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## SUMMARY

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*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

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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 431 sq.m. and 205 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	
<b>PRC</b>			
● 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
<b>Hong Kong</b> ( <i>Note</i> )	9	3	12
<b>Macau</b>	1	—	1
<b>Total</b>	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

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### *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, which led to the decrease in revenue derived from Hong Kong market 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 40,000 members in the PRC, 50,000 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.

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### **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 promoting 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. We have derived revenue from forfeited income since we began to provide slimming and beauty services in around 2003. 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.

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### 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 64 times from around 600 as at 31 March 2009 to around 40,000 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); and
- 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.

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### 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 of our Group's operation as a whole. In particular, revenue and net profit from our PRC operations experienced continuous growth which was benefited from the prosperous domestic demands in the PRC. However, revenue and net profit from our Hong Kong and Macau operations decreased continuously which was mainly due to the reduced number of our service centres in Hong Kong and Macau. Our Directors expect that keen competition from other market players in Hong Kong and Macau will continue in the future.

Our Directors confirm that there has been no material adverse change in our financial or trading position since 31 July 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

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**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 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <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)
<b>Operating profit</b>	34,671	35,710	65,463	17,864	39,033
Interest income	4	25	238	19	596
<b>Profit before income tax</b>	34,675	35,735	65,701	17,883	39,629
Income tax expense	(6,092)	(6,216)	(15,441)	(3,581)	(10,743)
<b>Profit for the year/period attributable to equity holders of the Company</b>	<u>28,583</u>	<u>29,519</u>	<u>50,260</u>	<u>14,302</u>	<u>28,886</u>
<b>Other comprehensive (loss)/income:</b>					
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
<b>Total other comprehensive income/ (loss) for the year/period</b>	<u>—</u>	<u>—</u>	<u>450</u>	<u>(146)</u>	<u>673</u>
<b>Total comprehensive income for the year/period attributable to equity holders of the Company</b>	<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**

	<b>As at 31 March</b>			<b>As at</b>
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>31 July</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>				
<b>Non-current assets</b>				
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>
<b>Current assets</b>				
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>
<b>Total assets</b>	<u><u>149,468</u></u>	<u><u>185,169</u></u>	<u><u>258,872</u></u>	<u><u>287,399</u></u>
<b>EQUITY</b>				
<b>Capital and reserves attributable to the Company's equity holders</b>				
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>
<b>Total equity</b>	<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 31 July
	2009	2010	2011	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
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>
<b>Current liabilities</b>				
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>
<b>Total liabilities</b>	<u>136,482</u>	<u>147,664</u>	<u>210,026</u>	<u>208,994</u>
<b>Total equity and liabilities</b>	<u>149,468</u>	<u>185,169</u>	<u>258,872</u>	<u>287,399</u>
<b>Net current (liabilities)/assets</b>	<u>(16,365)</u>	<u>2,739</u>	<u>(17,592)</u>	<u>11,315</u>
<b>Total assets less current liabilities</b>	<u>14,909</u>	<u>39,517</u>	<u>52,760</u>	<u>84,021</u>

For the year ended 31 March 2010 and the period ended 31 July 2011, our cash flows from operating activities increased significantly which strengthened our cash positions. As such, we recorded net current assets of HK\$2.7 million and HK\$11.3 million as at 31 March 2010 and 31 July 2011. As at 31 March 2009 and 2011, we recorded net current liabilities of HK\$16.4 million and HK\$17.6 million respectively which was mainly attributable to the increase of our Group's deferred revenue during the Track Record Period. Our Company recorded net current liabilities of HK\$43.9 million as at 30 November 2011, which was mainly due to the increase in the balance of dividend payable of HK\$71.1 million. In November 2011, special cash dividends of HK\$88.5 million were declared, please refer to "Financial Information — Dividend and Distributable Reserves" in this prospectus for details.

Taking into account the factors that (i) we had unutilised banking facilities amounted to HK\$50.0 million as at the Latest Practicable Date; (ii) our cash balances as at 30 November 2011 amounted to HK\$145.1 million, which was sufficient to settle the declared

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special cash dividends and for our Group's general operations; (iii) our Group received strong cash inflows from our operating activities which can finance our future expansion plan; and (iv) the proceeds to be raised from the Global Offering, our Directors consider that the net current liabilities positions as at 30 November 2011 did not and will not adversely affect our Group's business and operations and financial positions and expect that our current (liabilities)/assets position will continue to improve going forward.

### Selected combined statements of cash flows

	Year ended 31 March			Four months
	2009	2010	2011	ended 31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2011</b> <i>HK\$'000</i>
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.

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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 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, 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.

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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.

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

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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.

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.

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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, 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.

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### **“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 ceased sales of “EnerDay” products in December 2007, there was 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



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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 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

Based on the Offer Price of HK\$0.88 per Offer Share, after deduction of the underwriting fees (before the discretionary incentive fee that may be paid to the Sole Global Coordinator (for itself and on behalf of the Underwriters)) and estimated expenses payable by us in connection with the Global Offering, the net proceeds of the Global Offering are estimated to be HK\$188.7 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\$132.1 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.

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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 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\$28.3 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\$9.4 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.

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### **(4) General working capital**

A balance of HK\$18.9 million (or 10% of net proceeds of the Global Offering) will be retained as our general working capital.

Should the Over-allotment Option be exercised in full, our Company will receive additional net proceeds of HK\$31.7 million (before the discretionary incentive fee that may be paid to the Sole Global Coordinator (for itself and on behalf of the Underwriters)). Our Directors intend to apply the additional net proceeds to general working capital by increasing the amount of which to up to 10% of the aggregate net proceeds from the Global Offering, and adjust the remaining net proceeds for the other above purposes on a pro rata basis.

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.

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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 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 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.

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### **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.
- 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.

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### STATISTICS FOR THE GLOBAL OFFERING

**Based on an Offer  
Price per Share  
of HK\$0.88**

Market capitalisation of the Shares (*Note 1*) HK\$880 million

Unaudited pro forma adjusted net tangible assets  
per Share (*Notes 2 and 3*) HK\$0.27

*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. We may pay to the Sole Global Coordinator (for itself and on behalf of the Underwriters) a discretionary incentive fee of up to 2.2% of the amount equal to the Offer Price multiplied by the total number of Offer Shares under the Global Offering (excluding additional Shares issued pursuant to the Over-allotment Option). The unaudited pro forma adjusted net tangible assets per Share would be reduced if we decide to pay such incentive fee.
- (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\$0.18. We may pay to the Sole Global Coordinator (for itself and on behalf of the Underwriters) a discretionary incentive fee of up to 2.2% of the amount equal to the Offer Price multiplied by the total number of Offer Shares under the Global Offering (excluding additional Shares issued pursuant to the Over-allotment Option). The unaudited pro forma adjusted net tangible assets per Share would be reduced if we decide to pay such incentive fee.
- (4) No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to 31 July 2011.