The following discussion and analysis should be read in conjunction with our combined financial statements as at and for the years ended 31 March 2009, 2010 and 2011, and the four months ended 31 July 2011 together with the accompanying notes, included in Appendix I to this prospectus. Our combined financial statements have been prepared in accordance with HKFRS, which may differ in material respects from the generally accepted accounting principles in other jurisdictions. The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed in such forward-looking statements as a result of various factors, including those set forth in "Risk Factors" in this prospectus.

(I) OVERVIEW

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

Our Services and Products

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

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

Our Service Centres and Members

We have strong presence in the PRC, Hong Kong and Macau. As at the Latest Practicable Date, we, being one of the premium Hong Kong brands for slimming and beauty services, operated 57 service centres, of which 44 of them are located in 10 major cities in the PRC, namely Shanghai, Guangzhou, Shenzhen, Beijing, Dongguan, Foshan, Chengdu, Nanjing, Tianjin and Chongqing; 12 in Hong Kong; and one in Macau. Our service centres are mainly located in the prime commercial districts in the PRC. For example, we operate flagship centres in Plaza 66 (恒隆廣場), Dongfang Plaza (東方廣場), Zhengjia Plaza (正佳廣場), and Jinguanghua Plaza (金光華廣場), which are high-end shopping malls located in Shanghai, Beijing, Guangzhou and Shenzhen, respectively. We classify our service centres into two categories, namely flagship centres and standard centres. Our service centres which are located in prestigious shopping malls or high-end departmental stores in prime locations are classified as flagship centres, and the others are classified as standard centres. All standard and flagship centres are operated by ourselves and there is no material difference in the services provided by our standard and flagship centres. As at the Latest Practicable Date, the average size of our flagship centres and standard centres is about 431 sq.m. and 205 sq.m., respectively.

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

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

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

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

PRC

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

Hong Kong

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

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

Macau

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

Our Group has nearly eight years, four years and three years of operating history in Hong Kong, Macau and the PRC, respectively. Based on the experience of the Directors and the historical operating results, it generally takes six to 12 months for a new service centre to break even. We have a well-established client base, which is vital for our business growth. As at the Latest Practicable Date, we had about 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. Our Directors believe that this prepayment mode of operation enables us to enhance customer loyalty and establish long-term relationship with our clients. During the Track Record Period, we sold prepaid packages in the amount of HK$229.2 million, HK$232.5 million, HK$306.2 million and HK$118.3 million, respectively. Our prepaid packages have a validity period of one year. As part of our loyalty programme, with the view to promoting through word-of-mouth and encourage sales of new premium packages as well as to enhance customer loyalty and establish long-term relationship with our clients, we may, at our discretion, allow our clients to upgrade their existing slimming and beauty packages to new premium slimming and beauty packages before the expiry of the existing packages. The Directors believe that the upgrade arrangement also provides an option for the clients to experience the latest slimming technology without sacrificing the unutilised value of their existing packages. No upgrade is allowed after the expiry of the existing packages. In the event of package upgrade, contract of the existing package will be terminated and a new contract will be signed between us and the relevant client on the new premium package. Clients are required to pay the difference between the new premium package and the unutilised existing package value. Upon the signing of new contract, the new premium package will have a validity period of one year from the date of the new contract. For details of our loyalty programme, please refer to "Business — Marketing — Marketing and sales — Loyalty programme to clients" in this prospectus. We record these prepaid packages as deferred revenue in the balance sheet at the point of sales. Deferred revenue as at 31 March 2009, 2010, 2011 and 31 July 2011 was HK$118.3 million, HK$122.4 million, HK$148.7 million and HK$147.0 million, respectively. For financial reporting purposes, we recognise prepaid packages as our sales revenue from time to time in the income statement when the service treatments are delivered to clients. The amount which represents services yet to be rendered will be recorded as liability. As clients are not entitled to enjoy services after expiry date, we fully recognise prepaid packages over one year from the date of purchase as revenue from expired prepaid packages in the income statement. During the Track Record Period, we strictly implemented our revenue recognition policy and no prepaid packages were extended or renewed upon expiry date.

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

Our Expansion in the PRC

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

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

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

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

- the total number of our slimming and beauty service centres in the PRC increased by 43 times from one in a single city as at 31 March 2009 to 44 in 10 cities as at the Latest Practicable Date;

- our number of members in the PRC increased by about 64 times from around 600 as at 31 March 2009 to around 40,000 as at the Latest Practicable Date;

- our revenue contributed from our PRC operation increased by 85 times from HK$1.9 million for the year ended 31 March 2009 (representing 0.8% of our total revenue during the same year) to HK$162.9 million for the year ended 31 March 2011(representing 52.7% of our total revenue during the same year); and

- the net profit attributable to our equity holders increased by 70.5% from HK$29.5 million for the year ended 31 March 2010 to HK$50.3 million for the year ended 31 March 2011.

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

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

(II) BASIS OF PREPARATION OF OUR FINANCIAL INFORMATION

Our Company and companies now comprising our Group are under common control of Dr. Au-Yeung, Ms. Au-Yeung Hung and Ms. Au-Yeung Wai. For the purpose of the accountant's report, the text of which is set out in Appendix I to this prospectus, the financial information of our Group has been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. The combined balance sheets as at 31 March 2009, 2010, 2011 and

31 July 2011 and the combined statements of comprehensive income, combined statements of cash flows and combined statements of changes in equity of our Group for the Track Record Period have been prepared using the financial information of the companies now comprising our Group for the Track Record Period as if the current group structure had been in existence throughout the Track Record Period, except that the financial information of those companies newly set up by us during the Track Record Period is included in the financial information from their respective dates of incorporation.

(III) FACTORS AFFECTING OUR OPERATING RESULTS AND FINANCIAL CONDITION

Our financial condition and results of operations have been, and will continue to be, affected by a number of factors, including those set out below.

Economic growth in the PRC

We conduct the majority of our operations in the PRC and expect such expansion in operation in the PRC will continue in the future. The PRC has experienced significant economic growth in recent years. From 2005 to 2007, the PRC's GDP maintained a robust growth rate at over 10%, and the growth rate hit the historical high in 2007 at 13%. From 2008 to 2009, the PRC's GDP growth rate dropped to about 9.0% and 8.7% respectively. The GDP growth rate for the PRC was up to about 10.3% in 2010 because of the recovery of the global economy. We believe that the growth of the economy of the PRC will lead to a rise in living standards and consumer spending on beauty and slimming services. According to the Euromonitor Report, the market size of slimming industry in the PRC is expected to grow at a CAGR of 24.0% by sales value of services from 2010 to 2015 and the market size of beauty industry in the PRC is also estimated to grow at a CAGR of 21.6% by sales value of services from 2010 to 2015. For the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, our revenue contributed from the PRC market were HK$1.9 million, HK$34.1 million, HK$162.9 million and HK$99.5 million, which represented 0.8%, 14.5%, 52.7% and 74.0% of our total revenue, respectively. We strategically plan to establish 106 new service centres in the PRC during the four years ending 31 March 2015. In general, we expect continuing growth of the economy in the PRC to have a positive impact on our business prospects.

Ability to maintain brand recognition and marketing success of our products

We believe brand image is important to consumers' purchasing decisions. Our brands are therefore critical to the success of our business. We place great emphasis on multi-brand building and we promote our products through a series of advertising and promotional campaigns. During the Track Record Period, our marketing expenses accounted for approximately 19.8%, 20.1%, 18.3% and 17.2%, respectively of our revenue. Our ability to promote our brand name "Perfect Shape 必瘦站" as a premium brand for high quality slimming and beauty service through our marketing efforts will affect our sales growth and results of operations.

Expansion of retail network

Our revenue and profitability is directly affected by the expansion of our Group's retail network. We experienced substantial growth in the PRC slimming and beauty market since our first presence in the PRC market in 2009. As at 31 March 2009, 2010, 2011 and 31 July 2011, we operated one, 6, 30 and 37 service centres in the PRC, respectively, and revenue contributed from the PRC operation amounted to HK$1.9 million, HK$34.1 million, HK$162.9 million and HK$99.5 million for the three years ended 31 March 2009, 2010, 2011 and four months ended 31 July 2011, which represented a CAGR of 825.8%, and accounted for 0.8%, 14.5%, 52.7% and 74.0% of our total revenue, respectively.

We commenced our business in the PRC in 2009, we intend to use HK$254.4 million, which is equivalent to 70% of the total net proceeds of the Listing, for the expansion of our service centres network under our well-known brand name of "Perfect Shape 必瘦站". We expect to establish 106 new service centres in the PRC during the four years ending 31 March 2015.

Cost of operating lease rentals, director and staff cost

Operating lease rentals, director and staff cost represent a significant portion of our revenue. During the Track Record Period, (i) operating lease rentals were HK$20.1 million, HK$20.4 million, HK$29.9 million and HK$12.1 million, respectively; and (ii) employee benefit expenses were HK$86.6 million, HK$78.7 million, HK$85.6 million and HK$31.3 million, respectively. Such costs represented 45.2%, 42.2%, 37.4% and 32.0% of our revenue for the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011. Since most of our service centres are located at prime location in major cities in the PRC and due to continuous improvement in the wages and salaries of staff, we expect the lease rentals and staff cost for our PRC operations to increase in the future which may in turn affect our operating profit.

Competitive dynamics

We face competition in the beauty and slimming industry in the PRC and Hong Kong and consumers are tempted to shift their choices and preferences whenever there are new promotion launched and pricing campaigns introduced by different brands. Our financial condition and results of operations will be affected by our ability to remain competitive in this industry, which in turn depends on our ability to compete effectively by responding rapidly to market trends, increasing our brand awareness and differentiating our services from those offered by our competitors in ways that will appear to consumers.

(IV) CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The principal accounting policies applied in the preparation of the financial statements are in accordance with HKFRSs.

The preparation of financial statements in conformity with HKFRSs requires the management of our Company to make estimates and assumptions that affect amounts reported in its financial statements. Our Group's significant accounting policies, which are important for an understanding of the results of operations and financial condition of our Group, are set forth in detail in Section II to the Accountant's Report as set out in Appendix I to this prospectus. The policies have been consistently applied to all the years presented unless otherwise stated. In applying those accounting policies, we make subjective and complex judgments that frequently require estimates about matters that are of an inherently uncertain nature and may change in subsequent periods. The following sections discuss certain key accounting policies, judgment and estimates which have been applied in preparing our Group's financial statements.

Revenue and income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of our activities. Revenue is shown net of value-added tax, returns, services refunds, and discounts and after eliminating sales within our Group.

We recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of our activities as described below. We base our estimates on historical results, taking into consideration the type of clients, the type of transactions and the specifics of each arrangement.

(a) Sales of services

Revenue from the provision of slimming and beauty services are recognised when the services have been rendered to clients. Receipts in respect of treatment packages for which the relevant services have not been rendered are deferred and recorded as deferred revenue in the balance sheet. We implement a contractual one-year service expiry policy under which any unutilised treatments at the end of the service period are fully recognised in profit or loss.

We allow our clients to upgrade their existing slimming and beauty packages to new premium slimming and beauty packages before the expiry of the existing packages. Clients are required to pay the difference between the new premium package and the unutilised existing package value. The existing package contract is terminated and a new contract with a validity period of one year is signed for the new premium package. The deferred revenue of the unutilised existing package together with the receipt is recognised as deferred revenue, and is recognised as revenue when the services has been rendered to clients. Any unutilised treatments at the end of the service period of the new premium package are fully recognised in profit or loss.

During the year ended 31 March 2010, we launched a refundable slimming programme under which clients entered into slimming treatments for prescribed periods with a designated weight reduction target as contractually laid down in the respective sales contracts prior to the commencement of slimming treatments. Clients who had fulfilled their reduction target at the end of treatment periods were eligible for a 12-month refund period during which they were required to maintain and update their weight records at our service centres on a monthly basis. A refund equivalent to the original gross sales contract amount divided by the number of months of refund period would be made if the designated weight reduction was maintained in each month during the refund period. Any particular unsuccessful records during the refund period would not preclude the rights of refund in subsequent months.

Revenue under this programme was recognised at the time when our refund obligation no longer exist, the timing of which was dependent on whether the clients could fulfil their weight reduction target at the end of the treatment period as follows:

- If the weight reduction target was not achieved, the clients were not eligible to a 12-month refund period. Revenue was recognised at the time when all treatment services had been rendered.

- If the weight reduction target was achieved, revenue was recognised over the entire refund period depending on whether the clients could maintain their weight records in each month during the 12-month refund period.

In addition, we maintain a standardised refundable programme during the Track Record Period. If the designated weight reduction target could not be achieved over a fixed period of two weeks, refunds are made at the original contracted amount proportional to the unit of unsuccessful weight reduction against the original target, after the relevant handling charges. Revenue under this programme is recognised at the time when the refund obligation is discharged.

(b) Sales of products

Revenue from the sales of slimming and beauty products is recognised on the transfer of risks and rewards of the related products, which generally coincides with the time when the products are delivered to clients.

(c) Interest income

Interest income is recognised using the effective interest method.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisitions of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to our Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost of each asset to their residual values over their estimated useful lives, as follows:

Machinery and equipment	30%
Leasehold improvements	Over the unexpired period of lease
Furniture and fixtures	20% to 30%
Motor vehicles	20%
Office equipment	30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating units"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance date.

Financial Assets

We classify our financial assets into the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled with 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Our loans and receivables comprises trade and other receivables, deposits, amounts due from directors, a shareholder and related companies and cash and cash equivalents.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular way purchases and sales of financial assets are recognised on trade-date, that is the date on which we commit to purchase or sell the asset. Investments are initially recognised at fair value plus transactions costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and we have transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'other gains — net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of other income when our right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sales are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in profit or loss as part of other income. Dividends on available-for-sale equity instruments are recognised in profit or loss as part of other income when our right to receive payments is established.

Impairment of financial assets

(a) Assets carried at amortised cost

We assess at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

We first assess whether objective evidence of impairment exists.

For loans and receivable category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, we may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(b) Assets classified as available-for-sale

We assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, we use the criteria refer to (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in the combined statement of comprehensive income. Impairment losses recognised in the combined statement of comprehensive income on equity instruments are not reversed through the combined statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the combined statement of comprehensive income.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by using the first in, first out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where our Company and our subsidiaries operate and generate taxable income. Our management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting for taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that we will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Provisions

Provisions are recognised when we have a present legal or constructive obligation as a result of past events; and it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(V) OUR OPERATING RESULTS DURING THE TRACK RECORD PERIOD

(A) Description of Certain Components of Combined Income Statements

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

Combined Income Statements

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

The following paragraphs set out a brief discussion on the revenue, cost of inventories and consumables, employee benefit expenses, operating lease rentals and other components of combined income statements during the Track Record Period.

Revenue

For provision of slimming and beauty services, we normally charge our clients by way of prepaid packages which have a validity period of one year. As part of our loyalty programme, with the view to promoting through word-of-mouth and encourage sales of new premium packages as well as to enhance customer loyalty and establish long-term relationship with our clients, we may, at our discretion, allow our clients to upgrade their existing slimming and beauty packages to new premium slimming and beauty packages before the expiry of the existing packages. The Directors believe that the upgrade arrangement also provides an option for the clients to experience the latest slimming technology without sacrificing the unutilised value of their existing packages. No upgrade is allowed after the expiry of the existing packages. In the event of package upgrade, contract of the existing package will be terminated and a new contract will be signed between us and the relevant client on the new premium package. Clients are required to pay the difference between the new premium package and the unutilised existing package value. Upon the signing of new contract, the new premium package will have a validity period of one year from the date of the new contract. For details of our loyalty programme, please refer to "Business — Marketing — Marketing and sales — Loyalty programme to clients" in this prospectus. For financial reporting purposes, the prepaid packages are recorded as deferred revenue, which are current liabilities, in the balance sheet at the point of sales and subsequently recognised as revenue in the income statement when the service treatments are delivered to clients. Prepaid packages over one year from the date of purchase are fully recognised as revenue recognised from expired prepaid packages.

Cost of inventories and consumables

Our inventories and consumables mainly comprise of slimming and beauty products for sale and some of slimming gel and skincare products that were used during the course of treatments. During the Track Record Period, our cost of inventories and consumables were HK$1.9 million, HK$4.9 million, HK$7.5 million and HK$2.2 million, respectively.

Employee benefit expenses

Our employee benefit expenses mainly include wages and salaries, pension costs, staff welfare and directors' remunerations. During the Track Record Period, our employee benefit expenses were HK$86.6 million, HK$78.7 million, HK$85.6 million and HK$31.3 million, respectively. Among which, our directors' remunerations were HK$31.2 million, HK$23.1 million, HK$12.0 million and HK$1.2 million, respectively.

Set out below is a breakdown of the major components of our employee benefit expenses during the Track Record Period:

	Year ended 31 March			Four months ended 31 July	
	2009	2010	2011	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Wages and salaries	83,812	75,034	80,012	26,902	29,445
Pension costs — defined contribution plans	2,048	2,165	3,430	998	1,546
Other staff welfare	771	1,466	2,206	978	327
	86,631	78,665	85,648	28,878	31,318

We provide staff welfare including accommodation to overseas staff, complimentary gifts to reward outperforming staff and gifts to staff during traditional Chinese festivals.

Operating lease rentals

The following table shows a breakdown of our Group's number of service centres and rental expenses for our service centres for each of the geographical locations during the Track Record Period:

	Year ended/as at 31 March			Four months ended/as at 31 July
	2009	2010	2011	2011
The PRC				
— number of service centres	1	6	30	37
— rental expenses *(HK$'000)*	440	4,127	15,455	8,370
Hong Kong				
— number of service centres	20	14	15	15
— rental expenses *(HK$'000)*	19,451	16,091	14,207	3,667
Macau				
— number of service centres	1	1	1	1
— rental expenses *(HK$'000)*	164	171	213	69
All service centres of the Group				
— number of service centres	22	21	46	53
— rental expenses *(HK$'000)*	20,055	20,389	29,875	12,106

Operating lease rentals comprise our leased properties located in the PRC, Hong Kong and Macau and are primarily used for the operations of our service centres and office premises. During the Track Record Period, our operating lease rentals were HK$20.1 million, HK$20.4 million, HK$29.9 million and HK$12.1 million, respectively. The lease terms under our lease agreements of service centres usually last for two to five years and the rental fees are fixed and payable on monthly basis.

Other operating expenses

Other operating expenses consist of doctor consultation fee which represent the fee paid to practising doctors for provision of consultation and medical beauty services to our clients under the brand name of "Dr. Face", building management fee, auditor's remuneration, credit card commissions which represent the discount offered by us to banks on providing credit card interest-free instalment service to our clients and other miscellaneous expenses. Other operating expenses were HK$28.8 million, HK$32.9 million, HK$49.6 million and HK$21.8 million during the Track Record Period, respectively.

The following table sets out a breakdown of our other operating expenses during the Track Record Period:

	Year ended 31 March			Four months ended 31 July	
	2009	**2010**	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Doctor consultation fee	2,428	1,871	1,381	655	790
Building management fee	4,278	4,760	6,233	1,841	2,799
Auditor's remuneration	446	434	2,000	668	686
Credit card commissions	11,242	10,794	11,780	3,319	4,396
Business tax	95	1,730	7,581	2,124	4,509
Printing, stationeries and general office expenses	975	3,230	3,912	832	1,193
Utility charges	935	1,030	1,950	579	893
Courier, postages and delivery charges	1,246	1,019	1,885	401	1,051
Travelling expenses	425	529	1,964	687	852
Other expenses	6,694	7,461	10,904	2,749	4,598
	28,764	32,858	49,590	13,855	21,767

Other expenses mainly include utilities expenses, repair and maintenance expenses, other taxes, office expenses and legal and professional fees. Among which, our legal and professional fees were HK$0.3 million, HK$0.4 million, HK$0.3 million and HK$1.9 million for the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, respectively, which represent fees paid to our legal advisors for provision of advice to our operational issues, registration fee for our trademark applications and professional fees incurred for our Company's proposed listing.

Interest income

Our interest income mainly consists of bank interest income. During the Track Record Period, our interest income were HK$4,000, HK$25,000, HK$0.2 million and HK$0.6 million, respectively.

Income tax expense

Income tax on the profit or loss for the year comprises current and deferred tax. Our Company and subsidiaries are incorporated in different jurisdictions, with different taxation requirements and they are illustrated as follows:

Cayman Islands

Pursuant to the rules and regulations of Cayman Islands, our Group is not subject to any taxation under the jurisdictions of the Cayman Islands.

The BVI

Pursuant to the rules and regulations of the BVI, our Group is not subject to any taxation under the jurisdictions of the BVI.

The PRC

Pursuant to the Corporate Income Tax Law of the PRC being effective on 1 January 2008, the PRC corporate income tax rate of our Group's subsidiaries operating in the PRC during the Track Record Period was 25% on their taxable profits.

Hong Kong

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at the rate of 16.5% during the Track Record Period.

Macau

Macau complementary tax has been charged at 9% on the taxable income above MOP0.2 million but below MOP0.3 million, and thereafter at a fixed rate at 12% on the estimated taxable profit.

The following table provides a breakdown of our income tax expense during the Track Record Period:

	Year ended 31 March			**Four months ended 31 July**	
	2009	**2010**	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Current income taxation:					
— Hong Kong profits tax	3,636	4,316	8,312	3,110	2,693
— PRC corporate income tax	71	1,698	12,339	3,237	8,983
— Macau complementary tax	690	641	1,217	352	—
Deferred taxation	1,695	(439)	(6,427)	(3,118)	(933)
	6,092	6,216	15,441	3,581	10,743

Our income tax expense increased substantially from HK$6.1 million for the year ended 31 March 2009 to HK$15.4 million for the year ended 31 March 2011 which was mainly due to the combined effect of (i) substantial increase in our PRC corporate income tax from HK$71,000 for the year ended 31 March 2009 to HK$12.3 million for the year ended 31 March 2011, which was in line with our increasing revenue and profits derived from our PRC operation; and (ii) change of deferred income tax charged to profit and loss of HK$1.7 million for the year ended 31 March 2009 to deferred income tax credited to profit and loss of HK$6.4 million for the year ended 31 March 2011 which was mainly due to an increase in our deferred tax assets arising from decelerated tax depreciation and PRC accrued expenses from our expanding PRC operation.

Our income tax expense increased from HK$3.6 million for the four months ended 31 July 2010 to HK$10.7 million for the same period in 2011 which was mainly due to the substantial increase in the PRC corporate income tax from HK$3.2 million for the four months ended 31 July 2010 to HK$9.0 million for the same period in 2011, which was in line with the increase in revenue contributed from our PRC operations.

During the Track Record Period, we have received letters from IRD enquiring on certain of our subsidiaries profits tax. Details are set out below:

	Subsidiaries	Issue date of IRD letter	Issue	Status	Date of submission of replies to the IRD
1.	Perfect Shape & Skin SS	22 December 2010	Enquiry on the amount of holdover of provisional profits tax for the year of assessment 2009/10	The Company has replied and provided certain basis and evidence for IRD's review.	13 January 2011
2.	Perfect Shape & Spa TW	29 December 2010	Enquiry on the amount of holdover of provisional profits tax for the year of assessment 2009/10	The Company has replied and provided certain basis and evidence for IRD's review.	13 January 2011
3.	Perfect Shape & Skin CNT	31 January 2011	Enquiry on the amount of holdover of provisional profits tax for the year of assessment 2009/10	The Company has replied and provided certain basis and evidence for IRD's review.	1 February 2011
4.	Perfect Shape & Skin TM	26 January 2011	Enquiry on the amount of holdover of provisional profits tax for the year of assessment 2009/10	The Company has replied and provided certain basis and evidence for IRD's review.	21 February 2011
5.	Perfect Shape & Spa TST	1 March 2010	Enquiry on details of certain expenses shown on the audited financial statements for the years of assessment 2007/08 and 2008/09 filed to IRD	The Company has replied and provided certain basis and evidence for IRD's review.	28 December 2010
6.	Perfect Shape & Spa KT	24 February 2010	Enquiry on details of certain expenses shown on the audited financial statements for the year of assessment 2008/09 filed to IRD	The Company has replied and provided certain basis and evidence for IRD's review.	19 March 2010

We received letters from the IRD enquiring on the holdover application of 2009/10 provisional profits tax by certain subsidiaries in 2009 and the details of certain intercompany transaction within the Group. The letters issued by the IRD are fact-finding in nature and the IRD did not indicate a need/proposal to issue any additional assessment at the date of submission.

We have explained to the IRD the background and reasons for the holdover and we believe the information submitted to the IRD at the time of application should be sufficient to substantiate the holdover application. Thus, we do not expect any surcharge or penalty to be imposed by the IRD.

The said intercompany transactions under query by the IRD amounted to HK$43.6 million and HK$4.9 million for years ended 31 March 2008 and 31 March 2009, respectively. Having said, these transactions were conducted between the subsidiaries whose profits are subject to Hong Kong profits tax. These intercompany transactions were eliminated when preparing the combined financial information included in the accountant's report. The Directors believe that these intercompany transactions were carried out in the normal and ordinary course of business of the said subsidiaries and the pricing basis of these transactions determined were reasonable and on arm's length. The Directors consider no further provision for Hong Kong profits tax is required and there is no impact to our Group's profit after tax during the Track Record Period.

In addition, each of the Controlling Shareholders has, pursuant to the Deed of Indemnity, given indemnity in favour of our Group from and against, among other things, any tax liabilities which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or deemed to be so earned, accrued or received before the Listing Date. For further details, please refer to "Other Information — Tax indemnity and other indemnity" in Appendix V to this prospectus.

(B) Management discussion and analysis

Four months ended 31 July 2010 compared with four months ended 31 July 2011

Revenue

Our revenue increased by HK$33.6 million, or 33.3%, from HK$100.9 million for the four months ended 31 July 2010 to HK$134.5 million for the four months ended 31 July 2011. This increase was mainly due to an increase of HK$13.5 million, or 19.2%, in revenue from provision of treatment services to HK$83.7 million for the four months ended 31 July 2011, compared with HK$70.2 million for the four months ended 31 July 2010. In addition, our revenue from sales of slimming and beauty products increased by HK$9.6 million, or 160.0%, to HK$15.6 million for the four months ended 31 July 2011, compared with HK$6.0 million for the four months ended 31 July 2010. Our revenue recognised upon expiry of prepaid treatment packages also increased by HK$10.5 million, or 42.7%, to HK$35.1 million for the four months ended 31 July 2011, compared with HK$24.6 million for the four months ended 31 July 2010.

For the four months ended 31 July 2011, our revenue derived from the PRC operation increased by HK$57.0 million, or 134.1%, to HK$99.5 million for the four months ended 31 July 2011, compared with HK$42.5 million for the four months ended 31 July 2010. As at 31 July 2011, we had 37 operating service centres in the PRC as compared with 10 operating service centres in the PRC as at 31 July 2010.

The effect of the increase in revenue derived from the PRC was partially offset by the decrease in revenue derived from Hong Kong from HK$53.5 million for the four months ended 31 July 2010 to HK$30.1 million for the four months ended 31 July 2011, representing a decrease of HK$23.4 million, or 43.7%. We face continuous competition from other market players in Hong Kong, we strategically maintain our presence in Hong Kong by operating 15 service centres in Hong Kong as at 31 July 2011. Meanwhile, revenue derived from Macau was HK$4.9 million for the four months ended 31 July 2011, which was comparable to HK$4.9 million for the same period in 2010.

Other Income

Our other income decreased by HK$17,000 from HK$71,000 for the four months ended 31 July 2010 to HK$54,000 for the four months ended 31 July 2011. Our other income mainly included dividend income received of HK$43,000 and other miscellaneous income of HK$11,000.

Other (losses)/gains — net

Our other gains increased by HK$592,000 from HK$68,000 for the four months ended 31 July 2010 to HK$660,000 for the four months ended 31 July 2011. Such increase in other gains was mainly due to we recorded (i) gains on disposal of financial assets at fair value through profit or loss of HK$460,000; and (ii) gains on disposal of available-for-sale financial assets of HK$235,000 for the four months ended 31 July 2011.

Cost of inventories and consumables

Our cost of inventories and consumables decreased slightly by HK$0.3 million, or 12.0%, from HK$2.5 million for the four months ended 31 July 2010 to HK$2.2 million for the four months ended 31 July 2011.

Employee benefit expenses

Our employee benefit expenses increased by HK$2.4 million, or 8.3%, from HK$28.9 million for the four months ended 31 July 2010 to HK$31.3 million for the four months ended 31 July 2011. Such increase was mainly a result of (i) the increase in employee benefit expenses excluding directors' remunerations from HK$24.9 million for the four months ended 31 July 2010 to HK$30.1 million for the four months ended 31 July 2011 since we employed more staff to support our expansion of service centres network in the PRC; and (ii) offset by the decrease in directors' remunerations from HK$4.0 million for the four months ended 31 July 2010 to HK$1.2 million for the four months ended 31 July 2011.

Marketing expenses

Our marketing expenses decreased by HK$1.2 million, or 4.9%, from HK$24.3 million for the four months ended 31 July 2010 to HK$23.1 million for the four months ended 31 July 2011. Our marketing expenses as a percentage of our revenue decreased from 24.1% for the four months ended 31 July 2010 to 17.2% for the four months ended 31 July 2011. The decrease reflected that we continuously enjoyed cost advantage in marketing expenses as we could spread our marketing expenses over our enlarged service centres network across the PRC, Hong Kong and Macau.

Operating lease rentals

Our operating lease rentals increased by HK$4.0 million, or 49.4%, from HK$8.1 million for the four months ended 31 July 2010 to HK$12.1 million for the four months ended 31 July 2011. The increase was contributed to the expansion of our PRC service centres network. We had 37 service centres in the PRC as at 31 July 2011, as compared with 10 service centres as at 31 July 2010.

Other operating expenses

Our other operating expenses increased by HK$7.9 million, or 56.8%, from HK$13.9 million for the four months ended 31 July 2010 to HK$21.8 million for the four months ended 31 July 2011. The increase was primarily due to the combined effect of (i) an increase in PRC business tax of HK$2.4 million, or 114.3%, from HK$2.1 million for the four months ended 31 July 2010 to HK$4.5 million for the four months ended 31 July 2011, which was in line with our continuing increase in revenue contributed from our PRC operation; (ii) an increase in credit card commission of HK$1.1 million, or 33.3%, from HK$3.3 million for the four months ended 31 July 2010 to HK$4.4 million for the four months ended 31 July 2011, such increase was in line with the increase in our revenue; and (iii) an increase in building management fee of HK$1.0 million, or 55.6%, from HK$1.8 million for the four months ended 31 July 2010 to HK$2.8 million for the four months ended 31 July 2011, which was in line with our continuous expansion of service centres network in the PRC.

Operating profit

As a result of the foregoing, our operating profit increased by HK$21.1 million, or 117.9%, to HK$39.0 million for the four months ended 31 July 2011 from HK$17.9 million for the four months ended 31 July 2010.

Income tax expense

Our income tax expense increased by HK$7.1 million, or 197.2%, from HK$3.6 million for the four months ended 31 July 2010 to HK$10.7 million for the four months ended 31 July 2011. Such increase was mainly due to the increase in our PRC corporate income tax from HK$3.2 million for the four months ended 31 July 2010 to HK$9.0 million for the four months ended 31 July 2011, which was consistent with the increasing tread of our revenue derived from the PRC during the period.

Profit for the period

As a result of the foregoing, our profit increased by HK$14.6 million, or 102.0%, from HK$14.3 million for the four months ended 31 July 2010 to HK$28.9 million for the four months ended 31 July 2011.

Year ended 31 March 2010 compared with year ended 31 March 2011

Revenue

Our revenue increased by HK$74.1 million, or 31.5%, from HK$234.9 million for the year ended 31 March 2010 to HK$309.0 million for the year ended 31 March 2011. The increase was primarily due to an increase of HK$54.5 million, or 36.7%, in revenue from provision of treatment services to HK$203.0 million for the year ended 31 March 2011, compared with HK$148.5 million for the year ended 31 March 2010. In addition, our revenue from sales of slimming and beauty products increased by HK$19.2 million, or 141.2%, to HK$32.8 million for the year ended 31 March 2011, compared with HK$13.6 million for the year ended 31 March 2010. The increase in revenue from provision of treatment services and sales of slimming and beauty products was mainly due to the expansion of our business and the growing recognition of our "Perfect Shape 必瘦站" brand in the PRC. Our revenue recognised upon expiry of prepaid treatment packages also increased by HK$0.5 million, or 0.7%, to HK$73.3 million for the year ended 31 March 2011, compared with HK$72.8 million for the year ended 31 March 2010.

For the year ended 31 March 2011, our revenue derived from the PRC increased by HK$128.8 million, or 377.7%, to HK$162.9 million for the year ended 31 March 2011, compared with HK$34.1 million for the year ended 31 March 2010. As at 31 March 2011, we had 30 service centres in the PRC as compared with six service centre in the PRC as at 31 March 2010, and our number of members in the PRC increased by 197.1%, to 24,717 members as at 31 March 2011, as compared with 8,320 members as at 31 March 2010.

The effect of the increase in revenue derived from the PRC was partially offset by the decrease in revenue derived from Hong Kong from HK$188.1 million for the year ended 31 March 2010 to HK$131.9 million for the year ended 31 March 2011, representing a decrease of HK$56.2 million, or 29.9%. As the slimming and beauty market in Hong Kong has already saturated and we face intensive competition from other market players which led to the decrease in revenue contributed from our Hong Kong operation and the number of Hong Kong service centres during the Track Record Period, we strategically keep our presence in Hong Kong by operating 15 service centres as at 31 March 2011 as compared with 14 service centres as at 31 March 2010. At the same time, we started to reallocate our financial and human resources from Hong Kong market to expand our operation in the PRC market.

Other Income

Our other income increased slightly by HK$0.3 million, from HK$0.1 million for the year ended 31 March 2010 to HK$0.4 million for the year ended 31 March 2011. We received other income mainly include HK$0.2 million dividend income and an increase of HK$0.1 million in other miscellaneous income, mainly including claims for employee's compensation and administrative fee income from staffs, from HK$34,000 for the year ended 31 March 2010 to HK$0.2 million for the year ended 31 March 2011.

Other (losses)/gains — net

Our other gains increased from HK$21,000 for the year ended 31 March 2010 to HK$1.6 million for the year ended 31 March 2011. The other gains for the year ended 31 March 2011 comprised mainly financial assets fair value gains of HK$1.0 million and gains on disposal of financial assets accounted for HK$0.5 million.

Cost of inventories and consumables

Our cost of inventories and consumables increased by HK$2.6 million, or 53.1%, from HK$4.9 million for the year ended 31 March 2010 to HK$7.5 million for the year ended 31 March 2011. The increase was in line with our continuous increase in revenue derived from sales of slimming and beauty products.

Employee benefit expenses

Our employee benefit expenses increased by HK$6.9 million, or 8.8%, from HK$78.7 million for the year ended 31 March 2010 to HK$85.6 million for the year ended 31 March 2011. Such increase was mainly a result of the combined effect of: (i) a decrease of HK$11.1 million, or 48.1%, in directors' remunerations from HK$23.1 million for the year ended 31 March 2010 to HK$12.0 million for the year ended 31 March 2011, as our directors voluntarily reduced their remunerations by making reference to the market trend during the year; and (ii) an increase of HK$18.0 million, or 32.6%, in other employee benefit expenses excluding directors remunerations from HK$55.6 million for the year ended 31 March 2010 to HK$73.6 million for the year ended 31 march 2011 since we employed more staff to support our expansion plan of service centres network in the PRC.

Marketing expenses

Our marketing expenses increased by HK$9.1 million, or 19.2%, from HK$47.3 million for the year ended 31 March 2010 to HK$56.4 million for the year ended 31 March 2011. The increase in marketing expenses was primarily due to our increasing marketing activities in the PRC in order to boost our brand awareness and capture market share in the PRC. Our marketing expenses as a percentage of our revenue decreased from 20.1% for the year ended 31 March 2010 to 18.3% for the year ended 31 March 2011. The decrease reflected our revenue growth outweighed our marketing expenses, which was mainly because we enjoyed cost advantage in marketing expenses as we could spread our marketing expenses over our enlarged service centres network across the PRC, Hong Kong and Macau.

Operating lease rentals

Our operating lease rentals increased by HK$9.5 million, or 46.6%, from HK$20.4 million for the year ended 31 March 2010 to HK$29.9 million for the year ended 31 March 2011. The increase was contributed to the expansion of our PRC service centres network. As at 31 March 2011, we had 30 service centres in the PRC, compared with six service centres as at 31 March 2010.

Other operating expenses

Our other operating expenses increased by HK$16.7 million, or 50.8%, from HK$32.9 million for the year ended 31 March 2010 to HK$49.6 million for the year ended 31 March 2011. The increase was primarily due to the combined effect of (i) an increase in PRC business tax of HK$5.9 million, or 347.1%, from HK$1.7 million for the year ended 31 March 2010 to HK$7.6 million for the year ended 31 March 2011; (ii) an increase in general office expenses of HK$0.7 million, or 21.9%, from HK$3.2 million for the year ended 31 March 2010 to HK$3.9 million for the year ended 31 March 2011; (iii) an increase in building management fee of HK$1.4 million, or 29.2%, from HK$4.8 million for the year ended 31 March 2010 to HK$6.2 million for the year ended 31 March 2011 and (iv) an increase in auditor's remuneration by HK$1.6 million, or 400.0%, from HK$0.4 million for the year ended 31 March 2010 to HK$2 million for the year ended 31 March 2011.

Operating profit

As a result of the foregoing, our operating profit increased by HK$29.8 million, or 83.5%, to HK$65.5 million for the year ended 31 March 2011 from HK$35.7 million for the year ended 31 March 2010.

Income tax expense

Our income tax expense increased by HK$9.2 million, or 148.4%, from HK$6.2 million for the year ended 31 March 2010 to HK$15.4 million for the year ended 31 March 2011. The increase was consistent with the increasing trend of our profit before income tax and our profit before income tax derived from the PRC, which was subject to higher tax rate, during the period.

Profit for the year

As a result of the foregoing, our profit for the year increased by HK$20.8 million, or 70.5%, to HK$50.3 million for the year ended 31 March 2011 from HK$29.5 million for the year ended 31 March 2010.

Year ended 31 March 2009 compared with year ended 31 March 2010

Revenue

Our revenue decreased by HK$1.4 million, or 0.6%, from HK$236.3 million for the year ended 31 March 2009 to HK$234.9 million for the year ended 31 March 2010. This decrease was primarily due to a decrease of HK$13.2 million, or 15.3%, in our revenue recognised upon expiry of prepaid treatment packages. This was partially offset by (i) an increase of HK$5.2 million, or 3.6%, in our revenue from provision of treatment services and (ii) an increase of HK$6.6 million, or 94.3%, in our revenue from sales of slimming and beauty products.

For the year ended 31 March 2010, our revenue derived from the PRC increased by HK$32.2 million, or 1,694.7%, to HK$34.1 million for the year ended 31 March 2010, compared with HK$1.9 million for the year ended 31 March 2009. As at 31 March 2010, we had six service centres in the PRC as compared with one service centre in the PRC as at 31 March 2009, and our number of members in the PRC increased by 1,224.8% to 8,320 as at 31 March 2010 as compared with 628 members as at 31 March 2009.

The effect of the increase in revenue derived from the PRC was partially offset by the decrease in revenue derived from Hong Kong from HK$223.5 million for the year ended 31 March 2009 to HK$188.1 million for the year ended 31 March 2010, representing a decrease of HK$35.4 million, or 15.8%. In view that the slimming and beauty market in Hong Kong has saturated, we reduced our service centres to 20 as at 31 March 2009 to 14 as at 31 March 2010 in Hong Kong, as such, revenue derived from Hong Kong market decreased accordingly. At the same time, we continued to reallocate our financial and human resources from Hong Kong market to expand our operation in the PRC market.

Other Income

Our other income decreased by HK$82,000, or 38.7%, from HK$0.2 million for the year ended 31 March 2009 to HK$0.1 million for the year ended 31 March 2010. The decrease was primarily due to a decrease of HK$71,000 in management fee income received from The SPA House Limited, a related party, which was principally engaged in the provision of slimming, facial and spa services and is currently inactive. Such management fee income was received for staff training services provided to The SPA House Limited by us given our experience in operating slimming business. Our services included the provision of staff training on basic slimming concepts, appliance operations, client service techniques and complaint management.

Other (losses)/gains — net

Our other losses were HK$1.0 million for the year ended 31 March 2009, compared with other gains of HK$21,000 for the year ended 31 March 2010. Other losses for the year ended 31 March 2009 comprised mainly losses on disposals of property, plant and equipment of HK$1.1 million, primarily including losses on disposal of leasehold improvements upon closure of service centres.

Cost of inventories and consumables

Our cost of inventories and consumables increased by HK$3.0 million, or 157.9%, from HK$1.9 million for the year ended 31 March 2009 to HK$4.9 million for the year ended 31 March 2010. The increase was driven by the increase in our sales of slimming and beauty products.

Employee benefit expenses

Our employee benefit expenses decreased by HK$7.9 million, or 9.1%, from HK$86.6 million for the year ended 31 March 2009 to HK$78.7 million for the year ended 31 March 2010. Such decrease in our employee benefit expenses was mainly due to a decrease in directors' remuneration by HK$8.1 million, or 26.0%, from HK$31.2 million for the year ended 31 March 2009 to HK$23.1 million for the year ended 31 March 2010 as our directors voluntarily reduced their remunerations by making reference to the market trend during the year.

Marketing expenses

Our marketing expenses increased by HK$0.4 million, or 0.9%, from HK$46.9 million for the year ended 31 March 2009 to HK$47.3 million for the year ended 31 March 2010. The increase was consistent with our business expansion. Our marketing expenses as a percentage of our revenue increased from 19.8% for the year ended 31 March 2009 to 20.1% for the year ended 31 March 2010. During the year, we shifted part of our marketing activities to engage call centres to make "cold calls" to our target customers.

Operating lease rentals

Our operating lease rentals increased by HK$0.3 million, or 1.5%, from HK$20.1 million for the year ended 31 March 2009 to HK$20.4 million for the year ended 31 March 2010. The slight increase was mainly due to the combined effect of (i) our number of service centres in Hong Kong decreased from 20 service centres as at 31 March 2009 to 14 services centres as at 31 March 2010 and (ii) we operated six service centres in the PRC as at 31 March 2010 as compared with one service centre in the PRC as at 31 March 2009 and the rentals in the PRC was generally lower than that in Hong Kong.

Other operating expenses

Our other operating expenses increased by HK$4.1 million, or 14.2%, from HK$28.8 million for the year ended 31 March 2009 to HK$32.9 million for the year ended 31 March 2010. The substantial increase was mainly due to the combined effect of (i) an increase in business tax by HK$1.6 million from HK$95,000 for the year ended 31 March 2009 to HK$1.7 million for the year ended 31 March 2010, (ii) an increase in general office expenses by HK$2.2 million from HK$1.0 million for the year ended 31 March 2009 to HK$3.2 million for the year ended 31 March 2010 and (iii) an increase in other expenses mainly including repairs and maintenance, utilities expenses and legal and professional fees by HK$0.8 million from HK$6.7 million for the year ended 31 March 2009 to HK$7.5 million for the year ended 31 March 2010.

Operating profit

As a result of the foregoing, our operating profit increased by HK$1.0 million, or 2.9%, to HK$35.7 million for the year ended 31 March 2010 from HK$34.7 million for the year ended 31 March 2009.

Income tax expense

Our income tax expense increased by HK$0.1 million, or 1.6%, from HK$6.1 million for the year ended 31 March 2009 to HK$6.2 million for the year ended 31 March 2010. The increase was primarily due to the combined effect of an increase of our PRC corporate income tax expense by HK$1.6 million to HK$1.7 million for the year ended 31 March 2010 from HK$71,000 for the year ended 31 March 2009 and a deferred income tax credit of HK$0.4 million for the year ended 31 March 2010, compared with a deferred income tax charge of HK$1.7 million for the year ended 31 March 2009.

Profit for the year

As a result of the foregoing, our profit for the year increased by HK$0.9 million, or 3.1%, to HK$29.5 million for the year ended 31 March 2010 from HK$28.6 million for the year ended 31 March 2009.

(VI) ANALYSIS ON CERTAIN COMBINED BALANCE SHEET ITEMS AND SELECTED FINANCIAL RATIOS

(A) Analysis on certain balance sheet items

	As at 31 March			As at 31 July
	2009	2010	2011	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	20,109	26,493	32,403	34,298
Available-for-sale financial assets	—	—	9,943	4,864
Deposits and prepayments (non-current)	7,714	6,071	15,109	17,912
Deferred income tax assets	3,451	4,214	12,897	15,632
Inventories	511	1,018	1,068	668
Trade receivables	17,412	11,810	8,103	8,980
Other receivables, deposits and prepayments	5,620	9,740	20,825	22,135
Amounts due from related companies	33	82	290	328
Amounts due from directors	68,338	38,359	37,268	36,678
Amount due from a shareholder	—	29,106	—	—
Financial assets at fair value through profit or loss	—	10,093	46,760	6,055
Deferred income tax liabilities	275	599	2,622	4,224
Trade payables	454	615	1,503	1,142
Deferred revenue	118,323	122,433	148,672	146,970
Accruals and other payables	11,983	16,934	22,264	16,822
Amount due to a related company	83	—	—	—
Amount due to a director	—	—	15,791	16,378
Amount due to a shareholder	—	—	2,677	2,677

Property, plant and equipment

Our property, plant and equipment amounted to HK$20.1 million, HK$26.5 million, HK$32.4 million and HK$34.3 million as at 31 March 2009, 2010, 2011 and 31 July 2011, respectively.

The increase was primarily due to our business expansion in the PRC during the Track Record Period, resulting in the increase in capital expenditure in property, plant and equipment outweighed the increase in disposals and depreciation charges during the same period. For the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, our capital expenditures incurred in the PRC were HK$1.4 million, HK$13.3 million, HK$17.5 million and HK$6.6 million, respectively. We operated 22, 21, 46 and 53 service centres in the PRC, Hong Kong and Macau as at 31 March 2009, 2010, 2011 and 31 July 2011 respectively.

For the details of our Group's property, plant and equipment, please refer to Note 8 to the Accountant's Report set out in Appendix I to this prospectus.

Available-for-sale financial assets

Our available-for-sale financial assets amounted to nil, nil, HK$9.9 million and HK$4.9 million as at 31 March 2009, 2010, 2011 and 31 July 2011, respectively.

During the year ended 31 March 2011, we purchased available-for-sale financial assets to secure a more favourable credit term from a local financial institution through which a significant portion of credit card and instalment sales were transacted. At the request of that financial institution, we pledged our available-for-sale financial assets for the security of its credit line with that local financial institution. During the four months ended 31 July 2011, we disposed of available-for-sale financial assets of HK$5.2 million with net gain of HK$235,000 from the disposal.

As at 31 July 2011, our available-for-sale financial assets are not pledged to any banking facilities.

Deferred income tax assets and liabilities

Our deferred income tax assets amounted to HK$3.5 million, HK$4.2 million, HK$12.9 million and HK$15.6 million as at 31 March 2009, 2010, 2011 and 31 July 2011, respectively, and our deferred income tax liabilities amounted to HK$0.3 million, HK$0.6 million, HK$2.6 million and HK$4.2 million as at 31 March 2009, 2010, 2011 and 31 July 2011, respectively.

There is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority, our deferred income tax assets and liabilities are offset. The balances of our deferred income tax assets and liabilities after appropriate offsetting as at 31 March 2009, 2010, 2011 and 31 July 2011 are set forth below:

	As at 31 March			As at 31 July
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred income tax assets, to be recovered after more than 12 months	3,451	4,214	12,897	15,632
Deferred income tax liabilities, to be settled after more than 12 months	(275)	(599)	(441)	(1,142)
Deferred income tax liabilities, to be settled within 12 months	—	—	(2,181)	(3,082)
Net deferred income tax assets	3,176	3,615	10,275	11,408

Our deferred tax assets mainly comprise decelerated tax depreciation, advertising expenses, tax losses and accrued expenses arising from our expanding PRC operation during the Track Record Period.

Inventories

Inventories mainly represented slimming and beauty products being sold at our services centres. As at 31 March 2009, 2010, 2011 and 31 July 2011, our inventories amounted to HK$0.5 million, HK$1.0 million, HK$1.1 million and HK$0.7 million, respectively.

As at 30 November 2011, the subsequent usage of our inventories was 40%.

Trade receivables

As at 31 March 2009, 2010, 2011 and 31 July 2011, our trade receivables amounted to HK$17.4 million, HK$11.8 million, HK$8.1 million and HK$9.0 million, respectively. Our major clients were banks who offered our clients interest-free credit card installment, the credit terms for such banks generally range from 3 days to 90 days. Our trade receivables do not subject to credit risk due to concentration as there is a large number of widely dispersed clients. An aging analysis of our trade receivables as at 31 March 2009, 2010, 2011 and 31 July 2011 is set forth below:

	As at 31 March			**As at 31 July**
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Less than 60 days	8,262	10,016	6,224	7,564
61 days to 90 days	2,093	1,501	761	369
91 days to 120 days	5,808	200	192	331
Over 120 days	1,249	93	926	716
	17,412	11,810	8,103	8,980

Our trade receivables experienced a decreasing trend during the Track Record Period. The trade receivables decreased by HK$9.3 million, or 53.4%, from HK$17.4 million as at 31 March 2009 to HK$8.1 million as at 31 March 2011, and remained HK$9.0 million as at 31 July 2011. The decreasing trend was mainly due to the fact that customers in the PRC preferred to use cash to procure our slimming and beauty package.

As at 30 November 2011, 92% of the balance of trade receivables was subsequently settled.

During the Track Record Period, no trade receivables were impaired. As at 31 March 2009, 2010, 2011 and 31 July 2011, trade receivables of HK$2.3 million, HK$0.6 million, HK$0.3 million and HK$0.9 million, respectively, were past due. Such trade receivables mainly related to a number of financial institutions with no recent history of default and therefore were not considered to be impaired.

For details of our trade receivables, please refer to Note 13 to the Accountant's Report set out in Appendix I to this prospectus.

Other receivables, deposits and prepayments

Our total other receivables, deposits and prepayments amounted to HK$13.3 million, HK$15.8 million, HK$35.9 million and HK$40.0 million as at 31 March 2009, 2010, 2011 and 31 July 2011, respectively. Among which, the current portion of other receivables, deposits and prepayments amounted to HK$5.6 million, HK$9.7 million, HK$20.8 million and HK$22.1 million as at 31 March 2009, 2010, 2011 and 31 July 2011, respectively. The following table sets forth the breakdown of other receivables, deposits and prepayments:

	As at 31 March			As at 31 July
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current				
Prepayments	2,800	3,294	16,451	16,111
Deposits	2,793	5,501	2,732	3,487
Other receivables	27	945	1,642	2,537
	5,620	9,740	20,825	22,135
Non-current				
Prepayments for the acquisition of property, plant and equipment	2,596	1,863	4,903	5,643
Rental and utility deposits	5,118	4,208	9,793	12,176
Other deposits	—	—	413	93
	7,714	6,071	15,109	17,912
Total	13,334	15,811	35,934	40,047

Prepayments under the current portion amounted to HK$2.8 million, HK$3.3 million, HK$16.5 million and HK$16.1 million mainly represented prepayments for rental and building management fee, advertising expenses and call centres fee as at 31 March 2009, 2010, 2011 and 31 July 2011, respectively. Increase in the balance of prepayments as at 31 July 2011 was mainly due to the prepayments of HK$6.6 million listing expenses in relation to the preparation of the Listing. Deposits under the current portion amounted to HK$2.8 million, HK$5.5 million, HK$2.7 million and HK$3.5 million mainly represented rental deposits paid for our new service centres as at 31 March 2009, 2010, 2011 and 31 July 2011, respectively.

To cope with our expansion plan in the PRC, we incurred prepayments for the acquisition of property, plant and equipment including leasehold improvements, computer equipments and beauty equipments of HK$2.6 million, HK$1.9 million, HK$4.9 million and HK$5.6 million as at 31 March 2009, 2010 and 2011 and 31 July 2011, respectively; and rental and utility deposits of HK$5.1 million, HK$4.2 million, HK$9.8 million and HK$12.2 million as at 31 March 2009, 2010, 2011 and 31 July 2011, respectively.

Amounts due from related companies/to a related company

Our amount due from Excellent Professional Holdings Limited and Right Time Management Limited amounted to HK$33,000, HK$42,000 and HK$54,000 as at 31 March 2009, 2010 and 2011. Both Excellent Professional Holdings Limited and Right Time Management Limited were inactive companies and such amounts were primarily attributed to general administration expenses such as license fee and registration fee paid by us on behalf of these related companies. Our amount due to The SPA House Limited amounted to HK$83,000 as at 31 March 2009. Such amount was primarily because during the year ended 31 March 2009, The SPA House Limited borrowed our POS terminals to process credit card payments from its customers while it was applying for its own POS terminals. Our amount due from The SPA House Limited amounted to HK$40,000, HK$0.2 million and HK$0.2 million as at 31 March 2010, 2011 and 31 July 2011. Such amounts were primarily because we borrowed the POS terminals of The SPA House Limited to process credit card payments from our customers resulting from the tightened bank policy and lengthened POS terminal application process after the financial crisis. Our Directors confirm that our Group did not and will not borrow POS terminal from or share our POS terminal with any third party after 31 March 2011. Our Directors confirm that transaction with Excellent Professional Holdings Limited, Right Time Management Limited and The SPA House Limited were conducted on normal commercial terms and arm's length basis. The following table sets forth our major balances with related companies:

	As at 31 March			As at 31 July
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The SPA House Limited	(83)	40	236	237
Excellent Professional Holdings Limited	11	16	22	22
Right Time Management Limited	22	26	32	32

As at 31 March 2009, 2010, 2011 and 31 July 2011, the balances with related companies were unsecured, interest free, repayable on demand, and denominated in Hong Kong dollars. The balances with related companies will be fully settled prior to the Listing.

For details of our amounts due from related companies, please refer to Note 15 to the Accountant's Report set out in Appendix I to this prospectus.

Amounts due from directors/(to a director)

Our amounts due from directors amounted to HK$68.3 million, HK$38.4 million, HK$37.3 million and HK$36.7 million as at 31 March 2009, 2010, 2011 and 31 July 2011, respectively. The amounts due from directors mainly represented loans to the directors during the Track Record Period. Save as disclosed in "Relationship with the Controlling Shareholders — Controlling Shareholders — Other Businesses of the Controlling Shareholders" in this prospectus, the Directors have no other significant business interests outside our Group. The amounts due to a director amounted to nil, nil, HK$15.8 million and HK$16.4 million as at 31 March 2009, 2010, 2011 and 31 July 2011 respectively. The following table sets forth the breakdown of our balance with directors:

	As at 31 March			As at 31 July
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Ms. Au-Yeung Wai	28,966	31,339	18,307	18,016
Ms. Au-Yeung Hung	26,853	—	18,961	18,662
Dr. Au-Yeung	12,451	7,020	(15,791)	(16,378)
Ms. Li Yi Fan	68	—	—	—
	68,338	38,359	21,477	20,300

As at 31 March 2009, 2010, 2011 and 31 July 2011, the balances with directors were unsecured, interest free, repayable on demand and denominated in Hong Kong dollars. Amounts due from/(to) directors have been fully settled in November 2011.

For details of our balances with directors, please refer to Note 16 to the Accountant's Report set out in Appendix I to this prospectus. For details of other businesses of the Directors, please refer to "Relationship with the Controlling Shareholders — Controlling Shareholders — Other Businesses of the Controlling Shareholders" in this prospectus.

Amounts due from/(to) shareholders

Our amounts due from shareholders, Ms. Au-Yeung Hung, amounted to nil, HK$29.1 million, nil and nil as at 31 March 2009, 2010, 2011 and 31 July 2011, respectively. The amount represented loans to Ms. Au-Yeung Hung during the Track Record Period. Our amounts due to a shareholder, Ms. Li Yi Fan, amounted to nil, nil, HK$2.7 million and HK$2.7 million as at 31 March 2009, 2010, 2011 and 31 July 2011, respectively. The amount represented dividends declared to Ms. Li Yi Fan during the year 31 March 2011.

As at 31 March 2010, 2011 and 31 July 2011, balances with shareholders were unsecured, interest free, repayable on demand, and denominated in Hong Kong dollars. The amount due to a shareholder has been settled in November 2011.

For details of our amounts due from/to shareholders, please refer to Note 17 to the Accountant's Report set out in Appendix I to this prospectus.

Trade payables

Our trade payables amounted to HK$0.5 million, HK$0.6 million, HK$1.5 million and HK$1.1 million as at 31 March 2009, 2010, 2011 and 31 July 2011, respectively. Our suppliers mainly provide us with slimming products like body gel and beauty products like paper mask, meal replacement and skin care products. Majority of our suppliers are on open account and certain suppliers grant us credit period ranging from 30 to 60 days.

Our trade payables increased from HK$0.5 million as at 31 March 2009 to HK$0.6 million as at 31 March 2010 and to HK$1.5 million as at 31 March 2011 and remained at HK$1.1 million as at 31 July 2011. The increasing trend was generally in line with the increase in cost of inventories and consumables during the Track Record Period.

As at 30 November 2011, 60% of the balance of trade payables was subsequently settled.

For details of our trade payables, please refer to Note 23 to the Accountant's Report set out in Appendix I to this prospectus.

Deferred revenue

Our deferred revenue amounted to HK$118.3 million, HK$122.4 million, HK$148.7 million and HK$147.0 million as at 31 March 2009, 2010, 2011 and 31 July 2011 respectively. The following table sets forth the breakdown of our deferred revenue by product segments:

	As at 31 March			As at 31 July
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepaid treatment packages	116,465	121,044	147,682	146,810
Product sales	1,858	1,389	990	160
	118,323	122,433	148,672	146,970

Our prepaid packages have a validity period of one year. For financial reporting purposes, we recorded prepaid packages received as deferred revenue in the balance sheet at the point of sales and we recognise prepaid packages as our revenue in the income statement when the service treatments are delivered to clients. Prepaid packages over one year from the date of purchase are fully recognised as revenue. The balance of deferred revenue of prepaid treatment packages as at 31 March 2009, 2010, 2011 and 31 July 2011 represents services not yet delivered and to be rendered to clients. The balance of deferred revenue of product sales as at 31 March 2009, 2010, 2011 and 31 July 2011 represents products that were purchased by clients but were left in our service centres at each balance sheet date. There is no validity period for these products and the clients generally pick the products during their next visit to our service centres.

Our deferred revenue increased by HK$4.1 million, or 3.5%, from HK$118.3 million as at 31 March 2009 to HK$122.4 million as at 31 March 2010. Such increase was primarily due to an increase in deferred revenue from prepaid treatment packages, which was in line with our increase of 3.6% in revenue generated from provision of treatment services. Our deferred revenue increased by HK$26.3 million, or 21.5%, from HK$122.4 million as at 31 March 2010 to HK$148.7 million as at 31 March 2011. Our deferred revenue decreased slightly by HK$1.7 million, or 1.1%, from HK$148.7 million as at 31 March 2011 to HK$147.0 million as at 31 July 2011. The growth rate of our deferred revenue was lower than that of our total revenue primarily due to deviation of customer behaviour between the PRC and Hong Kong, where PRC customers tend to consume more prepaid packages during the validity period.

During the Track Record Period, most of our deferred revenue was from prepaid slimming and beauty service packages. As at 31 March 2009, 2010, 2011 and 31 July 2011, deferred revenue generated from prepaid treatment packages represented 98.5%, 98.9%, 99.3% and 99.9% of our total deferred revenue, respectively. As at respective balance sheet dates, all deferred revenue in respect of prepaid treatment packages were aged within one year from the date when the sales contracts in respect of treatment packages were entered into.

For details of our deferred revenue, please refer to Note 25 to the Accountant's Report set out in Appendix I to this prospectus.

Accruals and other payables

Our accruals and other payables amounted to HK$12.0 million, HK$16.9 million, HK$22.3 million and HK$16.8 million as at 31 March 2009, 2010, 2011 and 31 July 2011, respectively. Among which, accrued operating expenses amounted to HK$10.7 million, HK$13.5 million, HK$17.4 million and HK$13.4 million as at 31 March 2009, 2010, 2011 and 31 July 2011, respectively.

Our accrued operating expenses included mainly accrued operating lease rentals, staff salaries and welfare and advertising expenses. Our other payables included mainly call centres expenses, uniform deposit and other taxes.

For details of our accruals and other payables, please refer to Note 24 to the Accountant's Report set out in Appendix I to this prospectus.

(B) Key financial ratios

	Notes	Year ended 31 March 2009	2010	2011	Four months ended 31 July 2011
Trade receivables turnover days	*(1)*	26.2	22.7	11.8	7.7
Trade payables turnover days	*(2)*	45.5	39.6	51.9	72.0
Operating profit margin	*(3)*	14.7%	15.2%	21.2%	29.0%
Net profit margin	*(4)*	12.1%	12.6%	16.3%	21.5%
Return on Equity	*(5)*	279.9%	116.9%	116.4%	N/A

	Note	As at 31 March 2009	2010	2011	As at 31 July 2011
Current ratio	*(6)*	0.88	1.02	0.91	1.06

Notes:

(1) The calculation of trade receivables turnover days is based on the average of the opening and closing trade receivables balances divided by the revenue and multiplied by 365/122 days.

(2) The calculation of trade payables turnover days is based on the average of the opening and closing trade payables balances divided by cost of inventories and consumables and multiplied by 365/122 days.

(3) The calculation of operating profit margin is based on operating profit for the year/period divided by the revenue.

(4) The calculation of net profit margin is based on profit for the year/period attributable to equity holders of the Company divided by the revenue.

(5) The calculation of return on equity is based on profit for the year attributable to equity holders of the Company divided by the average of the opening and closing total equity.

(6) The calculation of current ratio is based on current assets divided by current liabilities.

Trade receivables turnover days

Our trade receivable turnover days were 26.2 days, 22.7 days, 11.8 days and 7.7 days during the Track Record Period. Our trade receivables turnover days indicate the number of day required for us to receive cash from our sales, our trade receivable turnover days were in the range of credit terms offered by various financial institutions on instalment and credit sales arrangement generally ranged from 3 days to 90 days.

Our relatively low trade receivable turnover days and its decreasing trend were mainly attributed to our effective implementation of collection policy. During the Track Record Period, no trade receivables were impaired.

Trade payables turnover days

Our trade payable turnover days were 45.5 days, 39.6 days, 51.9 days and 72.0 days during the Track Record Period. Our trade payables turnover days indicate the number of day required for us to settle our payment with suppliers in cash.

During the Track Record Period, most of our suppliers granted us with open account terms and certain suppliers granted credit period ranging from 30 to 60 days. For the year ended 31 March 2009, 2010 and 2011, our trade payables turnover days remained relatively stable and were maintained generally in line with credit periods granted by our suppliers.

Operating profit margin

During the Track Record Period, our operating profit margin were 14.7%, 15.2%, 21.2% and 29.0%, respectively. Our operating profit margin were comparable for the years ended 31 March 2009 and 2010 as we just commenced our expansion into the PRC market and our revenue was mainly derived from the Hong Kong market. Our operating profit margin increased to 21.2% for the year ended 31 March 2011 from 15.2% for the year ended 31 March 2010, which was mainly due to (i) an increase in revenue of HK$74.1 million or 31.5%; while (ii) major operating expenses including employee benefit expenses, marketing expenses, operating lease rentals and other operating expenses increased in a rate lower than the growth rate in revenue during the year ended 31 March 2011 as lease rentals, employee costs and marketing expenses were relatively cheaper in the PRC than those in Hong Kong. Our operating profit margin further increased to 29.0% for the four months ended 31 July 2011, which was mainly due to the fact that we continuously enjoyed cost advantage in marketing expenses, operating lease rentals and other operating expenses over our enlarged service centres network across the PRC, Hong Kong and Macau.

Net profit margin

Our net profit margin amounted to 12.1%, 12.6%, 16.3% and 21.5% for the years ended 31 March 2009, 2010, 2011 and the four months ended 31 July 2011, respectively. The increasing trend was generally in line with the increasing trend of our operating profit margin during the same period. Our net profit margin were comparable for the years ended 31 March 2009 and 2010 as we just commenced our expansion in the PRC market and our revenue was mainly derived from the Hong Kong market. For the year ended 31 March 2011, our net profit margin increased to 16.3%, which was in line with our increase in revenue and profit derived from our PRC operation. Our net profit margin further increased to 21.5% for the four months ended 31 July 2011 which was mainly contributed by our expanding PRC operation.

Return on equity

Our return on equity were 279.9%, 116.9% and 116.4% for the years ended 31 March 2009, 2010 and 2011, respectively. The decrease from 279.9% for the year ended 31 March 2009 to 116.4% for the year ended 31 March 2011 was primarily due to we had retained all of our earnings for funding our business expansion and the opening of new service centres in the PRC, and the increase in our reserves outweighed the increase in revenue during the same period. Detailed analysis of operating results during the Track Record Period are set out in the section headed "Financial Information — (V) Our operating results during the Track Record Period — (B) Management discussion and analysis" in this prospectus.

Current ratio

Our current ratio were 0.88, 1.02, 0.91 and 1.06 as at 31 March 2009, 2010 and 2011 and 31 July 2011, respectively. As at 31 March 2010, our stronger liquidity position was primarily due to our business expansion, resulting in our net cash generated from operating activities experienced a significant increase during the year ended 31 March 2010. Given we also experienced strong net cash generated from operating activities during the year ended 31 March 2011, our current ratio decreased from 1.02 as at 31 March 2010 to 0.91 31 March 2011 primarily because the increase in our amounts due to directors and shareholders amounted to HK$18.5 million. Our current ratio further increased to 1.06 as at 31 July 2011 as we have strong net cash generated from operating activities of HK$24.7 million during the four months ended 31 July 2011.

(VII) CAPITAL STRUCTURE, LIQUIDITY AND FINANCE RESOURCES

(A) Overview

During the Track Record Period, we generally finance our operations, business expansion and to meet our working capital requirements through cash generated from our operations.

Based on our current and anticipated levels of operations and conditions in the markets and industry, we believe that the proceeds from the Global Offering, our cash and bank deposits and cash flows from operations will enable us to meet our working capital, capital expenditures, and other funding requirements for the foreseeable future. However, our ability to fund working capital needs, repay our indebtedness and finance other obligations depends on our future operating performance and cash flows, which are in turn subject to prevailing economic conditions and other factors, many of which are beyond our control. Any future significant acquisition or expansion may require additional capital, and we cannot assure that such capital will be available to us on acceptable terms.

We had cash and bank balances of HK$26.3 million, HK$48.2 million, HK$74.2 million and HK$139.8 million as at 31 March 2009, 2010, 2011 and 31 July 2011 respectively.

(B) Net current assets/(liabilities)

The following table sets forth the breakdown of our Group's current assets and liabilities for its operation as at 31 March 2009, 2010, 2011, 31 July 2011 and 30 November 2011:

	As at 31 March			As at 31 July	As at 30 November
	2009	2010	2011	2011	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)
Current assets					
Inventories	511	1,018	1,068	668	1,471
Trade receivables	17,412	11,810	8,103	8,980	9,605
Other receivables, deposits and prepayments	5,620	9,740	20,825	22,135	32,418
Amounts due from related companies	33	82	290	328	332
Amounts due from directors	68,338	38,359	37,268	36,678	—
Amount due from a shareholder	—	29,106	—	—	—
Financial assets at fair value through profit or loss	—	10,093	46,760	6,055	6,055
Cash and cash equivalents	26,280	48,183	74,206	139,849	145,100
	118,194	148,391	188,520	214,693	194,981
Current liabilities					
Provision for reinstatement costs	403	713	424	599	490
Trade payables	454	615	1,503	1,142	4,396
Accruals and other payables	11,983	16,934	22,264	16,822	16,320
Deferred revenue	118,323	122,433	148,672	146,970	124,756
Tax payable	3,313	4,957	14,781	18,790	21,861
Amount due to a related company	83	—	—	—	—
Amount due to a director	—	—	15,791	16,378	—
Amount due to a shareholder	—	—	2,677	2,677	—
Dividend payable	—	—	—	—	71,071
	134,559	145,652	206,112	203,378	238,894
Net current (liabilities)/assets	(16,365)	2,739	(17,592)	11,315	(43,913)

For the year ended 31 March 2010 and the period ended 31 July 2011, our cash flows from operating activities increased significantly which strengthened our cash positions. As such, we recorded net current assets of HK$2.7 million and HK$11.3 million as at 31 March 2010 and 31 July 2011. As at 31 March 2009 and 2011, we recorded net current liabilities of HK$16.4 million and HK$17.6 million respectively and it is mainly attributable to the increase of our Group's deferred revenue during the Track Record Period.

As at 31 March 2011, we incurred deferred revenue of HK$148.7 million, up 21.5% from HK$122.4 million as at 31 March 2010. According to the accounting policies of our Group, revenue from the provision of slimming and beauty services are recognised when the services has been rendered to clients. Receipts in respect of treatment packages for which the relevant services have not been rendered are deferred and recorded as deferred revenue in the balance sheet. As advised by our Directors, the increase in our deferred revenue mainly reflect the growth of our Group's revenue generated from its normal and ordinary course of business. However, the increase in our Group's deferred revenue does not impose any negative impact on our working capital position because: (i) cash generated from the sales of prepaid treatment packages had already reflected in cash generated from operating activities and recognised as cash and cash equivalent on balance sheet; (ii) recognition of deferred revenue and the subsequent revenue recognition has no cash flows effect and are solely for financial reporting purpose; and (iii) deferred revenue will be fully recognised as revenue in the income statement when the service treatments are delivered to clients or recognised as revenue from expired prepaid packages at the end of the contractual one-year service period.

Our Company recorded net current liabilities of HK$43.9 million as at 30 November 2011, which was mainly due to the increase in the balance of dividend payable of HK$71.1 million. In November 2011, special cash dividends of HK$88.5 million were declared, please refer to the paragraph headed "Dividend and Distributable Reserves" below in this section for details.

Taking into account the factors that (i) we had unutilised banking facilities amounted to HK$50.0 million as at the Latest Practicable Date; (ii) our cash balances as at 30 November 2011 amounted to HK$145.1 million, which was sufficient to settle the declared special cash dividends and for our Group's general operations; (iii) our Group received strong cash inflows from our operating activities which can finance our future expansion plan; and (iv) the proceeds to be raised from the Global Offering, our Directors consider that the net current liabilities positions as at 30 November 2011 did not and will not adversely affect our Group's business and operations and financial positions and expect that our current (liabilities)/assets position will continue to improve going forward.

(C) Capital expenditure

Our capital expenditure primarily relate to the expenditures for purchasing property, plant and equipment, including leasehold improvements and the purchase of furniture, fixtures and office equipment for our service centres expansion. During the Track Record Period, we funded our capital expenditures through cash flows generated from operating activities. The following table sets forth our Group's capital expenditures for the periods indicated:

	Year ended 31 March			Four months ended 31 July	
	2009	**2010**	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
The PRC	1,385	13,331	17,467	5,285	6,624
Hong Kong	5,033	7,963	3,872	856	203
Macau	1,858	3	11	3	—
	8,276	21,297	21,350	6,144	6,827

Our Group's total capital expenditure increased by 156.6% from HK$8.3 million for the year ended 31 March 2009 to approximately HK$21.3 million for the year ended 31 March 2010. The increase was primarily due to the opening of new service centres in the PRC during the year. Our total capital expenditure for the year ended 31 March 2011 amounted to HK$21.4 million as we continued our expansion plan of opening service centres in the PRC. Our total capital expenditure for the four months ended 31 July 2011 increased slightly to HK$6.8 million from HK$6.1 million for the same period in 2010, which is mainly used for our service centres network expansion in the PRC.

Planned capital expenditures

Our planned capital expenditures primarily relate to the expansion of our service centres network in the PRC under our well-known brand name of "必瘦站".

The estimated total expenses for setting up of the 106 service centres under the brand name of "Perfect Shape 必瘦站" in the PRC will be HK$254.4 million by 31 March 2015. The estimated total cost per service centre in the PRC is HK$2.4 million, of which HK$1.8 million will be used for fixed assets including leasehold improvement and equipment, HK$240,000 will be used for rental deposits and expenses, HK$71,400 will be used for initial staff cost and HK$288,600 will be used for general working capital. Other than the net proceeds of the Global Offering, where necessary, we will apply our internally generated financial resources as additional funding for the expansion of our service centres network in the PRC.

For more details, please see "Futures Plans and Use of Proceeds" in this prospectus. There is no guarantee that any of the planned capital expenditures will proceed as planned. As our Group continues to expand, it may incur additional capital expenditures. In the future, we may consider debt or equity financing, depending on market conditions, our financial performance, our capital needs and other relevant factors.

(D) Cash flow statements

The following table sets forth selected cash flows data from our combined statements of cash flows during the Track Record Period:

Combined Statements of Cash Flows

	Year ended 31 March			Four months ended 31 July	
	2009	**2010**	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Cash flows from operating activities					
Cash generated from operations	21,393	57,934	105,650	46,619	32,039
Interest received	4	25	238	19	596
Income tax paid	(2,135)	(5,011)	(12,341)	(698)	(7,940)
Net cash generated from operating activities	19,262	52,948	93,547	45,940	24,695
Cash flows from investing activities					
Purchase of property, plant and equipment	(10,872)	(20,564)	(24,390)	(6,006)	(7,567)
Sales proceeds from disposal of property, plant and equipment	808	—	38	—	1
Reinstatement costs paid for shop and office premises	(37)	(481)	(528)	(97)	—
Purchase of available-for-sale financial assets	—	—	(14,912)	—	—
Purchase of financial assets at fair value through profit or loss	—	(10,000)	(172,976)	—	(72,159)
Sales proceeds from disposal of available-for-sale financial assets	—	—	5,093	—	5,191
Sales proceeds from disposal of financial assets at fair value through profit or loss	—	—	138,412	—	113,819
Dividend income received from available-for-sale financial assets	—	—	203	70	43
Net cash (used in)/generated from investing activities	(10,101)	(31,045)	(69,060)	(6,033)	39,328
Cash flows from financing activities					
Issue of ordinary shares	97	—	—	—	—
Net cash generated from financing activities	97	—	—	—	—
Net increase in cash and cash equivalents	9,258	21,903	24,487	39,907	64,023
Cash and cash equivalents at 1 April	17,022	26,280	48,183	48,183	74,206
Effect of foreign exchange rate changes	—	—	1,536	270	1,620
Cash and cash equivalents at 31 March/31 July	26,280	48,183	74,206	88,360	139,849

Cash flows from operating activities

Our net cash generated from operating activities during the Track Record Period mainly included the prepaid package monies received from our clients. We first tapped into the PRC market in 2009 and we experienced rapid growth in our PRC operation during the Track Record Period, which increased our revenue, in return, increased net cash generated from operating activities.

Net cash generated from operating activities for the four months ended 31 July 2011 were HK$24.7 million while our profit before income tax was HK$39.6 million. The difference was primarily due to the combined effect of (i) adjustment for depreciation of HK$5.7 million; (ii) increase in other receivables, deposits and prepayments of HK$2.9 million; (iii) decrease in balances with directors, shareholders and related companies of HK$1.2 million; (iii) decrease in deferred revenue of HK$3.7 million; and (iv) income tax paid of HK$7.9 million.

Net cash generated from operating activities for the year ended 31 March 2011 were HK$93.5 million while our profit before income tax was HK$65.7 million. The difference was primarily due to the combined effect of (i) adjustment for depreciation of HK$16.5 million; (ii) increase in other receivables, deposits and prepayments of HK$16.5 million; (iii) increase in deferred revenue of HK$23.6 million; and (iv) income tax paid of HK$12.3 million.

Net cash generated from operating activities for the year ended 31 March 2010 were HK$52.9 million while our profit before income tax was HK$35.7 million. The difference was primarily due to the combined effect of (i) adjustment for depreciation of HK$15.1 million; (ii) decrease in trade receivables of HK$5.6 million; (iii) increase in other receivables, deposits and prepayments of HK$3.2 million; and (iv) income tax paid of HK$5.0 million.

Net cash generated from operating activities for the year ended 31 March 2009 were HK$19.3 million while our profit before income tax was HK$34.7 million. The difference was primarily due to the combined effect of (i) adjustment for depreciation of HK$16.5 million; (ii) increase in balances with directors, shareholders and related companies of HK$33.4 million; and (iii) income tax paid of HK$2.1 million.

Cash flows used in investing activities

Our investing activities during the Track Record Period primarily included purchase of leasehold improvements, furniture, fixtures and office equipment for our business expansion in the PRC and purchase of financial assets in 2010 and 2011. We receive strong cash inflow from our business operation from time to time and purchase financial assets in order to protect the capital value and achieve appreciation of our idle cash. During the year ended 31 March 2011, we invested idle cash in the principal sum of approximately HK$35 million in the PRC in several entrusted investment funds which are usually short-term in nature. Upon expiry of the maturity period of the investment funds, we re-invested the principal sum in similar investment funds which led to the cumulative amounts of purchases of financial assets at fair value through profit or loss in the amount of HK$173.0 million and the sales of financial assets at fair value through profit or loss in the amount of HK$138.4 million during the year ended 31 March 2011. Our Directors consider that the nature of our investment strategy is conservative as (i) we did not make any investment which would expose us to liability which is larger than the idle cash invested by us; and (ii) we did not invest in options, warrants, future contracts, and derivative financial instruments. During the year ended 31 March 2011, in Hong Kong, we also purchased available-for-sale financial assets to secure a more favourable credit term from a local financial institution through which a significant portion of credit card and instalment sales were transacted. At the request of that financial institution, we pledged our available-for-sale financial assets for the security of its credit line with that local financial institution. During the year ended 31 March 2011, we participated in several transactions of investment funds which comprise several SFC-registered mutual funds led to the cumulative amount of purchases of available-for-sale financial assets in the amount of HK$14.9 million and sales proceeds of available-for-sale financial assets in the amount of HK$5.1 million.

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

Net cash generated from investing activities for the four months ended 31 July 2011 were HK$39.3 million which was mainly attributable to (i) cash out flows of HK$7.6 million for purchasing property, plant and equipment for our continuous expansion of service centres network in the PRC during the period; (ii) net cash inflows of HK$41.7 million from disposal of financial assets at fair value through profit or loss; and (iii) net cash inflows of HK$5.2 million from disposal of available-for-sale financial assets during the period.

Net cash used in investing activities for the year ended 31 March 2011 were HK$69.1 million which was mainly attributable to (i) we opened 20 service centres in the PRC and incurred cash outflow of HK$24.4 million for purchasing slimming and beauty equipment, office equipment, furniture and fixtures and leasehold improvements during the year; and (ii) net purchases of financial assets amounted to HK$44.4 million.

Net cash used in investing activities for the year ended 31 March 2010 were HK$31.0 million which was mainly attributable to (i) we opened 9 service centres in the PRC during the year and incurred cash out flows of HK$20.6 million in purchasing slimming and beauty equipment, office equipment, furniture and fixtures and leasehold improvements; and (ii) we used our idle cash and bought financial assets of HK$10.0 million.

Net cash used in investing activities for the year ended 31 March 2009 were HK$10.1 million which mainly included our investment in purchasing plant and equipment in new service centres in both the PRC and Hong Kong of HK$10.9 million.

Upon Listing, we will continue to adopt conservative treasury policies, control tightly over our cash and strengthen our risk management. Our surplus cash will generally be placed in short-term deposits denominated in HK dollars and RMB. In order to achieve greater flexibility in our cash management to enhance the return on surplus cash available, we will continue to invest in general not exceeding 10% of the total amount of our surplus cash in low-risk short-term fixed income investment products, including certificates of deposit issued by authorised institutions or banks in Hong Kong and the PRC. In general, such fixed income investment products will be held to maturity. In view of the low-risk investments, the Directors do not find it necessary to implement a stop-loss policy.

Dr. Au-Yeung and Mr. So Hin Lung, our chief financial officer, will be responsible to manage and implement the above investment management policy. Mr. So is a member of the Hong Kong Institute of Certified Public Accountants, and has over 10 years of experience in auditing and accounting. For the details of qualifications and experiences of Dr. Au-Yeung and Mr. So, please refer to the section headed "Directors, Senior Management and Staff" of this prospectus.

To ensure the above investment management policy can be strictly implemented, the Board will regularly monitor the cash position and investment decisions of our Group and Dr. Au-Yeung and Mr. So are required to seek approvals from the Board when they carry out any investment decisions. The Board will review the investment management policy of the Group from time to time, adjust the investment management policy as and when appropriate and make relevant disclosures in the annual reports of our Company.

Cash flows from financing activities

Our financing activities during the Track Record Period were primarily issue of ordinary shares.

During the years ended 31 March 2010 and 2011 and the four months ended 31 July 2011, we did not have any cash generated from or used in financing activities.

Net cash from financing activities for the year ended 31 March 2009 were HK$97,000 which represented monies from issue of ordinary shares.

(E) Working capital

Taking into account (i) the estimated net proceeds available to us from the Global Offering; (ii) our cash and cash equivalents as at the Latest Practicable Date; and (iii) the expected cash flows to be generated from our operations, our Directors confirm that we have sufficient working capital for at least the next 12 months from the date of this prospectus.

(F) Financial risk

Our activities expose us to a variety of financial risks: foreign exchange risk, price risk, credit risk, liquidity risk, and cash flows and fair value interest-rate risks. Our overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the our financial performance.

(a) Foreign exchange risk

We operate in the PRC, Hong Kong and Macau with most of the transactions denominated and settled in the respective local currencies, which are Renminbi, Hong Kong dollars and MOP, respectively. Management are of the opinion that our exposures to changes in exchange rates of foreign currencies is insignificant.

Our Company does not use any derivative financial instruments to hedge its exposure to foreign exchange risk.

(b) Price risk

We are exposed to securities price risk as investments held by us are classified as financial assets at fair value through profit or loss and available-for-sale financial assets in the balance sheets. We are not exposed to commodity price risk.

As at 31 March 2010 and 2011 and 31 July 2011, if the quoted price of the financial assets at fair value through profit or loss had appreciated/depreciated by 10% with all other variables held constant, our post-tax profit would have been HK$0.8 million, HK$3.6 million and HK$0.5 million higher/lower respectively as a result of gains/losses on change in value of these financial assets.

As at 31 March 2011 and 31 July 2011, if the quoted price of the available-for-sale financial assets had appreciated/depreciated by 10% with all other variables held constant, the Group's other comprehensive income would have been approximately HK$0.8 million and HK$0.4 million higher/lower respectively as a result of gains/losses on change in value of these financial assets.

(c) Credit risk

We have no significant concentrations of credit risk. The carrying amounts of cash at banks, financial assets at fair value through profit or loss, available-for-sale financial assets, trade receivables, deposits and other receivables and amounts due from related companies, a shareholder and directors included in the balance sheets represent the our maximum exposure to credit risk in relation to its financial assets.

The majority of our cash at banks are deposited in major financial institutions located in the PRC, Hong Kong and Macau, which are of high credit rating. Management does not expect any losses arising from non-performance by these counterparties.

As at 31 March 2009, 2010 and 2011 and 31 July 2011, our trade receivables represent amounts due from various financial institutions as a result of credit cards and instalment payment arrangement. The economic downturn during the years ended 31 March 2009 and 2010 led to a lengthening of the settlement period from these counterparties. Taking into account the high credit rating of these counterparties, who has no recent history of default and that we are not contractually exposed to the risk of default by the ultimate clients arising from these payment arrangements, management consider that no provision on these receivable balance is required.

As at 31 March 2010 and 2011 and 31 July 2011, the financial assets at fair value through profit or loss and available-for-sale financial assets are placed in financial institutions which are independently rated at high credit ratings. Management does not expect any losses from non-performance by these financial institutions.

The amounts due from our Directors have been fully settled in November 2011. The amounts due from related companies will be settled prior to the Listing.

(d) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

Our primary cash requirements have been the payment for operating expenses. We mainly finance our working capital requirements through internal resources.

Our Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and adequate amount of committed credit facilities to meet its liquidity requirements in the short and long term.

As a result of the economic downturns during the years ended 31 March 2009 and 2010, settlement period of both installment and credit card sales from certain local financial institutions have been significantly lengthened, up to 180 days from the days of sales. In order to secure a more favourable credit term, we pledged our available-for-sale financial assets amounting to HK$9.9 million to a major local financial institution as at 31 March 2011. Personal guarantee from Ms. Au-Yeung Wai and charges over private real estate properties from our Directors, Dr. Au-Yeung and Ms. Au-Yeung Wai, have also been provided to the financial institution. These have significantly shortened the credit term with the financial institution to 3 days from the time when the credit level or instalment sales were made. Upon Listing, the personal guarantee given by Ms. Au-Yeung Wai and the charges over real estate properties given by Dr. Au-Yeung and Ms. Au-Yeung Wai will be released and replaced by corporate guarantee of our Company. We have liaised with the said financial institution and understand that the said financial institution will not lengthen its credit term given to us as a result of the release of the personal guarantee by Ms. Au-Yeung Wai and the charge over real estate properties by Dr. Au-Yeung and Ms. Au-Yeung Wai. During 31 March 2011, the credit terms with various financial institutions on instalment and credit sales arrangement generally ranged from 3 days to 90 days.

As at 31 March 2009, 2010 and 2011 and 31 July 2011, the contractual undiscounted cash flows of the our current financial liabilities approximate their respective carrying amounts due to their short maturities.

(e) Cash-flow and fair value interest-rate risk

We do not have any significant interest bearing financial assets or liabilities except for cash at banks.

(VIII) INDEBTEDNESS

(A) Borrowings and bank facilities

As at 30 November 2011, being the latest practicable date for the purpose of preparing this indebtedness statements prior to the printing of this prospectus, our Group had no outstanding borrowings.

On 30 November 2011, we obtained a banking facility of HK$50 million which was available for us to draw down as a revolving loan. As at the Latest Practicable Date, we have not drawn down the available banking facility. The said banking facility is secured by a pledge of cash deposits of our Director, Dr. Au-Yeung, with the relevant financial institution which will be released and replaced by corporate guarantee to be issued by us upon the Listing. The said banking facility has no unusual terms of covenant attached and is subject to standard banking conditions.

(B) Contingent liabilities

We did not have any material contingent liabilities as at 31 March 2009, 2010, 2011, 31 July 2011 and 30 November 2011.

(C) Charges

As at 31 July 2011, our Directors, Ms. Au-Yeung Wai has made personal guarantee and Dr. Au-Yeung and Ms. Au-Yeung Wai pledged of real estate properties owned by them to a financial institution to secure our Group's banking facility. The relevant personal guarantee given by Ms. Au-Yueng Wai and pledge of real estate properties given by Dr. Au-Yeung and Ms. Au-Yeung Wai will be released and replaced by corporate guarantee to be issued by us upon the Listing.

(D) Capital and other commitments

(i) Operating lease commitment

We had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	As at 31 March			As at 31 July
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Not later than one year	19,735	20,025	35,691	39,778
Later than one year and not later than five years	10,404	21,458	80,356	67,501
Later than five years	—	844	384	129
	30,139	42,327	116,431	107,408

(ii) Capital commitments

	As at 31 March			As at 31 July
	2009	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure contracted for but not yet incurred in respect of acquisition of property, plant and equipment	—	3,988	5,752	6,035

(E) Disclaimer

Except as disclosed in "Financial Information — Indebtedness" above, we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at 30 November 2011. Our Directors confirm that, since 30 November 2011, there has been no material changes in our indebtedness and contingent liabilities.

(IX) DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, they are not aware of any circumstances which would give rise to a disclosure obligation under Rules 13.13 to 13.19 of the Listing Rules.

(X) OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development service with us.

(XI) DIVIDEND AND DISTRIBUTABLE RESERVES

(A) Dividends and dividend policy

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

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

The special cash dividends of HK$88,500,000 in total were declared out of our Group's retained profits, which were generated by shareholders' equity and management efforts of our existing Shareholders during the Track Record Period. Therefore, our Directors consider the dividends represented investment returns and rewards to our existing Shareholders due to their past contributions to our Group during the Track Record Period. We had carefully considered and assessed our working capital position before declaration of the special cash dividends and in view of our cash and cash equivalents position of HK$139.8 million as at 31 July 2011, our Directors consider that our Company's internal resources are sufficient to cover the full payment of the special cash dividends.

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

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

(B) Distributable reserves

Our Company did not have any distributable reserves as at 31 July 2011 because it is newly incorporated, has not been involved in any significant transaction and the Reorganisation was not completed.

(XII) RELATED PARTY TRANSACTIONS

With respect to the related party transactions set forth in our combined financial statements included in the Accountant's Report set forth in Appendix I in this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms where no less favourable to our Group than terms available to Independent Third Parties and where fair and reasonable and in the interest of our Shareholders as a whole.

(XIII) UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group, which has been prepared in accordance with Rule 4.29 of the Listing Rules, is for illustrative purposes only, and is set forth to illustrate the effect of the Global Offering on our combined net tangible assets as at 31 July 2011 as if the Global Offering had taken place on 31 July 2011.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our combined net tangible assets as of 31 July 2011 or any future date following the Global Offering. It is prepared based on our audited combined financial information as of 31 July 2011 as set forth in the Accountant's Report in Appendix I to this prospectus, and adjusted as described below. This unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report as set forth in Appendix I to this prospectus.

	Audited combined net tangible assets attributable to equity holders of our Company as at 31 July 2011	**Add: Estimated net proceeds received by our Company from the Global Offering**	**Unaudited pro forma adjusted net tangible assets attributable to equity holders of our Company**	**Unaudited pro forma adjusted combined net tangible assets per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Notes 3 and 4)*
Based on the Offer Price of HK$0.88 per Offer Share	78,405	188,731	267,136	0.27

Notes:

1. The audited combined net tangible assets attributable to equity holders of our Company as at 31 July 2011 is based on the audited combined net assets extracted from the Accountant's Report set out in Appendix I in this prospectus.

2. The estimated net proceeds from the Global Offering are based on the Offer Price of HK$0.88 per Share after deduction of the underwriting fees and other related expenses payable by our Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment

Option. We may pay to the Sole Global Coordinator (for itself and on behalf of the Underwriters) a discretionary incentive fee of up to 2.2% of the amount equal to the Offer Price multiplied by the total number of Offer Shares under the Global Offering (excluding additional Shares issued pursuant to the Over-allotment Option). The unaudited pro forma adjusted net tangible assets and the unaudited pro forma adjusted net tangible assets per Share would be reduced if we decide to pay such incentive fee.

3. The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in Note 2 above and on the basis that 1,000,000,000 Shares were in issue assuming that the Global Offering has been completed on 31 July 2011 but takes no account of any Shares which may be issued upon the exercise of the share options granted under the Share Option Scheme and the Over-allotment Option.

4. In November 2011, certain companies now comprising the Group declared special interim dividends of totaling HK$88.5 million to our shareholders. The unaudited pro forma adjusted net tangible assets attributable to equity holders of our Company and the unaudited pro forma adjusted net tangible assets per Share as presented above have not taken into account of these special interim dividends. Had the special interim dividends been taken into account for, the unaudited pro forma adjusted net tangible assets per Share would be HK$0.18. We may pay to the Sole Global Coordinator (for itself and on behalf of the Underwriters) a discretionary incentive fee of up to 2.2% of the amount equal to the Offer Price multiplied by the total number of Offer Shares under the Global Offering (excluding additional Shares issued pursuant to the Over-allotment Option). The unaudited pro forma adjusted net tangible assets per Share would be reduced if we decide to pay such incentive fee.

5. No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to 31 July 2011.

(XIV) NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in the financial or trading position since 31 July 2011, being the date of the latest audited combined financial statements set forth in Appendix I to this prospectus.

(XV) NO SIGNIFICANT INTERRUPTIONS

Our Directors confirm that there have been no interruptions in our Group's business that may have a significant effect on our business, operation and financial performance in the last 12 months.

(XVI) PROPERTY INTERESTS

As at 31 July 2011, our property interests carried no commercial value. Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has valued interests of our properties as at 31 October 2011 at no commercial value. The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are set out in Appendix III to this prospectus.