

**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 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 (Note)</b>	9	3	12
<b>Macau</b>	<u>1</u>	<u>—</u>	<u>1</u>
<b>Total</b>	<u><u>46</u></u>	<u><u>11</u></u>	<u><u>57</u></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.

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 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.

**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 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 “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. 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.

### **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.

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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 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 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;
- 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.

#### **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 40,000 members in the PRC, 50,000 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	<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>

**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

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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.

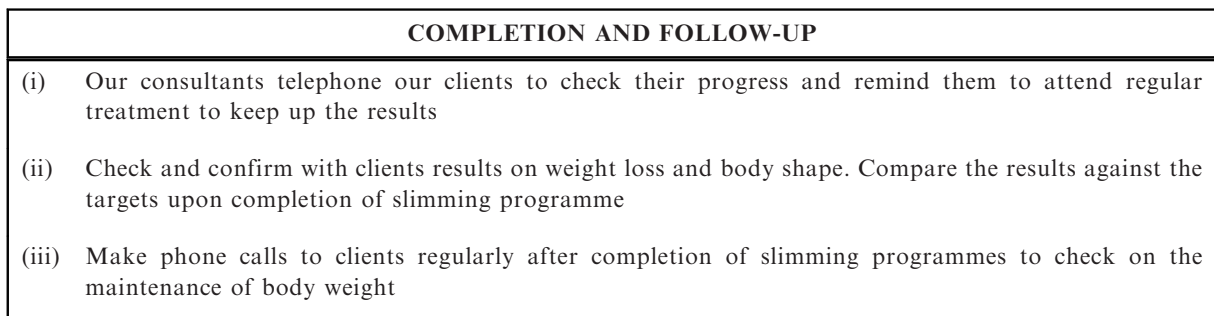
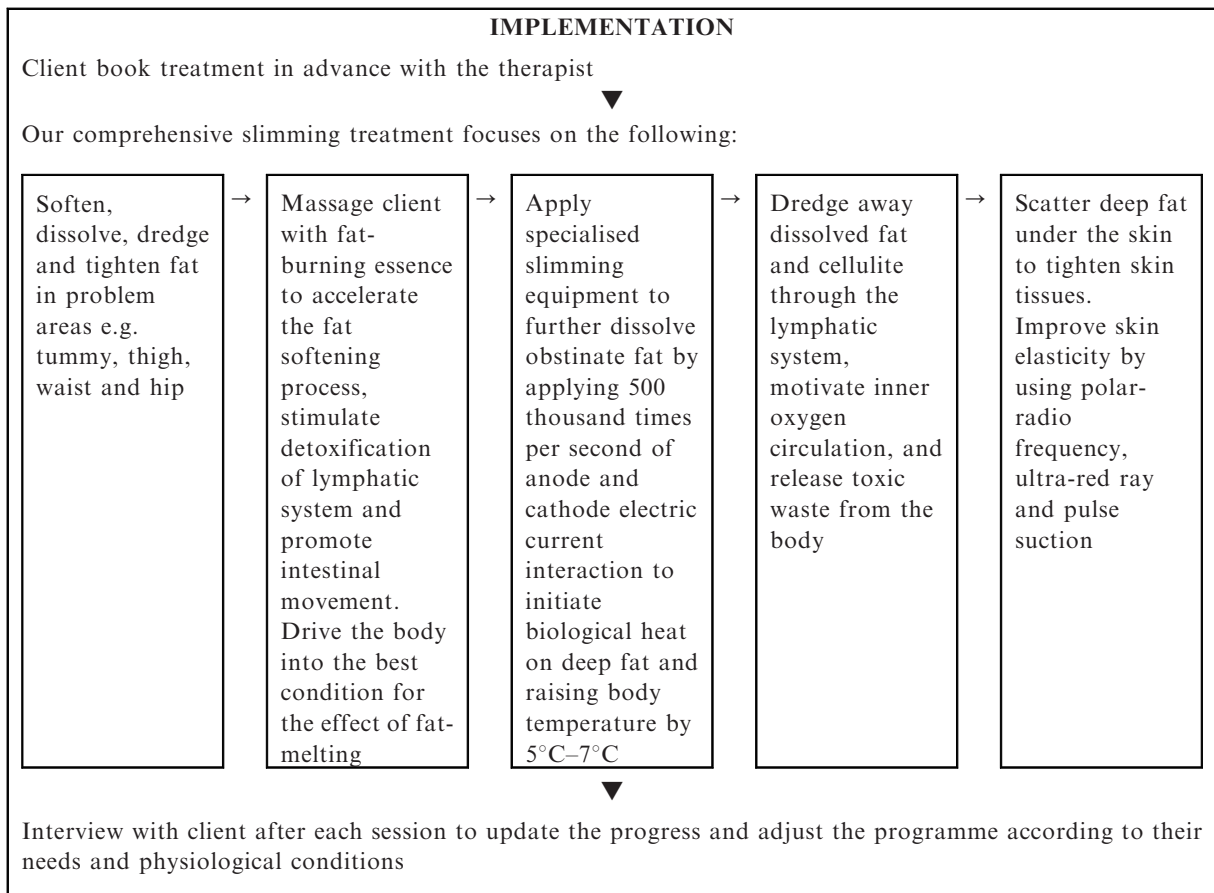
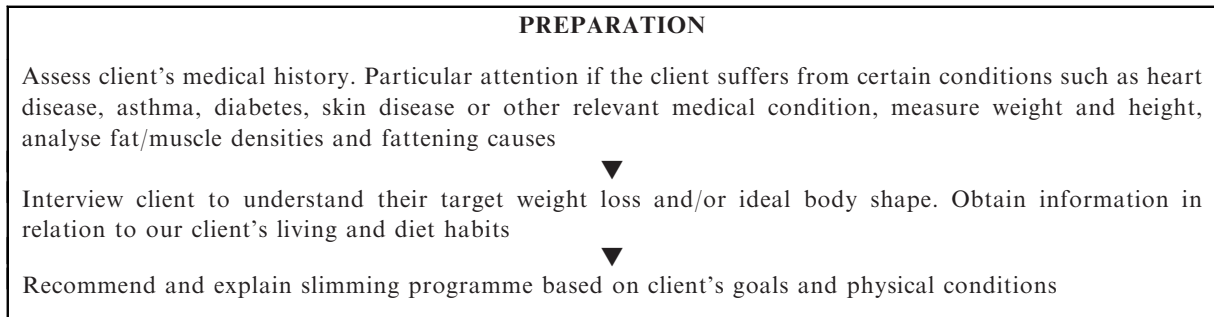
We take pride in the provision of tailor-made slimming services. We recommend the most suitable slimming treatments to our clients based upon our clients' goals and physical conditions. Our consultants and nutritionists are involved in the implementation process and closely monitor the progress of and 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<sup>®</sup>, hyaluronic acid and Sculptra<sup>®</sup> 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<sup>®</sup>, hyaluronic acid and Sculptra<sup>®</sup> 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

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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. The table below shows the service centres operated by us as at the Latest Practicable Date:

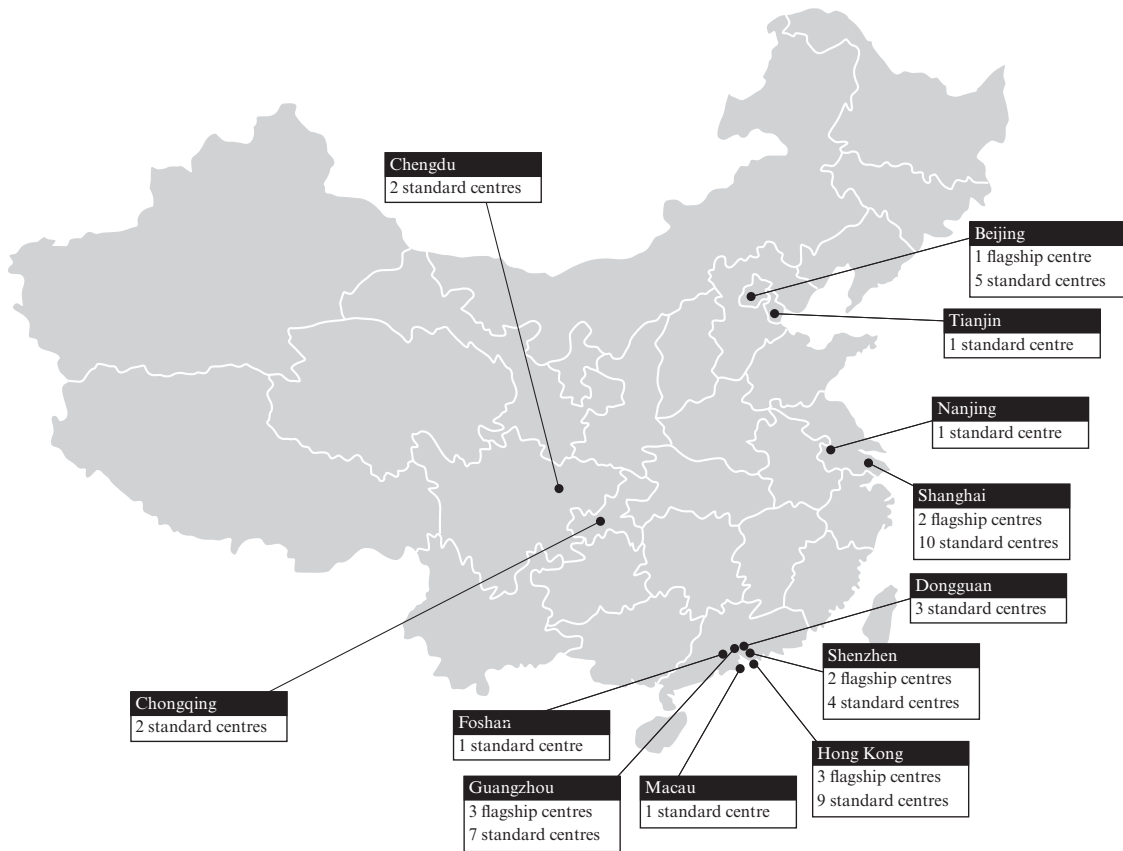
Location	Number of service centres			Brands
	Standard centres	Flagship centres	Total	
Shanghai	10	2	12	— 11 centres under the brand “Perfect Shape 必瘦站” — 1 centre under the brand “愛瑪纖體”
Guangzhou	7	3	10	— 8 centres under the brand “Perfect Shape 必瘦站” — 1 centre under the brand “愛瑪纖體” — 1 centre under 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”
<b>Total</b>	<b><u>46</u></b>	<b><u>11</u></b>	<b><u>57</u></b>	

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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:

	<b>Year ended 31 March</b>			<b>Four months ended</b>	
				<b>31 July</b>	
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>
	<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><u>236,273</u></u>	<u><u>234,857</u></u>	<u><u>308,976</u></u>	<u><u>100,875</u></u>	<u><u>134,499</u></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	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
<b>Total</b>	<u><u>22</u></u>	<u><u>21</u></u>	<u><u>46</u></u>	<u><u>57</u></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*

	<b>Years ended 31 March</b>			<b>From 1 April 2011 up to the Latest Practicable Date</b>
	<b>2009</b>	<b>2010</b>	<b>2011</b>	
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)
<b>PRC (Note 5)</b>												
<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%
<b>PRC Subtotal</b>												
<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%
<b>Hong Kong (Note 6)</b>												
<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%
<b>Macau</b>												
<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%
<b>Total</b>												
<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%
<b>Overall</b>	<b>653.6</b>	<b>355</b>	<b>54%</b>	<b>771.8</b>	<b>360.1</b>	<b>47%</b>	<b>1,363.2</b>	<b>456.8</b>	<b>34%</b>	<b>605.8</b>	<b>202.8</b>	<b>34%</b>

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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 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. 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%.

*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 40,000 members in the PRC, 50,000 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 active members

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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>
<b>Total</b>	<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:

<b>Spokesperson</b>	<b>Relevant Services/Products</b>	<b>Year</b>
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 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. 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.

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

*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:

<b>Nature of client feedbacks</b>	<b>Number of client feedbacks</b>
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
<b>Total</b>	<b>159</b>

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:

<b>Achievements</b>	<b>Year</b>	<b>Organisation<sup>(1)</sup></b>
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) <sup>(2)</sup> (中華(海外)企業信譽協會)
Slimming Consultant for Miss Asia Pageant 2009 (China Division)	2009	Asia Television Ltd. <sup>(3)</sup>
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 <sup>(4)</sup>
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 <sup>(5)</sup>
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 <sup>(6)</sup>
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 <sup>(7)</sup>
The Ten Best Professional slimming & Beauty Centres	2007	Jessica Code <sup>(8)</sup>
Superbrands Hong Kong Award (香港超級品牌)	2006	Superbrands International <sup>(9)</sup>

*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 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.

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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, 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	—
<b>Total</b> <i>(Note)</i>	<b>1</b>	<b>74</b>	<b>22</b>	<b>4</b>

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

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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:

<b>Nature of client complaints</b>	<b>Number of client complaints during the Track Record Period and up to the Latest Practicable Date</b>
— 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.

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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
<b>Total</b>	<b>68</b>

*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.

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*Client complaints filed with the Macau Consumer Council*

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

*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	<u>14</u>
Total	<b><u>16</u></b>

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

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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;



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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.

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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.

Our PRC legal advisor advises that our PRC service centres have obtained necessary business licenses and hygiene licenses (as the case may be) which reflect that the business operation activities currently conducted by us complies with the relevant rules and regulations in the PRC.

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

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**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
	2009	2010	2011	1 April 2011 up to the Latest Practicable Date
<b>Number of legal proceedings</b>				
— 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.

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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
<b>Total</b>	<b>48</b>

*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.

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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.

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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 1 April 2011 up to the Latest Practicable Date
	2009	2010	2011	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	—	—	—
<b>Total</b>	<b>952</b>	<b>1,734</b>	<b>90</b>	<b>559</b>

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.

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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 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 31 October 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
<b>Shenzhen</b>						
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)	455	Approximately 4 years	From 10/10/2008 to 20/9/2012	No option to renew	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)  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)  Monthly basic rent at RMB126,036 for the period from 21 September 2010 to 20 September 2011 (exclusive of management fees)  Monthly basic rent at RMB136,119 for the period from 21 September 2011 to 20 September 2012 (exclusive of management fees)
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	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)  Monthly basic rent at RMB64,000 for the period from 28 May 2010 to 27 May 2012 (exclusive of management fees)
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	Monthly basic rent at RMB60,000 for the period from 2 May 2010 to 1 May 2011  Monthly basic rent at RMB63,000 for the period from 2 May 2011 to 1 May 2012  Monthly basic rent at RMB66,150 for the period from 2 May 2012 to 1 May 2013
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	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)  Monthly basic rent at RMB32,340 for the period from 1 April 2012 to 31 March 2013

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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)
<b>Beijing</b>						
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	<p>Calculation based on monthly basic rent or 1.5% of the turnover, whichever is higher</p> <p>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)</p> <p>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)</p> <p>Monthly basic rent at RMB63,300 for the period from 1 August 2012 to 31 July 2013 (exclusive of management fees)</p> <p>Monthly basic rent at RMB68,400 for the period from 1 August 2013 to 31 July 2014 (exclusive of management fees)</p> <p>Monthly basic rent at RMB73,900 for the period from 1 August 2014 to 31 July 2015 (exclusive of management fees)</p>
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	<p>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)</p> <p>Monthly basic rent at RMB53,760 for the period from 12 January 2012 to 11 January 2013 (exclusive of management fees)</p> <p>Monthly basic rent at RMB56,448 for the period from 12 January 2013 to 11 January 2014 (exclusive of management fees)</p> <p>Monthly basic rent at RMB59,264 for the period from 12 January 2014 to 11 January 2015 (exclusive of management fees)</p> <p>Monthly basic rent at RMB62,208 for the period from 12 January 2015 to 11 January 2016 (exclusive of management fees)</p>
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	<p>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)</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
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>
<b>Guangzhou</b>						
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	No option to renew	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)  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)  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)  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)
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	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)  Monthly basic rent at RMB27,972 for the period from 1 September 2011 to 31 August 2012  Monthly basic rent at RMB29,371 for the period from 1 September 2012 to 31 August 2013  Monthly basic rent at RMB30,839 for the period from 1 September 2013 to 31 August 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
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)
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
<b>Shanghai</b>						
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	<p>Calculation based on monthly basic rent or 15% of the turnover whichever is higher</p> <p>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)</p> <p>Monthly basic rent at RMB63,985 for the period from 16 December 2011 to 15 December 2012 (exclusive of management fees)</p> <p>Monthly basic rent at RMB69,715 for the period from 16 December 2012 to 15 December 2013 (exclusive of management fees)</p>
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	<p>Calculation based on monthly basic rent or 9% of the turnover, whichever is higher</p> <p>Monthly basic rent at RMB102,112 for the period from 20 December 2010 to 19 December 2011</p> <p>Monthly basic rent at RMB111,354 for the period from 20 December 2011 to 19 December 2012</p> <p>Monthly basic rent at RMB120,686 for the period from 20 December 2012 to 19 December 2013</p> <p>Monthly basic rent at RMB129,928 for the period from 20 December 2013 to 19 December 2015</p> <p>Exempted from rent for the period from 20 October 2010 to 19 December 2010</p>
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)
<b>Dongguan</b>						
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)
<b>Foshan</b>						
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
<b>Tianjin</b>						
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
<b>Nanjing</b>						
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)
<b>Chengdu</b>						
41. Chengdu Lesen Centre (成都樂森店) (Perfect Shape 必瘦站) (Note)	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)	210	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

*Note: As at the Latest Practicable Date, the whole building of the shopping centre at which the Chengdu Lesen Centre is situated has to undergo renovation, all the shops therein including Chengdu Lesen Centre have to temporarily suspend operations until February 2012. As at the Latest Practicable Date, the Chengdu Lesen Centre had 49 members since its commencement of operations. We have used our best endeavours to contact every member of the Chengdu Lesen Centre to inform them of the temporary suspension of services due to the renovation works and make alternative arrangement to provide services treatments at the nearby Chengdu Yiteng Yanghua Centre. Our Directors therefore consider that there is no material impact on the Group's operations and financial position with respect to the temporary suspension of the Group's Chengdu Lesen Centre.*

## BUSINESS

### Service centres in PRC

Name of service centre	Location	Approximate Size (sq. m)	Duration of Tenancy	Period	Option to renew	Calculation Basis for Rent
<b>Chongqing</b>						
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))	179	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
<b>Central</b>						
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)
<b>Causeway Bay</b>						
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)

## BUSINESS

### 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
<b>Mongkok</b>						
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
<b>Tsuen Wan</b>						
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)
<b>Tsim Sha Tsui</b>						
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)
<b>Tuen Mun</b>						
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)
<b>Yuen Long</b>						
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)
<b>Shatin</b>						
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)

## BUSINESS

### 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
<b>Tai Po</b>						
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)
<b>Macau</b>						
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.

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## BUSINESS

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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.