</u>	<u>185,169</u>	<u>258,872</u>	<u>287,399</u>

	Section II Note	As at 31 March			As at 31 July 2011
		2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2011 HK\$'000
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Combined share capital	19	457	457	457	457
Other reserves	20	—	49	1,664	3,548
Retained earnings		<u>12,529</u>	<u>36,999</u>	<u>46,725</u>	<u>74,400</u>
Total equity		<u>12,986</u>	<u>37,505</u>	<u>48,846</u>	<u>78,405</u>
LIABILITIES					
Non-current liabilities					
Deferred income tax liabilities	21	275	599	2,622	4,224
Provision for reinstatement costs	22	<u>1,648</u>	<u>1,413</u>	<u>1,292</u>	<u>1,392</u>
		<u>1,923</u>	<u>2,012</u>	<u>3,914</u>	<u>5,616</u>
Current liabilities					
Provision for reinstatement costs	22	403	713	424	599
Trade payables	23	454	615	1,503	1,142
Accruals and other payables	24	11,983	16,934	22,264	16,822
Deferred revenue	25	118,323	122,433	148,672	146,970
Tax payable		3,313	4,957	14,781	18,790
Amount due to a related company	15	83	—	—	—
Amount due to a director	16	—	—	15,791	16,378
Amount due to a shareholder	17	<u>—</u>	<u>—</u>	<u>2,677</u>	<u>2,677</u>
		<u>134,559</u>	<u>145,652</u>	<u>206,112</u>	<u>203,378</u>
Total liabilities		<u>136,482</u>	<u>147,664</u>	<u>210,026</u>	<u>208,994</u>
Total equity and liabilities		<u>149,468</u>	<u>185,169</u>	<u>258,872</u>	<u>287,399</u>
Net current (liabilities)/ assets		<u>(16,365)</u>	<u>2,739</u>	<u>(17,592)</u>	<u>11,315</u>
Total assets less current liabilities		<u>14,909</u>	<u>39,517</u>	<u>52,760</u>	<u>84,021</u>

(B) COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Section II Note	Year ended 31 March			Four months ended 31 July	
		2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000
					(unaudited)	
Revenue	7, 26	236,273	234,857	308,976	100,875	134,499
Other income	27	212	130	384	71	54
Other (losses)/gains — net	28	(1,024)	21	1,580	68	660
Cost of inventories and consumables		(1,925)	(4,928)	(7,450)	(2,478)	(2,240)
Employee benefit expenses	30	(86,631)	(78,665)	(85,648)	(28,878)	(31,318)
Marketing expenses		(46,899)	(47,315)	(56,420)	(24,286)	(23,091)
Depreciation		(16,516)	(15,143)	(16,494)	(5,515)	(5,658)
Operating lease rentals		(20,055)	(20,389)	(29,875)	(8,138)	(12,106)
Other operating expenses	29	(28,764)	(32,858)	(49,590)	(13,855)	(21,767)
Operating profit		34,671	35,710	65,463	17,864	39,033
Interest income		4	25	238	19	596
Profit before income tax		34,675	35,735	65,701	17,883	39,629
Income tax expense	32	(6,092)	(6,216)	(15,441)	(3,581)	(10,743)
Profit for the year/period attributable to equity holders of the Company		28,583	29,519	50,260	14,302	28,886
Other comprehensive (loss)/income:						
Net fair value (losses)/gains on available-for-sale financial assets		—	—	(15)	—	74
Disposal of available-for-sale financial assets		—	—	—	—	(197)
Currency translation differences		—	—	465	(146)	796
Total other comprehensive income/(loss) for the year/period		—	—	450	(146)	673
Total comprehensive income for the year/period attributable to equity holders of the Company		28,583	29,519	50,710	14,156	29,559
Dividends	33	—	5,000	39,369	—	—
Earnings per share	34	N/A	N/A	N/A	N/A	N/A

(C) COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the equity holders of the Company			Total HK\$'000
	Combined share capital HK\$'000	Other reserves (Note 20) HK\$'000	(Accumulated losses)/ retained earnings HK\$'000	
At 1 April 2008	360	—	(16,054)	(15,694)
Total comprehensive income				
Profit for the year	—	—	28,583	28,583
Transactions with owners				
Issue of ordinary shares	97	—	—	97
At 31 March 2009	457	—	12,529	12,986
At 1 April 2009	457	—	12,529	12,986
Total comprehensive income				
Profit for the year	—	—	29,519	29,519
Transactions with owners				
Dividends (Note 33)	—	—	(5,000)	(5,000)
Appropriation (Note 20(a))	—	49	(49)	—
	—	49	(5,049)	(5,000)
At 31 March 2010	457	49	36,999	37,505
At 1 April 2010	457	49	36,999	37,505
Comprehensive income				
Profit for the year	—	—	50,260	50,260
Other comprehensive income				
Net fair value losses on available- for-sale financial assets	—	(15)	—	(15)
Currency translation differences	—	465	—	465
Total other comprehensive income	—	450	—	450
Total comprehensive income	—	450	50,260	50,710
Transactions with owners				
Dividends (Note 33)	—	—	(39,369)	(39,369)
Appropriation (Note 20(b))	—	1,165	(1,165)	—
	—	1,165	(40,534)	(39,369)
At 31 March 2011	457	1,664	46,725	48,846

	Attributable to the equity holders of the Company			Total HK\$'000
	Combined share capital HK\$'000	Other reserves (Note 20) HK\$'000	(Accumulated losses)/ retained earnings HK\$'000	
At 1 April 2011	457	1,664	46,725	48,846
Comprehensive income				
Profit for the period	—	—	28,886	28,886
Other comprehensive income				
Net fair value gains on available- for-sale financial assets	—	74	—	74
Disposal of available-for-sale financial assets	—	(197)	—	(197)
Currency translation differences	—	796	—	796
Total other comprehensive income	—	673	—	673
Total comprehensive income	—	673	28,886	29,559
Transactions with owners				
Appropriations (Note 20(b))	—	1,211	(1,211)	—
At 31 July 2011	457	3,548	74,400	78,405
Unaudited:				
At 1 April 2010	457	49	36,999	37,505
Comprehensive income				
Profit for the period	—	—	14,302	14,302
Other comprehensive income				
Currency translation differences	—	(146)	—	(146)
Total comprehensive income	—	(146)	14,302	14,156
At 31 July 2010	457	(97)	51,301	51,661

(D) COMBINED STATEMENTS OF CASH FLOWS

	Section II <i>Note</i>	Year ended 31 March			Four months ended 31 July	
		2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Cash flows from operating activities						
Cash generated from operations	37	21,393	57,934	105,650	46,619	32,039
Interest received		4	25	238	19	596
Income tax paid		(2,135)	(5,011)	(12,341)	(698)	(7,940)
Net cash generated from operating activities		19,262	52,948	93,547	45,940	24,695
Cash flows from investing activities						
Purchase of property, plant and equipment		(10,872)	(20,564)	(24,390)	(6,006)	(7,567)
Sales proceeds from disposal of property, plant and equipment		808	—	38	—	1
Reinstatement costs paid for shop and office premises		(37)	(481)	(528)	(97)	—
Purchase of available-for-sale financial assets		—	—	(14,912)	—	—
Purchase of financial assets at fair value through profit or loss		—	(10,000)	(172,976)	—	(72,159)
Sales proceeds from disposal of available-for-sale financial assets		—	—	5,093	—	5,191
Sales proceeds from disposal of financial assets at fair value through profit or loss		—	—	138,412	—	113,819
Dividend income received from available-for-sale financial assets		—	—	203	70	43
Net cash (used in)/generated from investing activities		(10,101)	(31,045)	(69,060)	(6,033)	39,328
Cash flows from financing activities						
Issue of ordinary shares		97	—	—	—	—
Net cash generated from financing activities		97	—	—	—	—
Net increase in cash and cash equivalents		9,258	21,903	24,487	39,907	64,023
Cash and cash equivalents at 1 April		17,022	26,280	48,183	48,183	74,206
Effect of foreign exchange rate changes		—	—	1,536	270	1,620
Cash and cash equivalents at 31 March/31 July	18	26,280	48,183	74,206	88,360	139,849

II NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

Perfect Shape (PRC) Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 11 March 2011 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company and together with its subsidiaries (the “Group”) are principally engaged in the provision of slimming and beauty services and the sales of slimming and beauty products in Hong Kong (“HK”), the People’s Republic of China (the “PRC”) and Macau. The companies now comprising the Group are jointly owned by Dr. Au-Yeung, Ms. Au-Yeung Wai and Ms. Au-Yeung Hung, who are siblings, and their mother Ms. Li Yi Fan (together, the “Au-Yeung Family”).

2 REORGANISATION

Pursuant to the reorganisation (the “Reorganisation”) in preparation for the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited, the Company acquired all the companies now comprising the Group from the Au-Yeung Family. The Reorganisation principally involved:

- On 11 March 2011, the Company was incorporated with an authorised share capital of HK\$1,000,000,000 divided into 10,000,000,000 shares of par value of HK\$0.10 each (the “Share”). On the same day, 1 Share was issued to the Company’s initial subscriber. The subscriber share was subsequently transferred to Dr. Au-Yeung and on the same day, the Company allotted and issued 50 Shares to Dr. Au-Yeung, 25 Shares to Ms. Au-Yeung Hung and 24 Shares to Ms. Au-Yeung Wai at par value.
- On 25 March 2011, Perfect Shape Holdings (HK) Limited and Perfect Shape Holdings (China) Limited were incorporated with limited liability in the British Virgin Islands (“BVI”). 51, 25 and 24 shares of these companies representing 51%, 25% and 24% of their respective total issued share capital were issued and allotted at par to Dr. Au-Yeung, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai respectively.
- During the period from November to December 2011, the members of the Au-Yeung Family transferred to Perfect Shape Holdings (HK) Limited their entire equity interests in all subsidiaries now comprising the Group incorporated in Hong Kong and Macau except Perfect Shape Investment (Shanghai) Limited, Perfect Shape & Skin Management Co., Ltd. and Perfect Shape Advertising Company Limited. Upon completion of these transfers, all these companies became wholly-owned subsidiaries of Perfect Shape Holdings (HK) Limited.
- On 15 November 2011, the members of the Au-Yeung Family transferred to Perfect Shape Holdings (China) Limited their entire equity interests in Perfect Shape Investment (Shanghai) Limited. Upon completion of these transfers, Perfect Shape Investment (Shanghai) Limited became a wholly-owned subsidiary of Perfect Shape Holdings (China) Limited.
- On 15 November 2011, the members of the Au-Yeung Family transferred to the Company their entire equity interests in Perfect Shape & Skin Management Co., Ltd. and Perfect Shape Advertising Company Limited. Upon completion of these transfers, Perfect Shape & Skin Management Co., Ltd. and Perfect Shape Advertising Company Limited became wholly-owned subsidiaries of the Company.

- On 30 November 2011, the Company, Dr. Au-Yeung, Ms. Au-Yeung Hung, Ms. Au-Yeung Wai and Perfect Shape Holdings (HK) Limited entered into a share swap agreement (the "First Share Swap Agreement") pursuant to which Dr. Au-Yeung, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai transferred their entire equity interests in Perfect Shape Holdings (HK) Limited to the Company, and the considerations are satisfied by the Company issuing and allotting 51, 25 and 24 Shares, all credited as fully paid, to Sure Sino Investments Limited, Market Event Holdings Limited and Earlson Holdings Limited, companies owned and controlled by Dr. Au-Yeung, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai respectively. Upon completion of the share swap, Perfect Shape Holdings (HK) Limited became a wholly-owned subsidiary of the Company.
- On 30 November 2011, the Company, Dr. Au-Yeung, Ms. Au-Yeung Hung, Ms. Au-Yeung Wai and Perfect Shape Holdings (China) Limited entered into a share swap agreement (the "Second Share Swap Agreement") pursuant to which Dr. Au-Yeung, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai transferred their entire equity interests in Perfect Shape Holdings (China) Limited to the Company, and the considerations are satisfied by the Company issuing and allotting 51, 25 and 24 Shares, all credited as fully paid, to Sure Sino Investments Limited, Market Event Holdings Limited and Earlson Holdings Limited. Upon completion of the share swap, Perfect Shape Holdings (China) Limited became a wholly-owned subsidiary of the Company.

As at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation / establishment	Principal activities	Registered/issued and fully paid up share capital	Effective interest held by the Group (Note 1)	Name of statutory auditors		
					2009	2010	2011
<i>Direct Interests:</i>							
Perfect Shape Advertising Company Limited	HK; 29 June 2007	Provision of advertising services to the Group	10,000 shares of HK\$1 each	100%	(a)	(a)	(c)
Perfect Shape Holdings (China) Limited	The British Virgin Islands; 25 March 2011	Investment holding	100 shares of US\$1 each	100%	N/A	N/A	N/A
Perfect Shape Holdings (HK) Limited	The British Virgin Islands; 25 March 2011	Investment holding	100 shares of US\$1 each	100%	N/A	N/A	N/A
Perfect Shape & Skin Management Co. Limited	HK; 19 September 2006	Holding of trademarks	10,000 shares of the HK\$1 each	100%	(a)	(a)	(c)
<i>Indirect Interests:</i>							
Dr. Face Limited (formerly known as "Perfect Shape & Spa (Hunghom) Limited")	HK; 8 November 2007	Provision of slimming and beauty services and sales of slimming and beauty products	10,000 shares of HK\$1 each	100%	(a)	(b)	(c)
Perfect Shape & Skin Limited	HK; 3 December 2003	Rental of equipment	20,000 shares of HK\$1 each	100%	(a)	(a)	(c)
Perfect Shape & Skin (CNT) Limited	HK; 5 December 2006	Provision of slimming and beauty services and sales of slimming and beauty products	10,000 shares of HK\$1 each	100%	(a)	(a)	(c)

Name of subsidiary	Place and date of incorporation / establishment	Principal activities	Registered/issued and fully paid up share capital	Effective interest held by the Group (Note 1)	Name of statutory auditors		
					2009	2010	2011
Perfect Shape & Skin (SS) Limited	HK; 6 December 2006	Inactive	10,000 shares of HK\$1 each	100%	(a)	(b)	(c)
Perfect Shape & Skin (TKO) Limited	HK; 2 August 2006	Inactive	10,000 shares of HK\$1 each	100%	(a)	(a)	(c)
Perfect Shape & Skin (TM) Limited	HK; 6 December 2006	Provision of slimming and beauty services and sales of slimming and beauty products	10,000 shares of HK\$1 each	100%	(a)	(a)	(c)
Perfect Shape & Skin (TW) Limited	HK; 24 November 2005	Inactive	20,000 shares of HK\$1 each	100%	(a)	(b)	(c)
Perfect Shape & Skin (YL) Limited	HK; 5 July 2006	Provision of slimming and beauty service and sales of slimming and beauty products	10,000 shares of HK\$1 each	100%	(a)	(a)	(c)
Perfect Shape & Spa Limited	HK; 23 March 2007	Provision of slimming and beauty services and sales of slimming and beauty products	10,000 shares of HK\$1 each	100%	(a)	(a)	(c)
Perfect Shape & Spa (CWB) Limited	HK; 30 March 2007	Provision of slimming and beauty services and sales of slimming and beauty products	10,000 shares of HK\$1 each	100%	(a)	(b)	(c)
Perfect Shape & Spa (KT) Limited	HK; 8 November 2007	Provision of slimming and beauty services and sales of slimming and beauty products	10,000 shares of HK\$1 each	100%	(a)	(b)	(c)
Perfect Shape & Skin (Macau) Limited	Macau; 30 November 2007	Provision of slimming and beauty services and sales of slimming and beauty products	MOP100,000	100%	(a)	(b)	(c)
Perfect Shape & Spa (MK) Limited	HK; 30 March 2007	Provision of slimming and beauty services and sales of slimming and beauty products	10,000 shares of HK\$1 each	100%	(a)	(b)	(c)
Paris Medical Beauty Limited (formerly known as "Perfect Shape & Spa (MOS) Limited")	HK; 8 November 2007	Inactive	10,000 shares of HK\$1 each	100%	(a)	(b)	(c)
Perfect Shape & Spa (NP) Limited	HK; 11 September 2007	Provision of slimming and beauty services and sales of slimming and beauty products	10,000 shares of HK\$1 each	100%	(a)	(b)	(c)
Perfect Shape & Spa (TP) Limited	HK; 4 December 2007	Provision of slimming and beauty services and sales of slimming and beauty products	10,000 shares of HK\$1 each	100%	(a)	(b)	(c)

Name of subsidiary	Place and date of incorporation / establishment	Principal activities	Registered/issued and fully paid up share capital	Effective interest held by the Group (Note 1)	Name of statutory auditors		
					2009	2010	2011
Perfect Shape & Spa (TST) Limited	HK; 10 August 2007	Provision of slimming and beauty services and sales of slimming and beauty products	10,000 shares of HK\$1 each	100%	(a)	(b)	(c)
Perfect Shape (Holdings) Limited	HK; 10 October 2007	Provision of management service	10,000 shares of HK\$1 each	100%	(a)	(a)	(c)
Slim Model Beauty Limited (formerly known as "Perfect Shape & Spa (Wan Chai) Limited")	HK; 10 August 2007	Provision of slimming and beauty services and sales of slimming and beauty products	10,000 shares of HK\$1 each	100%	(a)	(a)	(c)
Slimming Medical Beauty Centre Limited (formerly known as "Perfect Shape & Spa (Mongkok) Limited")	HK; 21 September 2007	Inactive	10,000 shares of HK\$1 each	100%	(a)	(b)	(c)
Perfect Shape & Spa (TW) Limited (formerly known as "Perfect Hair & Skin Limited")	HK; 5 July 2006	Provision of slimming and beauty services and sales of slimming and beauty products	10,000 shares of HK\$1 each	100%	(a)	(a)	(c)
Perfect Shape Investment (Shanghai) Limited	HK; 30 November 2007	Investment holding	10,000 shares of HK\$1 each	100%	(a)	(a)	(c)
Perfect Skin Medical Limited	HK; 31 August 2006	Provision of slimming and beauty services and sales of slimming and beauty products	10,000 shares of HK\$1 each	100%	(a)	(a)	(c)
廣州必瘦站纖體美容有限公司 (Guangzhou Perfect Shape Limited)	PRC; 14 July 2009	Provision of beauty services and sales of cosmetic products	RMB1,000,000	100%	N/A	(d)	(d)
必瘦站企業管理諮詢(深圳)有限公司 (前稱: 必瘦站美容(深圳)有限公司) (Perfect Shape Consultancy Shenzhen Limited)	PRC; 15 January 2009	Investment holding	RMB1,000,000	100%	N/A	(e)	(g)
廣州瘦必站纖體美容有限公司 (Guangzhou Shape Perfect Limited)	PRC; 26 November 2009	Provision of slimming and beauty services and sales of cosmetic products	RMB1,000,000	100%	N/A	(d)	(d)
北京雪肌美容美體有限公司 (Beijing Snow Skin Limited)	PRC; 12 February 2010	Provision of slimming and beauty services and sales of cosmetic products	RMB1,000,000	100%	N/A	N/A	N/A
深圳瘦必站美容纖體有限公司 (Shenzhen Shape Perfect Limited)	PRC; 8 September 2009	Provision of beauty services and sales of cosmetic products	RMB1,000,000	100%	N/A	(e)	(g)
上海慕詩企業管理諮詢有限公司 (Shanghai Mushi Consultancy Limited)	PRC; 1 December 2010	Provision of corporate management services, slimming services, and wholesale of cosmetic products	RMB1,000,000	100%	N/A	N/A	N/A

Name of subsidiary	Place and date of incorporation / establishment	Principal activities	Registered/issued and fully paid up share capital	Effective interest held by the Group (Note 1)	Name of statutory auditors		
					2009	2010	2011
廣州愛瑪企業管理諮詢有限公司 (Guangzhou Emma Consultancy Limited)	PRC; 15 October 2010	Provision of corporate management services, beauty and slimming services, and wholesale of cosmetic products	RMB500,000	100%	N/A	N/A	N/A
上海必瘦站企業管理諮詢有限公司 (Shanghai Perfect Shape Consultancy Limited)	PRC; 1 December 2010	Provision of beauty services and sales of beauty products	RMB1,000,000	100%	N/A	N/A	N/A
上海愛瑪企業管理諮詢有限公司 (Shanghai Emma Consultancy Limited)	PRC; 1 December 2010	Provision of corporate management services, beauty and slimming services, and wholesale of cosmetic products	RMB1,000,000	100%	N/A	N/A	N/A

- (a) Elsie Wong & Co., Certified Public Accountants, Hong Kong.
- (b) S.S. Lau & Co., Certified Public Accountants, Hong Kong.
- (c) PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.
- (d) 廣州安立信會計師事務所 (Guangzhou Anlixin Certified Public Accountants Co.,Ltd.).
- (e) 深圳皇嘉會計師事務所 (Wongga Partners Certified Public Accountants (SZ)).
- (f) 廣東誠豐信會計師事務所有限公司 (Guangdong Cheng Feng Xin Certified Public Accountants Co.,Ltd.).
- (g) 深圳天悅華元會計師事務所 Shenzhen (Toyowa Partners Certified Public Accountants Co.,Ltd.).
- (h) HMV & Associates.

Note 1: During the Relevant Periods, the Group held 100% indirect or direct interests of these subsidiaries.

Note 2: The English names of the group companies incorporated in the PRC represent the best effort by the management of the Group in translating its Chinese name as they do not have official English names.

3 BASIS OF PRESENTATION

The companies now comprising the Group are under common control of the Au-Yeung Family throughout the Relevant Periods. For the purpose of this report, the financial information has been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. The combined balance sheets of the Group as at 31 March 2009, 2010 and 2011 and 31 July 2011 and the combined statements of comprehensive income, combined statements of cash flows and combined statements of changes in equity of the Group for the Relevant Periods have been prepared using the financial information of the companies now comprising the Group as if the current group structure had been in existence throughout the Relevant Periods, except that the financial information of those companies newly set up by the Group during the Relevant Periods is included in the financial information from their respective dates of incorporation.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Basis of preparation

The principal accounting policies applied in the preparation of the Financial Information which are in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA are set out below. The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and available-for-sale financial assets which are carried at fair value.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 6 of Section II below.

As at the date of this report, the following standards, amendments and interpretations to existing standards have been published by the HKICPA but are not yet effective during the Relevant Periods and have not been early adopted by the Group.

- HKAS 1 (Amendment), "Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012). The amendment changes the disclosure of items presented in other comprehensive income in the statement of comprehensive income. The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present other comprehensive income items before tax will be required to show the amount of tax related to the two groups separately. The title used by HKAS 1 for the statement of comprehensive income has changed to 'statement of profit or loss and other comprehensive income'. However HKAS 1 still permits entities to use other titles.

The amendment is not expected to have a significant impact to the Group.

- HKAS 12 (Amendment), "Deferred Tax: Recovery of Underlying Assets" (effective for annual periods beginning on or after 1 January 2012). The amendment introduces an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of

the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. This amendment is not expected to have any significant impact to the Group as it does not have investment property.

- HKAS 19 (Amendment), “Employee Benefits” (effective for annual period beginning on or after 1 January 2013). The issuance of the standard completes improvements to the accounting requirements for pensions and other post-employment benefits and the following important improvements have been made:
 - Eliminating an option to defer the recognition of gains and losses, known as the ‘corridor method’, improving comparability and faithfulness of presentation.
 - Streamlining the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income, thereby separating those changes from changes that many perceive to be the result of an entity’s day-to-day operations.
 - Enhancing the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

The new standard is not expected to have a significant impact to the Group.

- HKFRS 7 (Amendment), “Financial Instruments: Disclosures” (effective for annual periods beginning on or after 1 July 2011). The amendment introduces new disclosure requirement on transfers of financial assets. Disclosure is required by class of asset of the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remained on the entity’s balance sheet. The gain or loss on the transferred assets and any retained interest in those assets must be given. In addition, other disclosures must enable users to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. The disclosures must be presented by type of ongoing involvement. For example, the retained exposure could be presented by type of financial instrument (such as guarantees, call or put options), or by type of transfer (such as factoring of receivables, securitisations or securities lending).

This amendment is not expected to have significant impact to the Group.

- HKFRS 9, “Financial Instruments” (effective for annual periods beginning on or after 1 January 2013). Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flows characteristics of the instrument. An instrument is subsequently measured at amortised cost only if it is a debt instrument and the objective of the entity’s business model is to hold the asset to collect the contractual cash flows, and the asset’s contractual cash flows represent only payments of principal and interest (that is, it has only ‘basic loan features’). All other debt instruments are to be measured at fair value through profit or loss. All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

Classification and measurement requirements for financial liabilities and the derecognition requirements for financial instruments has been relocated from HKAS 39 without change, except for financial liabilities that are designated at fair value through profit or loss and the cost exemption is removed for derivative liabilities linked to unquoted equity instruments.

For financial liabilities designated at fair value through profit or loss, changes in the fair value due to changes in own credit risk are recognised directly in other comprehensive income. All other changes in fair value are recognised in profit or loss. Amounts presented in other comprehensive income are not subsequently reclassified to profit or loss but may be transferred within equity.

The new standard is not expected to have significant impact to the Group.

- HKFRS 10, “Consolidated Financial Statements” and the consequential amendments to HKAS 27 “Consolidated and Separate Financial Statements” (effective for annual periods beginning on or after 1 January 2013). HKFRS 10 replaces all of the guidance on control and consolidation in HKAS 27, ‘Consolidated and Separate Financial Statements’, and HK(SIC) — Int 12, ‘Consolidation — Special Purpose Entities’. HKAS 27 is renamed ‘Separate Financial Statements’; it continues to be a standard dealing solely with separate financial statements. The existing guidance for separate financial statements is unchanged.

HKFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. The revised definition of control focuses on the need to have both power and variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. The determination of power is based on current facts and circumstances and is continuously assessed. The fact that control is intended to be temporary does not obviate the requirement to consolidate any investee under the control of the investor. Voting rights or contractual rights may be evidence of power, or a combination of the two may give an investor power. Power does not have to be exercised. An investor with more than half the voting rights would meet the power criteria in the absence of restrictions or other circumstances.

The new standard is not expected to have significant impact to the Group.

- HKFRS 11, “Joint Arrangements” and the consequential amendment to HKAS 28, “Investments in Associates” (effective for annual periods beginning on or after 1 January 2013). HKFRS 11 refines that joint arrangements are limited to joint operations and joint ventures only. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. Entities that participate in joint operations will follow accounting much like that for joint assets or joint operations today.

The existing HKAS 28 was extended as “Investments in Associates and Joint Ventures” as a result of the compulsory requirement for equity accounting for all investments in joint ventures under HKFRS 11.

The new standard is not expected to have a significant impact to the Group.

- HKFRS 12, “Disclosure of interests in other entities” (effective for annual periods beginning on or after 1 January 2013). HKFRS 12 sets out the required disclosures for entities reporting under the two new standards, HKFRS 10, ‘Consolidated Financial Statements’, and HKFRS 11, ‘Joint Arrangements’; it replaces the disclosure requirements currently found in HKAS 28, ‘Investments in Associates’. HKAS 27 is renamed ‘Separate Financial Statements’ and is now a standard dealing solely with separate financial statements. The existing guidance and disclosure requirements for separate financial statements are unchanged.

This new standard requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

The new standard is not expected to have a significant impact to the Group.

- HKFRS 13, "Fair Value Measurement". The new standard improves consistency and reduces complexity by providing, for the first time, a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

The new standard is not expected to have a significant impact to the Group.

4.2 Consolidation

Subsidiaries

Subsidiaries are all entities, including special purpose entities, over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Except for the Reorganisation, the Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

During the Relevant Periods, the Group did not have any non-controlling interest.

Investments in subsidiaries are accounted for at cost less impairment, if any. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

4.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors of the Company who make strategic decisions.

4.4 Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Financial Information is presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

(iii) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognised in other comprehensive income.

On consolidation/combination, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit and loss as part of the gain or loss on sale.

Any goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

4.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisitions of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost of each asset to their residual values over their estimated useful lives, as follows:

Machinery and equipment	30%
Leasehold improvements	Over the unexpired period of lease
Furniture and fixtures	20% to 30%
Motor vehicles	20%
Office equipment	30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

4.6 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating units"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

4.7 Financial Assets

The Group classifies its financial assets into the following categories: at fair value through profit or loss and loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprises trade and other receivables, deposits, amounts due from directors, a shareholder and related companies, and cash and cash equivalents.

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular way purchases and sales of financial assets are recognised on trade-date, that is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transactions costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'other (losses)/gains — net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sales are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in profit or loss as part of other income. Dividends on available-for-sale equity instruments are recognised in profit or loss as part of other income when the Group's right to receive payments is established.

4.8 Impairment of financial assets

(a) *Assets carried at amortised cost*

The Group assesses at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivable category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in the combined statement of comprehensive income. Impairment losses recognised in the combined statement of comprehensive income on equity instruments are not reversed through the combined statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the combined statement of comprehensive income.

4.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by using the first in, first out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

4.10 Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss.

4.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

4.12 Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Financial liabilities (including trade and other payables) are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. An equity instrument is any contract that does not meet the definition of financial liability and evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Ordinary shares are classified as equity. Incremental costs, net of tax, directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

4.13 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting for taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

4.14 Employee benefits

(i) Pension obligations

The Group participates in various defined contribution retirement benefit plans which are available to all relevant employees. These plans are generally funded through payments to schemes established by government or trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays contributions on a mandatory, contractual or voluntary basis into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefit relating to employee service in the current and prior periods.

All contributions to pension plans are fully and immediately vested and the Group had no unvested benefits available to reduce its future contributions.

(ii) Bonus plan

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

4.15 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

4.16 Revenue and income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, service refunds, discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) Sales of services

Revenue from the provision of slimming and beauty services are recognised when the services has been rendered to clients. Receipts in respect of treatment packages for which the relevant services have not been rendered are deferred and recognised as deferred revenue in the balance sheet. The Group implements a contractual one-year service expiry policy under which any unutilised treatments at the end of the service period are fully recognised in profit or loss.

The Group allows its clients to upgrade their existing slimming and beauty packages to new premium slimming and beauty packages before the expiry of the existing packages. Clients are required to pay the difference between the new premium package and the unutilised existing package value. The existing package contract is terminated and a new contract with a validity period of one year is signed for the new premium package. The deferred revenue of the unutilised existing package together with the receipt is recognised as deferred revenue, and is recognized as revenue when the services has been rendered to clients. Any unutilised treatments at the end of the service period of the new premium package are fully recognised in profit or loss.

During the year ended 31 March 2010, the Group launched a specific refundable slimming programme under which customers entered into slimming treatments for prescribed periods with a designated weight reduction target as contractually laid down in the respective sales contracts prior to the commencement of slimming treatments. Customers who had fulfilled their reduction target at the end of treatment periods were eligible for a 12-month refund period during which they were required to maintain and update their weight records at any of the Group's shop outlets on a monthly basis. A refund equivalent to the original gross sales contract amount divided by the number of months of refund period would be made if the designated weight reduction was maintained in each month during the refund period. Any particular unsuccessful records during the refund period would not preclude the rights of refund in subsequent months.

Revenue under this programme was recognised at the time when the Group's refund obligation no longer exist, the timing of which was dependent on whether the customers could fulfil their weight reduction target at the end of the treatment period as follows:

- If the weight reduction target was not achieved, the customers were not eligible to a 12-month refund period. Revenue was recognised at the time when all treatment services had been rendered.
- If the weight reduction target was achieved, revenue was recognised over the entire refund period depending on whether the customers could maintain their weight records in each month during the 12-month refund period.

In additions, the Group maintains a standardised refundable programme during the Relevant Periods. If the designated weight reduction target could not be achieved over a fixed period of two weeks, refunds are made at the original contracted amount proportional to the unit of unsuccessful weight reduction against the original target, after the relevant handling charges. Revenue under this programme is recognised at the time when the refund obligation is discharged.

(b) *Sales of products*

Revenue from the sales of slimming and beauty products is recognised on the transfer of risks and rewards of the related products, which generally coincides with the time when the products are delivered to clients.

(c) *Interest income*

Interest income is recognised using the effective interest method.

4.17 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

4.18 Dividend distributions

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders and when the interim dividends are approved by the Company's directors.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, credit risk, liquidity risk, and cash flow and fair value interest-rate risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) *Foreign exchange risk*

The Group operates in Hong Kong, Macau and the PRC with most of the transactions denominated and settled in Hong Kong dollars, Macao Patacas ("MOP") and Chinese Renminbi ("RMB") respectively, management are of the opinion that the Group's exposures to changes in exchange rates of foreign currencies is insignificant.

The Company does not use any derivative financial instruments to hedge its exposure to foreign exchange risk.

(b) *Price risk*

The Group is exposed to securities price risk as investments held by the Group are classified as financial assets at fair value through profit or loss and available-for-sale financial assets in the balance sheets. The Group is not exposed to commodity price risk.

As at 31 March 2010 and 2011 and 31 July 2011, if the quoted price of the financial assets at fair value through profit or loss had appreciated/depreciated by 10% with all other variables held constant, the Group's post-tax profit would have been approximately HK\$843,000 and HK\$3,602,000 and HK\$454,000 higher/lower respectively as a result of gains/losses on change in value of these financial assets.

As at 31 March 2011 and 31 July 2011, if the quoted price of the available-for-sale financial assets had appreciated/depreciated by 10% with all other variables held constant, the Group's other comprehensive income would have been approximately HK\$830,000 and HK\$406,000 higher/lower respectively as a result of gains/losses on change in value of these financial assets.

(c) *Credit risk*

The Group has no significant concentrations of credit risk. The carrying amounts of cash at banks, financial assets at fair value through profit or loss, available-for-sale financial assets, trade receivables, deposits and other receivables and amounts due from related companies, a shareholder and directors included in the balance sheets represent the Group's maximum exposure to credit risk in relation to its financial assets.

The majority of the Group's cash at banks are deposited in major financial institutions located in Hong Kong, Macau and the PRC, which are of high credit rating. Management does not expect any losses arising from non-performance by these counterparties.

The table below shows the details of bank deposits balance maintained at different banks at the respective balance sheet dates:

	Ratings	As at 31 March			As at
		2009	2010	2011	31 July
		HK\$'000	HK\$'000	HK\$'000	2011
				HK\$'000	
Ratings provided by Standard and Poor's (Note i)					
Bank of China	A-2	3,799	7,435	5,055	5,927
Bank of East Asia	A-2	2,011	4,907	2,466	4,002
Citibank	A-1	—	2,963	873	1,285
Construction Bank of China	A-2	3	241	253	708
HSBC	A-1 +	17,077	11,648	4,511	6,987
Industrial and Commercial					
Bank of China	A-1	—	5,848	24,480	19,457
Standard Chartered Bank	A-1	—	10,001	1	—
China Merchants' Bank	A-2	—	218	2,417	2,272
		<u>22,890</u>	<u>43,261</u>	<u>40,056</u>	<u>40,638</u>
Ratings provided by Moody's (Note ii)					
Wing Hang Bank	A2	<u>638</u>	<u>1,305</u>	<u>1,230</u>	<u>2,388</u>
Ratings provided by Dagong Global Credit Ratings (Note iii)					
Industrial Bank, Company Limited	AAA	2,412	2,777	22,221	55,328
China Minsheng Banking Corporation Limited	AAA	—	—	9,661	40,311
		<u>2,412</u>	<u>2,777</u>	<u>31,882</u>	<u>95,639</u>
Others		<u>257</u>	<u>612</u>	<u>796</u>	<u>940</u>
Total cash at banks		<u>26,197</u>	<u>47,955</u>	<u>73,964</u>	<u>139,605</u>

Note i: The rating represents short-term credit rating provided by Standard and Poor's, an internationally recognised credit rating agency. A rating within the "A" category is related to banks with strong capacity to meet financial commitments but somewhat susceptible to adverse economic conditions and changes in circumstances as defined under the rating regime of Standard and Poor's.

Note ii: The rating is provided by Moody's, an internationally recognised credit rating agency. A rating within the "A" category is related to banks which are upper-medium graded and subject to low credit risk under the rating regime of Moody's.

Note iii: The rating is provided by Dagong Global Credit Ratings, a major credit rating agency in the PRC. A rating within the "AA" category denote expectations of very low default risk.

As at 31 March 2009, 2010 and 2011 and 31 July 2011, trade receivables of the Group represent amounts due from various financial institutions as a result of credit cards and instalment payment arrangement. The economic downturn during the years ended 31 March 2009 and 2010 led to a lengthening of the settlement period from these counterparties. Taking into account the high credit rating of these counterparties, who also has no recent history of default and that the Group is not contractually exposed to the risk of default by the ultimate clients arising from these payment arrangements, management consider that no provision on these receivable balances is required.

As at 31 March 2010 and 2011 and 31 July 2011, the financial assets at fair value through profit or loss and available-for-sale financial assets are placed in financial institutions which are independently rated at high credit ratings. Management does not expect any losses from non-performance by these financial institutions.

The table below shows the details of financial assets through profit or loss and available-for-sale financial assets maintained at banks at the respective balance sheet dates:

		As at 31 March		As at
	Ratings	2010	2011	31 July
		HK\$'000	HK\$'000	2011
				HK\$'000
Financial assets at fair value through profit or loss				
Rating provided by Standard & Poor's (<i>Note i</i>)				
Bank of East Asia	A-2	<u>10,093</u>	<u>11,134</u>	<u>—</u>
Rating provided by Dagong Global Credit Ratings (<i>Note ii</i>)				
China Minsheng Banking Corporation Limited	AAA	—	11,875	—
Industrial Bank Company Limited	AAA	<u>—</u>	<u>23,751</u>	<u>6,055</u>
		<u>—</u>	<u>35,626</u>	<u>6,055</u>
		<u>10,093</u>	<u>46,760</u>	<u>6,055</u>
Available-for-sale financial assets				
Rating provided by Standard & Poor's (<i>Note i</i>)				
HSBC	A-1+	<u>—</u>	<u>9,943</u>	<u>4,864</u>

Note i: The rating represents short-term credit rating provided by Standard and Poor's, an internationally recognised credit rating agency. A rating within the "A" category is related to banks with strong capacity to meet financial commitments but somewhat susceptible to adverse economic conditions and changes in circumstances as defined under the rating regime of Standard and Poor's.

Note ii: The rating is provided by Dagong Global Credit Ratings, a major credit rating agency in the PRC. A rating within the "AA" category denote expectations of very low default risk.

The amounts due from the Company's directors have been fully settled in November 2011.

(d) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The Group's primary cash requirements have been the payment for operating expenses. The Group mainly finances its working capital requirements through internal resources.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and adequate amount of committed credit facilities to meet its liquidity requirements in the short and long term.

As a result of the economic downturns during the years ended 31 March 2009 and 2010, settlement period of both instalment and credit card sales arrangement with certain local financial institutions have been significantly lengthened, up to 180 days from the days of sales. In order to secure a more favourable credit term, the Group pledged its available-for-sale financial assets with a carrying amount of approximately HK\$9,943,000 to a major local financial institution as at 31 March 2011. Personal guarantee and charges over private real estate properties from directors of the Company have also been provided to the financial institution, details of which are set out in Note 36(a) of Section II below. These have significantly shortened the credit term with the financial institution to 3 days from the time when the credit card or instalment sales were made.

As at 31 July 2011, the Group's available-for-sales financial assets are no longer pledged to the banking facilities but the personal guarantee and charges over private real estate properties from directors as set out in Note 36(a) of Section II are still required thereto.

During the year ended 31 March 2011 and the four months ended 31 July 2011, the credit terms with various financial institutions on instalment and credit sales arrangement generally ranged from 3 days to 90 days.

As at 31 March 2009, 2010 and 2011 and 31 July 2011, the contractual undiscounted cash flows of the Group's current financial liabilities approximate their respective carrying amounts due to their short maturities.

(e) Cash-flow and fair value interest-rate risk

The Group does not have any significant interest bearing financial assets or liabilities except for cash at banks, details of which are disclosed in Note 18 of Section II below. Management considers that interest-rate risk exposure of the Group is insignificant and no sensitivity analysis is presented thereon.

5.2 Fair value estimation

The fair value measurements of financial instruments of the Group are disclosed by level of the following measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 March 2009, the Group did not have any financial assets or liabilities that were measured at fair value.

The following table represents the Group's financial assets that are measured at fair value at 31 March 2010 and 2011 and 31 July 2011.

	As at 31 March				As at 31 July	
	2010		2011		2011	
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss						
— Quoted investment funds	10,093	—	11,134	—	—	—
— Entrusted investment funds	—	—	—	35,626	—	6,055
Available-for-sale financial assets						
— Quoted investment funds	—	—	9,943	—	4,864	—
	<u>10,093</u>	<u>—</u>	<u>21,077</u>	<u>35,626</u>	<u>4,864</u>	<u>6,055</u>

At 31 March 2009, 2010 and 2011 and 31 July 2011, the Group did not have any financial liabilities that were measured at fair value.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted investment funds comprising equity and debt securities classified as financial assets through profit or loss and available-for-sale financial assets.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Instruments included in level 2 comprise primarily entrusted investment funds comprising equity and debt securities classified as financial assets through profit or loss.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The carrying amounts of the Group's current financial assets, including cash and cash equivalents, trade receivables, deposits and other receivables, and amounts due from directors, a shareholder and related companies, and the Group's current financial liabilities including trade payables, accruals and other payables, amount due to a director, a shareholder and a related company, approximate their fair values due to their short maturities.

5.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders, issue new shares or to obtain bank borrowings.

The Group also monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (include current and non-current borrowings as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as "equity", as shown in the combined balance sheet, plus net debt.

The Group's strategy was to maintain a minimal gearing ratio. Management consider that the Group's capital risk is minimal as the Group has cash and cash equivalents of approximately HK\$26,280,000, HK\$48,183,000, HK\$74,206,000 and HK\$139,849,000 as at 31 March 2009, 2010 and 2011 and 31 July 2011 respectively, and had no outstanding bank loans, overdrafts or other borrowings at 31 March 2009, 2010 and 2011 and 31 July 2011.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(a) Provision for refund policy

Except for the specific refundable slimming programmes as described in Note 4.16, the Group generally adopts a non-refundable service policy as contractually stipulated in all service contracts. Nevertheless, the Group may, depending on facts and circumstances for each case, accommodate certain amount of refunds upon customers' complaints and claims against treatment outcome. Taking into account the historical pattern of refund and actual amount incurred with respect to sales volume, management assesses any required provision at each balance sheet date.

(b) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

(c) Impairment of receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. The assessment is based on the credit history of its clients and other debtors and the current market condition, and requires the use of judgements and estimates. Management reassesses the provision at each balance sheet date.

(d) Current and deferred income tax

The Group is subject to income taxes in various jurisdictions. Judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimates, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimates is changed.

(e) Provision for reinstatement costs

Provision for reinstatement costs is estimated and reassessed at each balance sheet date with reference to the recent actual reinstatement cost incurred for shops of similar attributes and latest available quotation from independent contractors. Estimation based on current market information may vary over time and could differ from the actual reinstatement cost upon closures or relocation of existing office and shop premises.

7 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. As the Group is principally engaged in the provision of beauty and slimming treatments and the sales of beauty and slimming products, which are subject to similar business risk, and resources are allocated based on what is beneficial to the Group in enhancing the value as a whole rather than any specific unit, the Group's chief operating decision maker considers the performance assessment of the Group should be based on the profit before income tax of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8.

The Group primarily operates in Hong Kong, the PRC and Macau, and its revenue is derived from the following regions:

	Year ended 31 March			Four months ended 31 July	
	2009	2010	2011	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Hong Kong	223,497	188,067	131,947	53,463	30,136
The PRC	1,900	34,139	162,851	42,548	99,465
Macau	10,876	12,651	14,178	4,864	4,898
	<u>236,273</u>	<u>234,857</u>	<u>308,976</u>	<u>100,875</u>	<u>134,499</u>

The combined profit/(loss) before income tax of the Group is attributable to the following regions:

	Year ended 31 March			Four months ended 31 July	
	2009	2010	2011	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Hong Kong	29,853	33,731	14,758	8,248	4,275
The PRC	(930)	(6,111)	40,582	6,478	35,086
Macau	5,752	8,115	10,361	3,157	268
	<u>34,675</u>	<u>35,735</u>	<u>65,701</u>	<u>17,883</u>	<u>39,629</u>

The Group's total non-current assets other than deferred income tax assets (there are no employment benefit assets and rights arising under insurance contracts) are located in the following regions:

	As at 31 March			As at
	2009	2010	2011	31 July
	HK\$'000	HK\$'000	HK\$'000	2011
				HK\$'000
Hong Kong	24,682	15,424	22,989	16,408
The PRC	1,590	16,561	34,235	40,581
Macau	1,551	579	231	85
	<u>27,823</u>	<u>32,564</u>	<u>57,455</u>	<u>57,074</u>

The Group's capital expenditures are incurred in the following regions:

	Year ended 31 March			Four months ended 31 July	
	2009	2010	2011	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Hong Kong	5,033	7,963	3,872	856	203
The PRC	1,385	13,331	17,467	5,285	6,624
Macau	1,858	3	11	3	—
	<u>8,276</u>	<u>21,297</u>	<u>21,350</u>	<u>6,144</u>	<u>6,827</u>

Capital expenditures are allocated based on where the assets are located.

8 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Machinery and equipment <i>HK\$'000</i>	Office equipment, furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2008					
Cost	23,355	22,072	3,087	2,908	51,422
Accumulated depreciation	(10,988)	(9,147)	(1,023)	(415)	(21,573)
Net book amount	<u>12,367</u>	<u>12,925</u>	<u>2,064</u>	<u>2,493</u>	<u>29,849</u>
Year ended 31 March 2009					
Opening net book amount	12,367	12,925	2,064	2,493	29,849
Additions	5,194	2,024	687	735	8,640
Disposals	(1,391)	—	(32)	(441)	(1,864)
Depreciation	(9,333)	(5,725)	(878)	(580)	(16,516)
Closing net book amount	<u>6,837</u>	<u>9,224</u>	<u>1,841</u>	<u>2,207</u>	<u>20,109</u>
At 31 March 2009					
Cost	24,659	24,096	3,671	3,079	55,505
Accumulated depreciation	(17,822)	(14,872)	(1,830)	(872)	(35,396)
Net book amount	<u>6,837</u>	<u>9,224</u>	<u>1,841</u>	<u>2,207</u>	<u>20,109</u>
Year ended 31 March 2010					
Opening net book amount	6,837	9,224	1,841	2,207	20,109
Additions	14,190	2,714	1,189	3,683	21,776
Disposals	(230)	—	(19)	—	(249)
Depreciation	(7,141)	(5,704)	(945)	(1,353)	(15,143)
Closing net book amount	<u>13,656</u>	<u>6,234</u>	<u>2,066</u>	<u>4,537</u>	<u>26,493</u>
At 31 March 2010					
Cost	32,902	26,810	4,837	6,762	71,311
Accumulated depreciation	(19,246)	(20,576)	(2,771)	(2,225)	(44,818)
Net book amount	<u>13,656</u>	<u>6,234</u>	<u>2,066</u>	<u>4,537</u>	<u>26,493</u>
Year ended 31 March 2011					
Opening net book amount	13,656	6,234	2,066	4,537	26,493
Exchange differences	622	119	47	—	788
Additions	15,995	3,269	2,372	—	21,636
Disposals	(1)	(2)	(17)	—	(20)
Depreciation	(9,372)	(4,479)	(1,291)	(1,352)	(16,494)
Closing net book amount	<u>20,900</u>	<u>5,141</u>	<u>3,177</u>	<u>3,185</u>	<u>32,403</u>
At 31 March 2011					
Cost	48,980	30,206	7,240	6,762	93,188
Accumulated depreciation	(28,080)	(25,065)	(4,063)	(3,577)	(60,785)
Net book amount	<u>20,900</u>	<u>5,141</u>	<u>3,177</u>	<u>3,185</u>	<u>32,403</u>

	Leasehold improvements <i>HK\$'000</i>	Machinery and equipment <i>HK\$'000</i>	Office equipment, furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Four months ended 31 July 2011					
Opening net book amount	20,900	5,141	3,177	3,185	32,403
Exchange differences	377	11	109	—	497
Additions	5,149	1,024	918	—	7,091
Disposals	—	—	(35)	—	(35)
Depreciation	(3,754)	(952)	(501)	(451)	(5,658)
Closing net book amount	<u>22,672</u>	<u>5,224</u>	<u>3,668</u>	<u>2,734</u>	<u>34,298</u>
At 31 July 2011					
Cost	53,025	31,244	8,196	6,762	99,227
Accumulated depreciation	(30,353)	(26,020)	(4,528)	(4,028)	(64,929)
Net book amount	<u>22,672</u>	<u>5,224</u>	<u>3,668</u>	<u>2,734</u>	<u>34,298</u>

Additions of property, plant and equipment during the Relevant Periods included the estimated cost of reinstatement obligation upon the closure and relocation of shop or office premises.

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<i>HK\$'000</i>
At 1 April 2008, 31 March 2009 and 31 March 2010	<u>—</u>
At 1 April 2010	—
Additions	14,912
Disposals	(4,954)
Net losses transfer to equity (<i>Note 20</i>)	<u>(15)</u>
At 31 March 2011	<u>9,943</u>
At 1 April 2011	9,943
Disposals	(5,153)
Net gains transfer to equity (<i>Note 20</i>)	<u>74</u>
At 31 July 2011	<u>4,864</u>

The financial instruments as at 31 March 2011 and 31 July 2011 represent quoted investment funds relating to equity and debt securities. The underlying assets includes equity securities of companies whose predominant economic activity is gold-mining, fixed and floating rate debt securities, debt obligations of government and government-related issuers worldwide.

The carrying amounts of available-for-sale financial assets are denominated in the following currencies:

	At 31 March			At 31 July
	2009	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
United States dollars	—	—	4,791	4,864
Hong Kong dollars	—	—	5,152	—
	<u>—</u>	<u>—</u>	<u>9,943</u>	<u>4,864</u>

The maximum exposure to credit risk at the balance sheet dates is the carrying amount of the investment funds classified as available-for-sale financial assets.

None of these financial assets is past due or impaired.

Together with certain charge of assets and personal guarantee provided by a director as set out on Note 36(a) of Section II below, the entire balance of available-for-sale financial assets are pledged to a financial institution based in Hong Kong as at 31 March 2011 to secure banking facilities in respect of credit card and instalment sales arrangement.

As at 31 July 2011, the Group's available-for-sale financial assets are not pledged to any banking facilities.

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 March			Four months ended
	2009	2010	2011	31 July 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April	—	—	10,093	46,760
Exchange differences	—	—	680	495
Additions	—	10,000	172,976	72,159
Disposals	—	—	(138,031)	(113,359)
Net fair value gains (<i>Note 28</i>)	—	93	1,042	—
At 31 March/31 July	<u>—</u>	<u>10,093</u>	<u>46,760</u>	<u>6,055</u>

The financial assets at fair value through profit or loss as at 31 March 2010 and 2011 and 31 July 2011 represent the following:

	As at 31 March			As at
	2009	2010	2011	31 July
	HK\$'000	HK\$'000	HK\$'000	2011
Quoted investment funds invested in debt and equity securities (i)	—	10,093	11,134	—
Entrusted investment funds invested in debt and equity securities (ii)	—	—	35,626	6,055
At 31 March/31 July	—	10,093	46,760	6,055

- (i) The underlying assets includes stocks of PRC companies listed in the PRC, Hong Kong, United States and other countries, companies in the metal, golden or mining industries and government bonds.
- (ii) The entrusted investment funds are issued by financial institutions in the PRC whose investments includes short term bank deposits, government bonds, corporate treasury bills, equity investments in entities specialising in real estate and other industries, and other financial products issued by various PRC financial institutions.

The carrying amounts of financial assets at fair value through profit or loss are denominated in the following currencies:

	As at 31 March			As at
	2009	2010	2011	31 July
	HK\$'000	HK\$'000	HK\$'000	2011
United States dollars	—	10,093	11,134	—
Chinese Renminbi	—	—	35,626	6,055
At 31 March/31 July	—	10,093	46,760	6,055

The maximum exposure to credit risk at the balance sheet dates is the carrying amount of financial assets classified at financial assets at fair value through profit or loss.

None of these financial assets is past due or impaired.

11 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables <i>HK\$'000</i>	Financial assets at fair value through profit or loss <i>HK\$'000</i>	Available-for- sale financial assets <i>HK\$'000</i>
Assets as per combined balance sheet			
At 31 March 2009			
Trade receivables	17,412	—	—
Other receivables and deposits	7,938	—	—
Amounts due from related companies	33	—	—
Amounts due from directors	68,338	—	—
Cash and cash equivalents	26,280	—	—
	<u>120,001</u>	<u>—</u>	<u>—</u>
At 31 March 2010			
Trade receivables	11,810	—	—
Other receivables and deposits	10,654	—	—
Amounts due from related companies	82	—	—
Amounts due from directors	38,359	—	—
Amount due from a shareholder	29,106	—	—
Financial assets at fair value through profit or loss	—	10,093	—
Cash and cash equivalents	48,183	—	—
	<u>138,194</u>	<u>10,093</u>	<u>—</u>
At 31 March 2011			
Trade receivables	8,103	—	—
Other receivables and deposits	14,580	—	—
Amounts due from related companies	290	—	—
Amounts due from directors	37,268	—	—
Available-for-sale financial assets	—	—	9,943
Financial assets at fair value through profit or loss	—	46,760	—
Cash and cash equivalents	74,206	—	—
	<u>134,447</u>	<u>46,760</u>	<u>9,943</u>
At 31 July 2011			
Trade receivables	8,980	—	—
Other receivables and deposits	18,293	—	—
Amounts due from related companies	328	—	—
Amounts due from directors	36,678	—	—
Available-for-sale financial assets	—	—	4,864
Financial assets at fair value through profit or loss	—	6,055	—
Cash and cash equivalents	139,849	—	—
	<u>204,128</u>	<u>6,055</u>	<u>4,864</u>

	Financial liabilities at amortised costs			As at
	As at 31 March			31 July
	2009	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Liabilities as per combined balance sheet				
Trade payables	454	615	1,503	1,142
Accruals and other payables	11,983	16,934	22,264	16,822
Amount due to a related company	83	—	—	—
Amount due to a director	—	—	15,791	16,378
Amount due to a shareholder	—	—	2,677	2,677
	<u>12,520</u>	<u>17,549</u>	<u>42,235</u>	<u>37,019</u>

12 INVENTORIES

	As at 31 March			As at
	As at 31 March			31 July
	2009	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trading merchandises	<u>511</u>	<u>1,018</u>	<u>1,068</u>	<u>668</u>

13 TRADE RECEIVABLES

	As at 31 March			As at
	As at 31 March			31 July
	2009	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	<u>17,412</u>	<u>11,810</u>	<u>8,103</u>	<u>8,980</u>

(a) The carrying amount of the Group's trade receivables are denominated in the following currencies:

	As at 31 March			As at
	As at 31 March			31 July
	2009	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong dollars	16,879	9,828	5,792	4,828
Chinese Renminbi	—	1,312	1,764	3,645
Macau Patacas	<u>533</u>	<u>670</u>	<u>547</u>	<u>507</u>
	<u>17,412</u>	<u>11,810</u>	<u>8,103</u>	<u>8,980</u>

The carrying amounts of trade receivables approximate their fair values. There is no concentration of credit risk with respect to trade receivables as there are a dispersed number of financial institutions with high individual credit ratings through which the credit card and instalment sales arrangements are entered into.

- (b) During the Relevant Periods, the credit terms of the Group's trade receivables generally range from 3 days to 90 days. The ageing analysis of trade receivables is as follows:

	As at 31 March			As at
	2009	2010	2011	31 July
	HK\$'000	HK\$'000	HK\$'000	2011
Less than 60 days	8,262	10,016	6,224	7,564
61 days to 90 days	2,093	1,501	761	369
91 days to 120 days	5,808	200	192	331
Over 120 days	<u>1,249</u>	<u>93</u>	<u>926</u>	<u>716</u>
	<u>17,412</u>	<u>11,810</u>	<u>8,103</u>	<u>8,980</u>

At 31 March 2009, 2010 and 2011 and 31 July 2011, trade receivables of approximately HK\$2,311,000, HK\$646,000, HK\$291,000 and HK\$905,000 respectively were past due but not considered to be impaired because these mainly relate to a number of financial institutions with no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 March			As at
	2009	2010	2011	31 July
	HK\$'000	HK\$'000	HK\$'000	2011
Less than 60 days	5	451	—	905
61 days to 90 days	—	25	—	—
91 days to 120 days	2,291	77	—	—
Over 120 days	<u>15</u>	<u>93</u>	<u>291</u>	<u>—</u>
	<u>2,311</u>	<u>646</u>	<u>291</u>	<u>905</u>

The credit quality of trade receivables neither past due nor impaired has been assessed by reference to historical information about the counterparty default rates. The existing counterparties do not have significant defaults in the past.

As at 31 March 2009, 2010 and 2011 and 31 July 2011, no collateral has been received from these counterparties.

As at 31 March 2009, 2010 and 2011 and 31 July 2011, no trade receivables were impaired.

14 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 March			As at
	2009	2010	2011	31 July
	HK\$'000	HK\$'000	HK\$'000	2011
				HK\$'000
Current				
Prepayments	2,800	3,294	16,451	16,111
Deposits	2,793	5,501	2,732	3,487
Other receivables	27	945	1,642	2,537
	<u>5,620</u>	<u>9,740</u>	<u>20,825</u>	<u>22,135</u>
Non-current				
Prepayments for the acquisition of property, plant and equipment	2,596	1,863	4,903	5,643
Rental and utility deposits	5,118	4,208	9,793	12,176
Other deposits	—	—	413	93
	<u>7,714</u>	<u>6,071</u>	<u>15,109</u>	<u>17,912</u>
Total	<u>13,334</u>	<u>15,811</u>	<u>35,934</u>	<u>40,047</u>

The carrying amounts of other receivables and deposits are denominated in the following currencies:

	As at 31 March			As at
	2009	2010	2011	31 July
	HK\$'000	HK\$'000	HK\$'000	2011
				HK\$'000
Hong Kong dollars	6,997	6,792	4,072	3,992
Chinese Renminbi	802	3,725	10,356	14,167
Macau Patacas	139	137	152	134
	<u>7,938</u>	<u>10,654</u>	<u>14,580</u>	<u>18,293</u>

The carrying amounts approximate their fair values.

15 BALANCES WITH RELATED COMPANIES

	Balance as at 31 March 2009	Maximum outstanding balance for the year ended 31 March 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount due to a related company		
The SPA House Limited	<u>(83)</u>	<u>N/A</u>
Amounts due from related companies		
Excellent Professional Holdings Limited	11	11
Right Time Management Limited	<u>22</u>	<u>22</u>
	<u>33</u>	
	Balance as at 31 March 2010	Maximum outstanding balance for the year ended 31 March 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from related companies		
The SPA House Limited	40	178
Excellent Professional Holdings Limited	16	16
Right Time Management Limited	<u>26</u>	<u>26</u>
	<u>82</u>	
	Balance as at 31 March 2011	Maximum outstanding balance for the year ended 31 March 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from related companies		
The SPA House Limited	236	236
Excellent Professional Holdings Limited	22	22
Right Time Management Limited	<u>32</u>	<u>32</u>
	<u>290</u>	

	Balance as at 31 July 2011	Maximum outstanding balance for the four months ended 31 July 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from related companies		
The SPA House Limited	237	237
Excellent Professional Holdings Limited	22	22
Right Time Management Limited	32	32
Sure Sino Investments Limited	6	6
Market Event Holdings Limited	6	6
Earlson Holdings Limited	6	6
Solution King Limited	6	6
Greater China Investments Company Limited	8	8
Golden Bees International Inc.	5	7
	<u>5</u>	<u>7</u>
	<u>328</u>	

As at 31 March 2009, 2010 and 2011 and 31 July 2011, the balances with related companies are unsecured, interest free, repayable on demand, and denominated in Hong Kong dollars. The Au-Yeung Family members own 100% equity interest in each of the above related companies.

16 AMOUNTS DUE FROM/(TO) DIRECTORS

	As at 31 March			As at
	2009	2010	2011	31 July 2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Name of directors				
Ms. Au-Yeung Wai	28,966	31,339	18,307	18,016
Ms. Au-Yeung Hung	26,853	—	18,961	18,662
Dr. Au-Yeung Kong	12,451	7,020	(15,791)	(16,378)
Ms. Li Yi Fan	68	—	—	—
	<u>68,338</u>	<u>38,359</u>	<u>21,477</u>	<u>20,300</u>
Represented by:				
Amounts due from directors	68,338	38,359	37,268	36,678
Amount due to a director	—	—	(15,791)	(16,378)
	<u>—</u>	<u>—</u>	<u>(15,791)</u>	<u>(16,378)</u>
Maximum outstanding balance during the year/period				
Ms. Au-Yeung Wai	29,616	35,783	35,783	18,316
Ms. Au-Yeung Hung	27,203	38,266	—	18,962
Dr. Au-Yeung Kong	12,651	13,004	13,004	—
Ms. Li Yi Fan	68	—	—	—
	<u>68</u>	<u>—</u>	<u>—</u>	<u>—</u>

As at 31 March 2009, 2010 and 2011 and 31 July 2011, the balances with directors are unsecured, interest free, repayable on demand and denominated in Hong Kong dollars. All amounts due from/(to) directors have been settled in November 2011.

17 AMOUNTS DUE FROM/(TO) SHAREHOLDERS

Name of shareholder	As at 31 March			As at
	2009	2010	2011	31 July
	HK\$'000	HK\$'000	HK\$'000	2011
Ms. Au-Yeung Hung	—	29,106	—	—
Ms. Li Yi Fan	—	—	(2,677)	(2,677)
	<u>—</u>	<u>29,106</u>	<u>(2,677)</u>	<u>(2,677)</u>

As at 31 March 2010 and 2011 and 31 July 2011, balances with shareholders were unsecured, interest free, repayable on demand, and denominated in Hong Kong dollars. The amount due to a shareholder has been settled in November 2011.

18 CASH AND CASH EQUIVALENTS

	As at 31 March			As at
	2009	2010	2011	31 July
	HK\$'000	HK\$'000	HK\$'000	2011
Cash at banks	26,197	47,955	73,964	139,605
Cash on hand	<u>83</u>	<u>228</u>	<u>242</u>	<u>244</u>
	<u>26,280</u>	<u>48,183</u>	<u>74,206</u>	<u>139,849</u>

The carrying amount of the Group's cash and cash equivalents are denominated in the following currencies:

	As at 31 March			As at
	2009	2010	2011	31 July
	HK\$'000	HK\$'000	HK\$'000	2011
Hong Kong dollars	20,290	30,442	11,725	16,743
Chinese Renminbi	4,437	15,286	60,626	119,821
Macau Patacas	<u>1,553</u>	<u>2,455</u>	<u>1,855</u>	<u>3,285</u>
	<u>26,280</u>	<u>48,183</u>	<u>74,206</u>	<u>139,849</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. The Group's cash and bank balances denominated in RMB are deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of Mainland China is subject to the rules and regulations of foreign exchange control promulgated by the Government of the People's Republic of China.

19 COMBINED SHARE CAPITAL

Combined share capital as at each balance sheet date represents the combined share capital of the companies now comprising the Group after elimination of inter-company investments.

20 OTHER RESERVES

	Exchange reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Available- for-sale financial asset revaluation reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2008, 31 March 2009 and 1 April 2009	—	—	—	—
Appropriation (<i>note a</i>)	—	49	—	49
At 31 March 2010	—	49	—	49
At 1 April 2010	—	49	—	49
Net fair value loss on available-for-sale financial assets	—	—	(15)	(15)
Currency translation differences	465	—	—	465
Appropriation (<i>note b</i>)	—	1,165	—	1,165
	465	1,165	(15)	1,615
At 31 March 2011	465	1,214	(15)	1,664
At 1 April 2011	465	1,214	(15)	1,664
Net fair value gain on available-for-sale financial assets	—	—	74	74
Disposals of available-for-sale financial assets	—	—	(197)	(197)
Currency translation differences	796	—	—	796
Appropriation (<i>note b</i>)	—	1,211	—	1,211
	796	1,211	(123)	1,884
At 31 July 2011	1,261	2,425	(138)	3,548
Unaudited:				
At 1 April 2010	—	49	—	49
Currency translation differences	(146)	—	—	(146)
At 31 July 2010	(146)	49	—	(97)

Notes:

- (a) The Macao Commercial Code number 377 requires that companies incorporated in Macau should set aside a minimum of 25% of their respective profit after income tax to the legal reserve until the balance of the reserve reaches a level equivalent to 50% of their capital.

- (b) The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the profit after income tax (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. A PRC company is required to appropriate 10% of statutory profits after income tax to statutory surplus reserves, upon distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's operations, or to increase the capital of the company. In addition, a company may make further contribution to the discretionary surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

21 DEFERRED TAXATION

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The balances shown in the balance sheets are, after appropriate offsetting, as follows:

	As at 31 March			As at
	2009	2010	2011	31 July
	HK\$'000	HK\$'000	HK\$'000	2011
				HK\$'000
Deferred income tax assets, to be recovered after more than 12 months	3,451	4,214	12,897	15,632
Deferred income tax liabilities, to be settled after more than 12 months	(275)	(599)	(441)	(1,142)
Deferred income tax liabilities, to be settled within 12 months	—	—	(2,181)	(3,082)
Total deferred income tax liabilities	(275)	(599)	(2,622)	(4,224)
Net deferred income tax assets	3,176	3,615	10,275	11,408

The movement on deferred income tax account is as follows:

	Year ended 31 March			Four
	2009	2010	2011	months
	HK\$'000	HK\$'000	HK\$'000	ended
				31 July
				2011
				HK\$'000
At 1 April	4,871	3,176	3,615	10,275
(Charged)/credited to profit or loss (Note 32)	(1,695)	439	6,427	933
Exchange differences	—	—	233	200
At 31 March/31 July	3,176	3,615	10,275	11,408

The movement in deferred tax assets and liabilities prior to offsetting of balances within the same taxation jurisdiction is as follows:

Deferred tax assets

	Tax losses				Decelerated tax depreciation				PRC advertising expenses				PRC accrued expenses				Total			
	Year ended 31 March		Four months ended 31 July		Year ended 31 March		Four months ended 31 July		Year ended 31 March		Four months ended 31 July		Year ended 31 March		Four months ended 31 July		Year ended 31 March		Four months ended 31 July	
	2009	2010	2011	2011	2009	2010	2011	2011	2009	2010	2011	2011	2009	2010	2011	2011	2009	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April	5,214	2,102	188	1,790	914	1,606	1,914	2,244	—	—	1,724	2,710	—	—	422	6,153	6,128	3,708	4,248	12,897
(Charged)/credited to profit or loss	(3,112)	(1,914)	1,593	(103)	692	308	330	93	—	1,724	890	214	—	422	5,603	2,331	(2,420)	540	8,416	2,535
Exchange differences	—	—	9	7	—	—	—	—	—	—	96	55	—	—	128	138	—	—	233	200
At 31 March/31 July	<u>2,102</u>	<u>188</u>	<u>1,790</u>	<u>1,694</u>	<u>1,606</u>	<u>1,914</u>	<u>2,244</u>	<u>2,337</u>	<u>—</u>	<u>1,724</u>	<u>2,710</u>	<u>2,979</u>	<u>—</u>	<u>422</u>	<u>6,153</u>	<u>8,622</u>	<u>3,708</u>	<u>4,248</u>	<u>12,897</u>	<u>15,632</u>

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As at 31 March 2009, 2010 and 2011 and 31 July 2011, the Group did not recognise certain deferred income tax assets of approximately HK\$83,000, HK\$242,000, HK\$302,000 and HK\$520,000 respectively in respect of accumulated losses amounting to approximately HK\$507,000, HK\$1,442,000, HK\$1,678,000 and HK\$2,999,000 respectively that can be carried forward indefinitely against future taxable income.

Deferred tax liabilities

	Accelerated tax depreciation				PRC withholding tax				Total			
	Year ended 31 March		Four months ended 31 July		Year ended 31 March		Four months ended 31 July		Year ended 31 March		Four months ended 31 July	
	2009	2010	2011	2011	2009	2010	2011	2011	2009	2010	2011	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April	(1,257)	(532)	(633)	(441)	—	—	—	(2,181)	(1,257)	(532)	(633)	(2,622)
Credited/(charged) to profit or loss	725	(101)	192	64	—	—	(2,181)	(1,666)	725	(101)	(1,989)	(1,602)
At 31 March/ 31 July	<u>(532)</u>	<u>(633)</u>	<u>(441)</u>	<u>(377)</u>	<u>—</u>	<u>—</u>	<u>(2,181)</u>	<u>(3,847)</u>	<u>(532)</u>	<u>(633)</u>	<u>(2,622)</u>	<u>(4,224)</u>

As at 31 March and 31 July 2011, unremitted earnings of PRC subsidiaries totalled HK\$21,746,000 and HK\$33,220,000 respectively.

22 PROVISION FOR REINSTATEMENT COSTS

The movement of provision for reinstatement costs is as follows:

	Year ended 31 March			Four months ended
	2009	2010	2011	31 July
	HK\$'000	HK\$'000	HK\$'000	2011
At 1 April	1,737	2,051	2,126	1,716
Additional provision during the year/period	364	479	286	264
Actual costs paid	(37)	(481)	(528)	—
(Over)/under provision	(13)	77	(184)	—
Exchange difference	—	—	16	11
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March/31 July	<u>2,051</u>	<u>2,126</u>	<u>1,716</u>	<u>1,991</u>

Represented by:

	As at 31 March			As at 31
	2009	2010	2011	July
	HK\$'000	HK\$'000	HK\$'000	2011
Provision for reinstatement costs				
— Non-current	1,648	1,413	1,292	1,392
— Current	<u>403</u>	<u>713</u>	<u>424</u>	<u>599</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>2,051</u>	<u>2,126</u>	<u>1,716</u>	<u>1,991</u>

23 TRADE PAYABLES

Payment terms with majority of the suppliers are on open account. Certain suppliers grant credit period ranging from 30 to 60 days.

An ageing analysis of trade payables as at the balance sheet dates is as follows:

	As at 31 March			As at
	2009	2010	2011	31 July
	HK\$'000	HK\$'000	HK\$'000	2011
Less than 60 days	123	237	616	510
60 days to 120 days	1	63	323	185
Over 120 days	<u>330</u>	<u>315</u>	<u>564</u>	<u>447</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>454</u>	<u>615</u>	<u>1,503</u>	<u>1,142</u>

The carrying amounts of trade payables are denominated in the following currencies:

	As at 31 March			As at
	2009	2010	2011	31 July
	HK\$'000	HK\$'000	HK\$'000	2011
Hong Kong dollars	388	594	480	605
Chinese Renminbi	—	—	1,018	537
Macau Patacas	66	21	5	—
	<u>454</u>	<u>615</u>	<u>1,503</u>	<u>1,142</u>

The carrying amounts approximate their fair values due to their short-term maturities.

24 ACCRUALS AND OTHER PAYABLES

	As at 31 March			As at
	2009	2010	2011	31 July
	HK\$'000	HK\$'000	HK\$'000	2011
Accrued operating expenses	10,675	13,539	17,371	13,427
Other payables	1,308	3,395	4,893	3,395
	<u>11,983</u>	<u>16,934</u>	<u>22,264</u>	<u>16,822</u>

The carrying amounts of accruals and other payables are denominated in the following currencies:

	As at 31 March			As at
	2009	2010	2011	31 July
	HK\$'000	HK\$'000	HK\$'000	2011
Hong Kong dollars	10,708	9,131	8,913	6,665
Chinese Renminbi	1,250	7,671	13,244	10,061
Macau Patacas	25	132	107	96
	<u>11,983</u>	<u>16,934</u>	<u>22,264</u>	<u>16,822</u>

The carrying amounts approximate their fair values due to their short-term maturities.

25 DEFERRED REVENUE

	As at 31 March			As at
	2009	2010	2011	31 July
	HK\$'000	HK\$'000	HK\$'000	2011
Deferred revenue				
— Prepaid treatment packages	116,465	121,044	147,682	146,810
— Product sales	1,858	1,389	990	160
	<u>118,323</u>	<u>122,433</u>	<u>148,672</u>	<u>146,970</u>

The movement of deferred revenue in respect of prepaid treatment packages is as follows:

	Year ended 31 March			Four months ended
	2009	2010	2011	31 July 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Beginning of the year/period	118,258	116,465	121,044	147,682
Sales contracts entered into during the year/period (Note a)	229,234	232,514	306,155	118,311
Revenue recognised upon the provision of services (Note b)	(143,280)	(148,469)	(202,957)	(83,727)
Revenue recognised upon expiry of prepaid treatment packages (Note c)	(85,983)	(72,754)	(73,250)	(35,147)
Refunds of treatment packages (Note d)	(1,764)	(1,941)	(2,386)	(2,276)
Refunds to clients under a refundable slimming programme (Note e)	—	(4,771)	(3,554)	—
Exchange differences	—	—	2,630	1,967
At the end of the year/period	<u>116,465</u>	<u>121,044</u>	<u>147,682</u>	<u>146,810</u>

Note a: The amounts represent the receipts from sales of slimming and beauty services to clients which were settled via credit cards, Electronic Payment System (“EPS”), cheques, cash and instalment payment arrangement during the respective years or period.

Note b: The amounts represent the revenue recognised in profit or loss as a result of slimming and beauty services rendered to clients during the years or period.

Note c: The amounts represent the revenue recognised in profit or loss for expired prepaid service packages which were over one year from the date of sales of the treatment packages.

Note d: The amounts represent refunds of treatment packages as a result of clients’ complaints and claims against treatment outcome.

Note e: The amounts represent refunds to clients as a result of a refundable slimming programme during the Relevant Periods. Details of the arrangement are described in Note 4.16 of Section II above.

As at 31 March 2009, 2010 and 2011 and 31 July 2011, the deferred revenue is aged within one year from the date when the sales contracts in respect of treatment packages were entered into.

26 REVENUE

	Year ended 31 March			Four months ended	
	2009	2010	2011	31 July	
	HK\$'000	HK\$'000	HK\$'000	2010	2011
				(unaudited)	
Revenue from provision of treatment services	143,280	148,469	202,957	70,248	83,727
Revenue recognised upon expiry of prepaid treatment packages	85,983	72,754	73,250	24,586	35,147
Revenue from sales of slimming and beauty products	7,010	13,634	32,769	6,041	15,625
	<u>236,273</u>	<u>234,857</u>	<u>308,976</u>	<u>100,875</u>	<u>134,499</u>

27 OTHER INCOME

	Year ended 31 March			Four months ended	
	2009	2010	2011	31 July	
	HK\$'000	HK\$'000	HK\$'000	2010	2011
				(unaudited)	
Management fee income from a related company (Note 36)	152	81	—	—	—
Rental income from the lease of machinery and equipment to a related company (Note 36)	15	15	—	—	—
Dividend income	—	—	203	70	43
Others	45	34	181	1	11
	<u>212</u>	<u>130</u>	<u>384</u>	<u>71</u>	<u>54</u>

28 OTHER (LOSSES)/GAINS — NET

	Year ended 31 March			Four months ended	
	2009	2010	2011	31 July	
	HK\$'000	HK\$'000	HK\$'000	2010	2011
				(unaudited)	
(Losses)/gains on disposal of property, plant and equipment	(1,056)	(249)	18	(17)	(34)
Net exchange (losses)/gains	(28)	5	—	(16)	—
Fair value gains on financial assets at fair value through profit or loss	—	93	1,042	101	—
Gains on disposal of financial assets at fair value through profit or loss	—	—	381	—	460
Gains on disposal of available-for-sale financial assets	—	—	139	—	235
Others	60	172	—	—	(1)
Other (losses)/gains — net	<u>(1,024)</u>	<u>21</u>	<u>1,580</u>	<u>68</u>	<u>660</u>

29 OTHER OPERATING EXPENSES

Included in other operating expenses are the following:

	Year ended 31 March			Four months ended	
	2009	2010	2011	31 July	
	HK\$'000	HK\$'000	HK\$'000	2010	2011
				(unaudited)	
Doctor consultation fee	2,428	1,871	1,381	655	790
Building management fee	4,278	4,760	6,233	1,841	2,799
Auditor's remuneration	446	434	2,000	668	686
Credit card commission	11,242	10,794	11,780	3,319	4,396
Business tax	95	1,730	7,581	2,124	4,509
Printing, stationeries and general office expenses	975	3,230	3,912	832	1,193
Utility charges	935	1,030	1,950	579	893
Courier, postages and delivery charges	1,246	1,019	1,885	401	1,051
Travelling expenses	425	529	1,964	687	852
Other expenses	6,694	7,461	10,904	2,749	4,598
	<u>28,764</u>	<u>32,858</u>	<u>49,590</u>	<u>13,855</u>	<u>21,767</u>

30 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATIONS)

	Year ended 31 March			Four months ended	
	2009	2010	2011	31 July	
	HK\$'000	HK\$'000	HK\$'000	2010	2011
				(unaudited)	
Wages and salaries	83,812	75,034	80,012	26,902	29,445
Pension costs — defined contribution plans	2,048	2,165	3,430	998	1,546
Other staff welfare	771	1,466	2,206	978	327
	<u>86,631</u>	<u>78,665</u>	<u>85,648</u>	<u>28,878</u>	<u>31,318</u>

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), which is a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Hong Kong subsidiaries of the Group and its Hong Kong employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions made by the Group and the employee are subject to a cap of HK\$1,000 and contributions thereafter are voluntary.

As stipulated under the relevant rules and regulations in the PRC, the subsidiaries operating in the PRC contribute to state-sponsored retirement plans for its employees. Depending on the provinces of their registered residences and their current regions of work, the employees contribute approximately 0% to 11% of their basic salaries, while the subsidiaries contribute approximately 11% to 39% of the basic salaries of its employees and have no further obligations for the actual payment of pensions or post-retirement benefits beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees.

31 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATIONS

(a) Directors' remunerations

The aggregate amount of emoluments paid/payable to directors of the Group is as follows:

	Year ended 31 March			Four months ended 31 July	
	2009	2010	2011	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Fees	29,400	2,400	12,000	4,000	1,200
Basic salaries, bonuses, others allowances and benefits in kind	1,800	20,700	—	—	—
Pension costs — defined contribution plan	36	36	—	—	—
	<u>31,236</u>	<u>23,136</u>	<u>12,000</u>	<u>4,000</u>	<u>1,200</u>

The remunerations of each director for the year ended 31 March 2009 are set out below:

Names of directors	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Other benefits HK\$'000	Employer's contribution to pension scheme	Total HK\$'000
					HK\$'000	
Dr. Au-Yeung Kong	9,500	600	—	—	12	10,112
Ms. Au-Yeung Hung	10,400	600	—	—	12	11,012
Ms. Au-Yeung Wai	9,500	600	—	—	12	10,112
	<u>29,400</u>	<u>1,800</u>	<u>—</u>	<u>—</u>	<u>36</u>	<u>31,236</u>

The remunerations of each director for the year ended 31 March 2010 are set out below:

Names of directors	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Other benefits HK\$'000	Employer's contribution to pension scheme	Total HK\$'000
					HK\$'000	
Dr. Au-Yeung Kong	1,200	—	6,500	—	12	7,712
Ms. Au-Yeung Hung	—	1,200	6,500	—	12	7,712
Ms. Au-Yeung Wai	1,200	—	6,500	—	12	7,712
	<u>2,400</u>	<u>1,200</u>	<u>19,500</u>	<u>—</u>	<u>36</u>	<u>23,136</u>

The remunerations of each director for the year ended 31 March 2011 are set out below:

Names of directors	Fees	Salary	Discretionary	Other	Employer's	Total
	HK\$'000	HK\$'000	bonuses	benefits	contribution to pension scheme	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Dr. Au-Yeung Kong	6,000	—	—	—	—	6,000
Ms. Au-Yeung Hung	3,000	—	—	—	—	3,000
Ms. Au-Yeung Wai	3,000	—	—	—	—	3,000
	<u>12,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,000</u>

The remunerations of each director for the four months ended 31 July 2011 are set out below:

Names of directors	Fees	Salary	Discretionary	Other	Employer's	Total
	HK\$'000	HK\$'000	bonuses	benefits	contribution to pension scheme	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Dr. Au-Yeung Kong	600	—	—	—	—	600
Ms. Au-Yeung Hung	300	—	—	—	—	300
Ms. Au-Yeung Wai	300	—	—	—	—	300
	<u>1,200</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,200</u>

The remunerations of each director for the four months ended 31 July 2010 are set out below:

Unaudited:

Names of directors	Fees	Salary	Discretionary	Other	Employer's	Total
	HK\$'000	HK\$'000	bonuses	benefits	contribution to pension scheme	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Dr. Au-Yeung Kong	2,000	—	—	—	—	2,000
Ms. Au-Yeung Hung	1,000	—	—	—	—	1,000
Ms. Au-Yeung Wai	1,000	—	—	—	—	1,000
	<u>4,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,000</u>

No directors waived or agreed to waive any emoluments during the Relevant Periods. No emoluments were paid to independent non-executive directors during the Relevant Periods.

(b) Five highest paid individuals

The five individuals whose remunerations were the highest in the Group are as follows:

	Number of individuals			Number of individuals	
	Year ended 31 March			Four months ended	
	2009	2010	2011	31 July	2011
				2010	
				(unaudited)	
Directors	3	3	3	3	3
Employees	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

Information relating to the remunerations of the directors has been disclosed above. Details of the remunerations of the remaining highest paid non-director individuals during the Relevant Periods are set out below:

	Year ended 31 March			Four months ended	
	2009			31 July	
	2009	2010	2011	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Basic salaries	1,586	1,281	2,027	766	605
Pension costs — defined contribution plan	<u>24</u>	<u>24</u>	<u>24</u>	<u>8</u>	<u>8</u>
	<u>1,610</u>	<u>1,305</u>	<u>2,051</u>	<u>774</u>	<u>613</u>

The number of highest paid non-director individuals whose remunerations for the Relevant Periods fell within the following bands:

Emolument Bands	Number of non-directors			Number of non-directors	
	Year ended 31 March			Four months ended	
	2009	2010	2011	31 July	2011
				2010	
				(unaudited)	
Nil to HK\$1,000,000	2	2	1	2	2
HK\$1,000,001 to HK\$1,500,000	<u>—</u>	<u>—</u>	<u>1</u>	<u>—</u>	<u>—</u>
	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

During the Relevant Periods, no emoluments have been paid to the Directors of the Company or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

32 INCOME TAX EXPENSE

The Group is not subject to taxation in the Cayman Islands and the British Virgin Islands. Hong Kong profits tax has been provided for at the rate of 16.5% for the Relevant Periods on the estimated assessable profits arising in or derived from Hong Kong. Companies established and operated in the PRC are subject to PRC corporate income tax at the rate of 25% for the Relevant Periods. Companies established and operated in Macau is subject to Macao Complementary Tax, which is 9% on taxable income above MOP200,000 but below MOP300,000, and thereafter at a fixed rate at 12%.

	Year ended 31 March			Four months ended 31 July	
	2009	2010	2011	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Current income taxation					
— Hong Kong profits tax	3,636	4,316	8,312	3,110	2,693
— PRC corporate income tax	71	1,698	12,339	3,237	8,983
— Macao complementary tax	690	641	1,217	352	—
Deferred taxation (<i>Note 21</i>)	1,695	(439)	(6,427)	(3,118)	(933)
	<u>6,092</u>	<u>6,216</u>	<u>15,441</u>	<u>3,581</u>	<u>10,743</u>

The taxation on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the combined entities as follows:

	Year ended 31 March			Four months ended 31 July	
	2009	2010	2011	2010	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Profit before income tax	<u>34,675</u>	<u>35,735</u>	<u>65,701</u>	<u>17,883</u>	<u>39,629</u>
Tax calculated at the applicable domestic tax rates	5,383	4,480	12,265	2,845	8,758
Income not subject to tax	(12)	(1)	(34)	(1)	(100)
Expenses not deductible	363	1,578	1,579	379	272
Tax effect of unrecognised tax losses	83	31	93	32	265
Utilisation of previously unrecognised temporary differences	—	—	(627)	(62)	(47)
Effect of PRC withholding tax	—	—	2,181	690	1,666
Effect of change in tax rate	275	—	—	—	—
Others	—	128	(16)	(302)	(71)
Tax charge	<u>6,092</u>	<u>6,216</u>	<u>15,441</u>	<u>3,581</u>	<u>10,743</u>

33 DIVIDENDS

Dividends during the Relevant Periods represent dividends declared by the companies now comprising the Group to their then equity holders:

	Year ended 31 March			Four months ended 31 July	
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000
Perfect Shape (Holdings) Limited	—	—	6,500	—	—
Perfect Shape & Skin Management Limited	—	—	4,000	—	—
Perfect Shape & Skin (TM) Limited	—	—	3,000	—	—
Perfect Shape & Spa Limited	—	—	800	—	—
Perfect Shape & Spa (TST) Limited	—	—	1,800	—	—
Perfect Shape & Skin (YL) Limited	—	—	3,400	—	—
Perfect Shape & Skin (CNT) Limited	—	—	1,700	—	—
Hong Kong Weight Management Research Centre Limited (previously known as "Perfect Shape and Skin (KB) Limited")	—	—	780	—	—
Perfect Shape & Skin (SS) Limited	—	—	1,300	—	—
Perfect Shape & Spa (KT) Limited	—	—	750	—	—
Perfect Shape & Spa (NP) Limited	—	—	770	—	—
Perfect Shape & Spa (TW) Limited	—	5,000	2,600	—	—
Perfect Skin Medical Limited	—	—	2,500	—	—
Perfect Shape & Skin (TW) Limited	—	—	2,000	—	—
Perfect Shape & Skin (ST) Limited	—	—	1,900	—	—
Perfect Shape & Skin (CWB) Limited	—	—	250	—	—
Perfect Shape & Skin (MK) Limited	—	—	820	—	—
Perfect Shape & Skin (TST) Limited	—	—	130	—	—
Perfect Shape & Skin (Macau) Limited	—	—	4,369	—	—
	—	5,000	39,369	—	—

The rates for dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

34 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results for each of the years ended 31 March 2009, 2010 and 2011 and the four months ended 31 July 2010 and 2011 on a combined basis as disclosed in Note 3 of Section II above.

35 COMMITMENTS

(a) Operating lease commitments

The Group had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	As at 31 March			As at
	2009	2010	2011	31 July
	HK\$'000	HK\$'000	HK\$'000	2011
				HK\$'000
Not later than one year	19,735	20,025	35,691	39,778
Later than one year and not later than five years	10,404	21,458	80,356	67,501
Later than five years	—	844	384	129
	<u>30,139</u>	<u>42,327</u>	<u>116,431</u>	<u>107,408</u>

(b) Capital commitments

	As at 31 March			As at
	2009	2010	2011	31 July
	HK\$'000	HK\$'000	HK\$'000	2011
				HK\$'000
Capital expenditure contracted for but not yet incurred in respect of acquisition of property, plant and equipment	—	3,988	5,752	6,035
	<u>—</u>	<u>3,988</u>	<u>5,752</u>	<u>6,035</u>

36 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

- (a) During the Relevant Periods, certain of the Group's banking facilities in respect of credit card and instalment sales arrangement were secured by personal guarantee provided by Ms. Au Yeung Wai and pledges of real estate properties owned by Dr. Au-Yeung and Ms. Au-Yeung Wai.
- (b) Balances with related companies, directors and shareholders are disclosed in Notes 15, 16 and 17 of Section II above respectively.

(c) During the Relevant Periods, the Group carried out the following transactions with related parties:

	Year ended 31 March			Four months ended	
	2009	2010	2011	31 July	
	HK\$'000	HK\$'000	HK\$'000	2010	2011
				(unaudited)	
Rental income from the lease of machinery and equipment (<i>Note i</i>)					
— The SPA House Limited	15	15	—	—	—
Management fee income (<i>Note ii</i>)					
— The SPA House Limited	152	81	—	—	—

Note:

- (i) Rental income is calculated in accordance with the terms of the relevant agreements.
 - (ii) Terms of services are mutually agreed between the relevant parties.
- (d) Details of key management compensations are disclosed in Note 31 of Section II above.

37 CASH GENERATED FROM OPERATIONS

	Year ended 31 March			Four months ended 31 July	
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000
Profit before income tax	34,675	35,735	65,701	17,883	39,629
Adjustments for:					
— Depreciation	16,516	15,143	16,494	5,515	5,658
— Losses/(gains) on disposal of property, plant and equipment	1,056	249	(18)	17	34
— Gains on disposal of financial assets at fair value through profit or loss	—	—	(381)	—	(460)
— Gains on disposals of available-for-sale financial assets	—	—	(139)	—	(235)
— Fair value gains on financial assets at fair value through profit or loss	—	(93)	(1,042)	(101)	—
— (Over)/under provision for reinstatement costs	(13)	77	(184)	(64)	—
— Dividend income from available-for-sale financial assets	—	—	(203)	(70)	(43)
— Interest income	(4)	(25)	(238)	(19)	(596)
	<u>52,230</u>	<u>51,086</u>	<u>79,990</u>	<u>23,161</u>	<u>43,987</u>
Changes in working capital:					
— Inventories	(511)	(507)	(41)	139	408
— Trade receivables	(852)	5,602	3,774	(4,154)	(829)
— Other receivables, deposits and prepayments	9,346	(3,210)	(16,491)	346	(2,899)
— Balances with directors, shareholders and related companies	(33,425)	(4,259)	9,115	812	1,152
— Trade payables, accruals and other payables	(5,460)	5,112	5,714	6,178	(6,095)
— Deferred revenue	65	4,110	23,589	20,137	(3,685)
Cash generated from operations	<u>21,393</u>	<u>57,934</u>	<u>105,650</u>	<u>46,619</u>	<u>32,039</u>

Major non-cash transactions:

During the years ended 31 March 2010 and 2011, dividends amounting to HK\$5,000,000 and HK\$39,369,000 respectively were settled through the current accounts with directors and shareholders.

III SUBSEQUENT EVENTS

The following material transactions took place subsequent to 31 July 2011 and up to the date of this report:

- (a) The amounts due from directors were fully settled up to the date of this report.
- (b) The Group completed the Reorganisation on 1 December 2011 in preparation for a listing of Shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited, the details of which are set out in Note 2 of Section II of this report.
- (c) Pursuant to resolutions of the directors dated 3 November 2011, special cash dividends amounting to HK\$88,500,000 are declared by the following companies on 3 November 2011. The amounts will be fully settled prior to the listing.

Details are as follows:

Perfect Shape & Skin Limited	HK\$250 per share totalling HK\$5,000,000
Perfect Shape & Skin (SS) Limited	HK\$100 per share totalling HK\$1,000,000
Perfect Shape & Skin (TW) Limited	HK\$36.94 per share totalling HK\$738,835
Paris Medical Beauty Limited	HK\$50 per share totalling HK\$500,000
Perfect Shape (Holdings) Limited	HK\$1,200 per share totalling HK\$12,000,000
Perfect Skin Medical Limited	HK\$280 per share totalling HK\$2,800,000
Perfect Shape & Skin Management Co. Limited	HK\$2,200 per share totalling HK\$22,000,000
Perfect Shape Advertising Company Limited	HK\$50 per share totalling HK\$500,000
Perfect Shape Investment (Shanghai) Limited	HK\$3,600 per share totalling HK\$36,000,000
Perfect Shape & Skin (Macau) Limited	MOP82 per share totalling MOP8,200,000 (equivalent to HK\$79.61 per share totalling HK\$7,961,000)

IV FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated on 11 March 2011 with an initial authorised share capital of HK\$1,000,000,000 divided into 10,000,000,000 ordinary shares with par value of HK\$0.1 each. On the date of incorporation, 100 ordinary shares were issued to Dr. Au-Yeung, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai at par value. The Company had not been involved in any significant business transactions since its date of incorporation to the date of this report other than the Reorganisation. Upon the Reorganisation completed on 1 December 2011, the Company further issued and allotted 200 ordinary shares pursuant to the First Share Swap Agreement and the Second Share Swap Agreement.

Pursuant to a resolution in writing of the shareholders of the Company passed on 5 December 2011, conditional upon the share premium account of the Company being credited as a result of the global offering, the Directors are authorised to allot and issue an aggregate of 749,999,700 shares, credited as fully paid at par, to the shareholders whose names appear on the register of members of the Company as at the date of close of business on 5 December 2011 by way of capitalisation of HK\$74,999,970 standing to the credit of the share premium account of the Company. The 749,999,700 shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued shares.

V SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies comprising the Group in respect of any period subsequent to 31 July 2011. Save as disclosed in this report, no dividend or distribution has been declared, made or paid by the Company or its subsidiaries in respect of any period subsequent to 31 July 2011.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The information set out in this appendix does not form part of the Accountant's Report prepared by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I in this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the "Financial Information" in this prospectus and the "Accountant's Report" as set forth in Appendix I in this prospectus.

The accompanying unaudited pro forma financial information of the Group is based on currently available information along with a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of the Group does not purport to predict the Group's future financial position or results of operations.

Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial results and position of the financial periods concerned.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group, which has been prepared in accordance with Rule 4.29 of the Listing Rules, is for illustrative purposes only, and is set forth to illustrate the effect of the Global Offering on our combined net tangible assets as of 31 July 2011 as if the Global Offering had taken place on 31 July 2011.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our combined net tangible assets as of 31 July 2011 or any future date following the Global Offering. It is prepared based on our audited combined financial information as of 31 July 2011 as set forth in the Accountant’s Report in Appendix I to this prospectus, and adjusted as described below. This unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant’s Report as set forth in Appendix I to this prospectus.

	Audited combined net tangible assets attributable to equity holders of our Company as at 31 July 2011 HK\$’000 (Note 1)	Add: Estimated net proceeds received by our Company from the Global Offering HK\$’000 (Note 2)	Unaudited pro forma adjusted net tangible assets attributable to equity holders of our Company HK\$’000	Unaudited pro forma adjusted net tangible assets per Share HK\$ (Note 3 and 4)
Based on an Offer Price of HK\$1.35 per Offer Share	78,405	307,211	385,616	0.39
Based on an Offer Price of HK\$1.80 per Offer Share	78,405	416,327	494,732	0.49

Notes:

1. The audited combined net tangible assets attributable to equity holders of the Company as at 31 July 2011 is based on the audited combined net assets extracted from the Accountant’s Report set out in Appendix I in this prospectus.
2. The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK\$1.35 per Share and HK\$1.80 per Offer Share after deduction of the underwriting fees and other related expenses payable by our Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

3. The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in Note 2 above and on the basis that 1,000,000,000 Shares were in issue assuming that the Global Offering had been completed on 31 July 2011 but takes no account of the Over-allotment Option.
4. In November 2011, certain companies now comprising the Group declared special interim dividends totaling HK\$88.5 million to their respective shareholders. The unaudited pro forma adjusted net tangible assets attributable to equity holders of our Company and the unaudited pro forma adjusted net tangible assets per Share as presented above have not taken into account of these special interim dividends. Had the special interim dividends been taken into account for, the unaudited pro forma adjusted net tangible assets value per Share would be HK\$0.30 (assuming an Offer Price of HK\$1.35) and HK\$0.41 (assuming an Offer Price of HK\$1.80), respectively.
5. No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to 31 July 2011.

LETTER FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, received from the Company's reporting accountant, PricewaterhouseCoopers, in respect of the unaudited pro forma financial information for the purpose of incorporation in this prospectus.



羅兵咸永道

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF PERFECT SHAPE (PRC) HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Perfect Shape (PRC) Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages II-1 to II-3 under the heading of "Unaudited Pro Forma Adjusted Combined Net Tangible Assets" (the "Unaudited Pro Forma Financial Information") in Appendix II of the Company's prospectus dated 13 December 2011 (the "Prospectus"), in connection with the proposed initial public offering of the shares of the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed initial public offering might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages II-1 to II-3 of the Prospectus.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the audited combined net assets of the Group as at 31 July 2011 with the accountant’s report as set out in Appendix I of the Prospectus, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the adjusted net tangible assets of the Group as at 31 July 2011 or any future date.

Opinion

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 13 December 2011

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 30 September 2011 of the property interests of the Group.



Jones Lang LaSalle Sallmanns Limited
6/F Three Pacific Palce
1 Queen's Road East Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

13 December 2011

The Board of Directors
Perfect Shape (PRC) Holdings Limited
Unit 1205-06 on 12th Floor
Tower 1, Silvercord Centre
No. 30 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties in which Perfect Shape (PRC) Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC"), Hong Kong, and Macau, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 30 September 2011 (the "date of valuation").

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

We have attributed no commercial value to the property interests in Group I, II and III which are leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by The Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been provided with copies of title documents and tenancy agreements relating to the property interests and have caused searches to be made at the Hong Kong Land Registry. However, we have not searched the original documents to verify the ownership or to ascertain any amendment.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates, Real Estate Title Certificates and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC Legal Advisor — King & Wood PRC Lawyers, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong Dollars (HK\$).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Sallmanns Limited
Gilbert C.H. Chan
MRICS MHKIS RPS (GP)
Director

Note: Gilbert C.H. Chan is a Chartered Surveyor who has 19 years' experience in the valuation of properties in the PRC and 18 years of property valuation experience in Hong Kong, Macau, the United Kingdom as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Group I — Property interests rented and occupied by the Group in Hong Kong

No.	Property	Capital value attributable to the Group as at 30 September 2011 HK\$
1.	Room 1719 and Room 1725 17th Floor of One Grand Tower No. 639 Nathan Road Kowloon	No commercial value
2.	Office Nos. 5–8 on 8th Floor Kwong Wah Plaza No. 11 Tai Tong Road Yuen Long New Territories	No commercial value
3.	Room 1104–5 and part of 1106 Nan Fung Centre Nos. 264–298 Castle Peak Road & Nos. 64–98 Sai Lau Kok Road Tsuen Wan New Territories	No commercial value
4.	An unit on 18th Floor Century Square Nos. 1–13 D' Aguilar Street Central Hong Kong	No commercial value
5.	Unit 2 on 27th Floor of North Wing Tuen Mun Parklane Square No. 2 Tuen Hi Road Tuen Mun New Territories	No commercial value
6.	Unit Nos. 1010–1011 on Level 10 New Town Tower Nos. 10–18 Pak Hok Ting Street Shatin New Territories	No commercial value

No.	Property	Capital value attributable to the Group as at 30 September 2011 HK\$
7.	Suite Nos. 1901, 1902, 1904, 1905, 1914 and 1915 19th Floor Hang Lung Centre Nos. 2–20 Paterson Street Causeway Bay Hong Kong	No commercial value
8.	Unit Nos. 1301 and 1302 on 13th Floor Carnarvon Plaza No. 20 Carnarvon Road Tsim Sha Tsui Kowloon	No commercial value
9.	Unit Nos. 2407 and 2408 24th Floor City Landmark 1 Office Tower No. 68 Chung On Street Tsuen Wan New Territories	No commercial value
10.	Unit Nos. 5L and 5M on Level 2 Tai Po Plaza No. 1 On Tai Road Tai Po New Territories	No commercial value
Sub-total:		<hr/> <u>Nil</u>

Group II — Property interests rented and occupied by the Group in the PRC

No.	Property	Capital value attributable to the Group as at 30 September 2011 HK\$
11.	Shop F3-23 on Level 3 Beijing Guorui Shopping Mall No. 18 Chongwai Avenue Chongwen District Beijing the PRC	No commercial value
12.	Shop 5-2 Level 5 Milaiou Department Store No. 209 Nanjing Road Heping District Tianjin the PRC	No commercial value
13.	Units F4-06 & 07 Level F4 Oumeihui Shopping Centre No. 1A Danling Road Haidian District Beijing the PRC	No commercial value
14.	Shop P-W3-07B Podium Level of Dongfang Xintiandi Plaza Beijing Dongfang Plaza No. 1 Changan East Street Dongcheng District Beijing the PRC	No commercial value

No.	Property	Capital value attributable to the Group as at 30 September 2011 HK\$
15.	Shop 11F Level B1 Dongfang Yinzuo Mall No. 48 Dongzhimenwai Avenue Dongcheng District Beijing the PRC	No commercial value
16.	Unit E3 Basement Level 1 Nanjing International Financial Centre No. 1 Hanzhong Road Nanjing City Jiangsu Province the PRC	No commercial value
17.	Unit 5004 Level 5 Lesen Shopping Centre No. 31 Zongfu Road Jinjiang District Chengdu City Sichuan Province the PRC	No commercial value
18.	Room 9006 Level 9 Longzimeng Shopping Centre No. 1018 Changning Road Changning District Shanghai the PRC	No commercial value

No.	Property	Capital value attributable to the Group as at 30 September 2011 HK\$
19.	Room NBL-03 North Wing Hong Kong Plaza Shopping Arcade No. 282 Huaihai Zhong Road Luwan District Shanghai the PRC	No commercial value
20.	Unit Nos. 320 & 321 Level 3 Jiajie International Plaza No. 1689 North Sichuan Road Hongkou District Shanghai the PRC	No commercial value
21.	Unit A209 Level 2 Zone A Lianyang Plaza Nos. 208–232 Fangdian Road Pudong New District Shanghai the PRC	No commercial value
22.	Room 306 of Block 2 Nong 3611 Zhangyang Road Pudong New District Shanghai the PRC	No commercial value
23.	Shop 5–16A and 5–16B Level 5 Guangbai Xinyicheng Shopping Centre No. 498 Baogang Avenue Haizhu District Guangzhou City Guangdong Province the PRC	No commercial value

No.	Property	Capital value attributable to the Group as at 30 September 2011 HK\$
24.	Room 434 and 435 No. 2008 Gonghexin Road Da Ning International Commercial Plaza Zhabei District Shanghai the PRC	No commercial value
25.	Shop 33 and 35 Level 1 Jiayu Taiyangcheng Plaza No. 1811 Guangzhou Avenue North Guangzhou City Guangdong Province the PRC	No commercial value
26.	Shop 15 and 23 Level 2 Teli Fashion Hui Wujiao Chang No. 189 Zhengtong Road Yangpu District Shanghai the PRC	No commercial value
27.	Shop T622 Level 6 Bailian Shimao International Plaza No. 819 East Nanjing Road Huangpu District Shanghai the PRC	No commercial value
28.	Shop 5(1) and 5(2) Level 6 New World Department Store (Jiangbei Store) Chongqing the PRC	No commercial value

No.	Property	Capital value attributable to the Group as at 30 September 2011 <i>HK\$</i>
29.	Level 5 Yi Teng Yang Hua Tang (Jianshe Road Shop) No. 2 Jianshe Road Chengdu City Sichuan Province the PRC	No commercial value
30.	Unit B11 Commercial Centre Beichen Shenghuo Plaza No. 8 Beichen East Road Chaoyang District Beijing the PRC	No commercial value
31.	A Shop unit on Basement Level 1 Zongyi Plaza No. 83 Hongfu Road Nancheng District Dongguan City Guangdong Province the PRC	No commercial value
32.	Unit 201A and 201B Level 2 Diwang Shopping Centre Xinxing Plaza No. 5002 Shennan Zhong Road Shenzhen City Guangdong Province the PRC	No commercial value
33.	Shop 208 Level 2 Fubang Centre No. 51 Zhongshan Qi Road Guangzhou City Guangdong Province the PRC	No commercial value

No.	Property	Capital value attributable to the Group as at 30 September 2011 HK\$
34.	Shop B7 on Level 6 No. 278 Shanxi Road Shanghai the PRC	No commercial value
35.	Shop 711 Level 7 Wuyuehua Commercial Plaza No. 68 Zhongshan Wu Road Guangzhou City Guangdong Province the PRC	No commercial value
36.	B4-03 on Level 4 Zone B Liyang Shopping Mall Haizhu District Guangzhou City Guangdong Province the PRC	No commercial value
37.	Shop C205-C209 Level 1 Zhuanhui Jewelry Plaza No. 2 Shiqiao Fuhua West Road Panyu District Guangzhou City Guangdong Province the PRC	No commercial value
38.	Shop 9C1A Level 9 Zhonghua Plaza No. 33 Zhongshan San Road Guangzhou City Guangdong Province the PRC	No commercial value

No.	Property	Capital value attributable to the Group as at 30 September 2011 HK\$
39.	Shop 411 Level 4 Haiancheng Shopping Centre No. 33 Wenxin Wu Road Nanshan District Shenzhen City Guangdong Province the PRC	No commercial value
40.	Shop L5-012 Level 5 Jinguanghua Plaza No. 2028 Renmin South Road Shenzhen City Guangdong Province the PRC	No commercial value
41.	Shop C021, Level 3, NICO Nuren Shijie Mingdian Block AB Shenfang Building Huaqiang North Road Shenzhen City Guangdong Province the PRC	No commercial value
42.	Unit 005, Xinyijia Level 1, Nos. 203 and 204 Block G Qinfang Garden Xinyi Jiari Mingcheng Phase 1 Baige Road Buji Town Longgang District Shenzhen City Guangdong Province the PRC	No commercial value

No.	Property	Capital value attributable to the Group as at 30 September 2011 HK\$
43.	Shop B328 Level 3 Pearl City Dongfang Plaza No. 85 Jinhua Road Shancheng District Foshan City Guangdong Province the PRC	No commercial value
44.	Shop 313 Level 3 Yian Department Store Diwang Plaza No. 303 Changqing Road Changan Town Dongguan City Guangdong Province the PRC	No commercial value
45.	Shop I-21, I-22, I-23, and I-25 Basement Level 1 Shiji Plaza Dongcheng Avenue Dongguan City Guangdong Province the PRC	No commercial value
46.	Shop 5A005 Zhengjia Plaza No. 228 Tianhe Road Guangzhou City Guangdong Province the PRC	No commercial value

No.	Property	Capital value attributable to the Group as at 30 September 2011 HK\$
47.	Room 608 Guomao Building South Renmin Road Luohu District Shenzhen City Guangdong Province the PRC	No commercial value
48.	Room 310 Level 3 Yulin Building Beijing the PRC	No commercial value
49.	Room 501 Jinke Building No. 19 Guangwei Road Yuxiu District Guangzhou City Guangdong Province the PRC	No commercial value
50.	Unit 0506 Level 5 Jiamao Shopping Centre No. 1 Xizhimenwai Avenue Xicheng District Beijing The PRC	No Commercial Value
51.	Room 320 Wuyuehua Commercial Plaza. No. 68 Zhongshan Wu Road Guangzhou City Guangdong Province The PRC	No Commercial Value

No.	Property	Capital value attributable to the Group as at 30 September 2011 HK\$
52.	Shop 314–316 Level 3 Huarun Times Plaza No. 500 Zhangyang Road Pudongxin District Shanghai	No Commercial Value
53.	Room 332 and 333 Level 2 Plaza 66 No. 1266 Nanjing West Road Jingan District Shanghai The PRC	No Commercial Value
54.	Room 1002 No. 70 Tongchuan Road Putuo Distirct Shanghai The PRC	No Commercial Value
Sub-total:		<u>Nil</u>

Group III — Property interest rented and occupied by the Group in Macau

No.	Property	Capital value attributable to the Group as at 30 September 2011 HK\$
55.	5th Floor 89 Av. De Almeida Ribeiro Sao Lourenco Macau	No commercial value
Sub-total:		<u>Nil</u>
Grand total:		<u>Nil</u>

VALUATION CERTIFICATE

Group I — Property interests rented and occupied by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
1.	Room 1719 and Room 1725 17th Floor of One Grand Tower No. 639 Nathan Road Kowloon	<p>The property comprises two units on the 17th floor of a 21-storey office building completed in about 1986.</p> <p>The property has a total lettable area of approximately 822.37 sq.m.</p> <p>Pursuant to a Tenancy Agreement dated 6 December 2010, the property is leased by Slimming Medical Beauty Centre Limited, a wholly-owned subsidiary of the Company as lessee, from Hang Lung Real Estate Agency Limited, an independent third party as an agent of the Landlord, for a term commencing from 1 November 2010 and expiring on 31 October 2013, at a monthly rent of HK\$223,132, exclusive of rates, management fees and air-conditioning charges, utility and other charges and outgoings.</p>	The property is currently occupied by the Group for beauty salon purpose.	No commercial value

Note:

The registered owner of the property is Modalton Limited vide Memorial No. UB 4001054 dated 3 February 1989.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
2.	Office Nos. 5–8 on 8th Floor Kwong Wah Plaza No. 11 Tai Tong Road Yuen Long New Territories	<p>The property comprises four units on the 8th floor of a 16-storey commercial building completed in about 1998.</p> <p>The property has a total lettable area of approximately 149.20 sq.m.</p> <p>Pursuant to a Tenancy Agreement dated 15 June 2009, the property is leased by Perfect Shape & Skin (YL) Limited, a wholly-owned subsidiary of the Company as lessee, from Seiren Investment Limited, an independent third party as lessor, for various terms commencing from 16 February 2009 or 23 February 2009 and all expiring on 15 February 2012, at a total monthly rent of HK\$41,534, exclusive of rates, management fees, water and electricity charges.</p>	The property is currently occupied by the Group for beauty salon purpose.	No commercial value

Note:

The registered owner of the property is Seiren Investment Limited.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
3.	Room 1104-5 and part of 1106 Nan Fung Centre Nos. 264-298 Castle Peak Road & Nos. 64-98 Sai Lau Kok Road Tsuen Wan New Territories	<p>The property comprises a unit on the 11th floor of a 23-storey office building completed in about 1983.</p> <p>The property has a lettable area of approximately 192.59 sq.m.</p> <p>Pursuant to a Tenancy Agreement, the property is leased by Perfect Shape & Spa (TW) Limited, a wholly-owned subsidiary of the Company as lessee, from Polytex Conin Holdings Limited, an independent third party as lessor, for a term commencing from 14 December 2010 and expiring on 13 December 2012, at a monthly rent of HK\$41,976, exclusive of rates, government rent, management fees and air-conditioning charges.</p>	The property is currently occupied by the Group for beauty salon purpose.	No commercial value

Note:

The registered owner of the property is Polytex Conin Holdings Limited vide Memorial No. TW877327 dated 11 February 1993.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
4.	A unit on 18th Floor Century Square Nos. 1-13 D' Aguilar Street Central Hong Kong	<p>The property comprises a unit on the 18th floor of a 21-storey commercial building completed in about 1984.</p> <p>The property has a lettable area of approximately 339.46 sq.m.</p> <p>Pursuant to a Tenancy Agreement dated 29 March 2011, the property is leased by Perfect Shape & Skin (CNT) Limited, a wholly-owned subsidiary of the Company as lessee, from Harson Investment Limited, an independent third party as lessor, for a term of 1 year commencing from 5 March 2011 and expiring on 4 March 2012, at a commencing monthly rent of HK\$131,544, exclusive of rates, management fees, water and electricity charges.</p>	The property is currently occupied by the Group for beauty salon purpose.	No commercial value

Note:

The registered owner of the property is Harson Investment Limited vide Memorial No. UB5752649 dated 19 July 1993.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
5.	Unit 2 on 27th Floor of North Wing Tuen Mun Parklane Square No. 2 Tuen Hi Road Tuen Mun New Territories	<p>The property comprises a unit on the 27th floor of a 28-storey office building completed in about 1997.</p> <p>The property has a lettable area of approximately 204.11 sq.m.</p> <p>Pursuant to a Tenancy Agreement, the property is leased by Perfect Shape & Skin (TM) Limited, a wholly-owned subsidiary of the Company as lessee, from Enrich Investments Limited, an independent third party as lessor, for a term of 2 years commencing from 18 December 2010 and expiring on 17 December 2012, at a monthly rent of HK\$25,000, exclusive of rates, government rent, management fees, water and electricity charges.</p>	The property is currently occupied by the Group for beauty salon purpose.	No commercial value

Note:

The registered owner of the property is Enrich Investments Limited.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
6.	Unit Nos. 1010-1011 on Level 10 New Town Tower Nos. 10-18 Pak Hok Ting Street Shatin New Territories	<p>The property comprises two units on level 10 of a 13-storey office building completed in about 1988.</p> <p>The property has a total lettable area of approximately 154.31 sq.m.</p> <p>Pursuant to a Tenancy Agreement dated 18 May 2009, the property is leased by Perfect Shape & Spa Limited, a wholly-owned subsidiary of the Company as lessee, from Sun Hung Kai Real Estate Agency Limited, an independent third party as an agent of the Landlord, for a term of 1 year commencing from 16 March 2011 and expiring on 15 March 2012, at a monthly rent of HK\$93,846.50, exclusive of rates, management fees and air-conditioning charges.</p>	The property is currently occupied by the Group for beauty salon purpose.	No commercial value

Note:

The registered owner of the property is Mindano Limited.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011
				HK\$
7.	Suite Nos. 1901, 1902, 1904, 1905, 1914 and 1915 19th Floor Hang Lung Centre Nos. 2-20 Paterson Street Causeway Bay Hong Kong	<p>The property comprises six units on the 19th floor of a 27-storey commercial building completed in about 1975.</p> <p>The property has a total lettable area of approximately 469.53 sq.m.</p> <p>Pursuant to various Tenancy Agreements, the property is leased by Perfect Shape & SPA (CWB) Limited, a wholly-owned subsidiary of the Company as lessee, from Hang Lung Real Estate Agency Limited, an independent third party as an agent of the Landlord, for various terms commencing from the period between 21 February 2010 and 1 April 2010 and all expiring on 21 February 2013, at a total monthly rent of HK\$135,200, exclusive of rates, management fees and air-conditioning charges.</p>	The property is currently occupied by the Group for beauty salon purpose.	No commercial value

Note:

The registered owner of the property is Hang Chui Company Limited vide Memorial No. UB 3039056 dated 14 April 1986.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011
				HK\$
8.	Unit Nos. 1301 and 1302 on 13th Floor Carnarvon Plaza No. 20 Carnarvon Road Tsim Sha Tsui Kowloon	<p>The property comprises two units on the 13th floor of a 17-storey commercial building completed in about 1990.</p> <p>The property has a total lettable area of approximately 197.51 sq.m.</p> <p>Pursuant to a Tenancy Agreement dated 28 August 2009, the property is leased by Perfect Shape & SPA (TST) Limited, a wholly-owned subsidiary of the Company as lessee, from Lucky Gain Enterprises Limited, an independent third party as lessor, for a term of 3 years commencing from 1 September 2009 and expiring on 31 August 2012, at a monthly rent of HK\$44,646, exclusive of rates, government rent, management fees, air-conditioning charges and other outgoings.</p>	The property is currently occupied by the Group for beauty salon purpose.	No commercial value

Note:

The registered owner of the property is Lucky Gain Enterprises Limited vide Memorial No. UB9189975 dated 31 March 2004.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
9.	Unit Nos. 2407 and 2408 24th Floor City Landmark 1 Office Tower No. 68 Chung On Street Tsuen Wan New Territories	<p>The property comprises two units on the 24th floor of a 25-storey office building completed in about 1996.</p> <p>The property has a total lettable area of approximately 220.83 sq.m.</p> <p>Pursuant to a Tenancy Agreement, the property is leased by Dr. Face Limited, a wholly-owned subsidiary of the Company as lessee, from Henderson Real Estate Agency Limited, an independent third party as Landlord, for a term of 2 years commencing from 9 July 2010 and expiring on 8 July 2012, at a monthly rent of HK\$42,804, exclusive of rates, management fees, air-conditioning charges and other outgoings.</p>	The property is currently occupied by the Group for beauty salon purpose.	No commercial value

Note:

The registered owner of the property is Shun King Development Co. Ltd., Join Fortune Development Ltd. and The Yin Nin Savings, Mortgage Loan And Land Investment Co. Ltd., Tenant in Common.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
10.	Unit Nos. 5L and 5M on Level 2 Tai Po Plaza No. 1 On Tai Road Tai Po New Territories	<p>The property comprises two units on level 2 of a commercial building completed in about 1984.</p> <p>The property has a total lettable area of approximately 98.48 sq.m.</p> <p>Pursuant to a Tenancy Agreement dated 26 January 2010, the property is leased by Perfect Shape & SPA (TP) Limited, a wholly-owned subsidiary of the Company as lessee, from Cheung Shui Hing, Law Yuk Ying, Fan Fuk Lan and Cheung Kam Sau, independent third parties as lessor, for a term of 13 months commencing from 28 January 2011 and expiring on 27 February 2012, with an option to renew for a further term of 1 year, at a total monthly rent of HK\$50,000, inclusive of rates, government rent, management fees and air-conditioning charges.</p>	The property is currently occupied by the Group for beauty salon purpose.	No commercial value

Notes:

1. The registered owner of Unit No. 5L of the property is Cheung Shui Hing and Law Yuk Ying, Joint Tenant, vide Memorial No. 10021701550122 dated 25 January 2010.
2. The registered owner of Unit No. 5M of the property is Fan Fuk Lan and Cheung Kam Sau, Joint Tenant, vide Memorial No. 10030101930311 dated 25 January 2010.

VALUATION CERTIFICATE

Group II — Property interests rented and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
11.	Shop F3-23 on Level 3 Beijing Guorui Shopping Mall No. 18 Chongwai Avenue Chongwen District Beijing the PRC	<p>The property comprises a unit on level 3 of a 3-storey shopping mall (plus 2 basement levels) completed in about 2008.</p> <p>The property has a lettable area of approximately 323 sq.m.</p> <p>Pursuant to a Tenancy Agreement dated 9 December 2009, the property is leased by Prefect Shape Consultancy, a wholly-owned subsidiary of the Company as lessee, from Glory Real Estate (北京國瑞興業地產有限公司), an independent third party as lessor, for a term commencing from 9 December 2009 and expiring on 7 December 2014, at a monthly rent of RMB80,750.</p>	The property is currently occupied by the Group for beauty salon and retail purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- a. the lessor is the owner of the property and has the right to lease the property;
- b. the usage of the property is in accordance with the PRC law;
- c. the aforesaid agreement is valid and legally binding;
- d. the aforesaid agreement has not been registered but has no material effect on the legality of the Company to use the property; and
- e. the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
12.	Shop 5-2 Level 5 Milaiou Department Store No. 209 Nanjing Road Heping District Tianjin the PRC	<p>The property comprises a unit on level 5 of a 6-storey shopping mall (plus 2 basement levels) completed in about 1993.</p> <p>The property has a lettable area of approximately 180.02 sq.m.</p> <p>Pursuant to a Tenancy Agreement dated 16 July 2010, the property is leased by Beijing Snow Skin, a wholly-owned subsidiary of the Company as lessee, from Mi Lai Ou (Tianjin) Development Limited (米萊歐(天津)發展有限公司), an independent third party as lessor, for a term commencing from 1 July 2010 and expiring on 30 June 2013, at a monthly rent of RMB35,627.</p>	The property is currently occupied by the Group for beauty salon purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- a. the lessor has obtained a legal approval to lease the property;
- b. the usage of the property is in accordance with the PRC law;
- c. the aforesaid agreement is valid and legally binding;
- d. the aforesaid agreement has not been registered but has no material effect on the legality of the Company to use the property; and
- e. the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
13.	Units F4-06 & 07 Level F4 Oumeihui Shopping Centre No. 1A Danling Road Haidian District Beijing the PRC	<p>The property comprises six units on level F4 of a 6-storey commercial building completed in about 2009.</p> <p>The property has a total lettable area of approximately 225 sq.m.</p> <p>Pursuant to a Tenancy Agreement dated 23 April 2010, the property is leased by Beijing Snow Skin, a wholly-owned subsidiary of the Company as lessee, from Yi Sa Mei Zhi Ye (Tianjin) Company Limited — Beijing Ou Mei Hui Consultancy Branch Office (益颯美職業(天津)有限公司北京歐美匯諮詢分公司), an independent third party as lessor, for a term commencing from 20 May 2010 and expiring on 19 May 2013, at a current monthly rent of RMB52,582.5.</p>	The property is currently occupied by the Group for beauty salon purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- the lessor is the owner of the property and has the right to lease the property;
- the usage of the property is in accordance with the PRC law;
- the aforesaid agreement is valid and legally binding;
- the aforesaid agreement has not been registered but has no material effect on the legality of the Company to use the property; and
- the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
14.	Shop P-W3-07B Podium Level of Dongfang Xintiandi Plaza Beijing Dongfang Plaza No. 1 Changan East Street Dongcheng District Beijing the PRC	<p>The property comprises a unit on podium level of a 29-storey commercial building completed in about 1999.</p> <p>The property has a lettable area of approximately 208.18 sq.m.</p> <p>Pursuant to a Tenancy Agreement, the property is leased by Beijing Snow Skin, a wholly-owned subsidiary of the Company as lessee, from Beijing Oriental Plaza Company Limited (北京東方廣場有限公司), an independent third party as lessor, for a term commencing from 1 August 2010 and expiring on 31 July 2015, at a monthly rent of RMB54,200.</p>	The property is currently occupied by the Group for beauty salon purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- the lessor is the owner of the property and has the right to lease the property;
- the usage of the property is in accordance with the PRC law;
- the aforesaid agreement is valid and legally binding;
- the aforesaid agreement has been registered; and
- the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
15.	Shop 11F Level B1 Dongfang Yinzuo Mall No. 48 Dongzhimenwai Avenue Dongcheng District Beijing the PRC	<p>The property comprises a unit on the Basement Level 1 of a 27-storey commercial building completed in about 2003.</p> <p>The property has a lettable area of approximately 272.72 sq.m.</p> <p>Pursuant to a Tenancy Agreement, the property is leased by Beijing Snow Skin, a wholly-owned subsidiary of the Company as lessee, from MTR (Beijing) Commercial Facilities Management Company Limited (港鐵(北京)商業設施管理有限公司), an independent third party as lessor, for a term commencing from 12 January 2011 and expiring on 11 January 2016, at a monthly rent of RMB51,200.</p>	The property is currently occupied by the Group for commercial purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- a. the lessor has obtained a legal approval to lease the property;
- b. the usage of the property is in accordance with the PRC law;
- c. the aforesaid agreement is valid and legally binding;
- d. the aforesaid agreement has not been registered but has no material effect on the legality of the Company to use the property; and
- e. the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
16.	Unit E3 Basement Level 1 Nanjing International Financial Centre No. 1 Hanzhong Road Nanjing City Jiangsu Province the PRC	<p>The property comprises a unit on basement level 1 of a 6-storey shopping mall completed in about 2008.</p> <p>The property has a lettable area of approximately 272.72 sq.m.</p> <p>Pursuant to a Tenancy Agreement and a Supplementary Tenancy Agreement dated 14 December 2010, and an Agreement of Contract Amendment dated 23 December 2010, the property is leased by Shanghai Perfect Shape Consultancy, a wholly-owned subsidiary of the Company as lessee, from Nanjing Fucheng Property Development Company Limited (南京富城房地產開發有限公司), an independent third party as lessor, for a term commencing from 20 December 2010 and expiring on 19 October 2016, at a current monthly rent of RMB45,623.78.</p>	The property is currently occupied by the Group for beauty salon purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- a. the lessor is the owner of the property and has the right to lease the property;
- b. the usage of the property is in accordance with the PRC law;
- c. the aforesaid agreement is valid and legally binding;
- d. the aforesaid agreement has been registered; and
- e. the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
17.	Unit 5004 Level 5 Lesen Shopping Centre No. 31 Zongfu Road Jinjiang District Chengdu City Sichuan Province the PRC	<p>The property comprises a unit on level 5 of a commercial building completed in about 2010.</p> <p>The property has a lettable area of approximately 210 sq.m.</p> <p>Pursuant to a Tenancy Agreement, the property is leased by Perfect Shape Consultancy, a wholly-owned subsidiary of the Company as lessee, from Chengdu Lesen Mingpin Baihuo Company Limited (成都樂森名品百貨有限公司), an independent third party as lessor, for a term commencing from 1 October 2010 and expiring on 30 September 2015, at a monthly rent of RMB38,440.</p>	The property is currently occupied by the Group for beauty salon purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- a. the lessor has obtained a legal approval to lease the property;
- b. the usage of the property is in accordance with the PRC law;
- c. the aforesaid agreement is valid and legally binding;
- d. the aforesaid agreement has not been registered but has no material effect on the legality of the Company to use the property; and
- e. the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
18.	Room 9006 Level 9 Longzimeng Shopping Centre No. 1018 Changning Road Changning District Shanghai the PRC	<p>The property comprises a unit on level 9 of a 58-storey commercial building completed in about 2005.</p> <p>The property has a lettable area of approximately 191 sq.m.</p> <p>Pursuant to a Tenancy Agreement dated 1 November 2010, the property is leased by Perfect Shape Consultancy, a wholly-owned subsidiary of the Company as lessee, from Shanghai Longzimeng Baihuo Company Limited (上海龍之夢百貨有限公司), an independent third party as lessor, for a term of commencing from 16 December 2010 and expiring on 15 December 2013, at a monthly rent of RMB58,064.</p>	The property is currently occupied by the Group for beauty salon purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- a. the lessor has obtained a legal approval to lease the property;
- b. the usage of the property is in accordance with the PRC law;
- c. the aforesaid agreement is valid and legally binding;
- d. the aforesaid agreement has not been registered but has no material effect on the legality of the Company to use the property; and
- e. the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
19.	Room NBL-03 North Wing Hong Kong Plaza Shopping Arcade No. 282 Huaihai Zhong Road Luwan District Shanghai the PRC	<p>The property comprises a unit of a 38-storey commercial building completed in about 1997.</p> <p>The property has a lettable area of approximately 295 sq.m.</p> <p>Pursuant to two Tenancy Agreements dated 20 October 2010, the property is leased by Perfect Shape Consultancy, a wholly-owned subsidiary of the Company as lessee, from Shanghai Lixing Real Estate Company Limited (上海麗興房地產有限公司), an independent third party as lessor, for a term of commencing from 20 December 2010 and expiring on 19 December 2015, at a monthly rent of RMB102,111.79.</p>	The property is currently occupied by the Group for retail and storage purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- the lessor is the owner of the property and has the right to lease the property;
- the usage of the property is in accordance with the PRC law;
- the aforesaid agreement is valid and legally binding;
- the aforesaid agreement has not been registered but has no material effect on the legality of the Company to use the property; and
- the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
20.	Unit Nos. 320 & 321 Level 3 Jiajie International Plaza No. 1689 North Sichuan Road Hongkou District Shanghai the PRC	<p>The property comprises two units on level 3 of a 20-storey commercial building completed in about 2005.</p> <p>The property has a total lettable area of approximately 123.6 sq.m.</p> <p>Pursuant to a Tenancy Agreement, the property is leased by Perfect Shape Consultancy, a wholly-owned subsidiary of the Company as lessee, from Shanghai Jiayong Shiye Holdings Limited (上海嘉永實業發展有限公司), an independent third party as lessor, for a term commencing from 12 February 2011 and expiring on 11 February 2016, at a monthly rent of RMB41,442.38.</p>	The property is currently occupied by the Group for beauty salon purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- the lessor has obtained a legal approval to lease the property;
- the usage of the property is in accordance with the PRC law;
- the aforesaid agreement is valid and legally binding;
- the aforesaid agreement has not been registered but has no material effect on the legality of the Company to use the property; and
- the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
21.	Unit A209 Level 2 Zone A Lianyang Plaza Nos. 208-232 Fangdian Road Pudong New District Shanghai the PRC	<p>The property comprises a unit on level 2 of a 4-storey commercial building completed in about 2008.</p> <p>The property has a lettable area of approximately 152.1 sq.m.</p> <p>Pursuant to a Tenancy Agreement dated 24 December 2010, the property is leased by Shanghai Perfect Shape Consultancy, a wholly-owned subsidiary of the Company as lessee, from Shanghai Lianyang Development Company Limited (上海聯洋置地有限公司), an independent third party as lessor, for a term commencing from 31 December 2010 and expiring on 30 December 2013, at a monthly rent of RMB26,833.</p>	The property is currently occupied by the Group for beauty salon purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- a. the lessor has obtained a legal approval to lease the property;
- b. the usage of the property is in accordance with the PRC law;
- c. the aforesaid agreement is valid and legally binding;
- d. the aforesaid agreement has not been registered but has no material effect on the legality of the Company to use the property; and
- e. the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
22.	Room 306 of Block 2 Nong 3611 Zhangyang Road Pudong New District Shanghai the PRC	<p>The property comprises a unit on level 3 of a 10-storey commercial building completed in about 2009.</p> <p>The property has a lettable area of approximately 128.02 sq.m.</p> <p>Pursuant to a Tenancy Agreement dated 4 March 2011, the property is leased by Shanghai Perfect Shape Consultancy, a wholly-owned subsidiary of the Company as lessee, from Shanghai Aimengdun Development Company Limited (上海愛夢敦置業有限公司), an independent third party as lessor, for a term commencing from 15 March 2011 and expiring on 14 June 2015, at a current monthly rent of RMB22,585.</p>	The property is currently occupied by the Group for beauty salon purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- a. the lessor is the owner of the property and has the right to lease the property;
- b. the usage of the property is in accordance with the PRC law;
- c. the aforesaid agreement is valid and legally binding;
- d. the aforesaid agreement has not been registered but has no material effect on the legality of the Company to use the property; and
- e. the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
23.	Shop 5-16A and 5-16B Level 5 Guangbai Xinyicheng Shopping Centre No. 498 Baogang Avenue Haizhu District Guangzhou City Guangdong Province the PRC	The property comprises two units on level 5 of a 12-storey commercial building completed in about 2006. The property has a total lettable area of approximately 533 sq.m. Pursuant to a Tenancy Agreement dated 17 November 2010, the property is leased by Perfect Shape Consultancy, a wholly-owned subsidiary of the Company as lessee, from Guangzhou Guanghai Xinyicheng Commercial Trading Company Limited (廣州市廣百新一城商貿有限公司), an independent third party as lessor, for a term commencing from 20 December 2010 and expiring on 19 December 2013, at a monthly rent of RMB41,041.	The property is currently occupied by the Group for beauty salon and retail purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- the lessor has obtained a legal approval to lease the property;
- the usage of the property is in accordance with the PRC law;
- the aforesaid agreement is valid and legally binding;
- the aforesaid agreement has been registered; and
- the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
24.	Room 434 and 435 No. 2008 Gonghexin Road Da Ning International Commercial Plaza Zhabei District Shanghai the PRC	The property comprises two units on Level 4 of a 12-storey commercial building completed in about 2006. The property has a total lettable area of approximately 169.84 sq.m. Pursuant to a Tenancy Agreement, the property is leased by Guangzhou Perfect Shape, a wholly-owned subsidiary of the Company as lessee, from Shanghai Fulesite Property Development Company Limited (上海福樂思特房地產發展有限公司), an independent third party as lessor, for a term commencing from 16 August 2010 and expiring on 15 November 2013, at a current monthly rent of RMB45,000.	The property is currently occupied by the Group for commercial purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- the lessor is the owner of the property and has the right to lease the property;
- the usage of the property is in accordance with the PRC law;
- the aforesaid agreement is valid and legally binding;
- the aforesaid agreement has not been registered but has no material effect on the legality of the Company to use the property; and
- the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
25.	Shop 33 and 35 Level 1 Jiayu Taiyangcheng Plaza No. 1811 Guangzhou Avenue North Guangzhou City Guangdong Province the PRC	<p>The property comprises two units on level 1 of a 3-storey commercial building completed in about 2009.</p> <p>The property has a total lettable area of approximately 212 sq.m.</p> <p>Pursuant to a Tenancy Agreement dated 21 March 2011, the property is leased by Guangzhou Perfect Shape, a wholly-owned subsidiary of the Company as lessee, from Guangzhou Jiayu Taiyangcheng Property Management Company Limited (廣州嘉裕太陽城物業管理有限公司), an independent third party as lessor, for a term commencing from 30 April 2011 and expiring on 31 December 2015, at a monthly rent of RMB19,500.</p>	The property is currently occupied by the Group for commercial purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- the lessor has obtained a legal approval to lease the property;
- the usage of the property is in accordance with the PRC law;
- the aforesaid agreement is valid and legally binding;
- the aforesaid agreement has been registered; and
- the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
26.	Shop 15 and 23 Level 2 Teli Fashion Hui Wujiao Chang No. 189 Zhengtong Road Yangpu District Shanghai the PRC	<p>The property comprises two units on Level 2 of a 5-storey commercial building completed in about 2009.</p> <p>The property has a total lettable area of approximately 242 sq.m.</p> <p>Pursuant to a Tenancy Agreement dated 12 July 2010, the property is leased by Guangzhou Perfect Shape, a wholly-owned subsidiary of the Company as lessee, from Li Wei (Shanghai) Commercial Services Company Limited (立威(上海)商務服務有限公司), an independent third party as lessor, for a term commencing from 12 July 2010 and expiring on 11 July 2013, at a monthly rent of RMB73,608.</p>	The property is currently occupied by the Group for beauty salon and retail purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- the lessor has obtained a legal approval to lease the property;
- the usage of the property is in accordance with the PRC law;
- the aforesaid agreement is valid and legally binding;
- the aforesaid agreement has not been registered but has no material effect on the legality of the Company to use the property; and
- the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
27.	Shop T622 Level 6 Bailian Shimao International Plaza No. 819 East Nanjing Road Huangpu District Shanghai the PRC	<p>The property comprises a unit on level 6 of a 30-storey commercial building completed in about 2006.</p> <p>The property has a lettable area of approximately 430 sq.m.</p> <p>Pursuant to a Tenancy Agreement dated 10 November 2009, the property is leased by Guangzhou Perfect Shape, a wholly-owned subsidiary of the Company as lessee, from Shanghai Bailian Group Holdings Limited (上海百聯集團股份有限公司), an independent third party as lessor, for a term commencing from 14 December 2009 and expiring on 13 January 2015, at a monthly rent of RMB87,075.</p>	The property is currently occupied by the Group for beauty salon and retail purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- a. the lessor has obtained a legal approval to lease the property;
- b. the usage of the property is in accordance with the PRC law;
- c. the aforesaid agreement is valid and legally binding;
- d. the aforesaid agreement has not been registered but has no material effect on the legality of the Company to use the property; and
- e. the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
28.	Shop 5(1) and 5(2) Level 6 New World Department Store (Jiangbei Store) Chongqing the PRC	<p>The property comprises two units on level 6 of a commercial building completed in about 2006.</p> <p>The property has a total lettable area of approximately 179 sq.m.</p> <p>Pursuant to a Tenancy Agreement, the property is leased by Shanghai Perfect Shape Consultancy, a wholly-owned subsidiary of the Company as lessee, from New World Trendy Commercial Building Company Limited (新世界時尚商廈有限公司), an independent third party as lessor, for a term commencing from 27 December 2010 and expiring on 26 December 2013, at a monthly rent of RMB18,955.</p>	The property is currently occupied by the Group for beauty salon purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- a. the lessor has obtained a legal approval to lease the property;
- b. the usage of the property is in accordance with the PRC law;
- c. the aforesaid agreement is valid and legally binding;
- d. the aforesaid agreement has not been registered but has no material effect on the legality of the Company to use the property; and
- e. the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
29.	Level 5 Yi Teng Yang Hua Tang (Jianshe Road Shop) No. 2 Jianshe Road Chengdu City Sichuan Province the PRC	<p>The property comprises a unit on level 5 of a commercial building completed in about 1997.</p> <p>The property has a lettable area of approximately 145 sq.m.</p> <p>Pursuant to a Tenancy Agreement dated 15 February 2011, the property is leased to Shanghai Perfect Shape Consultancy, a wholly-owned subsidiary of the Company as lessee, from Chengdu Yi Teng Yang Hua Tang Company Yi (成都伊藤洋華堂有限公司), an independent third party as lessor, for a term commencing from 15 February 2011 and expiring on 31 March 2014 at a monthly rent of RMB21,750.</p>	The property is currently occupied by the Group for beauty salon purpose.	No commercial value

Notes:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- a. the lessor has obtained a legal approval to lease the property;
- b. the usage of the property is in accordance with the PRC law;
- c. the aforesaid agreement is valid and legally binding;
- d. the aforesaid agreement has not been registered but has no material effect on the legality of the Company to use the property; and
- e. the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
30.	Unit B11 Commercial Centre Beichen Shenghou Plaza No. 8 Beichen East Road Chaoyang District Beijing the PRC	<p>The property comprises a unit in a 5-storey shopping mall (plus 1 basement level) completed in about 2008.</p> <p>The property has a lettable area of approximately 105 sq.m.</p> <p>Pursuant to a Tenancy Agreement the property is leased to Shanghai Perfect Shape Consultancy, a wholly-owned subsidiary of the Company as lessee, from Beijing Beicheng Shiye Holdings Limited (北京北辰實業股份有限公司), as lessor for a term expiring on 8 June 2015 at a monthly rent of RMB25,620, exclusive of management fees, water and electricity charges.</p>	The property is currently occupied by the Group for beauty salon purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- a. the lessor has obtained a legal approval to lease the property;
- b. the usage of the property is in accordance with the PRC law;
- c. the aforesaid agreement is valid and legally binding;
- d. the aforesaid agreement has not been registered but has no material effect on the legality of the Company to use the property; and
- e. the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
31.	A Shop unit on Basement Level 1 Zongyi Plaza No. 83 Hongfu Road Nancheng District Dongguan City Guangdong Province the PRC	<p>The property comprises a unit of a 6-storey shopping mall (plus 1 basement level) completed in about 2008.</p> <p>The property has a lettable area of approximately 159.6 sq.m.</p> <p>Pursuant to a Tenancy Agreement the property is leased to Shanghai Perfect Shape Consultancy, a wholly-owned subsidiary of the Company, as lessee from Dongguan Nancheng Haiya Baihuo Company Limited (東莞市南城海雅百貨有限公司), as lessor for a term of commencing from 25 March 2011 and expiring on 24 March 2016 at a monthly rent of RMB10,000, exclusive of management fees, water and electricity charges.</p>	The property is currently occupied by the Group for beauty salon purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- the lessor has obtained a legal approval to lease the property;
- the usage of the property is in accordance with the PRC law;
- the aforesaid agreement is valid and legally binding;
- the aforesaid agreement has not been registered but has no material effect on the legality of the Company to use the property; and
- the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
32.	Unit 201A and 201B Level 2 Diwang Shopping Centre Xinxing Plaza No. 5002 Shennan Zhong Road Shenzhen City Guangdong Province the PRC	<p>The property comprises two units on level 2 of a 69-storey commercial building completed in about 1995.</p> <p>The property has a total lettable area of approximately 311.6 sq.m.</p> <p>Pursuant to a Tenancy Agreement, the property is leased by Perfect Shape Consultancy and Shanghai Mushi Consultancy, a wholly-owned subsidiary of the Company as lessee, from Qi Fu Property Development (Shenzhen) Company Limited (祈福房地產開發(深圳)有限公司), an independent third party as lessor, for various terms with the latest expiry date on 31 December 2014, at a total monthly rent of RMB39,261.5.</p>	The property is currently occupied by the Group for commercial purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- the lessor is the owner of the property and has the right to lease the property;
- the usage of the property is in accordance with the PRC law;
- the aforesaid agreement is valid and legally binding;
- the aforesaid agreement has been registered; and
- the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
33.	Shop 208 Level 2 Fubang Centre No. 51 Zhongshan Qi Road Guangzhou City Guangdong Province the PRC	<p>The property comprises a unit on level 2 of a 28-storey commercial building completed in about 2010.</p> <p>The property has a lettable area of approximately 303.08 sq.m.</p> <p>Pursuant to a Tenancy Agreement, the property is leased by Guangzhou Perfect Shape, a wholly-owned subsidiary of the Company as lessee, from Guangzhou Honghui Property Development Company Limited (廣州宏輝房產開發有限公司), an independent third party as lessor, for a term commencing from 1 November 2010 and expiring on 30 October 2015, at a monthly rent of RMB21,216.</p>	The property is currently occupied by the Group for commercial purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- a. the lessor is the owner of the property and has the right to lease the property;
- b. the usage of the property is in accordance with the PRC law;
- c. the aforesaid agreement is valid and legally binding;
- d. the aforesaid agreement has been registered; and
- e. the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
34.	Shop B7 on Level 6 No. 278 Shanxi Road Shanghai the PRC	<p>The property comprises a unit on level 6 of a 6-storey shopping mall completed in about 2004.</p> <p>The property has a lettable area of approximately 147 sq.m.</p> <p>Pursuant to a Tenancy Agreement, the property is leased by Shanghai Emma Consultancy, a wholly-owned subsidiary of the Company as lessee, from Shanghai Golden Eagle Company Limited (上海金鷹天地賽業有限公司), an independent third party as lessor, for a term commencing from 1 January 2011 and expiring on 31 December 2015, at a monthly rent of RMB35,770.</p>	The property is currently occupied by the Group for beauty salon purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- a. the lessor is the owner of the property and has the right to lease the property;
- b. the usage of the property is in accordance with the PRC law;
- c. the aforesaid agreement is valid and legally binding;
- d. the aforesaid agreement has not been registered but has no material effect on the legality of the Company to use the property; and
- e. the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
35.	Shop 11 Level 7 Wuyuehua Commercial Plaza No. 68 Zhongshan Wu Road Guangzhou City Guangdong Province the PRC	<p>The property comprises a unit on level 7 of a 13-storey commercial building completed in about 2003.</p> <p>The property has a lettable area of approximately 482 sq.m.</p> <p>Pursuant to a Tenancy Agreement, the property is leased by Perfect Shape Consultancy, a wholly-owned subsidiary of the Company as lessee, from Guangzhou Jie Li Development Company Limited (廣州捷麗置業有限公司), an independent third party as lessor, for a term commencing from 1 July 2009 and expiring on 30 June 2014, at a monthly rent of RMB40,970.</p>	The property is currently occupied by the Group for commercial purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- a. the lessor is the owner of the property and has the right to lease the property;
- b. the usage of the property is in accordance with the PRC law;
- c. the aforesaid agreement is valid and legally binding;
- d. the aforesaid agreement has been registered; and
- e. the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
36.	B4-03 on Level 4 Zone B Liyong Shopping Mall Haizhu District Guangzhou City Guangdong Province the PRC	<p>The property comprises a unit on level 4 of a 25-storey commercial building completed in about 2001.</p> <p>The property has a lettable area of approximately 237.07 sq.m.</p> <p>Pursuant to a Tenancy Agreement, the property is leased by Guangzhou Perfect Shape, a wholly-owned subsidiary of the Company as lessee, from Guangzhou Ninghu Commercial Company Limited (廣州市凌弧商業有限公司), an independent third party as lessor, for a term commencing from 1 August 2010 and expiring on 30 September 2014, at a monthly rent of RMB14,225.</p>	The property is currently occupied by the Group for commercial purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- a. the lessor has obtained a legal approval to lease the property;
- b. the usage of the property is in accordance with the PRC law;
- c. the aforesaid agreement is valid and legally binding;
- d. the aforesaid agreement has been registered; and
- e. the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
37.	Shop C205–C209 Level 1 Zhuanhui Jewelry Plaza No. 2 Shiqiao Fuhua West Road Panyu District Guangzhou City Guangdong Province the PRC	<p>The property comprises 5 units on level 1 of a 3-storey commercial building completed in about 2009.</p> <p>The property has a total lettable area of approximately 222 sq.m.</p> <p>Pursuant to a Tenancy Agreement, the property is leased by Guangzhou Perfect Shape, a wholly-owned subsidiary of the Company as lessee, from Guangzhou Zhuanhui Jewelry Merchant Exhibition Company Limited (廣州市鑽匯珠寶採購博覽有限公司), an independent third party as lessor, for a term commencing from 1 September 2010 and expiring on 31 August 2014, at a monthly rent of RMB26,640.</p>	The property is currently occupied by the Group for beauty salon purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- the lessor has obtained a legal approval to lease the property;
- the usage of the property is in accordance with the PRC law;
- the aforesaid agreement is valid and legally binding;
- the aforesaid agreement has not been registered but has no material effect on the legality of the Company to use the property; and
- the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
38.	Shop C1A Level 9 Zhonghua Plaza No. 33 Zhongshan San Road Guangzhou City Guangdong Province the PRC	<p>The property comprises a unit on level 9 of a 10-storey commercial building completed in about 2000.</p> <p>The property has a lettable area of approximately 420 sq.m.</p> <p>Pursuant to a Tenancy Agreement, the property is leased by Perfect Shape Consultancy, a wholly-owned subsidiary of the Company as lessee, from Guangzhou Xing Sheng Property Development Company Limited (廣州興盛房地產發展有限公司), an independent third party as lessor, for a term commencing from 2 April 2009 and expiring on 6 April 2012, at a monthly rent of RMB70,560.</p>	The property is currently occupied by the Group for commercial purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- the lessor is the owner of the property and has the right to lease the property;
- the usage of the property is in accordance with the PRC law;
- the aforesaid agreement is valid and legally binding;
- the aforesaid agreement has been registered; and
- the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
39.	Shop 411 Level 4 Haiancheng Shopping Centre No. 33 Wenxin Wu Road Nanshan District Shenzhen City Guangdong Province the PRC	<p>The property comprises a unit on level 4 of a 7-storey commercial building completed in about 2007.</p> <p>The property has a lettable area of approximately 220 sq.m.</p> <p>Pursuant to a Tenancy Agreement, the property is leased by Perfect Shape Consultancy, a wholly-owned subsidiary of the Company as lessee, from Shenzhen Haiancheng Investment Company Limited (深圳市海岸城投資有限公司), an independent third party as lessor, for a term commencing from 1 September 2010 and expiring on 27 May 2012, at a monthly rent of RMB64,000.</p>	The property is currently occupied by the Group for commercial purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- a. the lessor is the owner of the property and has the right to lease the property;
- b. the usage of the property is in accordance with the PRC law;
- c. the aforesaid agreement is valid and legally binding;
- d. the aforesaid agreement has been registered; and
- e. the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
40.	Shop L5-012 Level 5 Jinguanghua Plaza No. 2028 Renmin South Road Shenzhen City Guangdong Province the PRC	<p>The property comprises a unit on level 5 of an 11-storey commercial building completed in about 2004.</p> <p>The property has a lettable area of approximately 455 sq.m.</p> <p>Pursuant to a Tenancy Agreement, the property is leased by Perfect Shape Investment Shanghai, a wholly-owned subsidiary of the Company as lessee, from Shenzhen Jinguanghua Shiyue Group Limited (深圳市金光華實業集團有限公司), an independent third party as lessor, for a term commencing from 10 October 2008 and expiring on 20 September 2012, at a monthly rent of RMB126,036.</p>	The property is currently occupied by the Group for commercial purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- a. the lessor is the owner of the property and has the right to lease the property;
- b. the usage of the property is in accordance with the PRC law;
- c. the aforesaid agreement is valid and legally binding; and
- d. the aforesaid agreement has been registered; and
- e. the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
41.	Shop C021, Level 3, NICO Nuren Shijie Mingdian Block AB Shenfang Building Huaqiang North Road Shenzhen City Guangdong Province the PRC	<p>The property comprises a unit on level 3 of a 4-storey commercial building completed in about 1991.</p> <p>The property has a lettable area of approximately 350 sq.m.</p> <p>Pursuant to a Tenancy Agreement, the property is leased by Shenzhen Shape Perfect, a wholly-owned subsidiary of the Company as lessee, from Shenzhen Jinsitai Investment Development Company Limited — Woman World Mingdian Shichang Branch (深圳市金斯泰投資發展有限公司女人世界名店市場分公司), an independent third party as lessor, for a term commencing from 2 May 2010 and expiring on 2 May 2013, at a monthly rent of RMB60,000.</p>	The property is currently occupied by the Group for composite purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- a. the lessor cannot provide the title document of the property, thus the validity of the aforesaid agreement cannot be ascertained.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
42.	Unit 005, Xinyijia Level 1, Nos. 203 and 204 Block G Qinfang Garden Xinyi Jiari Mingcheng Phase I Baige Road Buji Town Longgang District Shenzhen City Guangdong Province the PRC	<p>The property comprises a unit of an 8-storey commercial building completed in about 2003.</p> <p>The property has a total lettable area of approximately 420 sq.m.</p> <p>Pursuant to a Tenancy Agreement, the property is leased by Shenzhen Shape Perfect, a wholly-owned subsidiary of the Company as lessee, from Shenzhen Hexinyijia Xinyi Investment Company Limited (深圳市核新一佳信義投資有限公司), an independent third party as lessor, for a term commencing from 1 April 2010 and expiring on 31 March 2013, at a monthly rent of RMB30,800.</p>	The property is currently occupied by the Group for beauty salon and retail purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- a. the lessor has obtained a legal approval to lease the property;
- b. the usage of the property is in accordance with the PRC law;
- c. the aforesaid agreement is valid and legally binding;
- d. the aforesaid agreement has been registered; and
- e. the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
43.	Shop B328 Level 3 Pearl City Dongfang Plaza No. 85 Jinhua Road Shancheng District Foshan City Guangdong Province the PRC	<p>The property comprises a unit on level 3 of a 6-storey commercial building completed in about 2003.</p> <p>The property has a lettable area of approximately 283.68 sq.m.</p> <p>Pursuant to a Tenancy Agreement, the property is leased by Shenzhen Shape Perfect, a wholly-owned subsidiary of the Company as lessee, from Foshan Jewelry Department Store Company Limited (佛山市明珠百貨有限公司), an independent third party as lessor, for a term commencing from 9 November 2009 and expiring on 8 November 2012, at a monthly rent of RMB19,857.6.</p>	The property is currently occupied by the Group for beauty salon and retail purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- a. the lessor has obtained a legal approval to lease the property;
- b. the usage of the property is in accordance with the PRC law;
- c. the aforesaid agreement is valid and legally binding;
- d. the aforesaid agreement has not been registered but has no material effect on the legality of the Company to use the property; and
- e. the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
44.	Shop 313 Level 3 Yian Department Store Diwang Plaza No. 303 Changqing Road Changan Town Dongguan City Guangdong Province the PRC	<p>The property comprises a unit on level 3 of a 5-storey commercial building completed in about 1996.</p> <p>The property has a lettable area of approximately 517 sq.m.</p> <p>Pursuant to a Tenancy Agreement, the property is leased by Shenzhen Shape Perfect, a wholly-owned subsidiary of the Company as lessee, from Dongguan Yi An Baihuo Company Limited (東莞市怡安百貨有限公司), an independent third party as lessor, for a term commencing from 28 October 2009 and expiring on 27 October 2012, at a monthly rent of RMB27,000.</p>	The property is currently occupied by the Group for beauty salon and retail purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- a. the lessor has obtained a legal approval to lease the property;
- b. the usage of the property is in accordance with the PRC law;
- c. the aforesaid agreement is valid and legally binding;
- d. the aforesaid agreement has not been registered but has no material effect on the legality of the Company to use the property; and
- e. the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
45.	Shop I-21, I-22, I-23, and I-25 Basement Level 1 Shiji Plaza Dongcheng Avenue Dongguan City Guangdong Province the PRC	<p>The property comprises four units on basement level 1 of a 17-storey commercial building completed in about 2008.</p> <p>The property has a total lettable of approximately 341 sq.m.</p> <p>Pursuant to a Tenancy Agreement, the property is leased by Shenzhen Shape Perfect, a wholly-owned subsidiary of the Company as lessee, from Dongguan Yong Wang Commerce Operation Management Company Limited (東莞市永旺商業經營管理有限公司), an independent third party as lessor, for a term commencing from 1 February 2010 and expiring on 31 January 2014, at a monthly rent of RMB15,345.</p>	The property is currently occupied by the Group for beauty salon and retail purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- the lessor has obtained a legal approval to lease the property;
- the usage of the property is in accordance with the PRC law;
- the aforesaid agreement is valid and legally binding;
- the aforesaid agreement has not been registered but has no material effect on the legality of the Company to use the property; and
- the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
46.	Shop 5A005 Zhengjia Plaza No. 228 Tianhe Road Guangzhou City Guangdong Province the PRC	<p>The property comprises a unit of a 30-storey commercial building completed in about 2003.</p> <p>The property has a lettable area of approximately 480 sq.m.</p> <p>Pursuant to a Tenancy Agreement, the property is leased by Perfect Shape Consultancy, a wholly-owned subsidiary of the Company as lessee, from Guangzhou Zhengjia Enterprise Company Limited (廣州市正佳企業有限公司), an independent third party as lessor, for a term commencing from 10 October 2009 and expiring on 9 October 2014, at a monthly rent of RMB59,328.</p>	The property is currently occupied by the Group for beauty salon and retail purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- the lessor is the owner of the property and has the right to lease the property;
- the usage of the property is in accordance with the PRC law;
- the aforesaid agreement is valid and legally binding;
- the aforesaid agreement has not been registered but has no material effect on the legality of the Company to use the property; and
- the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
47.	Room 608 Guomao Building Renmin South Road Luohu District Shenzhen City Guangdong Province the PRC	<p>The property comprises a unit on level 6 of a 52-storey office building completed in about 1986.</p> <p>The property has a lettable area of approximately 226 sq.m.</p> <p>Pursuant to a Tenancy Agreement, the property is leased by Perfect Shape Consultancy, a wholly-owned subsidiary of the Company as lessee, from Sichuan Changjiang Group Company Limited (四川省長江集團有限公司), an independent third party as lessor, for a term commencing from 15 May 2010 and expiring on 14 May 2013, at a monthly rent of RMB10,170.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- a. the lessor is the owner of the property and has the right to lease the property;
- b. the usage of the property is in accordance with the PRC law;
- c. the aforesaid agreement is valid and legally binding;
- d. the aforesaid agreement has not been registered but has no material effect on the legality of the Company to use the property; and
- e. the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
48.	Room 310 Level 3 Yulin Building Beijing the PRC	<p>The property comprises a unit on level 3 of an 18-storey office building completed in about 2004.</p> <p>The property has a lettable area of approximately 113.58 sq.m.</p> <p>Pursuant to a Tenancy Agreement, the property is leased by Beijing Snow Skin, a wholly-owned subsidiary of the Company as lessee, from Beijing Lin's Property Management Company Limited (北京林氏物業管理有限責任公司), an independent third party as lessor, for a term commencing from 1 May 2011 and expiring on 30 April 2013, at a monthly rent of RMB9,855.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- a. the lessor has obtained a legal approval to lease the property;
- b. the usage of the property is in accordance with the PRC law;
- c. the aforesaid agreement is valid and legally binding;
- d. the aforesaid agreement has not been registered but has no material effect on the legality of the Company to use the property; and
- e. the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
49.	Room 501 Jinke Building No. 19 Guangwei Road Yuexiu District Guangzhou City Guangdong Province the PRC	<p>The property comprises a unit on level 5 of a 13-storey office building completed in about 2006.</p> <p>The property has a lettable area of approximately 106.02 sq.m.</p> <p>Pursuant to a Tenancy Agreement, the property is leased by Shanghai Emma Consultancy, a wholly-owned subsidiary of the Company as lessee, from Guangzhou Yi Li Trading Company Limited (廣州市驛濶貿易有限公司), an independent third party as lessor, for a term commencing from 1 April 2010 and expiring on 31 March 2012, at a monthly rent of RMB6,150.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- a. the lessor can not provide the title document of the property, thus the validity of the aforesaid agreement cannot be ascertained.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
50.	Units 0506 Level 5 Jiamao Shopping Centre No. 1 Xizhimenwai Avenue Xicheng District Beijing The PRC	<p>The property comprises two units on level 5 of a 6-storey shopping mall (plus 1 basement level) completed in about 2006.</p> <p>The property has a lettable area of approximately 97.15 sq.m.</p> <p>Pursuant to a Tenancy Agreement dated 3 March 2011, the property is leased by Shanghai Perfect Shape Consultancy, a wholly-owned subsidiary of the Company as lessee, from Beijing Jiamao Xizhimen Commercial Property Company Limited (北京嘉茂西直門商用置業有限公司), an independent third party as lessor, for a term commencing from 16 May 2011 and expiring on 15 May 2014, at a monthly rent of RMB27,202.</p>	The property is currently occupied by the Group for beauty salon purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- a. the lessor is the owner of the property and has the right to lease the property;
- b. the usage of the property is in accordance with the PRC law;
- c. the aforesaid agreement is valid and legally binding;
- d. the Company has the right to occupy and use the property in accordance with the stipulated usage of the property; and
- e. the aforesaid agreement has not been registered but has no material effect on the legality of the Company to use the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 RMB
51.	Room 320 Wuyuehua Commercial Plaza. No. 68 Zhongshan Wu Road Guangzhou City Guangdong Province The PRC	<p>The property comprises a unit on Level of a 13-storey commercial building completed in about 2003.</p> <p>The property has a lettable area of approximately 84.13 sq.m.</p> <p>Pursuant to a Tenancy Agreements made between Shanghai Mushi Consultancy, a wholly-owned subsidiary of the Company as Lessee, from Guangzhou Jieli Property Limited (廣州捷麗置業有限公司), as Lessor an independent third party, the property is leased by the Group for a term of commencing from 1 March 2011 and expiring on 29 February 2016 at a current monthly rent of RMB4,230.</p>	The property is currently occupied by the Group for commercial purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- a. the lessor is the owner of the property and has the right to lease the property;
- b. the usage of the property is in accordance with the PRC law;
- c. the aforesaid agreement is valid and legally binding;
- d. the aforesaid agreement has been registered; and
- e. the Company has the right to occupy and use the property in accordance with the stipulated usage of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 RMB
52.	Shop 314-316 Level 3 Huarun Times Plaza No. 500 Zhangyang Road Pudongxin District Shanghai	<p>The property comprises 3 units on Level 3 of a shopping mall completed in about 1990s.</p> <p>The property has a total lettable area of approximately 105.96 sq.m.</p> <p>Pursuant to a Tenancy Agreement made between Shanghai Mushi Consultancy (上海愛瑪企業管理諮詢有限公司), a wholly-owned subsidiary of the Company as Lessee, from Huarun (Shanghai) Limited, as Lessor an independent third party, the property is leased by the Group for a term of commencing from 16 April 2011 and expiring on 31 March 2014 at a current monthly rent of RMB41,875.39.</p>	The property is currently occupied by the Group for beauty salon purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- a. the lessor is the owner of the property and has the right to lease the property;
- b. the usage of the property is in accordance with the PRC law;
- c. the aforesaid agreement is legal, valid and enforceable;
- d. the Company has the right to occupy and use the property in accordance with the stipulated usage of the property; and
- e. the aforesaid agreement has not been registered but has no material effect on the legality of the Company to use the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
53.	Room 332 and 333 Level 2 Plaza 66 Block 2 No. 1266 Nanjing West Road Jingan District Shanghai The PRC	The property comprises two units on level 2 of a 60-storey commercial building completed in about 2000. The property has a lettable area of approximately 305 sq.m. Pursuant to a Tenancy Agreement, the property is leased by Shanghai Perfect Shape Consultancy, a wholly-owned subsidiary of the Company as lessee, from Shanghai Hengbang Property Development Limited (上海恒邦房地產開發有限公司), an independent third party as lessor, for a term commencing from 1 July 2011 and expiring on 30 September 2015, at a monthly rent of RMB231,927.08.	The property is currently occupied by the Group for beauty salon purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- a. the lessor is the owner of the property and has the right to lease the property;
- b. the usage of the property is in accordance with the PRC law;
- c. the aforesaid agreement is legal, valid and enforceable;
- d. the Company has the right to occupy and use the property in accordance with the stipulated usage of the property; and
- e. the aforesaid agreement has not been registered but has no material effect on the legality of the Company to use the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
54.	Room 1002 No. 70 Tongchuan Road Putuo District Shanghai The PRC	The property comprises a unit on level 10 of a 19-storey commercial building completed in about 2011. The property has a lettable area of approximately 191.9 sq.m. Pursuant to a Tenancy Agreement, the property is leased by Shanghai Perfect Shape Consultancy, a wholly-owned subsidiary of the Company as lessee, from Shanghai Langjiao Company Limited (上海嵐橋實業有限公司), an independent third party as lessor, for a term commencing from 10 October 2011 and expiring on 9 October 2014, at a monthly rent of RMB18,678.	The property is currently occupied by the Group for office purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisors, which contains, *inter alia*, the following:

- a. the lessor is the owner of the property and has the right to lease the property;
- b. the usage of the property is in accordance with the PRC law;
- c. the aforesaid agreement is legal, valid and enforceable;
- d. the Company has the right to occupy and use the property in accordance with the stipulated usage of the property; and
- e. the aforesaid agreement has not been registered but has no material effect on the legality of the Company to use the property.

VALUATION CERTIFICATE

Group III — Property interest rented and occupied by the Group in Macau

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK\$
55.	5th Floor 89 Av. De Almeida Ribeiro Sao Lourenco Macau	<p>The property comprises the whole 5th floor of a commercial building completed in about 1983.</p> <p>The property has a lettable area of approximately 353.03 sq.m.</p> <p>Pursuant to a Tenancy Agreement, the property is leased by Perfect Shape & Skin (Macau) Ltd, a wholly-owned subsidiary of the Company as lessee, from 力進物業投資管理有限公司, an independent third party as lessor, for a term commencing from 21 April 2008 and expiring on 21 April 2012, at a current monthly rent of HK\$17,250, exclusive of rates, management fees and air-conditioning charges, utility and other charges and outgoings.</p>	The property is currently occupied by the Group for commercial purpose.	No commercial value

Note:

The registered owner of the property is Nam Kwong União Comercial e Industrial Limitada.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 March, 2011 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 5 December, 2011. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *Disclosure of interests in contracts with the Company or any of its subsidiaries.*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/ themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/ are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re election or appointment but as between persons who became or were last re elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other

special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent

to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to

elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful

unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 29 March, 2011.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time and every such duplicate is deemed for all purposes of the Companies Law to be part of the principal register. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property

of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (pari passu if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 11 March 2011. Our Company was registered as a non-Hong Kong company under Part XI of the Companies Ordinance on 18 May 2011 and our Company's principal place of business in Hong Kong is at Room 1205-06, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong. Dr. Au-Yeung has been appointed as the authorised representative of our Company for the acceptance of services of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the relevant laws of the Cayman Islands and its constitution which comprises the memorandum of association and the articles of association. A summary of the relevant aspects of the Cayman Islands company law and certain provisions of Articles of Association is set out in Appendix IV to this prospectus.

2. Change in share capital of our Company

Our Company was incorporated with an authorised share capital of HK\$1,000,000,000 divided into 10,000,000,000 shares of HK\$0.1 each. The following sets out the changes in the share capital of our Company since the date of its incorporation:

- (a) On 11 March 2011, 1 Share was allotted, issued and credited as fully paid to our Company's initial subscriber, which was subsequently transferred to Dr. Au-Yeung on the same day;
- (b) On the same day, our Company allotted and issued, credited as fully paid, 50 Shares to Dr. Au-Yeung, 25 Shares to Ms. Au-Yeung Hung and 24 Shares to Ms. Au-Yeung Wai at par value. On 30 November 2011, Dr. Au-Yeung transferred 51 Shares to Sure Sino Investments, Ms. Au-Yeung Hung transferred 25 Shares to Market Event Holdings and Ms. Au-Yeung Wai transferred 24 Shares to Earls Holdings respectively;
- (c) On 30 November 2011, our Company (i) allotted and issued 51, 25 and 24 Shares, all credited as fully paid, to Sure Sino Investments, Market Event Holdings and Earls Holdings respectively pursuant to the First Share Swap Agreement; and (ii) allotted and issued 51, 25 and 24 Shares, all credited as fully paid, to Sure Sino Investments, Market Event Holdings and Earls Holdings respectively pursuant to the Second Share Swap Agreement;

Immediately following completion of the Global Offering and the Capitalisation Issue and assuming that the Over-allotment Option is not exercised, the authorised share capital of our Company will be HK\$1,000,000,000 divided into 10,000,000,000 Shares, of which 1,000,000,000 Shares will be issued fully paid or credited as fully paid, and 9,000,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Written resolutions of our Shareholders passed on 5 December 2011” in this Appendix, our Directors do not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of the shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Saved as disclosed in this Appendix, there has been no alteration in the share capital of our Company since the date of our incorporation.

3. Change in share capital of our subsidiaries

Save as described above and in “History and Reorganisation” in this prospectus, there has been no other alteration in the share capital of the subsidiaries of our Company within the two years preceding the date of this prospectus.

4. Written resolutions of our Shareholders passed on 5 December 2011

Pursuant to written resolutions passed by all our Shareholders on 5 December 2011, the following resolutions, among other resolutions, were duly passed:

- (a) our Company conditionally approved and adopted the Articles of Association;
- (b) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any additional Shares which may be issued pursuant to the Over-allotment Option or the exercise of any options which may be granted under the Share Option Scheme); (ii) the entering into of the agreement on the Offer Price between the Sole Lead Manager (for and on behalf of the Underwriters) and our Company on the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (i) the Global Offering and the Over-allotment Option were approved and our Directors were authorised to allot and issue new Shares under the Global Offering and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option;

- (ii) conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the Global Offering, the Directors were authorised to capitalise HK\$74,999,970 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 749,999,700 Shares for allotment and issue to the persons whose names appear on the register of members of our Company at the close of business on 5 December 2011 in proportion to their respective shareholdings (as nearly as possible without involving fractions) in our Company, and the Shares to be allotted and issued shall rank pari passu in all respects with the existing issued Shares; and
- (iii) the rules of the Share Option Scheme were approved and adopted, and our Directors were authorised, at their absolute discretion, to (i) administer the Share Option Scheme, (ii) modify/amend the Share Option Scheme from time to time as requested by the Stock Exchange, (iii) grant options to subscribe for Shares under the Share Option Scheme, (iv) allot, issue and deal with the Shares issued pursuant to the Share Option Scheme, (v) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme and (vi) take all such steps as they consider necessary or desirable to implement the Share Option Scheme.
- (c) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by our Shareholders in a general meeting, Shares with a total nominal value not exceeding (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue but without taking into account of any Shares which may be issued and allotted upon exercise of the Over-allotment Options and the options which may be granted under the Share Option Scheme, and (ii) the aggregate nominal amount of the share capital of the Company which may be repurchased by the Company pursuant to the authority granted to the Directors as referred to in paragraph (d) below such mandate to remain in effect until (i) the conclusion of the next annual general meeting of our Company, (ii) the expiration of the period within which the next annual general meeting of our Company is required by

the Articles or any applicable laws to be held, or (iii) until revoked or varied by an ordinary resolution of our Shareholders in general meeting of our Company, whichever occurs first;

- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue and to be issued immediately following completion of the Global Offering and the Capitalisation Issue but without taking into account of any Shares which may be issued and allotted upon exercise of the Over-allotment Options and the options which may be granted under the Share Option Scheme, such mandate to remain in effect until (i) the conclusion of the next annual general meeting of our Company, (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or (iii) until revoked or varied by an ordinary resolution of our Shareholders in general meeting of our Company, whichever occurs first; and
- (e) the general unconditional mandate mentioned in paragraph (c) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (d) above.

5. Repurchase of our Shares

This section includes information relating to the repurchases of securities, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of Shares must be approved in advance by an ordinary resolution of the Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions passed on 5 December 2011 by all our Shareholders, a general unconditional mandate (the “Repurchase Mandate”) was granted to the Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue or to be issued immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme), at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by any applicable laws or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of the then Shareholders in general meeting, whichever is the earliest.

(ii) Source of funds

Any repurchases of Shares by us must be paid out of funds legally available for the purpose in accordance with the Articles, the Listing Rules and the Companies Law. We are not permitted to repurchase our Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the Companies Law. Any repurchase of Shares will be made out of the profits of our Company, the share premium account of our Company or out of a fresh issue of Shares made for the purpose of the purchases or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the purchase, out of either or both of the profits of our Company or the share premium account of our Company, or if authorised by the Articles and subject to the Companies Law, out of capital.

On the basis of our Company's current financial position as disclosed in this prospectus and taking into account its current working capital position, our Directors consider that, if the Repurchase Mandate is exercised in full, it might have a material adverse effect on the working capital or the gearing position of our Company as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, as from time to time appropriate for our Company.

(d) General

None of our Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in the voting rights is increased, such increase will be treated as acquisition for the purposes of the Takeovers Code. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

No connected person has notified our Company that he/she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

6. The Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the listing of the Shares on the Stock Exchange. For information with regard to our Reorganisation, please refer to the section headed "History and Reorganisation" in this prospectus for details.

7. Further information about members of our Group

A summary of the corporate information of our subsidiaries in the PRC, Hong Kong and Macau is set out as follows:

A. PRC

1. *Beijing Snow Skin*

Date of establishment:	12 February 2010
Registered office:	F3-23, No. 18 Chongwenmenwai Avenue, Chongwen District, Beijing
Nature:	Limited liability company
Scope of business:	Provision of beauty services (excluding medical beauty services), fitness services and sales of cosmetic products
Legal representative:	Ms. Au-Yeung Wai
Registered capital:	RMB1 million
Shareholder:	Perfect Shape Consultancy
Term:	From 12 February 2010 to 11 February 2030

2. *Shanghai Perfect Shape Consultancy*

Date of establishment:	1 December 2010
Registered office:	Unit 121, Level 1, Nos. 3615, 3619 and 3623 Gonghexin Road, Shanghai
Nature:	Limited liability company
Scope of business:	Provision of business management consultation, slimming services (excluding provision of beauty services and slimming services by medical or drug measures), fitness services; and in respect of its branches, provision of beauty services and wholesale of cosmetic products
Legal representative:	Cheng Zhi Hua
Registered capital:	RMB1 million
Shareholder:	Perfect Shape Consultancy
Term:	From 1 December 2010 to 30 November 2030

3. *Shanghai Emma Consultancy*

Date of establishment: 1 December 2010

Registered office: Unit 120, Level 1, Nos. 3615, 3619 and 3623
Gonghexin Road, Shanghai

Nature: Limited liability company

Scope of business: Provision of business management
consultation, slimming services (excluding
provision of beauty services and slimming
services by medical or drug measures), fitness
services; and in respect of its branches,
provision of beauty services and wholesale of
cosmetic products

Legal representative: Ms. Wu Yuzhen (吳玉珍)

Registered capital: RMB1 million

Shareholder: Perfect Shape Consultancy

Term: From 1 December 2010 to 30 November 2030

4. *Guangzhou Shape Perfect*

Date of establishment: 26 November 2009

Registered office: Shop 11, Level 7, No. 68 Zhongshan Wu Road,
Yuxiu District, Guangzhou

Nature: Limited liability company

Scope of business: Provision of beauty services (excluding medical
beauty services) and sales of cosmetic
products

Legal representative: Ms. Au-Yeung Wai

Registered capital: RMB1 million

Shareholder: Perfect Shape Consultancy

Term: From 26 November 2009 to 26 November 2059

5. *Guangzhou Perfect Shape*

Date of establishment: 14 July 2009

Registered office: 9C1A, No. 33 Zhongshan San Road, Yuexiu District, Guangzhou

Nature: Limited liability company

Scope of business: Provision of beauty services (excluding medical beauty services) and sales of cosmetic products

Legal representative: Ms. Au-Yeung Wai

Registered capital: RMB1 million

Shareholder: Perfect Shape Consultancy

Term: From 14 July 2009 to 9 July 2059

6. *Guangzhou Emma Consultancy*

Date of establishment: 15 October 2010

Registered office: Unit 503, No. 19 Guangwei Yi Street, Yuexiu District, Guangzhou

Nature: Limited liability company

Scope of business: Provision of business management consultation, beauty and slimming consultation, fitness consultation, wholesale of cosmetic products, import and export of goods and technologies (other than those prohibited under relevant laws and administration procedures)

Legal representative: Ms. Li Yi Fan

Registered capital: RMB500,000

Shareholder: Perfect Shape Consultancy

Term: From 15 October 2010 to 14 October 2060

7. *Shenzhen Shape Perfect*

Date of establishment:	8 September 2009
Registered office:	No. 411, Coast Plaza, No. 33 Wenxin Wu Road, Nanshan District, Shenzhen
Nature:	Limited liability company
Scope of business:	Provision of beauty services (excluding medical beauty services) and sales of cosmetic products, beauty and hairdressing products and equipments
Legal representative:	Ms. Au-Yeung Wai
Registered capital:	RMB1 million
Shareholder:	Perfect Shape Consultancy
Term:	From 8 September 2009 to 8 September 2059

8. *Shanghai Mushi Consultancy*

Date of establishment:	1 December 2010
Registered office:	Unit 123, Level 1, Nos. 3615, 3619 and 3623 Gonghexin Road, Shanghai
Nature:	Limited liability company
Scope of business:	Provision of business management consultation, slimming services (excluding provision of beauty services and provision of slimming service by medical or drug measures), fitness services and in respect of its branches, the provision of beauty services and wholesale of cosmetic products
Legal representative:	Ms. Wu Yuzhen (吴玉珍)
Registered capital:	RMB1 million
Shareholder:	Perfect Shape Consultancy
Term:	From 1 December 2010 to 30 November 2030

9. Perfect Shape Consultancy

Date of establishment:	15 January 2009
Registered office:	608, International Trade Centre Building, Renmin South Road, Luohu District, Shenzhen
Nature:	Wholly foreign owned enterprise
Scope of business:	Provision of beauty and slimming consultation, fitness consultation, business management consultation, wholesale, import of cosmetic products and provision of relevant supporting services (other than those prohibited under relevant laws and administrative procedures); and in respect of its branches, provision of beauty services (excluding medical beauty services)
Legal representative:	Ms. Au-Yeung Wai
Registered capital:	RMB1 million
Investment Amount:	RMB1 million
Shareholder:	Perfect Shape Investment Shanghai
Term:	From 15 January 2009 to 15 January 2039

*B. Hong Kong**1. Dr. Face*

Date of incorporation:	8 November 2007
Registered office:	Unit 1205–06, 12/F., Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
Nature:	Limited liability company
Principal business activities:	Provision of medical beauty services in Hong Kong
Authorised share capital:	HK\$10,000
Issued share capital:	HK\$10,000
Shareholder:	Perfect Shape Holdings HK

2. *Perfect Shape Advertising*

Date of incorporation: 29 June 2007

Registered office: Unit 1205–06, 12/F., Tower 1, Silvercord,
30 Canton Road, Tsim Sha Tsui, Kowloon,
Hong Kong

Nature: Limited liability company

Principal business activities: Provision of advertising services to the Group

Authorised share capital: HK\$10,000

Issued share capital: HK\$10,000

Shareholder: the Company

3. *Perfect Shape & Skin Management*

Date of incorporation: 19 September 2006

Registered office: Unit 1205–06, 12/F., Tower 1, Silvercord,
30 Canton Road, Tsim Sha Tsui, Kowloon,
Hong Kong

Nature: Limited liability company

Principal business activities: Holding trademarks for the Group

Authorised share capital: HK\$10,000

Issued share capital: HK\$10,000

Shareholder: the Company

4. *Perfect Shape & Skin*

Date of incorporation:	3 December 2003
Registered office:	Unit 1205–06, 12/F., Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
Nature:	Limited liability company
Principal business activities:	Renting machinery to members of the Group
Authorised share capital:	HK\$20,000
Issued share capital:	HK\$20,000
Shareholder:	Perfect Shape Holdings HK

5. *Perfect Shape & Skin CNT*

Date of incorporation:	5 December 2006
Registered office:	Unit 1205–06, 12/F., Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
Nature:	Limited liability company
Principal business activities:	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong
Authorised share capital:	HK\$10,000
Issued share capital:	HK\$10,000
Shareholder:	Perfect Shape Holdings HK

6. *Perfect Shape & Skin SS*

Date of incorporation: 6 December 2006

Registered office: Unit 1205–06, 12/F., Tower 1, Silvercord,
30 Canton Road, Tsim Sha Tsui, Kowloon,
Hong Kong

Nature: Limited liability company

Principal business activities: Inactive

Authorised share capital: HK\$10,000

Issued share capital: HK\$10,000

Shareholder: Perfect Shape Holdings HK

7. *Perfect Shape & Skin TKO*

Date of incorporation: 2 August 2006

Registered office: Unit 1205–06, 12/F., Tower 1, Silvercord,
30 Canton Road, Tsim Sha Tsui, Kowloon,
Hong Kong

Nature: Limited liability company

Principal business activities: Inactive

Authorised share capital: HK\$10,000

Issued share capital: HK\$10,000

Shareholder: Perfect Shape Holdings HK

8. *Perfect Shape & Skin TM*

Date of incorporation:	6 December 2006
Registered office:	Unit 1205–06, 12/F., Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
Nature:	Limited liability company
Principal business activities:	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong
Authorised share capital:	HK\$10,000
Issued share capital:	HK\$10,000
Shareholder:	Perfect Shape Holdings HK

9. *Perfect Shape & Skin TW*

Date of incorporation:	24 November 2005
Registered office:	Unit 1205–06, 12/F., Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
Nature:	Limited liability company
Principal business activities:	Inactive
Authorised share capital:	HK\$20,000
Issued share capital:	HK\$20,000
Shareholder:	Perfect Shape Holdings HK

10. Perfect Shape & Skin YL

Date of incorporation:	5 July 2006
Registered office:	Unit 1205–06, 12/F., Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
Nature:	Limited liability company
Principal business activities:	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong
Authorised share capital:	HK\$10,000
Issued share capital:	HK\$10,000
Shareholder:	Perfect Shape Holdings HK

11. Perfect Shape & Spa

Date of incorporation:	23 March 2007
Registered office:	Unit 1205–06, 12/F., Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
Nature:	Limited liability company
Principal business activities:	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong
Authorised share capital:	HK\$10,000
Issued share capital:	HK\$10,000
Shareholder:	Perfect Shape Holdings HK

12. Perfect Shape & Spa CWB

Date of incorporation:	30 March 2007
Registered office:	Unit 1205–06, 12/F., Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
Nature:	Limited liability company
Principal business activities:	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong
Authorised share capital:	HK\$10,000
Issued share capital:	HK\$10,000
Shareholder:	Perfect Shape Holdings HK

13. Perfect Shape & Spa KT

Date of incorporation:	8 November 2007
Registered office:	Unit 1205–06, 12/F., Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
Nature:	Limited liability company
Principal business activities:	Inactive
Authorised share capital:	HK\$10,000
Issued share capital:	HK\$10,000
Shareholder:	Perfect Shape Holdings HK

14. Perfect Shape & Spa MK

Date of incorporation:	30 March 2007
Registered office:	Unit 1205–06, 12/F., Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
Nature:	Limited liability company
Principal business activities:	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong
Authorised share capital:	HK\$10,000
Issued share capital:	HK\$10,000
Shareholder:	Perfect Shape Holdings HK

15. Perfect Shape & Spa MOS

Date of incorporation:	8 November 2007
Registered office:	Unit 1205–06, 12/F., Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
Nature:	Limited liability company
Principal business activities:	Inactive
Authorised share capital:	HK\$10,000
Issued share capital:	HK\$10,000
Shareholder:	Perfect Shape Holdings HK

16. Perfect Shape & Spa NP

Date of incorporation:	11 September 2007
Registered office:	Unit 1205–06, 12/F., Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
Nature:	Limited liability company
Principal business activities:	Inactive
Authorised share capital:	HK\$10,000
Issued share capital:	HK\$10,000
Shareholder:	Perfect Shape Holdings HK

17. Perfect Shape & Spa TP

Date of incorporation:	4 December 2007
Registered office:	Unit 1205–06, 12/F., Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
Nature:	Limited liability company
Principal business activities:	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong
Authorised share capital:	HK\$10,000
Issued share capital:	HK\$10,000
Shareholder:	Perfect Shape Holdings HK

18. Perfect Shape & Spa TST

Date of incorporation:	10 August 2007
Registered office:	Unit 1205-06, 12/F., Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
Nature:	Limited liability company
Principal business activities:	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong
Authorised share capital:	HK\$10,000
Issued share capital:	HK\$10,000
Shareholder:	Perfect Shape Holdings HK

19. Perfect Shape & Spa TW

Date of incorporation:	5 July 2006
Registered office:	Unit 1205-06, 12/F., Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
Nature:	Limited liability company
Principal business activities:	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong
Authorised share capital:	HK\$10,000
Issued share capital:	HK\$10,000
Shareholder:	Perfect Shape Holdings HK

20. Perfect Shape Investment Shanghai

Date of incorporation:	30 November 2007
Registered office:	Unit 1205–06, 12/F., Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
Nature:	Limited liability company
Principal business activities:	Investment holdings
Authorised share capital:	HK\$10,000
Issued share capital:	HK\$10,000
Shareholder:	Perfect Shape Holdings China

21. Perfect Shape Holdings

Date of incorporation:	10 October 2007
Registered office:	Unit 1205–06, 12/F., Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
Nature:	Limited liability company
Principal business activities:	Provision of management services
Authorised share capital:	HK\$10,000
Issued share capital:	HK\$10,000
Shareholder:	Perfect Shape Holdings HK

22. *Perfect Skin Medical*

Date of incorporation:	31 August 2006
Registered office:	Unit 1205-06, 12/F., Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
Nature:	Limited liability company
Principal business activities:	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong
Authorised share capital:	HK\$10,000
Issued share capital:	HK\$10,000
Shareholder:	Perfect Shape Holdings HK

23. *Slim Model*

Date of incorporation:	10 August 2007
Registered office:	Unit 1205-06, 12/F., Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
Nature:	Limited liability company
Principal business activities:	Provision of slimming and beauty services and sales of slimming and beauty products in Hong Kong
Authorised share capital:	HK\$10,000
Issued share capital:	HK\$10,000
Shareholder:	Perfect Shape Holdings HK

24. Slimming Medical

Date of incorporation:	21 September 2007
Registered office:	Unit 1205–06, 12/F., Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
Nature:	Limited liability company
Principal business activities:	Inactive
Authorised share capital:	HK\$10,000
Issued share capital:	HK\$10,000
Shareholder:	Perfect Shape Holdings HK

*C. MACAU**1. Perfect Shape Macau*

Date of incorporation:	30 November 2007
Registered office:	Avenida de Almeida Ribeiro, n ^o s 89, 95, 99, Edifício Nam Wah Comercial, 5 ^o andar, em Macau
Nature:	Private company
Principal business activities:	Provision of slimming beauty services in Macau
Authorised share capital:	MOP100,000
Issued share capital:	MOP100,000
Shareholder:	Perfect Shape Holdings HK

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of the Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this prospectus and are or may be material:









- (a) a share swap agreement dated 30 November 2011 entered into among our Company, Mr. Au-Yeung Kong, Ms. Au-Yeung Hung, Ms. Au-Yeung Wai and Perfect Shape Holdings (HK) Limited, pursuant to which Mr. Au-Yeung Kong, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai transferred 51, 25 and 24 shares respectively in Perfect Shape Holdings (HK) Limited to our Company in consideration of our Company issuing and allotting 51, 25 and 24 shares to Sure Sino Investments Limited, Market Event Holdings Limited and Earlson Holdings Limited;
- (b) a share swap agreement dated 30 November 2011 entered into among our Company, Mr. Au-Yeung Kong, Ms. Au-Yeung Hung, Ms. Au-Yeung Wai and Perfect Shape Holdings (China) Limited, pursuant to which Mr. Au-Yeung Kong, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai transferred 51, 25 and 24 shares respectively in Perfect Shape Holdings (China) Limited to our Company in consideration of our Company issuing and allotting 51, 25 and 24 shares to Sure Sino Investments Limited, Market Event Holdings Limited and Earlson Holdings Limited;
- (c) the Deed of Non-competition dated 5 December 2011 entered into among Mr. Au-Yeung Kong, Ms. Au-Yeung Hung, Ms. Au-Yeung Wai, Sure Sino Investments Limited, Market Event Holdings Limited, Earlson Holdings Limited and our Company, details of which are disclosed in the section headed “Relationship with the Controlling Shareholders” in this prospectus;
- (d) the Deed of Indemnity dated 5 December 2011 entered into among Mr. Au-Yeung Kong, Ms. Au-Yeung Hung, Ms. Au-Yeung Wai, Sure Sino Investments Limited, Market Event Holdings Limited, Earlson Holdings Limited and our Company, pursuant to which Mr. Au-Yeung Kong, Ms. Au-Yeung Hung, Ms. Au-Yeung Wai, Sure Sino Investments Limited, Market Event Holdings Limited and Earlson Holdings Limited have agreed to give certain indemnities in favour of our Company for itself and as trustee for its subsidiaries stated therein; and
- (e) the Hong Kong Underwriting Agreement.

2. Intellectual Properties Rights of our Group



As at the Latest Practicable Date, our Group has registered the following intellectual property rights which are material in relation to our Group's business.

(a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks which are material in relation to our Group's business:

Trademark	Place of Registration	Class	Registration No.	Registration Date	Expiry Date
	Hong Kong	3, 5, 44	300183393	24-03-2004	23-03-2014
	Hong Kong	44	300555543	24-12-2005	23-12-2015
	Hong Kong	44	300562103	10-01-2006	09-01-2016
	Hong Kong	44	300739738	13-10-2006	12-10-2016
	Hong Kong	44	300739765	13-10-2006	12-10-2016
	Hong Kong	44	300901232	28-06-2007	27-06-2017
	Hong Kong	29	301069317	11-03-2008	10-03-2018
	Hong Kong	44	301087975	08-04-2008	07-04-2018

Trademark	Place of Registration	Class	Registration No.	Registration Date	Expiry Date
^A 愛瑪纖體 ^B 爱玛纤体	Hong Kong	44	301104614	29-04-2008	28-04-2018
^A  International Slimming Specialist	Hong Kong	44	301115531	14-05-2008	13-05-2018
^B  International Slimming Specialist					
^{Dr Slim} 	Hong Kong	44	301570707	24-03-2010	23-03-2020
^{Dr. Läkär} 	Hong Kong	3	301627777	01-06-2010	31-05-2020
Dr. Paris 巴莉絲	Hong Kong	3, 44	301806156	06-05-2011	01-01-2021
Paris Beauty 巴黎絲	Hong Kong	3, 44	301809946	27-5-2011	12-01-2021
	PRC	44	5084768	14-08-2009	13-08-2019
	PRC	35	6727055	14-07-2010	13-07-2020
必瘦站	PRC	35	6727051	21-08-2010	20-08-2020
	PRC	44	6773740	07-10-2010	06-10-2020
	PRC	44	6773738	07-10-2010	06-10-2020
	PRC	44	7948424	21-04-2011	20-04-2021
	PRC	44	8163819	14-5-2011	13-05-2021
Magic Franse Contour	PRC	44	8669013	07-11-2011	06-11-2021

Trademark	Place of Registration	Class	Registration No.	Registration Date	Expiry Date
	Korea	3, 44	45-0026616	25-02-2009	25-02-2019
	Indonesia	3	D00.2008.019589	07-01-2010	06-01-2020
	Singapore	3, 44	T08/07212I	02-06-2008	01-06-2018
	Malaysia	44	08010537	29-05-2008	28-05-2018

(b) Domain name

As at the Latest Practicable Date, our Group had registered the following domain name:

Domain name	Registered owner	Expiry date
www.perfectshape.com.hk	Perfect Shape & Skin Management	19-1-2016

Note: Contents in this domain do not form part of this prospectus.

C. DISCLOSURE OF INTERESTS

1. Interests and short position of Directors and the chief executive in the shares, underlying shares or debentures of our Company and its associated corporations

Immediately following completion of the Global Offering (assuming the Over-allotment Option will not be exercised) and the Capitalisation Issue, based on the information available on the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of our Company in our Shares, underlying shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

(i) Long position in Shares

Name of Director	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding interest (%)
Dr. Au-Yeung Kong (note 1)	Interest of controlled corporation/ Long position	382,500,000	38.25%
Ms. Au-Yeung Hung (note 2)	Interest of controlled corporation/ Long position	187,500,000	18.75%
Ms. Au-Yeung Wai (note 3)	Interest of controlled corporation/ Long position	180,000,000	18%

Notes:

- (1) 382,500,000 Shares are held by Sure Sino Investments, which is wholly owned by Dr. Au-Yeung Kong.
- (2) 187,500,000 Shares are held by Market Event Holdings, which is wholly owned by Ms. Au-Yeung Hung.
- (3) 180,000,000 Shares are held by Earlson Holdings, which is wholly owned by Ms. Au-Yeung Wai.

(ii) Long position in the shares of the associated corporations of the Company

Name of Director	Name of associated corporation	Capacity/ Nature of Interest	Approximate percentage of shareholding
Dr. Au-Yeung Kong	Sure Sino Investments	Beneficial Owner	100%
Ms. Au-Yeung Hung	Market Event Holdings	Beneficial Owner	100%
Ms. Au-Yeung Wai	Earlson Holdings	Beneficial Owner	100%

Save as disclosed above, based on the information available on the Latest Practicable Date, immediately following completion of the Global Offering (assuming the Over-allotment Option will not be exercised) and Capitalisation Issue, none of the Directors or chief executives of our Company has any interest or short position in our Shares, underlying shares or debentures of our Company or any of its associate corporations which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he will be taken or deemed to have under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in appendix 10 to the Listing Rules relating to securities transactions by Directors to be notified to our Company and the Stock Exchange once our Shares are listed.

2. Interests and short positions of substantial shareholders in the shares, underlying shares or debentures of our Company

Information on person(s), not being Directors or chief executive of our Company, who (based on the information available on the Latest Practicable Date) will have, immediately following the Global Offering (assuming the Over-allotment Option will not be exercised) and the Capitalisation Issue, an interest or short position in our Shares or underlying shares of our Company which will fall to be disclosed to our Company under the provisions of divisions 2 and 3 of part XV of the SFO is set out below:

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding interest (%)
Sure Sino Investments	Beneficial owner/ Long position	382,500,000	38.25%
Market Event Holdings	Beneficial owner/ Long position	187,500,000	18.75%
Earlson Holdings	Beneficial owner/ Long position	180,000,000	18%
Dr. Au-Yeung Kong	Interest of controlled corporation/ Long position	382,500,000	38.25%
Ms. Au-Yeung Hung	Interest of controlled corporation/ Long position	187,500,000	18.75%
Ms. Au-Yeung Wai	Interest of controlled corporation/ Long position	180,000,000	18%

Note: Save as set out above, based on the information available on the Latest Practicable Date, taking no account of any Shares which may be taken up under the Global Offering, the Directors are not aware of any person (not being a Director or chief executives of our Company) who will, immediately following the completion of the Global Offering and the Capitalisation Issue, be interested, directly or indirectly, in an interest or short position in our Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. Interests of the substantial shareholders of any member of our Group (other than our Company)

Save as set out above, the Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Global Offering and Capitalisation Issue, be interested, directly or indirectly, in 10% or more of the nominal amount of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group (other than our Company) or any options in respect of such capital.

4. Directors' remuneration

For the year ended 31 March 2011, the aggregate of the remuneration paid and benefits in kind granted to the Directors by our Group was HK\$12.0 million. Further information in respect of the Directors' remuneration is set out in Appendix I to this prospectus.

Under the arrangements currently in force, the estimated amount of directors' fees and other emoluments payable to the Directors for the year ending 31 March 2012 will be HK\$3.675 million, excluding the discretionary bonuses payable to the Directors.

5. Related party transactions

Our Group entered into certain related party transactions within the two years immediately preceding the date of this prospectus as mentioned in Note 36 of the section headed "Related Party Transactions" of the Accountant's Report set out in Appendix I to this prospectus.

6. Particulars of service contracts*(a) Executive Directors*

Each of the executive Directors has entered into a service contract with our Company under which they agreed to act as executive Directors for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either the executive Director or our Company. Under their respective service contracts, each of the executive Directors is entitled to a fixed Director's fee and may be entitled to a discretionary bonus.

The appointments of the executive Directors are subject to the provision of retirement and rotation of Directors under the Articles.

(b) *Independent Non-executive Directors*

Each of the independent non-executive Directors has signed an appointment letter with our Company for an initial term of three years commencing from the Listing Date. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee. The appointments of the independent non-executive Directors are subject to the provision of retirement and rotation of Directors under the Articles.

Save as disclosed above, none of the Directors has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

None of the Directors of any member of our Group has been paid any sum of money for the three years ended 31 March 2011 and the four months ended 31 July 2011 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

Save as disclosed in Appendix I to this prospectus, there has been no arrangement under which a Director has received any remuneration or benefits in kind from the Group for the three years ended 31 March 2011 and the four months ended 31 July 2011.

7. Agency fees or commissions received

None of the Directors, the promoter (if any) of our Company or the persons named under "Consent of experts" in this appendix had received any discounts, brokerage or other special terms, agency fee or commission from our Group in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

The Underwriters will receive such commission(s), fee(s) and/or expense(s) as mentioned in the section headed "Underwriting" in this prospectus.

8. Disclaimers

Save as disclosed in this prospectus:

- (a) so far as the Directors are aware, none of the Directors or the chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of our associated corporation (within the meaning of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be

notified to our Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, once the Shares are listed;

- (b) so far as the Directors are aware, none of the Directors or experts referred to under the paragraph headed “Consents of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of the Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) the Directors are not aware of any person (not being a Director or the chief executive of our Company) who will, immediately following completion of the Global Offering and the Capitalisation Issue, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (f) none of the experts referred to under the paragraph headed “Consents of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (g) none of the Directors, their respective associates (as defined under the Listing Rules), or shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interest in our Group’s five largest clients and five largest suppliers.

D. OTHER INFORMATION**1. Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme (the “Scheme”) conditionally approved by a written resolution of our Shareholders passed on 5 December 2011 and adopted by a resolution of the Board on 5 December 2011 (the “Adoption Date”). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

For the purpose of this section, unless the context otherwise requires:

“Date of Grant” means date of grant of the Option in accordance with the Scheme;

“Grantee” means any Eligible Person (as defined below) who accepts an offer of grant of any Option in accordance with the terms of the Scheme or (where the context so permits) a person who is entitled to any Option in consequence of the death of the original Grantee;

“Option” means a right to subscribe for Shares granted pursuant to the Scheme;

“Option Period” means the period of time where the Grantee may exercise the Option, which period shall not be more than 10 years from the Date of Grant;

“Shares” means shares of HK\$0.1 each in the capital of our Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of our Company from time to time);

(1) Who may join

The Directors may at their absolute discretion grant Options to all Directors (whether executive or non-executive and whether independent or not), any employee (whether full-time or part-time), any consultant or advisor of or to our Company or our Group (whether on an employment or contractual or honorary basis and whether paid or unpaid), who, in the absolute opinion of the Board, have contributed to our Company or our Group and each of the persons mentioned above is referred to as an “Eligible Person”.

(2) *Purpose of the Scheme*

The purpose of the Scheme is to provide person(s) and parties working for the interests of our Group with an opportunity to obtain an equity interest in our Company, thus linking their interests with the interests of our Group and thereby providing them with an incentive to work better for the interests of our Group.

(3) *Conditions*

The Scheme shall take effect subject to and is conditional upon:

- (i) the passing of the necessary resolution to approve and adopt the Scheme by the shareholders of our Company in a general meeting;
- (ii) the Listing Committee granting approval of the listing of, and permission to deal in, any Shares which may be issued pursuant to the exercise of Options granted under the Scheme;
- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and are not being terminated in accordance with the terms of that agreement or otherwise; and
- (iv) the commencement of dealings in the Shares on the Stock Exchange.

(4) *Duration and administration*

The Scheme shall continue in force for the period commencing from the Adoption Date and expiring at the close of business on the tenth anniversary of the Adoption Date (the “Scheme Period”), after which period no further options shall be granted but the provisions of the Scheme shall remain in full force and effect in all other respects in respect of Options remaining outstanding and exercisable on the expiry of the Scheme Period.

The Scheme shall be subject to the administration of the Board whose decision (save as otherwise provided in the Scheme) shall be final and binding on all parties.

(5) *Grant of Options*

An offer of the grant of an Option shall be made to an Eligible Person in writing in such form as the Board may from time to time determine specifying, inter alia, the maximum number of Shares in respect of which such offer is made and requiring the Eligible Person to undertake to hold the Option on the terms of which it is to be granted and to be bound by the provisions of the Scheme and shall remain open for acceptance by the Eligible Person to whom the offer is made for a period of 28 days (or such other period as the Board may determine) from the date upon which the offer is issued provided that no such offer shall be open for acceptance after the expiry of the Scheme Period or after the Scheme has been terminated in accordance with the terms of the Scheme.

On and subject to the terms of the Scheme, the Board shall be entitled at any time during the Scheme Period to offer to grant an Option to any Eligible Person as the Board may at its absolute discretion select, and subject to such conditions and restrictions as the Board may think fit.

An offer shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Option, duly signed by the Eligible person, together with the remittance of HK\$1 in favor of our Company, irrespective of the number of Shares in respect of which the Option is accepted, as consideration for the grant is received by our Company.

The Date of Grant shall be the date on which the offer relating to such Option is duly approved by the Board in accordance with the Scheme.

(6) *Price sensitive information*

No offer of Options shall be made after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published by our Company. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting for the approval of our Company's interim, quarterly or annual results, and (ii) the deadline of our Company to publish its interim, quarterly or annual results announcement under our Company's listing agreement, and ending on the date of the results announcement, no Options may be granted. The period during which no Option may be granted will cover any period of delay in the publication of a results announcement.

(7) Grant of Options to connected persons

Where a grant of Option(s) to a connected person (as defined in the Listing Rules) of our Company under the Scheme must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Option).

Where any Options granted to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director of our Company or any of their respective associates would result in the number and value of Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding but excluding Options which have lapsed) to such person in the 12-month period up to and including the date of such grant (i) exceeding in aggregate over 0.1% of the Shares in issue; and (ii) exceeding an aggregate value, (based on the closing price of the Shares on the Stock Exchange at the Date of Grant) in excess of HK\$5 million, such further grant of Options must be approved by the shareholders by taking of a poll in a general meeting. Our Company must send a circular to the shareholders. All connected persons (as defined in the Listing Rules) of our Company must abstain from voting in favour of the relevant resolution at the general meeting as required under the Listing Rules. The circular must contain: (i) detail of the number and terms (including the Subscription Price (as defined below) of the Options to be granted to each Eligible Person, which must be fixed before the general meeting concerned; (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the Grantee of the Options) to the independent shareholders as to voting; and (iii) the information required under the relevant provisions of Chapter 17 of the Listing Rules.

(8) Subscription price

The subscription price in respect of any particular Option shall be such price as the Board may at its absolute discretion determine at the time of the grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option (the “Subscription Price”)), but in any case the Subscription Price must be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the Date of Grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five (5) business days immediately preceding the Date of Grant; and (iii) the nominal value of a Share. For the purpose of calculating the Subscription Price where our Company has been listed for less than five (5) business days, the Issue Price shall be used as the closing price of any business day falling within the period before Listing.

(9) Rights are personal to Grantee

An Option shall be personal to the Grantee and shall not be transferable or assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor or any third party over or in relation to any Option or attempt to do so.

(10) Exercise of Options

Subject to any condition or restriction in connection with the exercise of the Option which may be imposed by the Board when granting the Option and other provisions of the Schemes the Option may be exercised by the Grantee (or his legal personal representative) at any time during the Option Period, provided that paragraph (11) or (12) below has been satisfied.

(11) Right on ceasing to be an Eligible person

In the event that the Grantee ceases to be an Eligible Person for any reason (other than death) including the termination of his or her employment or appointment as consultant or advisor of the Company or any of its subsidiaries (whether on an employment or contractual or honorary basis and whether paid or unpaid) on one or more of the grounds specified in paragraph (17)(vii) below, the Option granted to the Grantee will lapse on the date of such cessation 1 to the extent not already exercised) and will not be exercisable unless the Board otherwise determines to grant an extension at the absolute discretion of the Board. Such period of extension (if any) shall be granted within and in any event ended before the expiration of one (1) month following the date of such cessation or the relevant Option Period, which is earlier.

(12) Rights on death

In the event that the Grantee ceases to be an Eligible Person by reason of death and none of the events which would be grounds for termination of his or her employment or appointment under paragraph (17)(vii) arises (as the case may be), the legal personal representative(s) of the Grantee shall be entitled within a period of 12 months from the date of death (or such longer period as the Board may determine) to exercise the Options in full (to the extent not already exercised) up to the entitlement of such Grantee as of the date of death.

(13) Rights on a compromise or amalgamation

In the event of a compromise or amalgamation, other than a scheme of arrangement contemplated under the Scheme, between our Company and its members or creditors being proposed in connection with any scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and the Grantee (or his or her personal representatives) may, be notice in writing to our Company, accompanied by the remittance for the Subscription Price in respect of the relevant Option (such notice must be received by our Company not later than two Business Days prior to the proposed meeting), exercise the Option (to the extent not already exercised) either to its full extent or to the extent specified in the relevant notice. Thereafter, our Company shall, as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Grantee, which falls to be issued on such exercise, credited as fully paid, and register the Grantee as holder thereof.

(14) Rights on winding-up

In the event a notice is given by our Company to our Shareholders to convene a Shareholders' meeting to consider and, if thought fit, approve a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all Grantees and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by us) exercise the Option either to its full extent or to the extent notified by us, and we shall as soon as possible and in any event no later than one Business Day immediately prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the Grantee such number of Shares to the Grantee which fall to be issued on such exercise.

(15) Ranking of shares

The Shares to be allotted and issued upon the exercise of an Option will be subject to the Articles of Association in force at that time including with respect to voting and transfer rights and rights arising on a liquidation of our Company and will rank pari passu in all respects with the fully paid Shares in issue as of the date of allotment and thereafter the holders thereof will be entitled to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividends or other distributions previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment.

(16) Performance target

The Grantee will not be required to achieve, meet or exceed any performance targets before that particular Grantee can exercise the Option(s) granted, except those otherwise imposed by the Board pursuant to paragraph (5) above and/or stated in the offer of grant of the Option.

(17) Lapse of options

An Option shall lapse automatically (to the extent not already exercised) on the earliest of: (i) the expiry of the Option Period; (ii) the expiry of any of the periods referred to in paragraphs (11), (12) and (13) above; (iii) subject to a court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining Shares in the offer; (iv) subject to the scheme of arrangement becoming effective; (v) the date of commencement of the winding-up of our Company; (vi) the date on which the Option is cancelled by the Board as provided in paragraph (19) below; (vii) the date on which the Grantee ceases to be an Eligible Person by reason of the termination of employment or appointment for misconduct or other breach of the terms of his or her employment or other contract constituting him or her as an Eligible Person, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his or her debts or has become insolvent or has made any arrangement or composition with his or her creditors generally or has been convicted of any criminal offence or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his or her employment at common law or pursuant to any applicable laws or under the Grantee's service contract with our Company or the relevant subsidiary. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that the employment or other relevant contract of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive and binding on the Grantee; (viii) the date on which the Grantee has committed a breach or paragraph (9) above; (ix) the non-fulfilment of any condition referred to in paragraph (3) on or before the date stated therein.

(18) Maximum number of Shares available for subscription

The maximum aggregate number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Scheme and any other schemes of our Company must not exceed in aggregate 30% of the Shares of our Company in issue from time to time (the "Overall Scheme Limit"). No Option may be granted under any schemes of our Company (or its subsidiaries) if such grant will result in the Overall Scheme Limit being exceeded. The total number of Shares which may be issued upon exercise of all Option to be granted under the Scheme and any other schemes must not in aggregate exceed 10% of the Shares of our Company (or the subsidiary) in issue immediately following the completion of the Global

Offering (excluding the exercise of Over-allotment Option) and the Capitalisation Issue, being 100,000,000 Shares (the “Scheme Mandate Limit”) for this purpose. Option lapsed in accordance with the terms of the Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit.

Subject to the Overall Scheme Limit, our Company may seek approval from its shareholders in general meeting for “refreshing” the “Scheme Mandate Limit”. However, the total number of Shares which may be issued upon exercise of all Options to be granted under all of the schemes of our Company under the limit as “refreshed” must not exceed 10% of the Shares in issue as of the date of approval by the shareholders of the renewed limited (the “Refreshed Scheme Mandate Limit”); Option previously granted under any existing schemes (including those outstanding, cancelled or lapsed in accordance with the Scheme or exercised Options) shall not be counted for the purpose of calculating the Refreshed Scheme Mandate Limit. Our Company must send a circular to its shareholders containing the information required under the relevant provisions of Chapter 17 of the Listing Rules.

Subject to the Overall Scheme Limit, our Company may seek separate approval from its shareholders in a general meeting for granting Options to subscribe for Shares beyond the Scheme Mandate Limit or the Refreshed Scheme Mandate Limit (as the case may be) provided that the Option in excess of the Scheme Mandate Limit or the Refreshed Scheme Mandate Limit are granted only to Eligible Persons specifically identified by our Company before such approval is sought and our Company must send a circular to its shareholders containing the information specified in the relevant provisions of the Listing Rules. Unless approved by shareholders in general meeting at which the relevant Eligible Person and his/her associates abstain from voting in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, the total number of Shares issued and to be issued upon exercise of the Options granted to such Eligible Person (including exercised, cancelled and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue (the “Individual Limit”) at such time. With respect to any further grant of Options to an Eligible Person exceeding in aggregate the Individual Limit, our Company must send a circular to its shareholders and the circular must disclose the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted to such Eligible Person), and the information required under the relevant provisions of Chapter 17 of the Listing Rules. The number and terms (including the Subscription Price) of Options to be granted to such Eligible Person must be fixed before the general meeting at which the same are approved, and the date of the Board meeting for proposing such further grant should be taken as the Date of Grant for the purpose of calculating the Subscription Price.

(19) Cancellation of Options

Any cancellation of Options granted but not exercised must be approved by the Board. New Option may be issued to a Grantee in place of his or her cancelled Option only if there are available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit or the Refreshed Scheme Mandate Limit or such enlarged limit that may be approved by the shareholders of our Company in accordance with paragraph (18) above.

(20) Reorganisation of capital structure

In the event of any alteration in the capital structure of our Company whilst any Option remains exercisable, whether by way of capitalization issue, rights issue, subdivision, consolidation, or reduction of the share capital of our Company or otherwise howsoever in accordance with legal requirements and requirements of the Stock Exchange excluding any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in respect of a transaction to which our Company is a party, such corresponding alterations (if any) shall be made to:

- (i) the number or nominal amount of Shares subject to the Option so far as unexercised; and/or
- (ii) the Subscription Price; and/or
- (iii) the method of exercise of the Option (if applicable),

as an independent financial advisor or the auditors for the time being of our Company shall at the request of the Board certify in writing to the Directors, either generally or as regards any particular Grantee, to be in their opinion fair and reasonable and that any such alterations shall satisfy the requirements set out in the note to Rule 17.03(13) of the Listing Rules and shall give a Grantee the same proportion of the issued share capital of our Company as that to which the Grantee was previously entitled (as interpreted in accordance with the Supplementary Guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes and/or any future guidance or interpretation of the Listing Rules issued by the Stock Exchange from time to time), provided that no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The capacity of the independent financial advisor or the auditors for the time being of our Company in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the Grantees. The costs of the independent financial advisor or the auditors for the time being of our Company shall be borne by our Company.

(21) Alteration of Scheme

Except with the prior sanction of our Company in general meeting (with the Eligible Persons and their associates abstaining from voting), the Board may not amend:

- (i) any of the provisions of the Scheme relating to matters contained in Rule 17.03 of the Listing Rules to the advantage of the Eligible Persons or Grantees;
- (ii) any terms and conditions of the Scheme which are of a material nature or any terms of the Options granted except where such alterations take effect automatically under the existing terms of the Scheme;
- (iii) any provisions on the authority of the Board in relation to any alteration to the terms of the Scheme.

(22) Termination of Scheme

Our Company, by resolution in general meeting, or the Board may at any time terminate the operation of the Scheme and in such event no further Options will be offered but in all other respects the provisions of the Scheme shall remain in full force and effect. Options complying with the provisions of Chapter 17 of the Listing Rules which are granted during the Scheme Period and which remain unexpired immediately prior to the termination of the operation of the Scheme shall, subject to the terms of the Scheme, continue to be valid and exercisable thereafter.

As at the Latest Practicable Date, no option has been granted or agreed to be granted under the Share Option Scheme. An application has been made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

7. Tax and other indemnity

(a) Tax indemnity and other indemnity

Each of the Controlling Shareholders, pursuant to the Deed of Indemnity dated 5 December 2011 referred to in the paragraph headed “Summary of material contracts” in this appendix, given indemnity in favour of our Group from and against, among other things, any tax liabilities which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received before the Listing Date, save:

- (i) to the extent that any provision or allowance or reserve has been made for such taxation in the audited accounts of our Group for three years ended 31 March 2011 and the four months ended 31 July 2011, as set out in Appendix I to this prospectus;
- (ii) to the extent that such taxation arises or is incurred as a result of any retrospective change in law or the interpretation or practice by the relevant tax authority or retrospective increase in tax rates coming into force after the Listing Date;
- (iii) for any liability which would not have arisen but for any act, transaction, omission of or transactions voluntarily effected by any member of our Group after the Listing Date and otherwise than carried out in the ordinary course of business after the Listing Date;
- (iv) for which our Group is primarily liable as a result of acquiring and disposing of capital assets in the ordinary course of business after the Listing Date; and
- (v) to the extent of any provision or reserve made for taxation in the Accountant’s Report set out in Appendix I to this prospectus up to 31 March 2011 and the four months ended 31 July 2011 which is finally established to be an over-provision or an excessive reserve.

(b) Estate duty

The Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands, Hong Kong, Macau, the BVI and the PRC, being jurisdictions in which the companies comprising our Group are incorporated.

8. Litigation

Saved as disclosed in the section headed “Summary”, “Risk Factors” and “Business” in this prospectus, as at the Latest Practicable Date, neither our Company or any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance is known by the Directors to be pending or threatened by or against any member of our Group.

9. Application for listing of Shares

The Sole Sponsor has made an application for and on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, all our Shares in issue, our Shares to be issued as mentioned in this prospectus and any Shares which may fall to be issued pursuant to the exercise of any options granted under the Share Option Scheme.

10. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$62,400 and are payable by our Company.

11. Promoter

Our Company has no promoter for the purposes of the Listing Rules.

12. Qualifications of experts

The followings are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
China Everbright Capital Limited	Licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants
King & Wood PRC Lawyers	PRC Legal Advisor
Rui Afonso Lawyers’ Office & Notary	Macau Legal Advisor
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Jones Lang LaSalle Sallmanns Limited	Property valuers

13. Consent of experts

Each of the experts whose names are set out in paragraph 12 above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or the references to its name included herein in the form and context in which they are respectively included.

14. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

15. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders or management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of its subsidiaries; and
 - (v) no commission has been paid or payable, except for the commission payable to the Underwriters, for subscription of, agreeing to subscribe or procuring subscription of any shares in our Company or any of its subsidiaries.
- (b) The Directors confirm that:
 - (i) there has been no material adverse change in the financial or trading position or prospects of our Group since 31 July 2011 (being the date to which the latest audited financial statements of our Group were prepared); and

- (ii) there has not been any interruption in the business of our Group which may have or have had a material adverse effect on the financial position of our Group in the 12 months preceding the date of this prospectus.
- (c) The register of members of our Company will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investment Services Limited. Unless the Directors otherwise agree, all transfers and other documents of title of Shares must be lodged for registration with and registered by our Company's Hong Kong Share Registrar in and may not be lodged in the Cayman Islands.
- (d) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (e) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.
- (f) The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE** and **YELLOW** Application Forms, (ii) the written consents referred to under the paragraph headed “Consent of experts” under the section headed “Other Information” in Appendix V to this prospectus and (iii) copies of the material contracts referred to under the paragraph headed “Summary of the Material Contracts” under the section headed “Further Information about our Business” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Li & Partners at 22nd Floor, World Wide House, 19 Des Voeux Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountant’s Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the audited combined financial statements of our Group for each of the three years ended 31 March 2009, 2010 and 2011 and the four months ended 31 July 2011;
- (d) the report from PricewaterhouseCoopers relating to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (e) the letter, summary of valuation and valuation certificates relating to the property interests of our Group prepared by Jones Lang LaSalle Sallmanns Limited, the texts of which are set out in Appendix III to this prospectus;
- (f) the letter of advice prepared by Conyers Dill & Pearman referred to in the section headed “Summary of Constitution of the Company and Cayman Islands Company Law” in Appendix IV to this prospectus;
- (g) the PRC legal opinion prepared by King & Wood PRC Lawyers, our PRC Legal Advisor in respect of, inter alia, our Group’s overall business operation in the PRC and properties located in the PRC;
- (h) the Macau legal opinion prepared by Rui Afonso Lawyers’ Office & Notary, our Macau Legal Advisor in respect of, inter alia, our Group’s overall business operation in Macau and properties located in Macau;
- (i) the Cayman Companies Law;

- (j) the material contracts referred to in the paragraph headed “Summary of the Material Contracts” under the section headed “Further Information about our Business” in Appendix V to this prospectus;
- (k) the service contracts and appointment letters referred to in the paragraph headed “Particulars of service contracts” under the section headed “Disclosure of Interests” in Appendix V to this prospectus;
- (l) the written consents referred to in the paragraph headed “Consent of experts” under the section headed “Other Information” in Appendix V to this prospectus;
and
- (m) the rules of the Share Option Scheme.

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