

# Fameglow Holdings Limited

## 亮晴控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8603

## Share Offer

Sole Sponsor



Sole Bookrunner



Joint Lead Managers



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## IMPORTANT

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

# Fameglow Holdings Limited 亮晴控股有限公司

(Incorporated in the Cayman Islands with limited liability)

## LISTING ON GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares	:	200,000,000 Shares
Number of Public Offer Shares	:	20,000,000 Shares (subject to reallocation)
Number of Placing Shares	:	180,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option)
Offer Price	:	Not more than HK\$0.44 per Offer Share (payable in full in Hong Kong dollars on application plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% and subject to refund) and expected to be not less than HK\$0.28 per Offer Share
Nominal value	:	HK\$0.01 per Share
Stock code	:	8603

Sole Sponsor



Sole Bookrunner



Joint Lead Managers



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

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

The Offer Price is expected to be determined by agreement between our Company, Sorrento Securities and Innovax Securities on the Price Determination Date, which is scheduled on or about Thursday, 4 October 2018, or such later date as may be agreed between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters). The Offer Price will be not more than HK\$0.44 per Offer Share and is currently expected to be not less than HK\$0.28 per Offer Share unless otherwise announced. The Sole Bookrunner (for itself and on behalf of the Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range and/or the number of Offer Shares stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. If this occurs, notice of reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.fameglow.com](http://www.fameglow.com).

If, for any reason, the Offer Price is not agreed between our Company, Sorrento Securities and Innovax Securities on or before Thursday, 11 October 2018 (or such other time as our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) may agree), the Share Offer will not proceed and will lapse.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered, sold, pledged, or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. securities law. Prior to making any investment decision, prospective investors should consider carefully all the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Share Offer should note that the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement are subject to termination by the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) upon occurrence of any of the events set out in the section headed "Underwriting – Underwriting arrangements and expenses – Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

Should the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) terminate the Public Offer Underwriting Agreement, the Share Offer will not proceed and will lapse. Further details of these termination provisions are set out in the section headed "Underwriting" in this prospectus. It is important that prospective investors refer to that section for further details.

28 September 2018

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## CHARACTERISTICS OF GEM

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GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange.

Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcement and Gazette newspaper. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) in order to obtain up-to-date information on companies listed on GEM.

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## EXPECTED TIMETABLE

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If there is any change in the following expected timetable of the Share Offer, we will issue an announcement in Hong Kong to be posted on the website of our Company at [www.fameglow.com](http://www.fameglow.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

2018

Public Offer commences and **WHITE** and **YELLOW**

Application Forms available from . . . . . 9:00 a.m. on Friday,  
28 September

Latest time for completing electronic applications under **HK eIPO White Form**

services through the designated website [www.hkeipo.hk](http://www.hkeipo.hk) <sup>(Note 2)</sup> . . . . . 11:30 a.m. on Thursday,  
4 October

Application lists for Public Offer open <sup>(Note 3)</sup> . . . . .

11:45 a.m. on Thursday,  
4 October

Latest time for lodging **WHITE** and **YELLOW** Application Forms . . . . . 12:00 noon on Thursday,  
4 October

Latest time to give **electronic application instructions** to HKSCC <sup>(Note 4)</sup> . . . . . 12:00 noon on Thursday,  
4 October

Latest time for completing payment of **HK eIPO White Form** applications

by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . . 12:00 noon on Thursday,  
4 October

Application lists for Public Offer close <sup>(Note 3)</sup> . . . . .

12:00 noon on Thursday,  
4 October

Expected Price Determination Date on or before <sup>(Note 5)</sup> . . . . . Thursday, 4 October

Announcement of the final Offer Price, indication of the levels of interest in the Placing, the levels of applications of the Public Offer, the basis of allotment and the results of applications in the Public Offer to be published in our Company's website at [www.fameglow.com](http://www.fameglow.com)

and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on or before . . . . . Friday, 12 October

Announcement of results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our Company's website at [www.fameglow.com](http://www.fameglow.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk)

(for further details, please see the section headed "How to Apply for the Public Offer Shares – 11. Publication of results") on or before . . . . . Friday, 12 October

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## EXPECTED TIMETABLE

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2018

Results of allocations in the Public Offer will be available  
at **www.tricor.com.hk/ipo/result** with a “search by  
ID/Business Registration Number” function on . . . . . Friday, 12 October

Despatch/collection of refund cheques or **HK eIPO White Form** e-Auto Refund  
payment instructions in respect of wholly or partially unsuccessful  
applications and wholly or partially successful applications in case  
the final Offer Price is less than the maximum Offer Price paid for  
the applications pursuant to the Public Offer on or before <sup>(Notes 7 to 10)</sup> . . . . . Friday, 12 October

Despatch/collection of Share certificates or deposit of the Share certificates  
into CCASS in respect of wholly or partially successful applications pursuant  
to the Public Offer on or about <sup>(Notes 6 to 9)</sup> . . . . . Friday, 12 October

Dealings in Shares on GEM expected to commence at 9:00 a.m. on. . . . . Monday, 15 October

*Notes:*

1. All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.
2. You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 4 October 2018, the application lists will not open on that day. For further details, please see the section headed “How to Apply for the Public Offer Shares – 10. Effect of bad weather on the opening of the application lists” in this prospectus.
4. Applicants who apply for the Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for the Public Offer Shares – 6. Applying by giving **electronic application instructions** to HKSCC via CCASS” in this prospectus.
5. The Price Determination Date is expected to be on or about Thursday, 4 October 2018. If, for any reason, the Offer Price is not agreed on or before Thursday, 11 October 2018 between our Company, Sorrento Securities and Innovax Securities, the Share Offer will not proceed and will lapse accordingly.
6. Share certificates for the Public Offer Shares are expected to be issued on or before Friday, 12 October 2018 but will only become valid certificates of title at 8:00 a.m. on Monday, 15 October 2018 provided that (a) the Share Offer has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.
7. Applicants who have applied on **WHITE** Application Form(s) or through **HK eIPO White Form** for 1,000,000 Public Offer Shares or more and have provided all information required on their Application Forms or application instructions may collect their refund cheques (where relevant) and/or Share certificates (where relevant) personally from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited from 9:00 a.m. to 1:00 p.m. on Friday, 12 October 2018 or any other day as announced by us as the date of despatch of Share certificates/refund cheques. Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which are eligible for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

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## EXPECTED TIMETABLE

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8. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Public Offer Shares or more and have provided all information required on their Application Forms may collect their refund cheques, if any, in person but may not collect their Share certificates personally which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.
9. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the section headed "How to Apply for the Public Offer Shares – 14. Despatch/collection of Share certificates and refund monies" in this prospectus.
10. Refund cheques or e-Auto Refund payment instructions will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK\$0.44 per Offer Share. Notwithstanding that the Offer Price may be less than the maximum Offer Price of HK\$0.44 per Offer Share, applicants must pay the maximum Offer Price of HK\$0.44 per Offer Share at the time of application, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, but will be refunded the surplus application monies, without interest, as provided in the section headed "How to Apply for the Public Offer Shares" in this prospectus. If you apply through the **HK eIPO White Form** services by paying the application monies through a single bank account, you may have e-Auto Refund payment instructions (if any) despatched to your application payment bank account. If you apply through the **HK eIPO White Form** services by paying the application monies through multiple bank accounts, you may have refund cheque(s) sent to the address specified in your application instructions to the designated website ([www.hkeipo.hk](http://www.hkeipo.hk)) by ordinary post and at your own risk. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque.
11. Share certificates will only become valid certificates of title provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

For further details of the structure and conditions of the Share Offer, you should refer to the section headed "Structure and Conditions of the Share Offer" in this prospectus.

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### IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives or any other person involved in the Share Offer.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

We are a medical aesthetic service provider in Hong Kong and operate two medical aesthetic centres in prime locations of Causeway Bay and Tsim Sha Tsui under our brand “per Face” providing non-surgical medical aesthetic services. We started using the brand “per Face” when we set up the CWB Centre in September 2010. We also have a retail shop in the same commercial complex of each of our medical aesthetic centres selling skincare products and two retail and beauty counters in an upmarket department store in Central selling skincare products and providing nail and lash services, which complemented our core business of the provision of non-surgical medical aesthetic services to our clients.

We strive to provide holistic treatment solutions to our clients through our non-surgical medical aesthetic services, traditional beauty services and sale of skincare products to help our clients maintain and enhance their skin conditions and physical appearance. Our non-surgical medical aesthetic services can generally be categorised as (i) energy-based procedures and (ii) minimally invasive procedures. As at the Latest Practicable Date, we engaged (i) four consultant Doctors with on average 10 years of practising experience in the medical aesthetic service industry; and (ii) 21 trained therapists with on average eight years of experience in the medical aesthetic service industry and over 85% of these trained therapists had also obtained at least a Level 3 Statement of Attainment under the RPL and/or an ITEC Level 2 Diploma for Beauty Specialists, to provide treatment services to our client. See “Business – Our professional team – Trained therapists” in this prospectus for further details of these qualifications.

Our history can be traced back to 2008 when Mr. Yip and Ms. Fu set up our first medical aesthetic centre in July 2008, which was relocated to World Trade Centre in September 2010 and became the CWB Centre. In December 2013, Mr. Yip and Ms. Fu acquired Worldwide Beauty and took over the operations of the TST Centre. Information of our medical aesthetic centres is set out as follows:

	<b>CWB Centre</b>	<b>TST Centre</b>
Location	World Trade Centre, Causeway Bay	iSQUARE, Tsim Sha Tsui
Year of commencement of operation	2010	2013
GFA (sq. ft.)	Approx. 6,900	Approx. 4,680
Number of treatment rooms	32	15
Types of services/products offered	Non-surgical medical aesthetic services, traditional beauty services and skincare products	Non-surgical medical aesthetic services, traditional beauty services and skincare products
Expiry date of tenure	25 July 2020	18 July 2020

## SUMMARY

We view our Retail/Service Outlets as the “shop fronts” to our medical aesthetic centres which facilitate us to promote our brand and expand our client base by cross-selling our medical aesthetic services to retail customers. Information of our Retail/Service Outlets is set out as follows:

	CWB Shop	HN Counters	TST Shop
Location	World Trade Centre, Causeway Bay	(i) Counter HL-108, 1st Floor; and (ii) Counter HL-211, 2nd Floor, Harvey Nichols, Landmark, Central	iSQUARE, Tsim Sha Tsui
Year of commencement of operation	2016	2016	2018
GFA (sq. ft.)	Approx. 140	(i) Approx. 300 (ii) Approx. 250	Approx. 102
Types of services/products offered	Skincare products	Traditional beauty services and skincare products	Skincare products
Expiry date of tenure	13 November 2018 ( <i>Note</i> )	20 September 2018 (Expired) ( <i>Note</i> )	26 April 2019

*Note:* As at the Latest Practicable Date, we had not received any indication from the landlord of our CWB Shop or licensor of our HN Counters that they may not renew our lease or licences or that there will be a substantial increase in rental or licence fees which are not in line with market rates when the lease or licences are subject to renewal. We also have not experienced any material dispute with such landlord or licensor during the Track Record Period and up to the Latest Practicable Date. As such, our Directors expect that there will be no material difficulty for us to renew such lease or licences, even though we had not commenced any formal renewal discussions with the relevant landlord or licensor as at the Latest Practicable Date due to the busy schedules of such landlord and licensor (whose authorised representatives had verbally indicated to us that we could stay in the CWB Shop/HN Counters until they have reached a formal renewal agreement with us).

All high risk treatment procedures, namely certain energy-based procedures (such as Thermage eye treatment) and all minimal invasive procedures (such as injection of botulinum toxin type A and dermal fillers), which are non-surgical medical aesthetic services specified under the relevant laws and regulations or perceived by our executive Directors, in consultation with our Doctors, as being high risk, must be carried out by our Doctors pursuant to our generally adopted practice.

Generally, all low risk treatment procedures (mainly energy-based treatment procedures involving the use of laser, radiofrequency, ultrasound, iontophoresis and cryolipolysis) and all traditional beauty services are performed by our trained therapists. We require all our newly recruited therapists to undergo a mandatory induction training program (formulated by our Doctors and Trainers and consisting of both theoretical and practical trainings) and pass our internal assessments set by our Doctors before they can start performing treatments for our clients.

As at the Latest Practicable Date, we had 89 treatment devices for performing various treatment procedures. All treatment devices deployed by us have been critically evaluated and assessed by our executive Directors, in consultation with our Doctors, to ensure they are safe and capable of producing the desired results for our clients.

To complement our non-surgical medical aesthetic services, we also offer a range of traditional beauty services and branded skincare products to our clients. Our traditional beauty services include facials as well as nail and lash services. As at the Latest Practicable Date, we offered products from seven skincare brands.

The following table sets out a breakdown of the total number of treatments (including both non-surgical medical aesthetic services and traditional beauty services), our revenue from treatment services and average spending per treatment for the years indicated:

	Year ended 31 March	
	2017	2018
Total revenue from treatment services ( <i>HK\$'000</i> )	60,898	84,385
Number of active clients	4,367	5,021
Average annual spending per active client for treatment services ( <i>HK\$</i> )	13,945	16,806
Number of treatment sessions conducted	59,317	60,333
Average spending per treatment session ( <i>HK\$</i> )	1,027	1,399

## SUMMARY

The following table sets out a breakdown by our medical aesthetic centres of the number of treatments, our revenue from treatment services and average spending per treatment for the years indicated:

	Year ended 31 March			
	2017		2018	
	CWB Centre	TST Centre	CWB Centre	TST Centre
Revenue from treatment services ( <i>HK\$'000</i> )	39,372	20,108	54,173	29,624
Number of active clients	2,242	1,383	2,931	1,658
Average spending per active client ( <i>HK\$</i> )	17,561	14,540	18,483	17,867
Number of treatment sessions conducted	37,362	16,454	38,919	19,128
Average spending per treatment session ( <i>HK\$</i> )	1,054	1,222	1,392	1,549

For the two years ended 31 March 2018, the average annual spending of our active client on non-surgical medical aesthetic services was approximately HK\$15,513.8 and HK\$18,346.1, respectively, which was approximately doubled the actual and estimated industry average annual spending per active client on medical aesthetic services of HK\$7,271.7 and HK\$8,310.7 for calendar years 2017 and 2018, respectively, as indicated in the Frost & Sullivan Report.

The price of our non-surgical medical aesthetic services is determined principally with reference to a number of factors, including (i) duration of treatment performed and size of treatment area with consideration to our cost structure, including the costs of the treatment devices, treatment consumables, rental and staff costs; (ii) whether the treatment is performed by our Doctors or trained therapists; and (iii) market reference price by comparing with several selected major industry players. A majority of our clients purchase prepaid package treatments rather than one-off treatments and the package price is normally offered at a discount to the one-off treatment price for clients who purchase multiple sessions of the same treatment at the same time. For skin care products, pricing is determined on a cost-plus basis. Please refer to the paragraphs headed “Our Services” and “Our Products” in the section headed “Business” of this prospectus for details.

The following table sets out the revenue contribution from and the utilisation rates of our medical aesthetic centres during the Track Record Period:

	Year ended 31 March					
	2017		2018		Actual utilisation	
	Revenue <i>HK\$'000</i>	%	Actual utilisation %	Revenue <i>HK\$'000</i>	%	Actual utilisation %
CWB Centre	40,196	65.3	55.4	55,983	64.1	59.8
TST Centre	21,401	34.7	67.7	31,299	35.9	65.5
Total/Overall	<u>61,597</u>	<u>100.0</u>	59.3	<u>87,282</u>	<u>100.0</u>	61.6

The following table sets out the revenue contribution from our Retail/Service Outlets during the Track Record Period:

	Year ended 31 March			
	2017		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
First Retail and Beauty Counter ( <i>Note 1</i> )	1,231	73.3	–	–
CWB Shop	158	9.4	769	55.8
HN Counters	290	17.3	608	44.2
TST Shop ( <i>Note 2</i> )	–	–	–	–
Total	<u>1,679</u>	<u>100.0</u>	<u>1,377</u>	<u>100.0</u>

Notes:

- As the First Retail and Beauty Counter closed down in January 2017, no revenue was recorded for the year ended 31 March 2018. See the section headed “History, Reorganisation and Group Structure – Overview” of this prospectus for further details on the First Retail and Beauty Counter.
- As the TST Shop was opened in April 2018, no revenue was recorded during the Track Record Period.

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## SUMMARY

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The following table summarises the number, estimated average age and remaining useful life of our treatment devices as at the Latest Practicable Date:

Type of treatment devices	Number of treatment devices	Approximate estimated average age of treatment devices (years)	Approximate estimated remaining useful life of treatment devices (Note) (years)
Laser	37	4.3	2.5
Iontophoresis	27	4.3	1.9
Radiofrequency	11	3.3	2.7
Ultrasound	3	1.3	3.7
Cryolipolysis	2	1.5	3.5
Others	<u>9</u>	5.9	1.1
	Total: <u><u>89</u></u>		

*Note:* The actual length of time that we will use these devices may be different from the estimates due to reasons such as periodic maintenance.

### OUR COMPETITIVE STRENGTHS

We attribute our success to the following competitive strengths: (i) our proven track record and strong brand recognition in the medical aesthetic service industry; (ii) our competent and professional team of Doctors and trained therapists; (iii) our holistic medical aesthetic and beauty solutions offering enhanced client experience which facilitate cross-selling and help to retain clients and expand our client base; (iv) our competent and dedicated management team; (v) our extensive range of treatment procedures complemented by treatment devices with prevailing technologies; and (vi) advanced information technology system facilitating internal control and efficient operations and management. See the section headed “Business – Our competitive strengths” of this prospectus for details.

As indicated in the Frost & Sullivan Report, our Group ranked 13th in the non-surgical medical aesthetic service market in 2017, with a market share of approximately 1.8% in terms of revenue generated from the provision of non-surgical medical aesthetic services. See the section headed “Industry Overview – Competitive landscape of medical aesthetic services market in Hong Kong” of this prospectus for details.

Our competitive strength is reflected in the significant growth of approximately 40.1% in our total revenue from the year ended 31 March 2017 to the year ended 31 March 2018 and the sales achievement awards from our major suppliers. See the section headed “Business – Awards, recognitions and corporate social responsibilities” of this prospectus for details of our sales achievement awards.

### CLIENTS

During the Track Record Period, all our clients were individual retail clients. For the two years ended 31 March 2018, revenue from our five largest clients was approximately HK\$2.0 million and HK\$2.1 million, respectively, representing approximately 3.1% and 2.3% of our revenue for the same periods. All of our five largest clients during the Track Record Period are Independent Third Parties. See the section headed “Business – Clients” of this prospectus for details.

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## SUMMARY

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The following table provides information on our active, repeat and new clients and the client referral rates during the Track Record Period:

	Year ended 31 March	
	2017	2018
Number of active clients	4,367	5,021
Number of repeat clients	3,346	4,011
Percentage of repeat clients amongst active clients	76.6%	79.9%
Number of new clients	1,021	1,010
Number of new clients being referred	394	397
Referral rate	38.6%	39.3%

### OUR SUPPLIERS

Our major suppliers during the Track Record Period are mainly distributors and trading companies engaged by pharmaceutical companies, treatment device manufacturers and branded skincare labels. For the two years ended 31 March 2018, the aggregate purchases from our five largest suppliers amounted to approximately HK\$3.1 million and HK\$4.9 million, respectively, representing approximately 56.3% and 61.1% of our respective total purchases. During the same periods, the purchases from our largest supplier amounted to approximately HK\$0.8 million and HK\$1.1 million, respectively, accounting for approximately 14.3% and 13.9% of our total purchases, respectively. Save for Prestigious Holdings Limited, one of our five largest suppliers during the Track Record Period, the entire shareholding of which had been disposed of by our Controlling Shareholders in June 2016, none of our Directors, their close associates or any Shareholder (which to the knowledge of our Directors owns more than 5% of our share capital) had any interest in any of our five largest suppliers during the Track Record Period. See the section headed “Business – Our suppliers, procurement and inventory management” of this prospectus for details.

### SALES AND MARKETING

Over 38% of our new clients are introduced to us through client referrals during the Track Record Period. During the Track Record Period, we implemented various marketing strategies to promote our medical aesthetic centres, such as members referral programme, offering trial price for new clients, online marketing and promotional gift giveaways. See the section headed “Business – Sales and marketing” of this prospectus for details.

### OUR BUSINESS STRATEGIES

The business strategies that we intend to implement are to (i) open three New Medical Aesthetic Centres in Hong Kong; (ii) acquire new treatment devices and treatment consumables to extend the spectrum of our treatment services offered in our current medical aesthetic centres; (iii) renovate our CWB Centre and TST Centre; (iv) actively promote our brand; (v) upgrade our business management system; and (vi) continue to attract and retain experienced personnel through training and professional development. See the section headed “Business – Our business strategies” of this prospectus for details.

### HIGHLIGHTS OF RISK FACTORS

We believe there are certain risks involved in an investment in the Shares. See the section headed “Risk Factors” of this prospectus for further details of the risks we are exposed to. Some of the risks which are considered to be material by our Directors include: (i) any failure to maintain our reputation may materially and adversely affect our results of operations and prospects; (ii) our Doctors, trained therapists and sale consultants may be subject to investigations, claims or legal proceedings relating to professional misconduct or negligence, which may subject us to substantial liabilities and harm our reputation; (iii) we may be unable to retain the services of our existing Doctors or attract suitable registered medical practitioners to join our Group; (iv) our medical aesthetic services are subject to certain health risks which may subject us to claims and negative media press; and (v) we derive all of our revenue from Hong Kong and any adverse economic, social or political conditions in Hong Kong or any outbreak of contagious diseases or occurrence of force majeure events or natural disasters in Hong Kong may negatively affect our business performance and financial condition.

## SUMMARY

### OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option and upon the exercise of any options which may be granted under the Share Option Scheme), Mr. Yip and Ms. Fu will through Equal Joy control 75% of our Shares in issue. Mr. Yip, Ms. Fu and Equal Joy together are a group of Controlling Shareholders of our Company. See the section headed “Relationship with Our Controlling Shareholders” of this prospectus for details.

### SUMMARY OF FINANCIAL INFORMATION

#### Highlight of combined statements of profit or loss and other comprehensive income

	Year ended 31 March	
	2017	2018
	HK\$'000	HK\$'000
Revenue	63,276	88,659
Profit before taxation	15,953	19,395
Profit and total comprehensive income for the year	13,599	15,849

We recorded an increase in total revenue by approximately 40.1%, from approximately HK\$63.3 million for the year ended 31 March 2017 to approximately HK\$88.7 million for the year ended 31 March 2018. We also recorded an increase in net profit by approximately 16.5%, from approximately HK\$13.6 million for the year ended 31 March 2017 to approximately HK\$15.8 million for the year ended 31 March 2018, mainly due to our acquisition of prevailing treatment devices to launch some high-priced energy-based procedures since the last calendar quarter of 2016, which became popular amongst our clients.

#### Revenue

The following table sets out our revenue by service and product offering for the years indicated:

	Year ended 31 March			
	2017		2018	
	HK\$'000	%	HK\$'000	%
Provision of treatment services	60,898	96.2	84,385	95.2
– Non-surgical medical aesthetic services (Note)	55,989	88.4	79,072	89.2
– Traditional beauty services	4,909	7.8	5,313	6.0
Sale of skincare products	1,636	2.6	2,232	2.5
Revenue from expiry of prepaid treatments	742	1.2	2,042	2.3
<b>Total revenue</b>	<b>63,276</b>	<b>100.0</b>	<b>88,659</b>	<b>100.0</b>

*Note:* Non-surgical medical aesthetic services comprise energy-based procedures and minimally invasive procedures. For the two years ended 31 March 2018, revenue from energy-based procedures amounted to approximately HK\$48.3 million and HK\$71.4 million, respectively, representing approximately 76.2% and 80.5% of our total revenue, respectively. Minimally invasive procedures amounted to approximately HK\$7.7 million and HK\$7.7 million, respectively, representing approximately 12.2% and 8.7% of our total revenue, respectively, for the two years ended 31 March 2018.

The following table sets out a breakdown of the total number of treatments and our revenue from treatment services by treatment handler for the years indicated:

	Year ended 31 March							
	2017				2018			
	Number of treatments		Revenue from treatment services HK\$'000		Number of treatments		Revenue from treatment services HK\$'000	
		%		%		%		%
Doctors	2,260	3.8	13,598	22.3	2,282	3.8	12,561	14.9
Trained therapists	57,057	96.2	47,300	77.7	58,051	96.2	71,824	85.1
<b>Total</b>	<b>59,317</b>	<b>100.0</b>	<b>60,898</b>	<b>100.0</b>	<b>60,333</b>	<b>100.0</b>	<b>84,385</b>	<b>100.0</b>

## SUMMARY

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

	Year ended 31 March	
	2017	2018
	HK\$'000	HK\$'000
Staff costs	23,288	31,100
Rental and related expenses	10,579	10,527
Cost of inventories and consumables	4,563	7,447
Depreciation	2,141	3,089
Consultancy fee for Doctors	1,588	4,727
Marketing and promotion	1,347	5,584

Staff costs represented the largest portion of our operating costs during the Track Record Period. Our staff costs amounted to approximately HK\$23.3 million and HK\$31.1 million for the two years ended 31 March 2018, respectively, representing approximately 36.8% and 35.1% of our total revenue for the respective years.

See “Financial Information – Description of components of combined statements of profit or loss and other comprehensive income” in this prospectus for further details of revenue breakdown.

### Highlight of our combined statements of financial position

	As at 31 March	
	2017	2018
	HK\$'000	HK\$'000
Non-current assets	27,953	63,318
Current assets	82,734	51,919
Non-current liabilities	806	1,745
Current liabilities	90,862	91,624
Net current liabilities	8,128	39,705
Total equity	19,019	21,868

We recorded net current liabilities of approximately HK\$8.1 million and HK\$39.7 million as at 31 March 2017 and 31 March 2018, respectively. The net current liabilities position arose mainly from (i) deferred revenue of approximately HK\$54.6 million and HK\$62.8 million being classified as current liabilities as at 31 March 2017 and 2018, respectively; (ii) the long-term bank borrowings (with maturity dates over one year) amounting to approximately HK\$22.7 million and HK\$18.6 million being classified as current liabilities as at 31 March 2017 and 2018, respectively, due to the overriding right of demand clause in the facility agreements of such bank borrowings; and (iii) cash outflows in connection with the acquisition of our Headquarters in November 2017 in the aggregate amount of HK\$28.5 million by way of cash.

### Deferred revenue

Our deferred revenue represents receipts from the sales of prepaid packages at the point of sales. The balance of deferred revenue will either be recognised as revenue in the combined statements of profit or loss when treatments are performed for our clients from time to time, or recognised as forfeited revenue upon expiry of the validity periods of the prepaid packages. For the two years ended 31 March 2018, increase in our net cash from operating activities due to increase in deferred revenue amounted to approximately HK\$13.2 million and HK\$8.2 million, respectively. The following table sets out an ageing analysis of our deferred revenue, based on invoice date of the relevant prepaid package:

	As at year ended 31 March			
	2017		2018	
	HK\$'000	%	HK\$'000	%
Within 6 months	24,250	44.4	26,468	42.1
7 to 12 months	11,417	20.9	12,096	19.3
13 to 18 months	7,609	13.9	8,522	13.6
19 to 24 months	4,852	8.9	5,488	8.7
25 to 30 months	4,485	8.2	4,354	6.9
More than 30 months	2,027	3.7	5,884	9.4
Total deferred revenue	<u>54,640</u>	<u>100.0</u>	<u>62,812</u>	<u>100.0</u>

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## SUMMARY

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The ageing analysis illustrates the length of time that the relevant deferred revenue has been recorded in the combined statements of financial position since its initial recognition. As at 31 March 2017 and 31 March 2018, approximately 11.9% and 16.3% of our deferred revenue aged over 24 months, respectively. Deferred revenue that aged over 24 months was attributable to those prepaid packages that had been extended as part of our client service for clients with good spending history with us or at our discretion taking into account certain client specific reasons, such as the client will leave Hong Kong temporarily and pregnancy. See the section headed “Business – Prepaid packages – Expiry, extension and refund” of this prospectus for details.

### Highlight of our combined statements of cash flows

The following table summarises our combined statements of cash flows for the respective years indicated:

	As at 31 March	
	2017	2018
	HK\$'000	HK\$'000
Operating cash flows before movements in working capital	18,122	22,400
Net cash from operating activities	27,123	20,114
Net cash (used in) from investing activities	(11,266)	21,552
Cash used in financing activities	(8,997)	(21,536)
Net increase in cash and cash equivalents	6,860	20,130
Cash and cash equivalents	9,740	29,870

Our sources of cash inflow from operating activities mainly include the receipts of payment for our prepaid packages. Our cash outflow from operations is principally for salary payments, rental payments, purchases of inventories and the payments of other operating costs.

### Key financial ratios

	Year ended 31 March	
	2017	2018
Net profit margin	21.5%	17.9%
Current ratio	0.9 times	0.6 times
Quick ratio	0.9 times	0.5 times
Return on equity	71.5%	72.5%
Return on total assets	12.3%	13.8%
Fixed charge coverage ratio ( <i>Note</i> )	2.4 times	2.7 times
Net debt to equity	98.3%	Nil
Gearing ratio	149.5%	106.5%

*Note:*

Fixed charge coverage ratio equals to profit before fixed charge (interest and rental and related expense) and taxation for the year divided by fixed charge of the same year.

See the section headed “Financial Information – Key financial ratios” of this prospectus for details.

### HISTORICAL NON-COMPLIANCE INCIDENT

During the Track Record Period, the use of our Headquarters was in breach of (i) the land use restriction set out in the government leases; (ii) the user restriction set out in the occupation permit; and (iii) the deed of mutual covenant. See the section head “Business – Legal proceedings and compliance – Legal compliance” for further details.

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## SUMMARY

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### RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

In April 2018, our TST Shop (which raised our brand awareness) and our Training Centre (which created a steady supply of trained therapists for us) were officially opened. Our Directors confirmed that since 1 April 2018 and up to the Latest Practicable Date, our business model, revenue structure, financial performance, profitability and cost structure remain unchanged. Subsequent to the Track Record Period and up to the Latest Practicable Date, our cash inflow from sales of prepaid packages of our treatment services and the number of our new clients were approximately HK\$35.4 million and 396, respectively. Based on the unaudited financial information of our Group, for the four months ended 31 July 2018, our revenue and net profit (excluding non-recurring Listing expenses) remained stable as compared to the corresponding period in 2017. However, our Group was loss-making for the four months ended 31 July 2018 due to the recognition of the non-recurring Listing expenses. As at 31 July 2018, our deferred revenue was approximately HK\$64.2 million which remained relatively stable as compared to 31 March 2018.

Our Directors also confirmed that save for the estimated non-recurring Listing expenses as disclosed in the paragraph headed “Listing expenses” in this section below, since 1 April 2018 and up to the date of this prospectus, (i) there was no material adverse change in the market conditions and the industry and regulatory environment in which our Group operates that affects our financial or operating position materially and adversely; (ii) there was no material adverse change in the business model, revenue structure, financial performance, profitability, cost structure, financial or trading position and prospects of our Group; and (iii) no event had occurred that would affect the information shown in the Accountants’ Report in Appendix I to this prospectus materially and adversely. As a result of the estimated non-recurring Listing expenses, our Group is expected to record a net loss in the year ending 31 March 2019. Even if we disregard the estimated non-recurring Listing expenses, we expect a decline in forecasted profit for the year ended 31 March 2019 mainly due to (i) increase in depreciation as a result of the full year effect of depreciation of our treatment devices which were acquired in the second half of the year ended 31 March 2018; (ii) increase in depreciation of our Headquarters and its leasehold improvement, furniture and fixture which were acquired in November 2017; (iii) additional depreciation resulting from renovation and acquisition of treatment devices to be incurred for the First New Medical Aesthetic Centre; and (iv) additional operating expenses to be incurred for the First New Medical Aesthetic Centre.

As at the Latest Practicable Date, the Private Healthcare Facilities Bill and the Consumer Council of Hong Kong’s proposal to introduce cooling-off period for consumer transactions may affect the operations of our medical aesthetic centres and/or Retail/Service Outlets. For details, please refer to the section head “Business – Our services” of this prospectus.

### LISTING EXPENSES

Based on the Offer Price of HK\$0.36 per Offer Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus, the estimated total Listing expenses are approximately HK\$22.0 million, of which (i) approximately HK\$6.8 million is directly attributable to the issue of Offer Shares in the Listing and will be accounted for as a deduction from equity upon Listing; and (ii) approximately HK\$15.2 million is chargeable as expenses to our profit and loss account. Out of this amount, approximately HK\$1.2 million had been charged to our profit and loss account for the year ended 31 March 2018. The remaining amount of approximately HK\$14.0 million is expected to be charged to our profit and loss account for the year ending 31 March 2019. The actual amounts to be recognised to our profit and loss account or to be capitalised are subject to adjustments based on audit and changes in variables and assumptions.

### REASONS FOR THE LISTING AND THE SHARE OFFER

Our vision is to leverage on our successful track record to capture the opportunities arising from the expected growth in the medical aesthetic service industry in Hong Kong as highlighted in the Frost & Sullivan Report to develop our medical aesthetic centres into a chain of centres providing professional, effective and reliable medical aesthetic services in Hong Kong. Our Directors believe that the Listing will allow us to gain access to different fund raising means to implement our expansion plan. Furthermore, we believe that a public listing status on GEM will enhance our corporate profile and recognition, which will assist our future business development and strengthen our competitiveness. See the section headed “Future Plans and Use of Proceeds – Reasons for the Listing and the Share Offer” of this prospectus for further details.

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## SUMMARY

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Based on the Offer Price of HK\$0.36 per Offer Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus, the net proceeds of the Share Offer, after deduction of underwriting fees and other expenses payable by our Company in relation to the Share Offer, are estimated to be approximately HK\$50.0 million. Our Company currently intends to use the net proceeds from the Share Offer to implement our Group's strategies as follows:

- Approximately HK\$31.7 million, representing approximately 63.4% of the net proceeds from the Share Offer, will be used to fund the capital expenditure and initial operating costs for the establishment of three New Medical Aesthetic Centres.
- Approximately HK\$4.8 million, representing approximately 9.6% of the net proceeds from the Share Offer, will be used for the purchase of eight prevailing treatment devices (comprising five ultrasound devices, two laser devices and one radiofrequency device) and treatment consumables to extend the spectrum of the treatment services offered in our current medical aesthetic centres.
- Approximately HK\$4.0 million, representing approximately 8.0% of the net proceeds from the Share Offer, will be used for the renovation of our CWB Centre and TST Centre.
- Approximately HK\$4.0 million, representing approximately 8.0% of the net proceeds from the Share Offer, will be used for active promotion of our brand.
- Approximately HK\$1.0 million, representing approximately 2.0% of the net proceeds from the Share Offer, will be used to upgrade our business management system.
- Approximately HK\$4.5 million, representing approximately 9.0% of the net proceeds from the Share Offer, will be used as additional working capital and for other general corporate purposes.

See the section headed "Future Plans and Use of Proceeds – Use of proceeds" for further details.

### SHARE OFFER STATISTICS

	<b>Based on the Offer Price of HK\$0.28 per Offer Share</b>	<b>Based on the Offer Price of HK\$0.44 per Offer Share</b>
Market capitalisation ( <i>Note 1</i> )	HK\$224,000,000	HK\$352,000,000
Unaudited pro forma adjusted combined net tangible assets attributable to owners of our Company per Share ( <i>Note 2</i> )	HK\$0.07	HK\$0.11

*Notes:*

1. The calculation of market capitalisation of the Shares is based on the indicative Offer Price range from HK\$0.28 to HK\$0.44 per Offer Share and a total of 800,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue.
2. See the paragraph headed "Statement of unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company" in Appendix II to this prospectus for details regarding the assumptions and calculation basis used.

### DIVIDEND

For the year ended 31 March 2018, Dermaglow declared and paid dividends of HK\$4.0 million to its then shareholders. For the year ended 31 March 2018, Worldwide Beauty declared and paid dividends of HK\$9.0 million to its then shareholders.

Under the Companies Law and our Articles, dividends may be paid out of the profits of our Company, or subject to solvency of our Company, out of sums standing to the credit of our share premium account. However, no dividend shall exceed the amount recommended by our Directors. We currently do not have a formal dividend policy or a fixed dividend distribution ratio.

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## DEFINITIONS

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

“Accountants’ Report”	the accountants’ report of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus
“Application Form(s)”	<b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) and <b>GREEN</b> Application Form(s) or, where the context so requires, any of them to be used in connection with the Public Offer
“Articles” or “Articles of Association”	the articles of association of our Company, conditionally adopted on 21 September 2018 to become effective upon the Listing Date, and as amended, supplemented and/or otherwise modified from time to time, a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Authorised Person”	Mr. Lee Hoi Tat Nathan of Ample Surveyor Services Limited, an authorised person whose name is on the authorised persons’ register kept under section 3 of the Buildings Ordinance
“Board”	our board of Directors
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time
“business day”	a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for normal business to the public
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of 599,999,900 Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed “Further information about our Company and our subsidiaries – 3. Resolutions in writing of the sole Shareholder passed on 21 September 2018” in Appendix V to this prospectus
“Cayman Islands Companies Law” or “Companies Law”	the Companies Law Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended, supplemented and/or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

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## DEFINITIONS

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“CCASS Clearing Participant(s)”	person(s) admitted to participate in CCASS as direct clearing participant(s) or general clearing participant(s)
“CCASS Custodian Participant(s)”	person(s) admitted to participate in CCASS as custodian participant(s)
“CCASS Investor Participant(s)”	person(s) admitted to participate in CCASS as investor participant(s) who may be an individual or joint individuals or corporation(s)
“CCASS Operational Procedures”	the operational procedures of the HKSCC in relation to CCASS, containing the practices, procedures and administrative requirement relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant(s)”	CCASS Clearing Participant(s), CCASS Custodian Participant(s) or CCASS Investor Participant(s)
“close associate(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time
“Companies Registry”	the Companies Registry of Hong Kong
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time
“Company” or “our Company”	Fameglow Holdings Limited (亮晴控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability under the Cayman Islands Companies Law on 2 March 2018
“connected person(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Controlling Shareholder(s)”	has the same meaning ascribed thereto under the GEM Listing Rules and, in the context of this prospectus, means the controlling shareholders of our Company, namely, Mr. Yip, Ms. Fu and Equal Joy. Mr. Yip, Ms. Fu and Equal Joy together are a group of Controlling Shareholders of our Company
“core connected person(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Counsel Chong”	Mr. Patrick K.C. Chong, Barrister-at-law in Hong Kong, legal adviser to our Company as to Hong Kong laws in relation to the Listing
“Counsel Hingorani”	Mr. Jeevan Hingorani, Barrister-at-law in Hong Kong, legal adviser to our Company as to Hong Kong laws in relation to the Listing

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## DEFINITIONS

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“CWB Centre”	our medical aesthetic centre situated at Room 3501-03, 35th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong which is operated by our Group
“CWB Shop”	our retail shop situated at Shop No. P117, Podium 1, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong which is operated by our Group
“Deed of Indemnity”	the deed of indemnity dated 21 September 2018 and executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries) containing the indemnities more particularly set out in the paragraph headed “Other information – 14. Tax and other indemnity” in Appendix V to this prospectus
“Deed of Non-Competition”	the deed of non-competition dated 21 September 2018 and executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries) regarding certain non-competition undertakings, a summary of the principal terms is set out in the section headed “Relationship with our Controlling Shareholders – Non-competition undertakings” in this prospectus
“Dermaglow”	Dermaglow Limited, a company incorporated in Hong Kong with limited liability on 28 May 2008 and an indirect wholly-owned subsidiary of our Company on Listing
“Director(s)”	director(s) of our Company
“EPS”	an electronic payment system widely used in Hong Kong
“Equal Joy”	Equal Joy Holdings Limited, a company incorporated in the BVI with limited liability on 2 February 2018 and owned by Mr. Yip as to 50% and Ms. Fu as to 50%, and a Controlling Shareholder. Mr. Yip, Ms. Fu and Equal Joy together are a group of Controlling Shareholders of our Company
“First New Medical Aesthetic Centre”	a new medical aesthetic centre which we plan to open in the central and western district of Hong Kong Island by the end of the first calendar quarter in 2019
“First Retail and Beauty Counter”	our first retail and beauty counter at the Beauty Bazaar Harvey Nichols, located in the upper ground floor of The One Mall, which was operated by our Group and closed in January 2017
“Flourish Capital”	Flourish Capital Holdings Limited, a company incorporated in the BVI with limited liability on 30 November 2017 and a direct wholly-owned subsidiary of our Company on Listing

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## DEFINITIONS

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“Fortune Marvel”	Fortune Marvel Limited, a company incorporated in Hong Kong with limited liability on 19 July 2017 and an indirect wholly-owned subsidiary of our Company on Listing
“Frost & Sullivan”	Frost & Sullivan Limited, a business consulting firm involved in market research, analysis and growth strategy consulting and also an Independent Third Party
“Frost & Sullivan Report”	the industry report prepared by Frost & Sullivan, which was commissioned by us in relation to the medical aesthetic market in Hong Kong
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange, as amended, supplemented and/or otherwise modified from time to time
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended, supplemented and/or otherwise modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Greater China”	the PRC, Hong Kong, Macau and the Taiwan Province
“ <b>GREEN</b> Application Form(s)”	the application form(s) to be completed by <b>HK eIPO White Form</b> Service Provider
“Group”, “our Group”, “we”, “us” or “our”	our Company and our subsidiaries or any of them, or where the context so requires, in respect of the period before our Company becoming the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time or the businesses which have since been acquired or carried on by them or as the case may be, their predecessors
“Headquarters”	our headquarters situated at Unit 304, Global Gateway Tower, 63 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong
“ <b>HK eIPO White Form</b> ”	the application for issue of Public Offer Shares in the applicant’s own name by submitting applications online through the designated website at <b>www.hkeipo.hk</b>
“ <b>HK eIPO White Form</b> Service Provider”	the <b>HK eIPO White Form</b> service provider designated by our Company, as specified on the designated website at <b>www.hkeipo.hk</b>
“HKFRS”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited

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## DEFINITIONS

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“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HN Counters”	our retail and beauty counters situated at Counter HL-108 on 1st Floor and Counter HL-211 on 2nd Floor, Harvey Nichols, Landmark, Central, Hong Kong which are operated by our Group
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, our Hong Kong branch share registrar and transfer office
“Hong Kong Doctors Union”	Hong Kong Doctors Union, the only trade union specially designed for all registered medical practitioners in Hong Kong, whether working as employee or self-employed, safeguarding the welfare and rights of registered medical practitioners and to cater for, among others, their recreation, continuous education and development as well as to search for a master medical malpractice protection plan to cover its members
“Hong Kong dollar(s)” or “HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong Medical Code of Professional Conduct”	the Code of Professional Conduct issued by the Hong Kong Medical Council
“Hong Kong Medical Council”	the Medical Council of Hong Kong established under section 3 of the Medical Registration Ordinance (Chapter 161 of the Laws of Hong Kong)
“Independent Third Party(ies)”	a person(s) or company(ies) who or which is/are independent of and not connected (within the meaning of the GEM Listing Rules) with any of our Directors, chief executive or substantial Shareholders of our Company or our subsidiaries or any of their respective associates
“Innovax Securities”	Innovax Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO, being one of the Joint Lead Managers
“Joint Lead Managers”	Sorrento Securities and Innovax Securities
“Latest Practicable Date”	21 September 2018, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of the Shares on GEM
“Listing Date”	the date, expected to be on or about Monday, 15 October 2018, on which the Shares are listed on GEM and from which date dealings in the Shares are permitted to commence on GEM
“Listing Division”	the Listing Department of the Stock Exchange

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## DEFINITIONS

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“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the main board of the Stock Exchange
“Medical Clinics Ordinance”	Medical Clinics Ordinance (Chapter 343 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time
“Medical Protection Society”	Medical Protection Society, the world’s leading protection organisation for medical, dental and healthcare professionals that protects and supports the professional interests of more than 300,000 members around the world, including Hong Kong, and members of the Medical Protection Society can benefit from access to indemnity and expert advice
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company adopted on 21 September 2018 and as amended, supplemented and/or otherwise modified from time to time
“Mr. Yip”	Mr. Yip Chun Kwok Danny, MH, the chairman of our Company, an executive Director, a Controlling Shareholder and the spouse of Ms. Fu, and together with Ms. Fu and Equal Joy, are a group of Controlling Shareholders of our Company
“Ms. Fu”	Ms. Fu Chi Ching, an executive Director, the chief executive officer of our Company, a Controlling Shareholder and the spouse of Mr. Yip, and together with Mr. Yip and Equal Joy, are a group of Controlling Shareholders of our Company
“New Medical Aesthetic Centre”	the First New Medical Aesthetic Centre, the Second New Medical Aesthetic Centre or the Third New Medical Aesthetic Centre
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$0.44 per Offer Share and expected to be not less than HK\$0.28 per Offer Share, such price to be agreed upon by our Company, Sorrento Securities and Innovax Securities on or before the Price Determination Date
“Offer Shares”	collectively, the Placing Shares and the Public Offer Shares
“Offer Size Adjustment Option”	the option to be granted by our Company to and exercisable by the Sole Bookrunner (for itself and on behalf of the Placing Underwriters) under the Placing Underwriting Agreement, at their sole and absolute discretion, to require our Company to issue up to an additional 30,000,000 Shares, representing 15% of the initial number of the Offer Shares at the Offer Price, details of which are set out in the section headed “Structure and Conditions of the Share Offer” of this prospectus

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## DEFINITIONS

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“Per Face Institute”	Per Face Institute Limited, a company incorporated in Hong Kong with limited liability on 3 November 2017 and an indirect wholly-owned subsidiary of our Company on Listing
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters on behalf of our Company for cash at the Offer Price with professional, institutional and other investors in Hong Kong as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	the 180,000,000 new Shares (subject to reallocation) initially being offered for subscription by our Company for cash at the Offer Price under the Placing together, where relevant, with any additional Shares which may be issued pursuant to the Offer Size Adjustment Option as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus; and a “Placing Share” means one of these Shares
“Placing Underwriters”	the underwriters of the Placing Shares who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing expected to be entered into, amongst others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Placing Underwriters on or about the Price Determination Date
“PRC”	the People’s Republic of China, excluding, for the purposes of this prospectus only, Hong Kong, Macau and the Taiwan Province
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Price Determination Agreement”	the agreement to be entered into between our Company, Sorrento Securities and Innovax Securities on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date on which the Offer Price is to be determined, is expected to be on or about Thursday, 4 October 2018 or such later date as may be agreed between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) on which the Offer Price will be fixed for the purpose of the Share Offer, and in any event no later than Thursday, 11 October 2018
“Public Offer”	the offer of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price on and subject to the terms and conditions stated in this prospectus and in the Application Forms as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus

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## DEFINITIONS

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“Public Offer Shares”	the 20,000,000 new Shares (subject to reallocation) initially being offered for subscription by our Company for cash at the Offer Price under the Public Offer, as described under the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer Shares whose names are set out in the section headed “Underwriting” in this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement relating to the Public Offer entered into by our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Public Offer Underwriters on 27 September 2018, details of which are set out in the section headed “Underwriting” in this prospectus
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and Group Structure” in this prospectus
“Retail/Service Outlets”	the CWB Shop, the HN Counters and the TST Shop
“Second New Medical Aesthetic Centre”	a new medical aesthetic centre which we plan to open in the western district of Kowloon by the end of the first calendar quarter in 2020
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 21 September 2018, a summary of its principal terms is set out in the paragraph headed “Further information about our Directors, management and staff – 13. Share Option Scheme” in Appendix V to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Sole Sponsor” or “Innovax Capital”	Innovax Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

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## DEFINITIONS

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“Sorrento Securities” or “Sole Bookrunner”	Sorrento Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO, being the Sole Bookrunner and one of the Joint Lead Managers
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber Share”	has the same meaning ascribed thereto in the section headed “History, Reorganisation and Group Structure – Corporate history – Our Company” in this prospectus
“subsidiary” or “subsidiary(ies)”	has the same meaning ascribed thereto under the GEM Listing Rules, unless the context otherwise requires
“substantial Shareholder(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented and/or otherwise modified from time to time
“Third New Medical Aesthetic Centre”	a new medical aesthetic centre which we plan to open in the eastern district of Hong Kong Island by the end of the first calendar quarter in 2021
“Track Record Period”	the period comprising the two years ended 31 March 2018
“Training Centre”	the ITEC approved training centre known as “Per Face Institute” which is set up within the TST Centre and operated by our Group for the training of the therapists employed by our Group
“TST Centre”	our medical aesthetic centre situated at Shop No.1, 21st Floor, iSQUARE, 63 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong which is operated by our Group
“TST Shop”	our retail kiosk situated at Kiosk No.1, Lobby Floor, iSQUARE, 63 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong which is operated by our Group
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “U.S.”	United States of America, its territories and possessions and all areas subject to its jurisdiction
“United States dollar(s)” or “US\$”	United States dollar(s), the lawful currency of the United States
“ <b>WHITE</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“Worldwide Beauty”	Worldwide Beauty Limited, a company incorporated in Hong Kong with limited liability on 3 January 2011 and an indirect wholly-owned subsidiary of our Company on Listing

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## DEFINITIONS

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“**YELLOW** Application Form(s)” the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS

“%” per cent

*All dates and times in this prospectus refer to Hong Kong time unless otherwise stated.*

*Unless otherwise stated, the conversion of US\$ and RMB into HK\$ in this prospectus have been based on the exchange rates of US\$1.00 to HK\$7.85 and RMB1.00 to HK\$1.15, respectively. No representation is made that any amounts in US\$ and/or RMB can be or could have been converted into HK\$ at the related dates at the above rates or any other rates or at all.*

*Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments and, accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

*The English translation of the names in Chinese or another language which are marked with “\*” are translations provided for identification purpose only. If there is any inconsistency between the Chinese names and their English translations marked with “\*”, the Chinese names should prevail.*

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## GLOSSARY

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*This glossary of technical terms contains explanations of certain terms used in this prospectus in connection with our business or our Group. These terms and their given meanings may not correspond to standard industry definitions.*

“active client(s)”	repeat client(s) and/or new client(s)
“botulinum toxin type A”	a substance derived from bacteria. Injection of botulinum toxin type A blocks muscular nerve signals, which then weakens the muscle so that it cannot contract. It is most widely used for wrinkle softening and masseter reduction
“BOTOX®”	a brand of botulinum toxin type A produced and marketed by Allergan
“business management system”	our licensed information technology system for the management of the operations of our medical aesthetic centres and our Retail/Service Outlets
“CE”	Conformité Européenne (European Conformity), a mark affixed on products which have been assessed before being placed on the European Union market denoting that such products meet the safety, health and environmental protection requirements of the European Union
“Doctor(s)”	registered medical practitioner(s) who has/have participated and who may participate in the provision of medical aesthetic services at our CWB Centre, TST Centre and any other medical aesthetic centre(s) which may be opened by our Group in the future, and as at the Latest Practicable Date, “Doctors” refer to the four registered medical practitioners who had signed consultancy service agreements with us and had participated in the provision of non-surgical medical aesthetic services at our CWB Centre and TST Centre
“contouring”	application of medical aesthetic procedures to attempt to improve the shape of an individual’s face or body
“cryolipolysis”	a medical treatment used to destroy fat cells by freezing
“doctor(s)” or “registered medical practitioner(s)”	person(s) who is/are qualified to practise medicine, surgery and midwifery in Hong Kong and is/are registered as registered medical practitioner(s) of the Hong Kong Medical Council under the General Register or the Specialist Register kept in accordance with the Medical Registration Ordinance (Chapter 161 of the Laws of Hong Kong)
“Dysport®”	an injectable prescription medicine containing abobotulinumtoxin A, produced and marketed by Ipsen S.A.

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## GLOSSARY

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“FDA”	Food and Drug Administration of the United States, an agency of the U.S. department of Health and Human Services responsible for protecting and promoting public health through the regulation and supervision of food safety, medical devices, etc.
“GFA”	gross floor area
“HIFU”	a technology that focuses the acoustic energy of ultrasound to heat up a target tissue, intended to achieve results such as stimulating collagen production, uplifting sagging skin and tightening loose skin
“high risk treatment procedures”	non-surgical medical aesthetic treatment procedures which are specified under the relevant laws and regulations or perceived by our executive Directors, in consultation with our Doctors, as being high risk, which must be performed by our Doctors under our generally adopted practice, comprising certain high risk energy-based procedures and all minimally invasive procedures
“hyaluronic acid”	a stabilised viscous glycosaminoglycan of non-animal origin, which is injected with the intention to achieve certain aesthetic effects such as filling in facial lines and creases, correction of contour defects or depressions, restoration of volume loss from ageing and the plumping of lips or cheeks
“iontophoresis”	a technology of introducing ionic medicinal compounds into the body through the skin by applying a local electric current
“ITEC”	an organisation which specialise in setting up training and educational systems for the beauty therapy industry with over 650 centres approved by them in 39 countries
“JUVÉDERM®”	a trade name series of injectable fillers containing hyaluronic acid produced and marketed by Allergan, which is intended to help soften facial folds, reduce the appearance of wrinkles and add volume to the depressed area
“laser”	Light Amplification by Stimulated Emission of Radiation used to treat various skin problems
“low risk treatment procedures”	all non-surgical medical aesthetic treatment procedures offered in our medical aesthetic centres, other than the high risk treatment procedures, which are mainly performed by our trained therapists
“MFDS” or “KFDA”	Ministry of Food and Drug Safety of Korea, previously known as Korean Food and Drug Administration, an agency of the South Korea government responsible for promoting the public health by ensuring the safety and efficiency of foods, pharmaceuticals, medical devices and cosmetics, etc.

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## GLOSSARY

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“minimally invasive”	description of a procedure which produces relatively minor damage of body tissue and does not involve entering the body through surgical incisions into the skin with an operative procedure and closure with sutures, such as injections of botulinum toxin type A
“new client(s)”	client(s) who has/have made their first purchase of service(s) and received at least one treatment session in the relevant financial year
“non-invasive”	description of a procedure that does not involve entering the body through surgical incisions into the skin with an operative procedure and closure with sutures
“prepaid package(s)”	prepaid package(s) that clients can utilise to receive service and products sold on a prepaid basis
“radiofrequency”	a technology used in a device, with the oscillation of alternating currents at a frequency of around 3 kHz to 300 GHz, which may be used for skin rejuvenation
“repeat client(s)”	client(s) who (i) has/have made at least one purchase of service(s) and/or received at least one treatment session in the relevant financial year; and (ii) has/have previously made purchase of service(s) and received at least one treatment session in the past
“Restylane®”	a trade name for a range of injectable fillers containing hyaluronic acid produced and marketed by Galderma, which is intended to help reduce the appearance of wrinkles, enhance lip volume, restore volume and definition to the face, and rejuvenate skin
“RPL”	the Recognition of Prior Learning Mechanism under the Hong Kong Qualifications Framework, a policy initiative of the Education Bureau of the Government of Hong Kong to enable experienced employees to receive formal recognition of the knowledge, skills and experience they acquired through non-formal and informal learning by providing them with an appropriate level of Statement of Attainment
“sq. ft.”	square feet
“sq. m.”	square metre(s)
“TEOSYAL®”	a trade name for a range of injectable fillers containing hyaluronic acid produced and marketed by TEOXANE, which is intended to help redefine and redesign the lines and contours of the face as gently and naturally as possible
“Thermage® CPT”	the trade name of a cosmetic procedure deploying high-frequency radio waves that is used for skin tightening, wrinkle reduction, and the alleviation of other signs of ageing

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## GLOSSARY

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“trained therapist(s)”	our therapist(s) who has/have completed our mandatory induction training programme and passed internal assessments set by our Doctors
“Trainers”	the assistant centre manager of our CWB Centre and the centre supervisor of our TST Centre, both have over 10 years of relevant industry experience and have joined our Group for over 10 years and seven years, respectively, as at the Latest Practicable Date
“Ultherapy®”	the trade name of a non-invasive procedure to lift and tighten brows, under-chin and neck; and to improve lines and wrinkles on the chest and décolletage with ultrasound technology
“ultrasound”	a technology used in a device which deploys sound waves
“Xeomin®”	an injectable prescription medicine containing incobotulinumtoxin A, produced and marketed by Merz North America, Inc.

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains forward-looking statements that state our Company's belief, expectations or intentions for the future. The words "aim", "anticipate", "believe", "consider", "continue", "could", "estimate", "expect", "forecast", "going forward", "intend", "may", "might", "ought to", "plan", "potential", "predict", "project", "propose", "seek", "should", "will", "would", "wish" or similar terms, as they relate to us, are intended to identify a number of these forward-looking statements.

These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect.

These forward-looking statements reflect the current view of our Company with respect to future events and are, by their nature, subject to significant risks, assumptions and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our various measures to implement such strategies;
- our operations and business prospects, including development and capital expenditure plans for our existing business;
- changes in policies, legislation, regulations or practices in the industry and those countries or territories in which we operate that may affect our business operations;
- our financial condition, results of operations and dividend policy;
- changes in political and economic conditions and competitions in the area in which we operate, including a downturn in general economy;
- the regulatory environment and industry outlook in general;
- future developments in the competition markets of our industry and actions of our competitors;
- catastrophic losses from fires, floods, windstorms, earthquakes, diseases or other adverse weather conditions or natural disasters; and
- other factors beyond our control and other risks and uncertainties described in the section headed "Risk Factors" in this prospectus.

We believe that the sources of information and assumptions contained in such forward-looking statements are appropriate sources for such statements and we have taken reasonable care in extracting and reproducing such information and assumptions. We have no reason to believe that information and assumptions contained in such forward-looking statements are fake or misleading or that any fact has been omitted that would render such forward-looking statements fake or misleading in any material respect.

The information and assumptions contained in the forward-looking statements have not been independently verified by us, our Controlling Shareholders, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and any other party involved in the Share Offer or their respective directors, officers, employees, advisers or agents and no representation is given as to the accuracy or completeness of such information or assumptions on which the forward-looking statements are made. Additional factors that could cause actual performance or achievements of our Group to differ materially include, but are not limited to, those discussed under the section headed "Risk Factors" and elsewhere in this prospectus.

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## FORWARD-LOOKING STATEMENTS

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These forward-looking statements are based on current plans and estimates, and apply only as at the date they are made. Subject to the requirements of the applicable laws, rules (including the GEM Listing Rules) and regulations, our Group does not intend to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important facts could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement.

As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Group expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information or statements. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or references to the intentions of our Company or any of our Directors are made as at the date of this prospectus. Any such intentions may potentially change in light of future developments.

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## RISK FACTORS

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*Prospective investors should consider carefully all the information set out in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Share Offer.*

*The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial condition and future prospects of our Group. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.*

*This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could decline due to any of these risks, and you may lose all or part of your investment.*

### **RISKS RELATING TO OUR BUSINESS**

#### **Any failure to maintain our reputation may materially and adversely affect our results of operations and prospects**

If we fail to maintain our brand image and if there is any incident that jeopardises consumers' trust in the quality of our services and products, this could materially and adversely affect our brand value and recognition, thereby weakening their affinity to our brand and decreasing their demand for our services and products. Any negative publicity in relation to our services and products may, regardless of merit, damage our brand image and reputation in the industry. Our clients may have expectations on the magnitude of improvement of physical appearance resulting from our services or the use of our products. However, we cannot guarantee the results of our services and products since results vary depending on factors such as the medical background and skin condition of our clients, their adherence to our post-treatment instructions and other factors beyond our control. There is also an inherent risk that the results of our services may lead to undesirable or unexpected outcomes, such as complications and injuries, or otherwise fail to meet our clients' expectations. Such undesirable or unexpected outcomes may result in negative sentiments, requests for refunds, complaints, claims or legal actions against us, our Doctors, trained therapists and/or sales consultants, which may lead to negative publicity. Any negative publicity may materially and adversely affect our brand image and cause a deterioration in the level of trust in our services and products, thereby resulting in reduced sales and potential loss of clients.

In addition, as the quality and results of our services and products can be quite subjective, we have been and will continue to be susceptible to complaints, claims and legal actions associated with our services and products. During the Track Record Period and up to the Latest Practicable Date, we had registered six unfavourable feedback in our client unfavourable feedback register. See the section headed "Business – Client feedback and complaint handling" in this prospectus for further details. There is no assurance that we will not be subject to such complaints or claims in the future. In addition to negative publicity, any such complaints or claims may result in substantial liabilities and any uninsured loss could have a material adverse impact on our business, results of operations, financial condition, reputation and prospects.

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## RISK FACTORS

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### **Our Doctors, trained therapists and sales consultants may be subject to investigations, claims or legal proceedings relating to professional misconduct or negligence, which may subject us to substantial liabilities and harm our reputation**

We rely on our Doctors, trained therapists and sales consultants to make proper decisions regarding the services and products that our clients may require. Any incorrect decisions on the part of our Doctors, trained therapists and sales consultants may result in undesirable or unexpected outcomes, including complications and injuries. Complaints, claims and legal actions may be brought by dissatisfied clients against the relevant Doctors, trained therapists and sales consultants. As the relevant services are provided at our medical aesthetic centres, our Group is likely to be named as one of the defendants and may be subject to claims for professional misconduct or negligence arising from the acts, conducts or omissions of our Doctors, trained therapists and sales consultants.

Claims or legal proceedings against us, our Doctors, trained therapists or sales consultants may, whether successful or not, attract negative publicity. Our business operations may also be materially and adversely affected as substantial time and resources may be required to deal with and defend such claims or proceedings. In addition, any settlement or successful claim against us may result in significant legal costs, damages and compensation. If such claims or proceedings are beyond the scope of or involving damages which are beyond the maximum amount covered by our existing insurance schemes or the indemnity provided by our Doctors for claims relating to their willful or negligent acts, defaults or omissions, we may face significant financial liabilities as a result of these claims or proceedings and any uninsured loss may materially and adversely affect our business, results of operations and financial condition.

There is no assurance that the protection offered under professional malpractice liability insurance maintained by our Doctors will cover the full extent of losses, damages or liabilities arising from any professional misconduct or medical negligence of our Doctors. Furthermore, if our Doctors are involved in medical disputes and/or subject to investigations, they may have to allocate time and resources in handling such disputes or investigations, which may affect our business operations. If they were eventually convicted of professional misconduct or medical negligence, they would be subject to disciplinary actions, including suspension from practice for a certain period or indefinitely. Any of these circumstances may materially and adversely affect our reputation, business, results of operations and financial condition.

### **We may be unable to retain the services of our existing Doctors or attract suitable registered medical practitioners to join our Group**

We operate in a highly service-oriented industry and our business operation is dependent on our ability to retain the services of our Doctors as well as to attract new registered medical practitioners to join our Group. The number of registered medical practitioners with the necessary experience and qualifications that attain our Group's requirements in the market is limited, and we are competing for suitable candidates with other medical aesthetic service providers. In order to retain our existing Doctors and attract new registered medical practitioners, we may need to offer more competitive fees and other rewards, which would increase our costs of operation.

Furthermore, in the event of our Doctors terminating their consultancy service agreements with us, there is no assurance that we will be able to find suitable replacements in a timely manner. There is also no assurance that we will be able to attract and retain sufficient number of registered medical practitioners to support our continuous business growth and cope with our business expansion. If we are unable to recruit suitable registered medical practitioners, our business operations may be interrupted, which could materially and adversely affect our results of operations, financial condition and prospects.

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## RISK FACTORS

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### **Our medical aesthetic services are subject to certain health risks which may subject us to claims and negative media press**

Our medical aesthetic services are subject to certain health risks. Allergic reaction, undesirable or unexpected outcome or injury may occur as a result of undergoing medical aesthetic treatments. We cannot assure you that medical incidents resulting in allergic reaction, undesirable or unexpected outcome or injury will not occur in the course of our business operations in the future. In the event that such incidents occur, we may be subject to legal proceedings, substantial liabilities and negative media coverage, which could materially and adversely affect our reputation, business, results of operations, financial condition and prospects.

### **We derive all of our revenue from Hong Kong and any adverse economic, social or political conditions in Hong Kong or any outbreak of contagious diseases or occurrence of force majeure events or natural disasters in Hong Kong may negatively affect our business performance and financial condition**

All of our business operations are based in and we derive all of our revenue from Hong Kong. Our business operations and the demand for our medical aesthetic services are therefore subject to the economic, social and political conditions in Hong Kong. Any incidence of social unrest, strike, riot, civil disturbance or disobedience in Hong Kong may cause inconvenience to clients who wish to visit our medical aesthetic centres and weaken their desire or willingness to undergo medical aesthetic treatments. Any of the above circumstances may have a material and adverse impact on our business, results of operations and financial condition.

Any outbreak of contagious diseases or epidemics in Hong Kong, such as avian influenza, swine influenza, severe acute respiratory syndrome (SARS) and Middle East respiratory syndrome (MERS), may result in widespread health crisis that could result in the temporary closure of our medical aesthetic centres and significantly disrupt our business operations. In addition, any occurrence of force majeure events, such as acts of war and terrorism, riots, social disturbances and strikes, or natural disasters, such as earthquakes, tornadoes, floods and droughts, may cause casualties to our employees and consultants and result in destruction of assets. Any of these events and other events beyond our control may also have a severe negative impact on the local economy, thus reducing our clients' spending willingness or desire to receive medical aesthetic services. Our business, results of operations and financial condition may be materially and adversely affected.

### **We depend on the continued services of certain key personnel**

We have greatly depended on the contributions, commitment and experience of our management team and key personnel, in particular their familiarity with our business operations and their experience and expertise in the medical aesthetic service industry in Hong Kong. If we lose our key management personnel, including Mr. Yip, Ms. Fu, Ms. Chan Yuen Ping (general manager of operation) and Ms. Lam Po Shan Lucia (operation manager), without a suitable replacement in a timely manner or if we lose them to our competitors, or if any of them forms a competing business, our business secrets and know-how may be divulged. As a result, our competitiveness, business performance, results of operations as well as business prospects may be materially and adversely affected.

### **Our staff costs increased during the Track Record Period**

Our staff costs (excluding consultancy fees paid to our Doctors) increased by approximately HK\$7.8 million, or approximately 33.5%, from approximately HK\$23.3 million for the year ended 31 March 2017 to approximately HK\$31.1 million for the year ended 31 March 2018. Any further substantial increase in our staff costs could materially and adversely affect our profitability.

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## RISK FACTORS

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### **The three New Medical Aesthetic Centres may not deliver the intended positive financial performance when they are in operation and we may be unable to minimise the risk of cannibalisation**

The opening of new medical aesthetic centres normally involves spending higher start-up operating costs such as rental deposits, renovation costs and staff costs. We estimate that, with reference to the scales of business and/or financial performances of our CWB Centre and TST Centre, a New Medical Aesthetic Centre would take not more than one year to ramp up client traffic to reach its breakeven point, at which its revenue is sufficient to cover its operating costs. As one of our business strategies, we plan to establish a New Medical Aesthetic Centre by the end of the first calendar quarter in each of 2019, 2020 and 2021. See the paragraphs headed “Our business strategies” and “Our medical aesthetic centres – Expansion plan” in the section headed “Business” in this prospectus for details. However, there is no assurance that when the three New Medical Aesthetic Centres are opened, they can attract enough clients to achieve the breakeven point within the period which we expect. Further, we may be unable to minimise the risk of cannibalisation and the client traffic of our CWB Centre and TST Centre may be adversely affected if some of our existing clients are diverted to the three New Medical Aesthetic Centres for treatment services for the sake of convenience, as a result of which our CWB Centre and TST Centre may experience a reduction in their respective utilisation rate temporarily. Therefore, there is no guarantee that the opening of the three New Medical Aesthetic Centres will be well accepted in the new centre locations and that they will contribute positively to our financial performance.

### **Additional capital expenditure for our future plans may result in an increase in our depreciation expenses**

In view of our business strategies and future plans, we expect that our estimated capital expenditure of approximately HK\$31.6 million will be primarily used for (i) renovation, equipment and treatment devices for the opening of three New Medical Aesthetic Centres; (ii) purchase of prevailing treatment devices for our current medical aesthetic centres; (iii) renovation of our CWB Centre and TST Centre; and (iv) upgrade of our business management system, and that our future capital expenditure will also increase. Such capital expenditure may result in increase in depreciation expenses of approximately HK\$0.3 million, HK\$2.0 million and HK\$4.6 million for the three years ending 31 March 2021, respectively, which may in turn adversely affect our results of operations.

### **Any changes in the credit card issuing financial institutions’ settlement policies would affect our liquidity**

During the Track Record Period, over 90% of our sales contracts were paid by credit cards. We cannot assure you that the credit card issuing financial institutions will settle the credit card payments with us in a timely manner. As such, our business operations are subject to the risk of settlement deferral by the credit card issuing financial institutions. The credit card issuing financial institutions may change their settlement policies by extending the period of settlement, requesting our Group to create chargeback reserves or providing them with the sole and absolute discretion to withhold any settlement amount due to us, just to name a few. Our Directors believe that such changes in settlement policies will affect our Group’s cash inflow and may trigger liquidity problems of our Group, which will adversely affect our business, financial conditions and results of operations.

### **We may be subject to claims or complaints with respect to our selling practices**

Our sales consultants explain to our clients the prices of the treatments and skincare products and the promotion and packages available to such treatments. Some clients may feel uncomfortable with our selling process and may lodge complaints and claims against us, including allegations of violation of the Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong). Any such allegations may result in regulatory investigations, and could have a negative impact on our brand image and result in a deterioration of client satisfaction. Accordingly, if such regulatory investigations result in prosecution, we may be subject to penalties of fine and/or imprisonment in case of a summary conviction or an indictment, and therefore our financial position and business operations may be materially and adversely affected. We may lose our existing clients and experience difficulty in attracting new clients, thereby materially and adversely affecting our business, results of operations, financial condition and prospects.

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## RISK FACTORS

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**We may be subject to claims or complaints with respect to expired prepaid packages and profits from expired prepaid packages are non-recurring**

We offer to our clients prepaid packages for multiple treatment sessions as some of the medical aesthetic services we offer require multiple treatment sessions to achieve the desired results and/or there is client demand for such prepaid packages as the package price per treatment is at a discount to the one-off treatment price. Our standard prepaid packages are generally valid for a period of up to 24 months from the date of purchase. See the section headed “Business – Prepaid packages” in this prospectus for further details on our prepaid packages. Clients with expired prepaid packages are not entitled to redeem our services even though they have paid for them. This may have a negative impact on their willingness or desire to purchase prepaid packages in the future. In addition, dissatisfied clients may lodge complaints and claims against us, which may attract negative media coverage and materially and adversely affect our reputation, business performance, results of operations, financial condition and prospects.

Further, profits from expired prepaid packages are non-recurring in nature and thus do not accurately reflect our financial performance for a particular period and may not be an indication of our future financial performance.

**There are restrictions in the advertisement and promotion of some of our services, and we rely on referrals by existing clients to attract new clients**

We are subject to certain Hong Kong laws and regulations relating to the advertisement and promotion of our services, including the Undesirable Medical Advertisements Ordinance (Chapter 231 of the Laws of Hong Kong). See the section headed “Regulatory Overview – Laws and regulations – Regulations on advertisements in Hong Kong” in this prospectus for further details. In addition, under the Hong Kong Medical Code of Professional Conduct, our Doctors are subject to certain restrictions on the promotion, publication, marketing and dissemination of information of their professional services and practices. For instance, we are prohibited to advertise that certain treatment services will be performed by our Doctors. Such restrictions may hinder our ability to further enhance our brand awareness in the industry or attract new clients. Furthermore, any change in such laws, regulations and professional codes as well as their interpretation may render us or our Doctors in breach of the relevant laws, regulations and professional codes. We may be subject to substantial liabilities and other legal consequences, whereas our Doctors may be exposed to risks of disciplinary actions. All such circumstances may have a material adverse impact on our reputation, business, results of operations and financial condition.

Given the restrictions on the advertisement and promotion of some of our medical aesthetic services, we primarily rely on referrals by existing clients to attract new clients for this type of services. There is no assurance that we will be able to attract sufficient number of new clients to substantiate our continuous business development. If we fail to attract new clients, our business, results of operations, financial condition and prospects may be materially and adversely affected.

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## **RISK FACTORS**

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### **Our insurance coverage may be insufficient to cover all risks involved in our business operations**

We have taken out insurance policies to cover the risks generally associated with our business operations. See the section headed “Business – Insurance” in this prospectus for details relating to our insurance coverage. However, there are certain types of risks, such as acts of god, for which insurance coverage is generally not available on commercially acceptable terms or at all. As such, there is no assurance that our current insurance coverage will be able to cover all types of risks involved in our business operations, or be sufficient to cover the full extent of losses, damages or liabilities arising therefrom. If we suffer any losses, damages or liabilities in the course of our business operations arising from events for which we do not have any or adequate insurance coverage, we will have to bear all or a certain portion of such losses, damages or liabilities. Further, even if we have maintained insurance coverage for a specific area of business operations, there is no assurance that we will be able to successfully claim for compensation under the relevant insurance policy or the claim will be fully insured within the maximum amount of our insurance coverage. In such circumstances, our business operations, financial condition and results of operations may be materially and adversely affected.

In addition, there is no assurance that our insurance premium will not increase or that we will not be required by law to obtain additional insurance coverage in the future. Any increase in insurance costs may materially and adversely affect our financial condition and results of operations.

### **We may be unable to enforce the indemnity from our Doctors**

Our Doctors have agreed to indemnify us against, among others, all losses, claims, damages, costs, proceedings and actions which our Group may sustain or incur or which may be brought against our Doctors by any person in relation to the negligence, recklessness or wilful misconduct of our Doctors in the provision of his/her services. Nevertheless, there is no assurance that we will be able to enforce the indemnity and recover all losses and damages from the relevant Doctors in the event of claims of professional misconduct or negligence against them. In particular, there is no assurance that the relevant losses or damages are within the scope of the insurance policy maintained by the relevant Doctors, or that the relevant Doctors have sufficient financial means to fulfil their obligations in indemnifying our Group. If we are unable to seek indemnity from the relevant Doctors and such claims are not fully covered by our insurance policies, our Group may incur substantial liabilities or losses.

### **There is no assurance that we will be able to successfully enforce the non-competition and/or non-solicitation undertakings contained in the consultancy service agreements we have entered into with our Doctors**

In Hong Kong, restrictive covenants are enforceable only when the contractual terms restricting a consultant’s activities during or after the termination of his/her consultancy are reasonable in all circumstances to protect the legitimate business interests of the client, i.e. our Group.

Despite there are non-competition and/or non-solicitation undertakings contained in the consultancy service agreements we have entered into with our Doctors, there is no assurance that they will not, upon termination of consultancy with us, engage in business activities that compete, whether directly or indirectly, with our business or solicit our clients. In circumstances where our Doctors engage in competing business activities or solicit our clients, we cannot assure you that we will be able to successfully enforce such non-competition and/or non-solicitation undertakings under the laws of Hong Kong. If our Doctors engage in competing business activities or solicit our clients and we are unable to enforce the relevant non-competition and/or non-solicitation undertakings, our business, results of operations and financial condition may be materially and adversely affected.

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## RISK FACTORS

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### **Our inability to keep abreast of the latest technological advancement or market trends in the medical aesthetic service industry may materially and adversely affect our business performance**

We operate in an industry with rapidly changing consumer demands and preferences. We are therefore required to continuously assess and keep abreast of the latest developments and trends in the medical aesthetic service industry and respond to the changing demands and preferences of our clients. To this end, we need to, from time to time, diversify the services we provide, upgrade our existing treatment devices, invest in new treatment devices and source new skincare products. For the two years ended 31 March 2018, we had incurred approximately HK\$2.4 million and HK\$3.3 million, respectively, to upgrade our treatment devices.

If we are unable to anticipate or adapt to the latest technological developments or market trends in the medical aesthetic service industry, we may not be able to satisfy our clients' expectations and the demand for our services and products may decline. Furthermore, if our competitors are more apt in responding to shifts in client preferences or more responsive to emerging technology in the industry, our medical aesthetic services may become less competitive. We may lose our existing clients and be unable to attract new clients, which could have a material adverse impact on our business performance, results of operations and financial condition. There is also no assurance that we will be able to recover the expenditure associated with the purchase of new treatment devices and skincare products. If any of the abovementioned circumstances occur, our results of operations, financial condition and prospects may be materially and adversely affected.

### **Any substantial increase in rent/licence fee or non-renewal of lease/licence agreements may affect our business operations and financial condition**

As our medical aesthetic centres, Training Centre and Retail/Service Outlets are currently situated at leased/licensed properties, we are particularly susceptible to fluctuations in the property rental market. According to the Rating and Valuation Department, the rental index for Grade A office in Wan Chai/Causeway Bay increased from approximately 241.0 for the year ended 31 March 2017 to approximately 254.7 for the year ended 31 March 2018, representing a year-on-year growth of approximately 5.7%. On the other hand, the rental index for Grade A office in Tsim Sha Tsui also increased from approximately 210.9 for the year ended 31 March 2017 to approximately 217.8 for the year ended 31 March 2018, representing a year-on-year growth of approximately 3.3%. For the two years ended 31 March 2018, our rental and related expenses amounted to approximately HK\$10.6 million and HK\$10.5 million, respectively, representing approximately 16.7% and 11.9% of our revenue, respectively. Before the expiry of each of our leases/licences, we have to negotiate the terms of renewal with our respective lessors/licensors. The term of the lease agreement for our CWB Shop and the licence agreements for our HN Counters will expire in November 2018 and had expired in September 2018, respectively. We had not commenced any formal renewal discussions with the landlord of the CWB shop and the licensor of the HN Counters as at the Latest Practicable Date due to the busy schedules of such landlord and licensor, although their authorised representatives had verbally indicated to us that we could stay in the CWB Centre/HN Counters until they have reached a formal renewal agreement with us. There is no assurance that our existing leases/licences would be renewed on similar or favourable terms, in particular with respect to the amount of rent/licence fee and the term of the lease/licence, or at all. Any substantial increase in the rent/licence fee of our leased/licensed properties may increase our property rental, licence fee and related expenses, which could materially and adversely affect our profitability. There is also no assurance that our existing leases/licences will not be terminated early by the lessors/licensors before the expiry of the relevant term.

In the event that we are required to relocate our medical aesthetic centres, Training Centre and Retail/Service Outlets, there is no assurance that we will be able to identify comparable locations in a timely manner or at all, and that we will secure a lease/licence on comparable terms. We may also incur substantial reinstatement, relocation and renovation costs of up to HK\$5.3 million. As we only have two medical aesthetic centres as at the Latest Practicable Date, any non-renewal of lease of either of our medical aesthetic centres may have a material adverse effect on our business, results of operations and financial condition.

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## RISK FACTORS

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### **Our operations and financial performance could be adversely affected if we cannot sell our services to our clients by way of prepaid packages**

Receipts from prepaid packages are recorded as deferred revenue in the combined statements of financial position at the point of sales, and are recognised as revenue in the combined statements of profit or loss and other comprehensive income when the relevant treatments are rendered to our clients from time to time. For the two years ended 31 March 2018, our deferred revenue in relation to prepaid packages amounted to approximately HK\$54.6 million and HK\$62.8 million, respectively, representing approximately 86.4% and 70.8% of our total revenue for the same periods. During the Track Record Period, a majority of our clients purchase prepaid package treatments rather than one-off treatments, and the mode of selling prepaid packages represents a significant revenue contributor to our operations.

If we cannot sell our services to our clients by way of selling prepaid packages going forward, we will lose a marketing tool to promote and sell our treatment services to our clients, and we will be unable to receive upfront payment from our clients and may need to obtain alternative sources of fund to settle the necessary operating costs and to meet our working capital needs. Accordingly, our operations and financial performance could be adversely affected.

### **We recorded net current liabilities as at 31 March 2017 and 31 March 2018**

As at 31 March 2017 and 31 March 2018, we recorded net current liabilities of approximately HK\$8.1 million and HK\$39.7 million, respectively, mainly due to (i) deferred revenue of approximately HK\$54.6 million and HK\$62.8 million being classified as current liabilities as at 31 March 2017 and 2018, respectively; (ii) the long-term bank borrowings (with maturity dates over one year) amounting to approximately HK\$22.7 million and HK\$18.6 million being classified as current liabilities as at 31 March 2017 and 2018, respectively, due to the overriding right of demand clause in the facility agreements of such bank borrowings; and (iii) cash outflows in connection with the acquisition of our Headquarters in November 2017 in the aggregate amount of HK\$28.5 million by way of cash. There is no assurance that we will not record net current liabilities in the future. See the section headed “Financial Information – Liquidity and capital resources – Net current liabilities” in this prospectus for further details.

### **There is no long term agreements between our Group and our suppliers**

There is no long term supply agreements between our Group and our suppliers. We therefore cannot assure you that our suppliers will continue to provide us with a stable supply of treatment devices, treatment consumables, skincare products and medication on commercially acceptable terms or at all, and in a timely and undisrupted manner. Furthermore, there is no assurance that we will be able to find alternative suppliers for treatment devices, treatment consumables, skincare products and medication at commercially acceptable prices and in a timely manner. Any shortage of or delay in the supply of skincare products and/or medication to us may disrupt our provision of medical aesthetic services, which may in turn materially and adversely affect our business, results of operations and financial condition.

### **We maintain limited control over the quality of our treatment devices, treatment consumables, skincare products and medication and may be subject to product liability claims**

We cannot assure you that the treatment devices, treatment consumables, skincare products and medication we procure from our suppliers during the course of our business operations are safe, free of defects or meet the relevant quality standards and we depend on our suppliers’ quality control procedures. In the event of quality issues, we could be subject to complaints and product liability claims by our clients. We may be unable to seek indemnification from our suppliers and if we engage in legal proceedings against our suppliers, they may, regardless of the outcome, be time consuming and costly, which may have a material adverse effect on our reputation, brand image, financial performance and lead to negative publicity. We may also need to find alternative suppliers and suitable replacement products, which may result in delay in the provision of our services or the delivery of our products. If we are unable to find alternative suppliers or suitable replacement products in a timely manner, our business operations may be disrupted.

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## RISK FACTORS

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### **We may be unable to protect our clients' information from leakage or improper use**

Our Group is subject to, among others, the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), which limits the use of personal data of clients collected by us for such purposes for which they were collected or for a directly related purpose. See the section headed “Regulatory Overview – Laws and regulations – Regulations on personal data privacy” in this prospectus for further details. In addition, pursuant to the Hong Kong Medical Code of Professional Conduct, our Doctors shall not, except in certain exceptional circumstances, disclose clients' medical information to any third party without their prior consent.

There is no assurance that we will be able to completely protect our clients' information from leakage or being used for an improper purpose. Any breach of our confidentiality obligations towards our clients may expose our Group and/or our Doctors to potential liabilities, such as claims, disciplinary actions and legal proceedings, and may have a material adverse effect on our reputation, business, results of operations and financial condition.

### **Any disruption, malfunction or breakdown of our business management system and network security may interrupt our business operations and materially and adversely affect our business**

Our business operations depend on the satisfactory performance, stability and reliability of our business management system and related software programmes, which are critical to our storage of client records and appointments, management of inventory as well as computation of operational and sales data. However, our business management system may experience disruption, malfunction, breakdown or other performance problems due to reasons such as (i) the licensor terminates the licence of the business management system to us; (ii) increasing pressure on our servers and network capacities as a result of growing client base and expanding operations; (iii) undetected programming errors, bugs, flaws, corrupted data or other defects; (iv) hacking or other attacks on our network infrastructure and system programmes; and (v) floods, fires, extreme temperatures, power loss, telecommunications failures, technical error, computer viruses or similar events. Any disruption, malfunction, breakdown or other performance problems of our business management system may significantly disrupt our business operations and reduce our work efficiency, which may have a negative impact on the quality of our services.

There is no assurance that our business management system will not experience disruption, malfunction, breakdown or other performance problems in the future. There is also no assurance that we will be able to, through the help of our licensor, effectively upgrade our existing systems or develop new systems to support our expanding business operations in a timely manner. Any failure to do so may materially and adversely affect our business, results of operations, financial condition and prospects.

We also receive and maintain certain personal information about our customers when accepting credit cards for payment. If our network security is compromised and such information is stolen or obtained by unauthorised persons or used inappropriately, we may become subject to litigation or other proceedings brought by cardholders and the credit card issuing financial institutions. Any such proceedings could distract our management from running our business and cause us to incur significant unplanned losses and expenses. Consumer perception of our Group and our brands could also be negatively affected by these events, which could further adversely affect our business and results of operations.

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## RISK FACTORS

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### **We may be unable to adequately protect our intellectual property rights and any infringement could materially and adversely affect our business**

Our intellectual property rights comprise our trademarks and domain names. As at the Latest Practicable Date, we own six, six and two registered trademarks in Hong Kong, the PRC and Macau, respectively. See the section headed “Statutory and General Information – Further information about the business of our Group – 8. Intellectual property rights of our Group” in Appendix V to this prospectus for details of our material intellectual property rights. We endeavour to protect our intellectual property rights but there is no assurance that the measures we have taken to protect our intellectual property rights, including registration of our trademarks, can adequately prevent unauthorised use by third parties or that we will not face any infringement of our intellectual property rights in the future. Infringement of our intellectual property rights may impair the value of our brand and reduce our credibility, which may have a material adverse effect on our business, results of operations, financial condition and prospects. If we were to enforce our intellectual property rights through legal proceedings, such proceedings, regardless of the outcome, may be time-consuming and costly and divert our resources and management’s attention.

### **Our historical financial and operating results may not be indicative of our future performance**

You should not rely on our historical results to predict the future performance of the Shares. For the two years ended 31 March 2018, our revenue amounted to approximately HK\$63.3 million and HK\$88.7 million, respectively, whereas the profit and total comprehensive income for the year amounted to approximately HK\$13.6 million and HK\$15.8 million, respectively. The trend of our historical financial information is a mere analysis of our past performance and does not have any positive implication on and may not necessarily reflect our future financial performance. Our future financial results may fluctuate due to, among other things, the demand for medical aesthetic services and the general economic conditions in Hong Kong. Our short-term operating results may not be an indication of our long-term prospects.

In addition, our future growth and our ability to implement our business strategies will depend on, among other factors, the successful retention and recruitment of experienced management and other key personnel. We cannot assure you that we will be able to retain or hire such employees and consultants and the failure to do so may materially and adversely affect our business, results of operations, financial condition and prospects.

### **There is no assurance that our business strategies and future plans will be successfully implemented**

The successful implementation of our business strategies and future plans may be hindered by risks set out in this section and is subject to numerous factors, including but not limited to:

- our ability to adapt to changing industry and market trends and keep up with the latest technological developments;
- the availability of management and financial resources;
- our ability to retain our existing clients and attract new ones to match our increased service capacity;
- our ability to negotiate favourable terms with our suppliers; and
- our ability to hire, train and retain registered medical practitioners, therapists and other skilled personnel to operate our business.

There is no assurance that we will be able to successfully implement our business strategies or future plans. Even if our business strategies or future plans are implemented, there is no assurance that they will successfully increase our market share or enhance our market position.

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## RISK FACTORS

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### **We have not obtained consent to the Reorganisation from one of our licensors in respect of the premises we have licensed for our operations**

Pursuant to the license agreements entered into between our Group and the licensor of our HN Counters, any variation or alternation of the shareholders of the licensee entitles the licensor to terminate the licence agreements forthwith by notice. Our Group has notified such licensor in relation to the Reorganisation. However, as at the Latest Practicable Date, we have not received written consent for the Reorganisation from such licensor. In the event that such licensor brings legal proceedings against our Group for repossession of the premises and that we are required to relocate our HN Counters within a short period of time, we may be required to incur substantial costs and expenses in the legal proceedings and the relocation and our business, results of operations, reputation and financial condition may be materially and adversely affected. Our Directors estimated that the associated revenue loss and cost of relocation amount to approximately HK\$0.7 million and HK\$0.1 million, respectively.

### **RISKS RELATING TO OUR INDUSTRY**

#### **Our business performance may be negatively affected by unfavourable public perception of the overall medical aesthetic service industry**

Our existing and potential clients are generally cautious about the risks inherent in medical aesthetic treatments, and are particularly sensitive to any negative comments, reports or allegations against any medical aesthetic service providers or in relation to medical aesthetic services. From time to time, there are negative news and media reports on the health risks relating to medical aesthetic treatments as well as accidents relating to the medical aesthetic service industry. In particular, in recent years, there have been a number of adjudicated or suspected manslaughter cases in Hong Kong which involved medical aesthetic service providers, whereby consumers died or suffered permanent injuries after taking treatments like experimental cancer therapy, liposuction or improper handling of injection materials in beauty centres in Hong Kong.

Any allegations, complaints, or negative news or media reports on (i) any accidents, instances of medical malpractice or professional negligence, unfair selling practices, or quality of services relating to the medical aesthetic service industry; or (ii) health risks relating to medical aesthetic treatments may, regardless of merit, lead to a deterioration in market confidence in medical aesthetic services and a reduction in the overall demand for such services. While such allegations, complaints or negative news or media reports may be unrelated to us, the demand for our medical aesthetic services may decline as a result of weakened client confidence, which may materially and adversely affect our business, results of operations, financial condition and prospects.

#### **We are subject to uncertainties as to the future development of the regulatory framework in Hong Kong in respect of the provision of medical aesthetic services**

Following certain adverse incidents in relation to the beauty service industry in recent years, the Government of Hong Kong has been reviewing the existing legal framework and considering tightening its supervision over the beauty service industry by promulgating certain laws and regulations to regulate, among other things, the types of medical aesthetic procedures that should be performed by registered medical practitioners. See the section headed “Regulatory Overview – Recent development in relation to regulation of medical procedures and beauty services as well as private healthcare facilities” in this prospectus for further details.

There is no assurance that the Government of Hong Kong will not impose more stringent laws, rules, regulations or industry standards in connection with the provision of medical aesthetic services. Any change in the regulatory framework may render it more restrictive for us to conduct our business. There is also no assurance that we will be able to adapt to such changes in a timely manner. In addition, compliance with such new laws, rules, regulations or industry standards may significantly increase our operating costs, which may in turn lower our profit margins. Any of the abovementioned circumstance may materially and adversely affect our business, results of operations, financial condition and prospects.

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## **RISK FACTORS**

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### **We operate in a highly competitive industry**

Due to continuous technological upgrades and advancements, the medical aesthetic service industry is characterised by rapidly changing market trends. Our clients are constantly looking for innovative and high performance medical aesthetic services and skincare products at reasonable prices. As a result, we are in constant competition with other medical aesthetic service providers in aspects such as quality and scope of services and products, comprehensiveness and diversity of treatment devices as well as pricing. Further, the pricing and demand of our products are affected by the intensity of competition we face. Some of our competitors may be able to foresee the upcoming market trends more accurately or may be more responsive to new technologies or changing client preferences. They may also have more financial and other resources than we do, thus allowing them to provide similar services or products at a lower price. If we are unable to compete successfully with our competitors, we may experience a reduction of market share, which may have a material adverse effect on our business performance, results of operations and financial condition.

### **A lack of growth in the consumer market or a general economic slowdown or downturn may materially and adversely affect our business performance and results of operations**

Our business performance depends on the sustainable growth of consumer spending on medical aesthetic services and skincare products. However, there is no assurance that the local economy in Hong Kong can sustain a continuous stable growth in consumer spending. In addition, any economic slowdown, recession or downturn may result in a decrease in consumer spending on medical aesthetic services and skincare products as well as weaken consumer spending willingness, thus reducing the overall demand for our services and products. Any of the foregoing circumstances may materially and adversely affect our business, results of operations, financial condition and prospects.

### **RISKS RELATING TO THE SHARE OFFER**

#### **There is no assurance of liquidity of the Shares and the price and/or trading volume of the Shares may be volatile**

Prior to the Share Offer, there has been no public market for the Shares. The Offer Price range of the Offer Shares was the result of negotiations between our Company, Sorrento Securities and Innovax Securities and the final Offer Price may not be indicative of the price at which the Shares will be traded following the completion of the Share Offer. Following the Listing, there is no assurance that an active trading market for the Shares will develop, or, if it does develop, that it will be sustained following completion of the Share Offer, or that the trading price of the Shares will not decline below the Offer Price. In addition, investors may be unable to sell their Shares at or above the Offer Price.

The pricing and/or trading volume of the Shares may be volatile. The market price of the Shares may fluctuate significantly and rapidly as a result of the following factors, among others, which may be beyond the control of our Group:

- actual or anticipated fluctuations in our results of operations;
- changes in investors' perception of our Group and the investment environment generally;
- changes in the analysis and recommendations of financial analysts;
- addition or departure of key management personnel;
- changes in pricing made by us or our competitors;

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## RISK FACTORS

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- changes in market valuations and share prices of companies with businesses similar to that of our Company that may be listed in Hong Kong;
- the liquidity of the market for the Shares;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- our ability to successfully implement our business strategies and future plans;
- fluctuations of exchange rates;
- our involvement in potential litigation or regulatory investigations and proceedings;
- general changes and/or developments in local rules or regulations with regards to the medical aesthetic market in Hong Kong that our Group operates in, including those that affect the demand for our services;
- changes in conditions affecting the medical aesthetic service industry in Hong Kong;
- stock market sentiments in Hong Kong and worldwide; and
- political, economic, financial and social developments in Hong Kong and worldwide.

In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Stock Exchange. Such volatility has not always been directly related to the performance of the specific companies whose shares are traded. As a result, investors in the Shares may experience volatility in the market price of their Shares and a decrease in the value of their Shares regardless of our operating performance or prospects.

The Offer Price of the Offer Shares is higher than the net tangible asset value per Share immediately prior to the Share Offer. Therefore, subscribers of the Offer Shares in the Share Offer will experience an immediate dilution in pro forma adjusted net tangible assets value and existing Shareholders will receive an increase in the pro forma adjusted net tangible assets per Share of their Shares. Please see the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus for details. If we issue additional Shares in the future, subscribers of the Offer Shares may experience further dilution.

### **Future sales of substantial amounts of the Shares or the availability thereof in the public market may adversely affect the prevailing market price of the Shares and our Group’s ability to raise further capital**

Except pursuant to the Share Offer, the Capitalisation Issue, the Offer Size Adjustment Option and the Share Option Scheme, our Company has undertaken to the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Public Offer Underwriters not to issue any of the Shares or securities convertible into or exchangeable for the Shares within six months from the Listing Date without the prior written consent of the Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters). Further, Shares held by our Controlling Shareholders are subject to certain lock-up undertakings in respect of their Shares. Please refer to the section headed “Underwriting” in this prospectus for a more detailed discussion of restrictions that may apply to future issuances and sales of the Shares.

After these restrictions lapse, the market price of our Shares may decline as a result of the future issuance of new Shares or other securities relating to the Shares, sales of substantial amounts of the Shares or other securities relating to the Shares in the public market, or the perception that such issuances or sales may occur. This may also materially and adversely affect our Group’s ability to raise capital in the future at a time and at a price we deem appropriate.

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## RISK FACTORS

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**Since there will be a gap of several days between pricing and trading of the Shares, holders of the Shares are subject to the risk that the price of the Shares could fall during the period before trading of the Shares begins**

The Offer Price of the Offer Shares is expected to be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be a few business days after the Price Determination Date. As a result, investors may be unable to sell or deal in the Shares during that period. Accordingly, holders of the Shares are subject to the risk that the price of the Shares could fall before trading begins as a result of adverse market conditions or other adverse developments, that could occur between the time of sale or dealing and the time trading begins.

**Shareholders' interests may be diluted in the future as a result of additional equity fund raising**

We may need to raise additional funds in the future to finance further expansion of our business. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to existing Shareholders, the percentage of ownership of such Shareholders in our Company may be reduced, and such new securities may confer rights and privileges that take priority over those conferred by the Shares.

Our Company will comply with Rule 17.29 of the GEM Listing Rules, which specifies that no further Shares or securities convertible into equity securities of our Company (subject to certain exceptions) may be issued or form the subject of any agreement to be issued within six months from the Listing Date. Upon expiry of such six-month period, our Group may raise additional funds by way of issue of new equity or equity-linked securities of our Company to finance further expansion of our business, joint ventures or other strategic partnerships and alliances. Such fund-raising exercises may not be conducted on a pro-rata basis to existing Shareholders. As such, the shareholding of the then Shareholders may be reduced or diluted, and such new securities may confer rights and privileges that take priority over those conferred by the Shares.

### **RISKS RELATING TO INFORMATION CONTAINED IN THIS PROSPECTUS**

**Investors should not place undue reliance on information, statistics and data contained in this prospectus with respect to the economy and the industry in which we operate**

Certain information, statistics and data in this prospectus are derived from various sources including the Frost & Sullivan Report, various official government sources or publicly available publications that we believe to be reliable and appropriate for such information. However, we cannot guarantee the quality or reliability of such source materials. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Whilst our Directors have taken reasonable care in extracting and reproducing the information, they have not been prepared by or independently verified by us, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters or any of their respective directors, affiliates or advisers. Therefore, none of them makes any representation as to the accuracy or completeness of such information, statistics and data. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the statistics in this prospectus may be inaccurate or may not be comparable to statistics produced for other publications or purposes and you should not place undue reliance on them. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

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## RISK FACTORS

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**You should read the entire prospectus and we strongly caution you not to place any reliance on any information contained in press articles or media regarding us or the Share Offer**

There may be press and media coverage regarding us or the Share Offer, which may include certain events, financial information, financial projections and other information about us that do not appear in this prospectus. We have not authorised the disclosure of any other information not contained in this prospectus. We do not accept any responsibility for any such press or media coverage and we make no representation as to the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to subscribe for and/or purchase the Shares, you should rely only on the financial, operational and other information included in this prospectus.

**Forward-looking statements contained in this prospectus are subject to risks and uncertainties**

This prospectus contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “aim”, “anticipate”, “believe”, “consider”, “continue”, “could”, “estimate”, “expect”, “forecast”, “going forward”, “intend”, “may”, “might”, “ought to”, “plan”, “potential”, “predict”, “project”, “propose”, “seek”, “should”, “will”, “would”, “wish” or similar terms. Those statements include, among other things, the discussion of our Group’s growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of the Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect.

The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our Group’s control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by our Company that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. Our Company does not undertake any obligations to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. Please refer to the section headed “Forward-looking Statements” in this prospectus for further details.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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### DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information to the public with regard to us. Our Directors, having made all reasonable enquiries, confirmed that to the best of their knowledge and belief:

- the information contained in this prospectus is accurate and complete in all material aspects and not misleading or deceptive;
- there are no other matters the omission of which would make any statement herein or this prospectus misleading; and
- all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

### INFORMATION ON THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus and the Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of our or their respective directors, advisers, officers, employees, agents or representatives or any other person or party involved in the Share Offer. Neither the delivery of this prospectus nor any offering or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus, and the procedures for applying for the Public Offer Shares are set out in the section headed “How to Apply for the Public Offer Shares” in this prospectus and in the Application Forms.

### UNDERWRITING

This prospectus is published solely in connection with the Share Offer, comprising the Placing and the Public Offer. Details of the structure of the Share Offer, including conditions of the Share Offer, are set out in the section headed “Structure and Conditions of the Share Offer”. The Listing is sponsored by the Sole Sponsor and managed by the Sole Bookrunner. The Public Offer will be fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to the agreement to the Offer Price between our Company, Sorrento Securities and Innovax Securities. The Placing will be fully underwritten by the Placing Underwriters under the terms of the Placing Underwriting Agreement. For further details about the Underwriters and the Underwriting Agreements, please refer to the section headed “Underwriting – Underwriting arrangements and expenses” in this prospectus.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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### DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by Sorrento Securities, Innovax Securities and our Company on the Price Determination Date, or such later date or time as may be agreed by our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters). The Offer Price is currently expected to be not more than HK\$0.44 per Offer Share and not less than HK\$0.28 per Offer Share. The Sole Bookrunner (for itself and on behalf of the Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range stated in this prospectus at any time prior to the Price Determination Date. In such case, a notice of the reduction of the indicative Offer Price range will be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.fameglow.com](http://www.fameglow.com).

If Sorrento Securities, Innovax Securities and our Company are unable to reach an agreement on the Offer Price on the Price Determination Date, or such later date or time as may be agreed between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company, the Share Offer will not proceed.

### SELLING RESTRICTIONS OF OFFER SHARES

No action has been taken to permit any public offering of the Offer Shares or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong.

Accordingly, this prospectus and/or the Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and/or the Application Forms and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities or as an exemption therefrom.

Each person acquiring the Offer Shares will be required to confirm, or by his/her acquisition of the Offer Shares be deemed to confirm, that he/she is aware of the restrictions on the offer of the Offer Shares described in this prospectus and/or the Application Forms and that he/she is not acquiring, and has not been offered any such Offer Shares in circumstance that contravenes any such restrictions.

Prospective investors for the Offer Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective investors for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

### PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES

The procedure for application for the Public Offer Shares is set out in the section headed "How to Apply for the Public Offer Shares" in this prospectus and the Application Forms.

### STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Details of the structure and conditions of the Share Offer are set out in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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### APPLICATION FOR LISTING ON GEM

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue and the Shares which may be issued pursuant to the Offer Size Adjustment Option and upon the exercise of options that may be granted under the Share Option Scheme.

Under Section 44B(1) of the Companies (WUMP) Ordinance, if the permission for the Shares to be listed on GEM pursuant to this prospectus has been refused before the expiration of three weeks from the date of the closing of the Share Offer or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

No part of the Shares or loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek a listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange.

### SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or on any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### DEALINGS AND SETTLEMENT

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on Monday, 15 October 2018.

Shares will be traded in board lots of 10,000 Shares each and are freely transferable. The GEM stock code for the Shares is 8603.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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### REGISTER OF MEMBERS AND STAMP DUTY

All of the Shares will be registered in our Company's branch register of members to be maintained in Hong Kong by the branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Only Shares registered on our Company's branch register of members maintained in Hong Kong may be traded on GEM.

Our Company's principal register of members will be maintained by the principal share registrar and transfer office, Conyers Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of the Shares will be paid to the Shareholders listed on our Company's Hong Kong branch register of members to be maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or if joint Shareholders, to the first-named therein in accordance with the Articles.

### PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to, the Offer Shares. None of our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives (where applicable) or any other persons involved in the Share Offer accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to, the Offer Shares.

### LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese version of this prospectus, the English version of this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

### CURRENCY CONVERSION

Unless otherwise specified, amounts denominated in US\$ and RMB have been translated, for the purpose of illustration only, into HK\$ (or vice versa) in this prospectus at the following exchange rates:

US\$1.00: HK\$7.85

RMB1.00: HK\$1.15

### OTHER

Any discrepancies in any table or chart between the totals and the sums of the amounts listed therein are due to rounding.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors:</i>		
Mr. Yip Chun Kwok Danny, MH (葉振國)	Flat C, 5th Floor, Block 6 Wonderland Villas 9 Wah King Hill Road Kwai Chung, New Territories Hong Kong	Chinese
Ms. Fu Chi Ching (符芷晴)	Flat B, 5th Floor, Block 6 Wonderland Villas 9 Wah King Hill Road Kwai Chung, New Territories Hong Kong	Chinese
<i>Independent non-executive Directors:</i>		
Mr. Chan Sing Nun (陳星能)	Flat A, 43rd Floor, Block 5 Phase 2, Belvedere Garden 530-590 Castle Peak Road Tsuen Wan, New Territories Hong Kong	Chinese
Mr. Khoo Wun Fat William (丘煥法)	Room E, 5th Floor, Block 3 The Sherwood Tuen Mun, New Territories Hong Kong	Chinese
Mr. Yu Chi Wing (于志榮)	Flat A, 5th Floor Block 5B, The Wings 3A 19 Tong Yin Street Tseung Kwan O New Territories Hong Kong	Chinese

Please refer to the section headed “Directors, Senior Management and Employees” in this prospectus for further information on our Directors.

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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### PARTIES INVOLVED IN THE SHARE OFFER

<b>Sole Sponsor</b>	<b>Innovax Capital Limited</b> Room 2002, 20th Floor Chinachem Century Tower 178 Gloucester Road Wanchai, Hong Kong
<b>Sole Bookrunner</b>	<b>Sorrento Securities Limited</b> 11th Floor, The Wellington 198 Wellington Street Central, Hong Kong
<b>Joint Lead Managers</b>	<b>Sorrento Securities Limited</b> 11th Floor, The Wellington 198 Wellington Street Central, Hong Kong  <b>Innovax Securities Limited</b> Unit A-C, 20th Floor, Neich Tower 128 Gloucester Road Wan Chai, Hong Kong
<b>Legal advisers to our Company</b>	<i>As to Hong Kong law:</i> <b>Robertsons</b> 57th Floor, The Center 99 Queen's Road Central Hong Kong  <i>As to Cayman Islands law:</i> <b>Conyers Dill &amp; Pearman</b> Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
<b>Legal advisers to the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters</b>	<i>As to Hong Kong law:</i> <b>L&amp;C Legal LLP</b> <b>in association with Jingtian &amp; Gongcheng</b> Suite 1502, 15th Floor York House 15 Queen's Road Central Hong Kong
<b>Auditors and reporting accountant</b>	<b>Deloitte Touche Tohmatsu</b> Certified Public Accountants 35th Floor, One Pacific Place 88 Queensway Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

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**Independent industry consultant**

**Frost & Sullivan Limited**

1706, 1 Exchange Square  
8 Connaught Place  
Central, Hong Kong

**Independent property valuer**

**AVISTA Valuation Advisory Limited**

23rd Floor, Siu On Centre  
188 Lockhart Road  
Wanchai, Hong Kong

**Receiving bank**

**Industrial and Commercial Bank of China (Asia) Limited**

33rd Floor, ICBC Tower  
3 Garden Road  
Central, Hong Kong

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## CORPORATE INFORMATION

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<b>Registered office</b>	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Principal place of business in Hong Kong</b>	Unit 304, Global Gateway Tower 63 Wing Hong Street Cheung Sha Wan Kowloon, Hong Kong
<b>Company's website</b>	<b>www.fameglow.com</b> <i>(information on this website does not form part of this prospectus)</i>
<b>Company secretary</b>	Ms. Lee Ka Man Carmen (李嘉雯) Certified Public Accountant Unit 304, Global Gateway Tower 63 Wing Hong Street Cheung Sha Wan Kowloon, Hong Kong
<b>Authorised representatives (for the purpose of the GEM Listing Rules)</b>	Mr. Yip Chun Kwok Danny, MH Flat C, 5th Floor, Block 6 Wonderland Villas 9 Wah King Hill Road Kwai Chung, New Territories Hong Kong  Ms. Fu Chi Ching Flat B, 5th Floor, Block 6 Wonderland Villas 9 Wah King Hill Road Kwai Chung, New Territories Hong Kong
<b>Compliance officer</b>	Ms. Fu Chi Ching
<b>Compliance adviser</b>	Innovax Capital Limited Room 2002, 20th Floor Chinachem Century Tower 178 Gloucester Road Wanchai, Hong Kong
<b>Audit committee</b>	Mr. Chan Sing Nun ( <i>Chairman</i> ) Mr. Khoo Wun Fat William Mr. Yu Chi Wing

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## CORPORATE INFORMATION

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**Remuneration committee**

Mr. Khoo Wun Fat William (*Chairman*)  
Mr. Chan Sing Nun  
Ms. Fu Chi Ching

**Nomination committee**

Mr. Yip Chun Kwok Danny, MH (*Chairman*)  
Mr. Khoo Wun Fat William  
Mr. Yu Chi Wing

**Principal share registrar and  
transfer office in the Cayman Islands**

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

**Hong Kong branch share registrar  
and transfer office**

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

**Principal banker**

Bank of Communications Co., Ltd.  
Hong Kong Branch  
20 Pedder Street  
Central, Hong Kong

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## INDUSTRY OVERVIEW

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*The information contained in this section and elsewhere in this prospectus have been derived from various official government and other publications generally believed to be reliable and the market research report prepared by Frost & Sullivan which we commissioned. We believe that the sources of such information and statistics are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. None of our Group, the Sole Sponsor, the Sole Bookrunner, Joint Lead Managers, Underwriters or their respective directors, advisers (which, for the purpose of this paragraph, excludes Frost & Sullivan) and affiliates has independently verified such information and statistics and none of them gives any representation as to the accuracy of such information and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this section and elsewhere in this prospectus may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy (as the case may be) in other jurisdictions. As a result, you should not unduly rely upon such facts and statistics contained in this prospectus.*

### SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the medical aesthetic service market in Hong Kong. The report prepared by Frost & Sullivan for us is referred to in this prospectus as the Frost & Sullivan Report. We agreed to pay Frost & Sullivan a fee of HK\$400,000 which we believe reflects market rates for reports of this type.

Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy.

We have included certain information from the Frost & Sullivan Report in this prospectus because we believe this information facilitates an understanding of the medical aesthetic service market in Hong Kong for the prospective investors. The Frost & Sullivan Report includes information on the medical aesthetic service market in Hong Kong as well as other economic data, which have been quoted in the prospectus. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the medical aesthetic service market in Hong Kong. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report, various official government publications and other publications.

In compiling and preparing the research, Frost & Sullivan assumed that the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the stable and healthy development of the medical aesthetic service market in Hong Kong.

### OVERVIEW OF MACROECONOMIC ENVIRONMENT IN HONG KONG

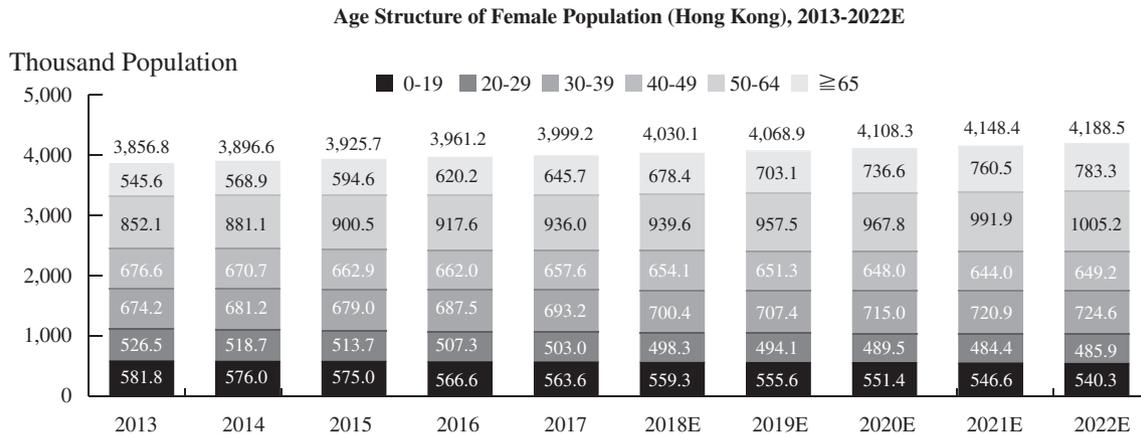
#### Gender structure of population

Female population has accounted for a larger proportion in Hong Kong's population. The proportion of female population in total population has increased from 53.7% in 2013 to 54.1% in 2017, and the number of female population has increased from 3,856.8 thousand in 2013 to 3,999.2 thousand in 2017, representing a CAGR of 0.9%. Correspondingly, the number of male population has grown at a CAGR of 0.5% from 3,330.7 thousand in 2013 to 3,392.5 thousand in 2017. It is estimated that male and female population would increase to 3,496.8 thousand and 4,188.5 thousand in 2022, respectively.

## INDUSTRY OVERVIEW

### Age structure of female population

Female population aged between 30 and 64, as the largest consumer group in female population, has experienced steady growth, from approximately 2.2 million in 2013 to approximately 2.3 million in 2017. The expanding major female consumer group, with age between 30 and 64, will largely support the development of market demands of medical aesthetic services.



Source: Census and Statistics Department, Frost & Sullivan

## OVERVIEW OF MEDICAL AESTHETIC SERVICE MARKET IN HONG KONG

### Definition and classification

Medical aesthetic services are defined services and/or procedures that improve consumers' appearance. The market can be classified by types and natures of procedures, namely surgical procedures and non-surgical procedures. Non-surgical procedures can be further classified into minimally invasive procedures, energy-based procedures, and other non-surgical procedures.

Sets forth below are the description of main medical aesthetic procedures:

Type of procedures	Description
Surgical procedures	<ul style="list-style-type: none"> <li>Surgical procedures are invasive and performed by certified doctors. Typical aesthetic surgeries include breast enhancement (e.g. augmentation, lift or reduction), facial contouring (e.g. rhinoplasty, double eyelid, chin or cheek enhancement) and body contouring (e.g. tummy tuck, liposuction).</li> </ul>
Non-surgical procedures	<ul style="list-style-type: none"> <li>Energy-based procedures are used majorly for skincare and body contouring purposes, such as acne and pigmentary treatments, rejuvenation applications, and skin tightening. The functions of energy-based procedures are producing localized heat injury of the subdermal layer to contract collagen and tight skin or utilizing heat to dissolve the molecular bonds of the damaged skin cells layer by layer aiming at achieving a smoother, more uniform skin appearance. The aesthetic energy-based devices use energies such as radiofrequency, ultrasound, laser, and pulse light.</li> </ul>

## INDUSTRY OVERVIEW

Type of procedures	Description
	<ul style="list-style-type: none"> <li>Minimally invasive procedures originated from injection cosmetology which extracted active substances from the embryos of lamb and then injected them into one female patient's damaged thyroid, which prolonged her life successfully for 27 years. Nowadays, with people's aesthetic awareness constantly increasing, the injection procedures with less pain, fewer scars and faster recovery are more and more popular. The main treatments in this section include injection of neurotoxins and dermal fillers, such as botulinum toxin and hyaluronic acid.</li> <li>Other non-surgical procedures include chemical peels, non-energy-based wart removal, comedone extraction and consultation services. Chemical peels is a technique for improvement of appearance on skin, leg, neck or hands. Consultation services are provided by registered medical practitioners who give advice and guidance to customers on treatments, use of medication and skincare products.</li> </ul>

*Source: Frost & Sullivan*

Price of medical aesthetic service generally varies based on technique, procedures, equipment and brand awareness. In particular, price of energy-based procedures varies with the type, functions and sophistication of the equipment and/or devices involved which may have direct impact on the quality of procedures. For example, price of laser treatment (e.g. PICO treatment) and radiofrequency treatment (e.g. Thermage treatment) per session could range from HK\$3,000 to HK\$8,000 and HK\$10,000 to HK\$70,000, respectively.

Medical aesthetic service is different from traditional beauty service offered by traditional beauty salons. Compared with traditional beauty salons, modern aesthetic medical centres offering medical aesthetic services mainly focus on reshaping an individual's body and face with injections or energy-based procedures which usually require trained professionals to perform. The following table sets forth the key differences between traditional beauty salons and medical aesthetic centres.

	Major services	Professional requirement	Cost	Customer experience	Key successful factors
Traditional Beauty Salons	Spa, massage, manicure, pedicure, waxing and selected energy-based procedures	Regular training is usually enough	Low to medium	Relaxing and long-term/regular treatments with moderate results	Pricing, environment, services
Modern Aesthetic Medical Centres	Plastic surgeries	All surgeries have to be done by certified doctors	High	Noticeable and long-lasting results with relatively high risk and long downtime	Professionalism and safety
	Minimally invasive procedures and energy-based procedures	Some critical procedures and chemicals have to be done/supervised or prescribed by certified doctors	Medium to high	Fairly noticeable aesthetic effects with little downtime	Professional reputation, brand awareness and devices

*Source: Frost & Sullivan*

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## INDUSTRY OVERVIEW

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Medical aesthetic service providers can be classified by sector:

<b>Sector</b>	<b>Type of provider</b>	<b>Description</b>
Private sector	Medical aesthetic departments of private hospitals	Medical aesthetic departments of private hospitals have a few in-house medical teams covering comprehensive specialties in medical aesthetic services. And physicians in these institutions commonly have rich experience and leverage hospital brand reputation to attract their patients. The majority of services provided are plastic surgeries.
	Chained-brand medical aesthetic institutions	Such institutions offer comprehensive services, including traditional beauty services, surgical services and non-surgical services, meeting different needs of different customers. Doctors and plastic surgeons could serve stores in different locations and the brand image will help attract potential patients.
	Independent medical aesthetic centres	Independent centres are set up and run by entrepreneurs and/or physicians who practice individually or in group. These centres are commonly located in commercial buildings and provide consultation and non-surgical services. They usually have smaller scales comparing to the former two types of medical aesthetic services providers. Reputation of doctors of such centres is vital to attract potential patients.
Public sector	Medical aesthetic departments / specialty clinics	The highly subsidized public hospitals and clinics provide eligible citizens with medical aesthetic services at relatively low prices. However, such services mainly consist of reconstructive surgeries for patients suffering from serious illness such as skin burns. Due to the long-waiting time and limited service provision, people with less critical conditions usually choose providers in private sector.

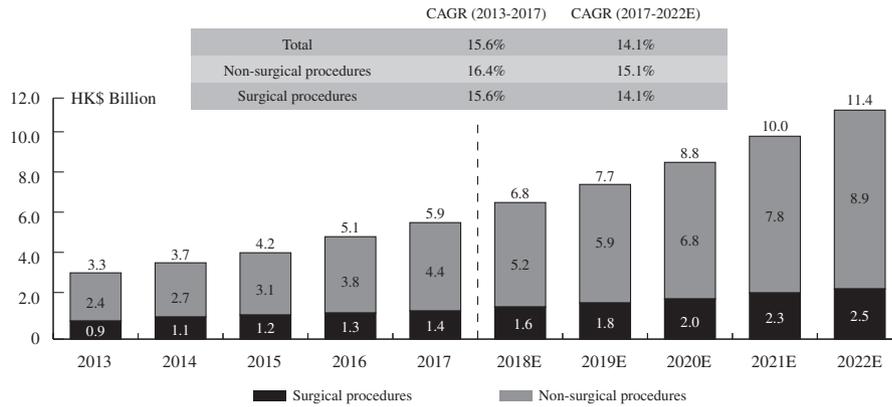
*Source: Frost & Sullivan*

### **Market size of medical aesthetic service market in Hong Kong**

Most medical aesthetic services provided in Hong Kong are non-surgical ones, which account for 75.7% of the total medical aesthetic services in 2017 in terms of revenue. Due to reduced pain and recovery time, growing affordability as well as acceptance and demand from female population, non-surgical medical aesthetic services are getting more and more popular in Hong Kong and this market is expected to reach HK\$8.9 billion in 2022, representing a CAGR of 15.1%. The sector of surgical procedures will grow at a slower pace, amounting to HK\$2.5 billion in 2022 with a CAGR of 14.1% during this period of time.

# INDUSTRY OVERVIEW

**Medical Aesthetic Services Market by Revenue in Hong Kong, 2013-2022E**



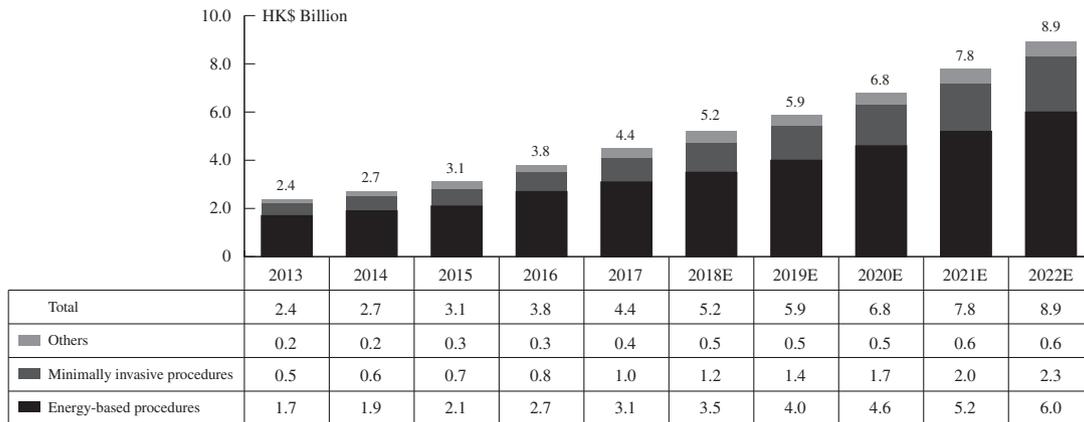
Note: The sum of figures may not add up to the respective totals due to rounding.

Source: Frost & Sullivan

## Market size of non-surgical medical aesthetic service market in Hong Kong

Energy-based procedures and minimally invasive procedures are the most popular non-surgical medical aesthetic services in Hong Kong. Specifically, energy-based procedures generated total revenue of HK\$3.1 billion in 2017, accounting for 70.5% of the total non-surgical medical aesthetic services market in Hong Kong. And this segment is expected to reach HK\$6.0 billion in 2022, representing a CAGR of 14.1% during this period of time. The sector of minimally invasive procedures accounted for 22.7% of the total non-surgical medical aesthetic services market in 2017 and enjoyed the highest growth rate among all sectors.

**Non-surgical Medical Aesthetic Services Market by Revenue in Hong Kong, 2013-2022E**



	CAGR (2013-2017)	CAGR (2017-2022E)
Total	16.4%	15.1%
Energy-based procedures	16.2%	14.1%
Minimally invasive procedures	18.9%	18.1%
Others	18.9%	8.4%

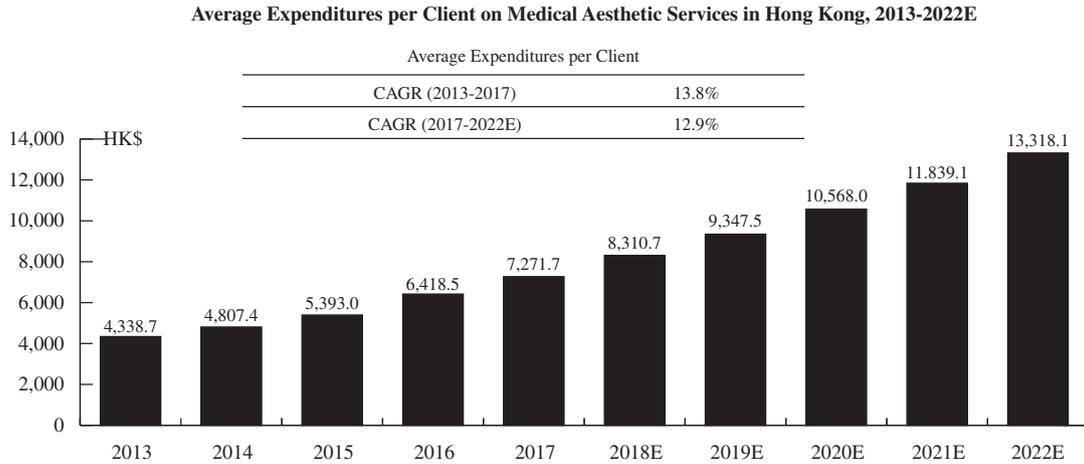
Note: The sum of figures may not add up to the respective totals due to rounding.

Source: Frost & Sullivan

## INDUSTRY OVERVIEW

### Average annual expenditure on medical aesthetic service in Hong Kong

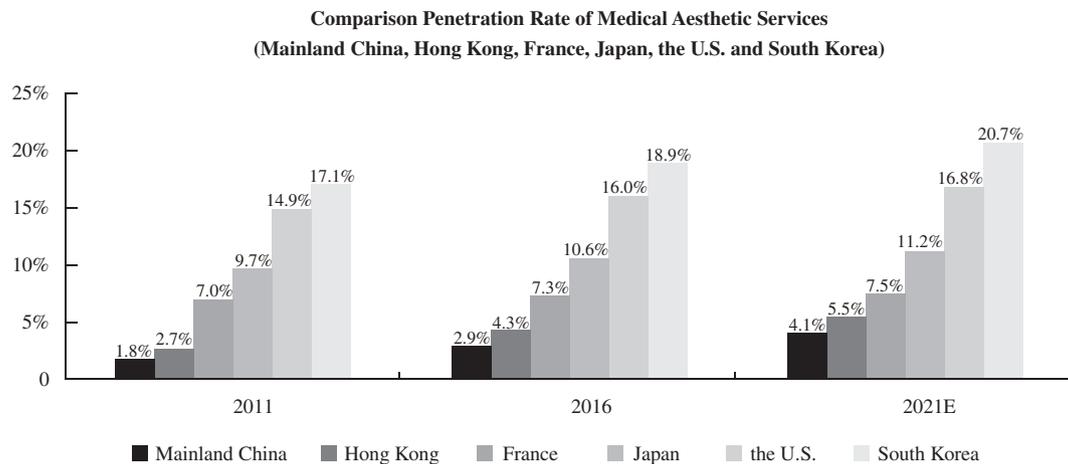
Average annual expenditure per client on medical aesthetic services in Hong Kong has reached about HK\$7,271.7 in 2017, increased at a CAGR of 13.8% from HK\$4,338.7 in 2013. The growing trend is expected to continue in the next 5 years. The average annual expenditure per client on medical aesthetic services will grow to about HK\$13,318.1 in 2022, representing a CAGR of 12.9% during 2017 to 2022. With the development of economy and the increasing per capita income in Hong Kong, consumers are willing to spend more on medical aesthetic services in Hong Kong.



Source: Frost & Sullivan

### Penetration rate of medical aesthetic services

Penetration rates of medical aesthetic services of each market is calculated by total number of end consumers who received medical aesthetic services divided by total population in a particular year. Comparatively, penetration rate of mainland China was 2.9% in 2016, due to large population base, as well as cultivating consumer demands. The penetration rate of Hong Kong was 4.3%, which was significantly lower than that of Japan (10.6%), the U.S. (16.0%) and South Korea (18.9%) in 2016. Along with growing demands, as well as increasing acceptance level of the public on medical aesthetic services, the penetration rates of mainland China and Hong Kong are expected to experience a rapid increase from 2016 to 2021.



Note: As for Mainland China, the number of consumers is divided by urban population

Source: Frost & Sullivan

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## INDUSTRY OVERVIEW

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The growth of medical aesthetic service market in Hong Kong is primarily driven by the growth of average consumer expenditure on treatment and the gradual increase in number of customers. The number of consumers receiving medical aesthetic service in Hong Kong recorded a significant growth from approximately 191,000 in 2011 to 320,000 in 2016 at a CAGR of 10.7% and the number of consumers is expected to increase at a CAGR of 5.7% during 2016 to 2021.

### Key growth drivers

- **Technology development:** Undergoing technology transformation has involved medical aesthetic service market in recent decades. The evolving technologies cover a wide range of aesthetic treatments, including transdermal delivery of injectable products for face contouring and intense pulse light of energy-based treatments for skin rejuvenation and wrinkle reduction. Owing to the feature of less downtime and better effectiveness, medical aesthetic services with innovative treatment methods would be more acceptable in foreseeable future.
- **Increasing demand:** Due to rising living standards of Hong Kong, consumers are paying more attention on maintaining youth and beauty. Furthermore, influenced largely by the education on consumers from comparatively more developed medical aesthetic services markets, especially Asian markets, such as South Korea and Japan, overall consumer demands in Hong Kong have seen rapid growth over the past few years. In addition, the ageing population will also generate more demands for medical aesthetic services.
- **Growing affordability:** The overall Hong Kong market has represented an upward trend on the basis of macro-economic index. According to Census and Statistics Department of Hong Kong, the per capita gross national income in Hong Kong has increased at a CAGR of 5.4% from approximately HK\$289,000 in 2012 to approximately HK\$375,200 in 2017. On the other hand, the median monthly employment earnings of employed female population aged between 20 to 29 recorded a growth from HK\$8,800 in 2011 to HK\$13,000 in 2017, representing a CAGR of 6.7%. Hence, according to Frost & Sullivan, the income level and therefore per capita income of the young generation in Hong Kong is expected to increase in the coming years. The increase in per capita gross national income, together with the relative low penetration rate of medical aesthetic services in Hong Kong, will drive the increase in consumer demand for medical aesthetic services. In addition, attributable to the increment of economic position, better personal appearance and general well-being turns to be a higher needs for Hong Kong residents that they would increase their consumption budget on the medical aesthetic services and products.
- **Social media catalyses the economy of appearance:** Since young generation are the main force in the medical aesthetic market and more people perform minimally invasive procedures, the concept of minimally invasive procedures has also been accepted by more people. In addition, the young generation are more willing to share the effects of the minimally invasive procedures in social media. The results of plastic surgery further promoted more people to try plastic surgery. Hence, the development of and growing acceptance towards minimally invasive procedures is recognised as a result of online-to-offline promotion strategy through social media platform.

### Future development trends

- **More potential consumers:** The regional demand of medical aesthetic services in Hong Kong would demonstrate a rapid growth because of the expanding customer base. The beauty culture in Hong Kong has been significantly influenced and changed as well. Individuals, whether males or females, are expected to pay more attention on their own appearance and be more willing to make improvement via obtaining medical aesthetic services. The rise of potential consumer volume, increasing market demand in Hong Kong, would provide new opportunities for the developing Hong Kong medical aesthetic service market.

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## INDUSTRY OVERVIEW

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- **More stringent regulations:** Medical aesthetic service market in Hong Kong is under a period of changing regulatory environment after several medical incidents happened over the past few years. A Steering Committee on Review of the Regulation of Private Healthcare Facilities (the “Steering Committee”) has been established to review the regulatory regime for private healthcare facilities. A Working Group on Differentiation between Medical Procedures and Beauty Services (the “Working Group”) has also been set up under the Steering Committee, which was tasked to differentiate between medical treatments and ordinary beauty services and to make recommendations on procedures which should be performed by registered medical practitioners. Doctor-driven or well-trained providers would get benefit from such tendency because of compliance requirements.
- **Medical technology presents refined and safer:** With the development of medical science and materials science, prosthetics and other materials used in plastic surgery will be more scientific, safer and closer to the physical and physiological characteristics of people. Medical plastic surgery requires a perfect surgical design and a refined surgical incision, also surgical technique and surgical operation is more sophisticated in the future. The future development of medical aesthetic industry will be less invasive, less risky, faster recovery and better effect in order to satisfy customers’ pursuit.

### Major opportunities and threats

Medical aesthetic service providers may witness the business opportunity from increasing number of males interested in non-surgical procedures with little downtime. Advancement of medical aesthetic technology and devices also contributes to higher efficiency and desired results of procedures. The recovery of number of visitors from the PRC may support the demand for medical aesthetic services.

Major threats of medical aesthetic services market in Hong Kong lies in the high level of market competition among service providers. In addition, customers’ dissatisfaction and incidents associated with failure of medical aesthetic procedures, medical lawsuits and customers’ dissatisfaction may adversely affect the brand reputation of individual medical aesthetic service providers or the entire industry.

## COMPETITIVE LANDSCAPE OF MEDICAL AESTHETIC SERVICES MARKET IN HONG KONG

### Overview

There were over 300 medical aesthetic centers providing non-surgical medical aesthetic services in Hong Kong in 2017. The top two market participants accounted for approximately 30.0% of market share while the aggregate market share for the third to fifth largest market participants accounted for 20.9% of market share in the same year. Our Group had an approximate market share of approximately 1.8% in terms of revenue generated from the provision of non-surgical medical aesthetic services and ranked 13th in the non-surgical medical aesthetic service market in 2017.

### Top Five Non-surgical Medical Aesthetic Service Providers in Hong Kong by Revenue, 2017

Rank	Market participants	Year of establishment	Key coverage of energy-based service	Revenue generated from provision of non-surgical medical aesthetic service (HK\$ million)	Market share (%)
1	Company A	2005	<ul style="list-style-type: none"><li>• Body slimming treatment</li><li>• Laser skin rejuvenation</li><li>• Laser hair removal</li></ul>	719.6	16.2%
2	Company B	1999	<ul style="list-style-type: none"><li>• Facial and body contouring</li><li>• Carbon dioxide laser</li><li>• Radio frequency therapy</li><li>• Laser hair removal</li></ul>	610.6	13.8%

## INDUSTRY OVERVIEW

Rank	Market participants	Year of establishment	Key coverage of energy-based service	Revenue generated from provision of non-surgical medical aesthetic service (HK\$ million)	Market share (%)
3	Company C	1997	<ul style="list-style-type: none"> <li>• Alma lasers</li> <li>• Cool sculpting</li> <li>• Ultherapy</li> <li>• Radio frequency therapy</li> </ul>	322.8	7.3%
4	Company D	2005	<ul style="list-style-type: none"> <li>• Body reshape</li> <li>• Rejuvenation</li> </ul>	312.0	7.0%
5	Company E	1999	<ul style="list-style-type: none"> <li>• Energy-based body sliming</li> <li>• Skin-lifting</li> </ul>	284.7	6.4%

Source: Frost & Sullivan

Brand image is considered as one of the key factors for medical aesthetic service providers to capture new customers, which is primarily developed based on service and treatment quality, reputation as well as marketing activities. Effective marketing activities and promotion are required for medical aesthetic service providers to gain presence in the market, and established service providers generally rely on their brand image for expansion in the market.

### Entry barrier

- **Medical professionals:** Compared to other traditional beauty services, Medical aesthetic services, changing one's personal appearance utilizing energy-based devices and performing injections, require experienced doctors or practitioners with proven skills. Furthermore, possibility of imposing more stringent policy on medical aesthetic services in Hong Kong would also improve the industry standards of hiring aesthetic practitioners. Under the circumstance of limited registered doctors in Hong Kong, the new entrants would face the challenge of recruitment of practitioners with relevant expertise and experience.
- **Abundant working capital:** To be competitive in medical aesthetic services market in Hong Kong, abundant funds are quite important since it costs a lot to purchase cutting-edge devices and rent service venues. In addition, popular medical aesthetic centres usually have celebrity spokes-persons as marketing tool. Especially in the market of medical aesthetic service, instant recognition attracts the desired target customers and makes the services they are promoting more visible. Medical aesthetic service providers are required to maintain sufficient cash flow in order to support their business operations. Therefore, the demand of a large deal of working capital to start and further expand business is a great challenge for many new entrants.
- **Brand reputation:** Medical aesthetic institutions rely heavily on the reputation to attract customers and survive in the fierce competition. The new entrants to the market can hardly form the positive brand image and broadly spread via word of mouth. How to attract the first batch of customer becomes a great issue for them. What's more, any negative incidents can ruin the efforts making in advance. Existing players have loyal customer group and thus are able to leverage the public to balance the influence while new entrants can hardly achieve that. Brand reputation which plays an important role of gaining customers' trust set a significant obstacle for new entrants.

### COMPETITIVE STRENGTHS OF OUR GROUP

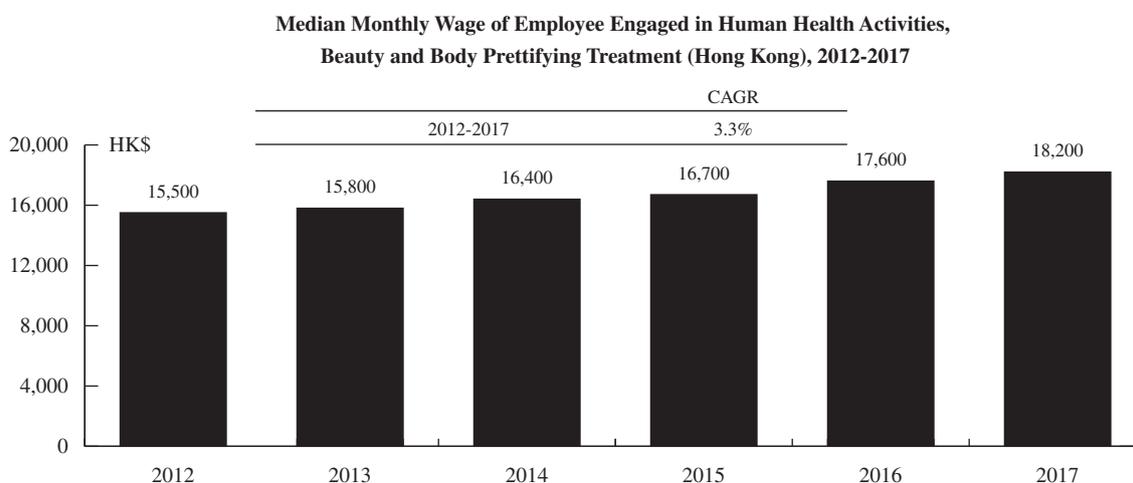
Please refer to "Business – Our competitive strengths" for a detailed discussion of competitive strengths of our Group.

## INDUSTRY OVERVIEW

### COST STRUCTURE ANALYSIS

#### Staff cost

According to Census and Statistics Department of Hong Kong, the median monthly wage of employee engaged in human health activities, beauty and body prettifying treatment registered a steady growth from HK\$15,500 in 2012 to HK\$18,200 in 2017, representing a CAGR of 3.3%. The growth was primarily attributable to the expansion of beauty service and medical aesthetic service market and thus increasing demand for staff recruitment by service providers.



Source: Census and Statistics Department of Hong Kong, Frost & Sullivan

#### Rental cost

According to Rating and Valuation Department of Hong Kong, the rental index for Grade A office in Wan Chai/Causeway Bay and Tsim Sha Tsui witnessed a steady growth at a CAGR of 4.6% during 2012 to 2017, which was mainly attributable to the increasing demand for office space in prime location and core districts in Hong Kong.

#### Rental Index for Grade A Office in Selected Core Districts (Hong Kong), 2012-2017

Price Index (1999 = 100)	2012	2013	2014	2015	2016	2017	CAGR (2012-2017)
Wan Chai/Causeway Bay	202.9	215.5	218.6	228.4	238.5	254.1	4.6%
Tsim Sha Tsui	172.3	187.4	195.7	208.5	210.5	215.7	4.6%

*Note:* According to Rating and Valuation Department of Hong Kong, Grade A offices are generally featured with modern with high quality finishes; flexible layout; large floor plates; spacious, well decorated lobbies and circulation areas; effective central air-conditioning; good lift services zoned for passengers and goods deliveries; professional management; parking facilities normally available.

Source: Rating and Valuation Department of Hong Kong, Frost & Sullivan

### DIRECTORS' CONFIRMATION

Our Directors, after due and reasonable consideration, are of the view that there has been no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information therein.

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## REGULATORY OVERVIEW

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### OVERVIEW

Our operations are subject to various laws, rules, regulations and policies in Hong Kong where we operate. This section sets out summaries of certain aspects of Hong Kong laws, rules, regulations and policies which are relevant to our Group's operations and business.

### LAWS AND REGULATIONS

#### Regulations on Medical Practitioners and Medical Facilities

There is presently no specific legislation which exclusively governs the provision of medical aesthetic services in Hong Kong. However, our operations in Hong Kong are subject to certain general laws and regulations in relation to medical practitioners, trade description and safety of consumer goods, medical advertisement and importation and dealing in and sale of pharmaceutical products and drugs and skincare products.

#### *Medical Registration Ordinance*

All practising medical practitioners in Hong Kong are required to be registered with the Hong Kong Medical Council. Section 20A(1) of the Medical Registration Ordinance (Chapter 161 of the Law of the Hong Kong), as amended, supplemented and/or otherwise modified from time to time (“**Medical Registration Ordinance**”) provides that “a registered medical practitioner shall not practise medicine, surgery or midwifery in Hong Kong, or any branch of medicine or surgery in Hong Kong, unless he is the holder of a practising certificate which is then in force.”

To register with the Hong Kong Medical Council, a medical practitioner should, subject to certain exceptions, *inter alia*:

- have been awarded a degree of medicine and surgery by the University of Hong Kong or The Chinese University of Hong Kong or passed the licensing examination conducted by the Hong Kong Medical Council;
- have attained a certificate of experience of employment in a resident medical capacity in approved hospitals for a certain prescribed period;
- not have been convicted of any criminal offence punishable with imprisonment;
- not have been found guilty of professional misconduct; and
- be of good character.

Medical practitioners registered with the Hong Kong Medical Council are included in the General Register (as defined in the Medical Registration Ordinance) kept by the Hong Kong Medical Council.

Medical practitioners registered with the Hong Kong Medical Council will generally be issued with a practising certificate which will be valid for one year. Medical practitioners are required to renew their practising certificates each year which shall be in force for a period of 12 months commencing on 1 January in that following year and the practising certificate for each year shall be obtained before 30 June of that year, failing which their names may be subject to removal from the register maintained by the Hong Kong Medical Council.

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## REGULATORY OVERVIEW

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All our Doctors are medical practitioners included in the General Register registered to practise medicine, surgery and midwifery in Hong Kong pursuant to practising certificates issued to them under the Medical Registration Ordinance and are therefore subject to the regulation of the Medical Registration Ordinance.

Under section 28 of the Medical Registration Ordinance, subject to certain exceptions, the practice of medicine or surgery in Hong Kong must be carried out by a registered medical practitioner. The carrying out of consultation services that involve the practice of medicine, medical diagnosis, prescription of pharmaceutical products and medicines (each as defined under the Pharmacy and Poisons Ordinance (defined below)) and certain types of treatments (such as injection of botulinum toxin type A and dermal filler) at our CWB Centre and TST Centre constitute the practice of medicine and therefore must be carried out by our Doctors, as registered medical practitioners. As confirmed by our Directors, our Group has fully complied with such requirements during the Track Record Period and up to the Latest Practicable Date.

### ***Hong Kong Medical Code of Professional Conduct***

All our Doctors have to comply with the Hong Kong Medical Code of Professional Conduct issued by the Hong Kong Medical Council (as may be amended from time to time) which covers, *inter alia*, the following aspects:

- (i) medical practitioners' professional responsibilities to patients such as their confidentiality obligations as well as the obligations to act in the interest of patients and, whenever an examination or treatment is beyond his capacity, to consult with or refer to another doctor who has the necessary ability;
- (ii) communication in medical practitioners' professional practice, including restriction on practice promotion from being carried out by medical practitioners;
- (iii) requirements in relation to prescription and labelling of medicine/drugs to be dispensed;
- (iv) regulations in respect of the relationship between medical practitioners and other practitioners and/or organisations;
- (v) criminal conviction and disciplinary proceedings of medical practitioners;
- (vi) medical practitioners' financial arrangements;
- (vii) regulations in relation to new medical procedures, clinical research and alternative medicine;
- (viii) regulations against abuse of professional position; and
- (ix) regulations governing serious infectious disease and other special areas.

Contravention of this Hong Kong Medical Code of Professional Conduct may render a Hong Kong doctor liable to disciplinary action. All our Doctors are required to comply with the Hong Kong Medical Code of Professional Conduct.

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## REGULATORY OVERVIEW

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### *Medical Clinics Ordinance*

The Medical Clinics Ordinance provides for the registration, control and inspection of medical clinics. It requires a medical clinic (meaning any premises used or intended to be used for the medical diagnosis or treatment of persons suffering from, or believed to be suffering from, any disease, injury or disability of mind or body, with specific exceptions, including private consulting rooms used exclusively by registered medical practitioners in the course of their practice on their own account and not bearing any title or description which includes the word “clinic” or “polyclinic” in the English language) to be registered, with name and address and other prescribed particulars.

Pursuant to section 14(1) of the Medical Clinics Ordinance, any person who carries on or takes part in the management of a clinic which is not registered, or who therein does any medical diagnosis or prescribes any medical treatment or takes part in any medical treatment of any person commits an offence and is liable (i) on summary conviction to a fine of HK\$50,000 and to imprisonment for two years; or (ii) on conviction upon indictment to imprisonment for three years.

Pursuant to section 14(1A) of the Medical Clinics Ordinance, any person who in a clinic which is not registered does any medical diagnosis, prescribes any medical treatment or performs any medical treatment in relation to a person which results in personal injury to that person commits an offence and is liable (i) on summary conviction to a fine of HK\$100,000 and to imprisonment for three years; or (ii) on conviction upon indictment to imprisonment for seven years.

According to section 5 of the Medical Clinics Ordinance, an application of registration may be refused if:

- (i) the income derived or to be derived from the establishment or operation of the clinic is not, or will not be, applied solely towards the promotion of the objects of the clinic; or
- (ii) any portion of such income, except payment of remuneration to employed registered medical practitioners, nurses and menial servants, will be paid by way of dividend, bonus or otherwise howsoever by way of profit to the applicant himself, or to any persons properly so employed, or to any other persons howsoever.

Furthermore, in the prescribed application documents under the Medical Clinics Ordinance, an applicant for registration is required to make a declaration (“**Non-Profit Making Declaration**”) that the income derived from the operation of the clinic will be applied solely towards the promotion of the objects of the clinic and any portion of such income, except payment in good faith of remuneration to certain employees, will not be paid by way of dividend or otherwise howsoever by way of profit to the applicant or any other person howsoever.

We have sought confirmation from Counsel Hingorani and Counsel Hingorani has opined that the Medical Clinics Ordinance is not applicable to the business of our Group, having considered, among other things, the following:

- (i) the legislative intent behind the Medical Clinics Ordinance was to provide for registration of non-profit making clinics;

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## REGULATORY OVERVIEW

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- (ii) the Food and Health Bureau of Hong Kong published a consultation document, “Regulation of Private Healthcare Facilities” in December 2014 (“**Consultation Paper**”), which specifically states that the Medical Clinics Ordinance and the Code of Practice For Clinics Registered Under The Medical Clinics Ordinance (Chapter 343 of the Laws of Hong Kong) set out the regulatory framework for non-profit-sharing medical clinics and that other private healthcare facilities, such as ambulatory medical centres and clinics operated by medical groups or individual medical practitioners, are not subject to direct statutory control beyond the regulation of an individual’s professional practice. It was also commented in the Consultation Paper that the Medical Clinics Ordinance was outdated and had outlived its usefulness and the Working Group and Steering Committee (both as defined in the paragraph headed “Recent development in relation to regulation of medical procedures and beauty services as well as private healthcare facilities – Background” in this section) were fully aware of the existence of incorporated companies set up by non-medical investors, operated by non-medical managers and providing services by registered medical practitioners, while at present, there is no regulatory framework under the Medical Clinics Ordinance or otherwise to govern activities of such companies;
- (iii) our business is one which makes and intends to continue making profit as a listed entity. The payment of bonuses to our Doctors is clearly a reflection of the profit-making nature of our business; and
- (iv) an application for registration may be refused pursuant to section 5 of the Medical Clinics Ordinance mentioned above as we have been remunerating and will continue to remunerate our Doctors by way of bonus before and after the Listing and the impossibility of our making the Non-Profit Making Declaration required for an application for registration under the Medical Clinics Ordinance.

Hence, our medical aesthetic centres in Hong Kong are not qualified or required to be registered under the Medical Clinics Ordinance.

### **Regulations on the Supply of Goods and Services in Hong Kong**

#### ***Trade Descriptions Ordinance***

The Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time (“**Trade Descriptions Ordinance**”) prohibits false trade descriptions, false, misleading or incomplete information, false marks and misstatements in respect of goods provided in the course of trade or suppliers of such goods; and false trade descriptions in respect of services supplied by traders.

The Trade Descriptions Ordinance also confers power to require information or instruction relating to goods to be marked on or to accompany the goods or to be included in advertisements; to restate the law relating to forgery of trademarks; prohibits certain unfair trade practices; confers power to require any services to be accompanied by information or instruction relating to the services or an advertisement of any services to contain or refer to information relating to the services; and for purposes connected therewith.

A false trade description means:

- a trade description which is false to a material degree; or
- a trade description which, though not false, is misleading, that is to say, likely to be taken for a trade description of a kind that would be false to a material degree.

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## REGULATORY OVERVIEW

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### *False trade description of goods*

In relation to goods, “trade description” means an indication, direct or indirect, and by whatever means given, with respect to the goods or any part of the goods including an indication of any of the following matters:

- (i) quantity (which includes length, width, height, area, volume, capacity, weight and number), size or gauge;
- (ii) method of manufacture, production, processing or reconditioning;
- (iii) composition;
- (iv) fitness for purpose, strength, performance, behaviour or accuracy;
- (v) availability;
- (vi) compliance with a standard specified or recognised by any person;
- (vii) price, how price is calculated or the existence of any price advantage or discount;
- (viii) liability to pay duty on them under the laws of Hong Kong, generally or in specified circumstances;
- (ix) testing by any person and results thereof;
- (x) approval by any person or conformity with a type approved by any person;
- (xi) a person by whom they have been acquired, or who has agreed to acquire them;
- (xii) their being of the same kind as goods supplied to a person;
- (xiii) place or date of manufacture, production, processing or reconditioning;
- (xiv) person by whom manufactured, produced, processed or reconditioned;
- (xv) other history, including previous ownership or use;
- (xvi) availability in a particular place of (a) a service for the inspection, repair or maintenance of the goods; or (b) spare parts for the goods;
- (xvii) warranty given in respect of the service or spare parts referred to in item (xvi) above;
- (xviii) the person by whom the service or spare parts referred to in item (xvi) above are provided;
- (xix) the scope of the service referred to in item (xvi)(a) above;
- (xx) the period for which (and the price at which) the service or spare parts referred to in item (xvi) above are available; and
- (xxi) the charge or cost at which the service or spare parts referred to in item (xvi) above are available.

Any person who in the course of any trade or business applies a false description to any goods, or supplies any goods to which a false trade description is applied, or has in his possession for sale or for any purpose of trade or manufacture any goods to which a false trade description is applied, commits an offence.

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## REGULATORY OVERVIEW

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### ***False trade description of services***

In relation to a service, “trade description” means an indication, direct or indirect, and by whatever means given, with respect to the service or any part of the service including an indication of any of the following matters:

- (i) nature, scope, quantity (including the number of occasions on which, and the length of time for which, the service is supplied or to be supplied), standard, quality, value or grade;
- (ii) fitness for purpose, strength, performance, effectiveness, benefits or risks;
- (iii) method and procedure by which, manner in which, and location at which, the service is supplied or to be supplied;
- (iv) availability;
- (v) testing by any person and the results of the testing;
- (vi) approval by any person or conformity with a type approved by any person;
- (vii) a person by whom it has been acquired, or who has agreed to acquire it;
- (viii) the person by whom the service is supplied or to be supplied;
- (ix) after-sale service assistance concerning the service; and
- (x) price, how price is calculated or the existence of any price advantage or discount.

A trader who applies a false trade description to a service supplied or offered to be supplied to a consumer or who supplies or offers to supply to a consumer a service to which a false trade description is applied, commits an offence.

### ***Unfair trade practices***

Further, the Trade Descriptions Ordinance also prohibits certain specified trade practices:

#### ***Misleading omissions***

A trader commits an offence of misleading omissions if it omits or hides material information, or provides material information in a manner that is unclear, unintelligible, ambiguous or untimely, or fails to identify its commercial intent (unless this is already apparent from the context), and as a result it causes or is likely to cause an average consumer to make a transactional decision that the consumer would not have made otherwise.

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## REGULATORY OVERVIEW

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### *Aggressive commercial practices*

A trader commits an offence of aggressive commercial practices if the commercial practice in its factual context, (a) significantly impairs or is likely to significantly impair the consumer's freedom of choice or conduct in relation to the product concerned through the use of harassment, coercion or undue influence; and (b) therefore causes or is likely to cause the consumer to make a transactional decision that the consumer would not have made otherwise.

### *Bait advertising*

A trader commits an offence of bait advertising if a trader advertises products for supply at a specified price, but there are no reasonable grounds for believing that the trader will be able to offer for supply those products at that price, or the trader fails to offer those products for supply at that price, for a period that is, and in quantities that are, reasonable, having regard to (a) the nature of the market in which the trader carries on business; and (b) the nature of the advertisement.

However, advertising by a trader of products for supply at a specified price is not bait advertising if the advertisement states clearly the period for which, or the quantities in which, the products are offered for supply at that price; and the trader offers those products for supply at that price for that period or in those quantities.

### *Bait and switch*

A trader commits an offence of bait and switch if a trader makes an invitation to purchase a product at a specified price and, with the intention of promoting a different product, the trader (a) refuses to show or demonstrate the product to consumers; or (b) refuses to take orders for the product or deliver it within a reasonable time; or (c) shows or demonstrates a defective sample of the product.

### *Wrongly accepting payment*

A trader commits an offence of wrongly accepting payment if the trader accepts payment or other consideration for the product and at the time of that acceptance, (a) the trader intends not to supply the product; or (b) the trader intends to supply a product that is materially different from the product in respect of which the payment or other consideration is accepted; or (c) there are no reasonable grounds for believing that the trader will be able to supply the product (i) within the period specified by the trader at or before the time at which the payment or other consideration is accepted; or (ii) if no period is specified at or before that time, within a reasonable period.

### *Definition of "trader"*

"Trader" means any person (other than an exempt person under Schedule 3) who, in relation to a commercial practice, is acting, or purporting to act, for purposes relating to the person's trade or business. The definition of an "exempt person" under the Trade Descriptions Ordinance includes, among others, a registered medical practitioner under the Medical Registration Ordinance. Under item 9 of Schedule 3, medical services provided by our Doctors who are registered medical practitioners under the Medical Registration Ordinance are exempted from the regulations applicable to traders under the Trade Descriptions Ordinance. However, our Group is still subject to the regulations under the Trade Descriptions Ordinance as skincare products are made available for clients at our medical aesthetic centres.

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## REGULATORY OVERVIEW

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### ***Consumer Goods Safety Ordinance and Consumer Goods Safety Regulation***

The Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time (“**Consumer Goods Safety Ordinance**”) imposes a statutory duty on manufacturers, importers and suppliers of certain consumer goods (excluding for example pharmaceutical products) to ensure that the consumer goods supplied are safe and for incidental purposes.

Under the Consumer Goods Safety Ordinance, a person who supplies, manufactures or imports into Hong Kong consumer goods which do not comply with the general safety requirement for consumer goods (or where a standard has been approved by the Secretary for Commerce and Economic Development to apply to consumer goods, the approved standard for the particular consumer goods) commits an offence. General safety requirement in respect of consumer goods means that such goods are reasonably safe having regard to all of the circumstances, including, among others, the manner in which, and the purpose for which, the consumer goods are presented, promoted or marketed.

Certain defences are available under the Consumer Goods Safety Ordinance. One of the defences is that the relevant person supplied the consumer goods in the course of carrying on a retail business and at the time he supplied the consumer goods, he neither knew nor had reasonable grounds for believing that the consumer goods failed to comply with the general safety requirement.

The Consumer Goods Safety Regulation (Chapter 456A of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time (“**Consumer Goods Safety Regulation**”) requires that any warning or caution with respect to the safe keeping, use, consumption or disposal of any consumer goods (excluding pharmaceutical products) must be given in both Chinese and English.

Further, the warning or caution must be legible and placed in a conspicuous position on the consumer goods, any package of the consumer goods, or on a label securely affixed to the package, or a document enclosed in the package.

Skincare products available at our medical aesthetic centres in Hong Kong which are not pharmaceutical products are subject to the Consumer Goods Safety Ordinance and Consumer Goods Safety Regulation.

### ***Sale of Goods Ordinance***

Contracts for the sale of goods in Hong Kong are mainly governed by the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time. For consumer transactions, certain terms are implied into sales contracts to strengthen protection to consumers.

Examples include the implied undertaking that the goods are of merchantable quality, requiring that the goods should be fit for the purpose(s) for which goods of that kind are commonly bought, of such standard of appearance and finish, free from defects (including minor defects), safe, and durable as reasonably expected having regard to the relevant circumstances.

### ***Supply of Services (Implied Terms) Ordinance***

There are also implied terms prescribed in respect of the supply of services under the Supply of Services (Implied Terms) Ordinance (Chapter 457 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time.

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## REGULATORY OVERVIEW

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Apart from the contractual aspects of liability, retailers in Hong Kong may also owe a duty of care to consumers and be liable for damages resulting from defects in the goods caused by their negligent acts or for any fraudulent misrepresentation made in the selling of the goods. Liability may arise if a retailer disregards the instructions of the manufacturers or suppliers in handling the relevant goods or fails to pass onto the buyers instructions for use and warnings received from such manufacturers or suppliers. If a retailer knows or reasonably believes that the goods may be defective or dangerous, it may have to cease to supply such goods and take basic precautions such as warning the buyers and informing the relevant manufacturers or suppliers.

### ***Unconscionable Contracts Ordinance***

The Unconscionable Contracts Ordinance (Chapter 458 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time empowers the court, with respect to a consumer contract, to refuse to enforce the contract, enforce the remainder of the contract without the unconscionable part, or limit the application of, revise or alter any part which is found to be unconscionable so as to avoid any unconscionable result.

### ***Control of Exemption Clauses Ordinance***

Contracts for the sale of goods or supply of services in which one party deals as a consumer, among others, are subject to the Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time.

Pursuant to the Control of Exemption Clauses Ordinance, any exemption clauses contained in the contract purporting to exclude or restrict liabilities for loss or damage to property due to negligence are valid only in so far as such clauses satisfy the requirement of reasonableness.

### **Regulations on Advertisements in Hong Kong**

#### ***Undesirable Medical Advertisements Ordinance***

The Undesirable Medical Advertisements Ordinance (Chapter 231 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time (“**Undesirable Medical Advertisements Ordinance**”) aims to protect public health through prohibiting or restricting advertisements relating to certain diseases, consumable products and abortion.

Among other restrictions, according to the Undesirable Medical Advertisements Ordinance, no person shall publish, or cause to be published, any advertisements likely to lead to the use of any medicine, surgical appliance or treatment for:

- the purpose of treating human beings for, or preventing them from contracting any of the diseases or conditions specified in the Undesirable Medical Advertisements Ordinance which include, among others, any disease of the skin, hair or scalp except for a purpose specified in the Undesirable Medical Advertisements Ordinance which, among others, include prevention of pimples and relief or prevention of minor skin conditions including dry and chapped skin; or
- treating human beings for any purpose specified in the Undesirable Medical Advertisements Ordinance which include, among others, the restoration of lost youth and the correction of deformity or the surgical alteration of a person’s appearance.

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## REGULATORY OVERVIEW

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As defined in the Undesirable Medical Advertisements Ordinance, “advertisement” includes any notice, poster, circular, label, wrapper or document, and any announcement made orally or by means of producing or transmitting light or sound. These would include advertisements published in newspapers and magazines, leaflets, on radio, television, and internet, as well as on the label of a container or package containing any medicine, surgical appliance, treatment, or orally consumed product.

If a person named in that advertisement is held out (a) as being a manufacturer or supplier of medicine or surgical appliances; or (b) as being able to provide any treatment, that person is presumed, until the contrary is proved, to have caused the advertisement to be published.

### **Regulations on Pharmaceutical Products and Drugs in Hong Kong**

#### ***Pharmacy and Poisons Ordinance and its sub-legislations***

The Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time (“**Pharmacy and Poisons Ordinance**”) regulates the sale and labelling of products which are classified as pharmaceutical products and medicine. As stipulated under Regulation 36(1) of the Pharmacy and Poisons Regulations (Chapter 138A of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time (“**Pharmacy and Poisons Regulations**”), “pharmaceutical products” must be registered before they can be sold, offered for sale, distributed or possessed for the purposes of sales, distribution or other use in Hong Kong.

Under the Pharmacy and Poisons Ordinance, “pharmaceutical product” and “medicine” mean any substance or combination of substances:

- presented as having properties for treating or preventing disease in human beings or animals; or
- that may be used in, or administered to, human beings or animals, either with a view to (i) restoring, correcting or modifying physiological functions by exerting a pharmacological, immunological or metabolic action; or (ii) making a medical diagnosis.

Ingredients that are classified as poisons are listed in the Poisons List under the “Tenth Schedule” of the Pharmacy and Poisons Regulations. According to their potency, toxicity and potential side effects, some poisons are further categorised under different parts of the Poisons List and different schedules under the Pharmacy and Poisons Regulations. The levels of control over the sale of the poison depend on its categorisation.

Pharmaceutical products that do not contain any poisons or contain “Part II” poisons as set out in the “Tenth Schedule” of the Pharmacy and Poisons Regulations are referred as over-the-counter medicines. The former can be sold in any retail shops while the latter can be sold by authorised sellers of poisons (usually known as pharmacies or dispensaries) and listed sellers of poisons (usually known as medicine stores). Pharmaceutical products containing “Part I” poisons as set out in the “Tenth Schedule” of Pharmacy and Poisons Regulations can only be sold by authorised sellers of poisons in the presence and under the supervision of registered pharmacists.

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## REGULATORY OVERVIEW

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Some Part I Poisons as set out in the “Tenth Schedule” of the Pharmacy and Poisons Regulations are further classified into the “First Schedule” and the “Third Schedule” of the Pharmacy and Poisons Regulations with additional restrictions on their sale by retailers. The sale of pharmaceutical products containing Part I First Schedule Poisons as set out in the Pharmacy and Poisons Regulations further requires keeping sale records which include, *inter alia*, the name and quantity of the poison supplied, the date on which the poison was supplied, the name and address of the person to whom the poison was supplied, and the name of the person who supplied the poison or gave the prescription upon which it was supplied, as well as the signature and purpose for which it is required (for wholesale dealing). The sale of pharmaceutical products containing prescription only medicines (Part I Third Schedule Poisons as set out in the Pharmacy and Poisons Regulations) must be authorised by a prescription from a registered medical practitioner, a registered dentist or a registered veterinary surgeon.

However, the supply of medicine by a doctor for the purposes of medical treatment is not subject to the conditions and limitations mentioned above in relation to the sale of Part I and Part II poisons as set out in the “Tenth Schedule” of the Pharmacy and Poisons Regulations imposed by the Pharmacy and Poisons Ordinance.

In order to be exempted from the conditions and limitations mentioned above imposed by the Pharmacy and Poisons Ordinance, all ordering and dispensing of medication and substances which may include Part I and Part II poisons at our CWB Centre and TST Centre are carried out by or conducted under the supervision of our Doctors. Medicines are checked by our Doctors before being prescribed and dispensed to our clients with full records being kept. On the other hand, to the best of our Directors’ knowledge after due care and making of reasonable enquiries, the branded products supplied at our CWB Centre, TST Centre and Retail/Service Outlets do not contain any medication or poisons and are therefore not regulated and not required to be registered under the Pharmacy and Poisons Ordinance or the Pharmacy and Poisons Regulations.

### ***Dangerous Drugs Ordinance***

The Dangerous Drugs Ordinance (Chapter 134 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time (“**Dangerous Drugs Ordinance**”) regulates the import, export, procuring, supply, dealing in or with, manufacture and possession of drugs or substances which are classified as dangerous drugs under the Dangerous Drugs Ordinance.

Dangerous drugs are not allowed to be supplied to any person except to a person authorised or licensed to be in possession of such drugs in accordance with the Dangerous Drugs Ordinance. However, the Dangerous Drugs Ordinance provides that the administration of a dangerous drug by or under the direct personal supervision of, and in the presence of, a Hong Kong doctor is exempted. A Hong Kong doctor is also authorised by the Dangerous Drugs Ordinance, so far as may be necessary for the practice or exercise of his/her profession and in his/her capacity as such, to be in possession of and to supply a dangerous drug as well as to have in his/her possession equipment or apparatus fit and intended for the injection of a dangerous drug.

Furthermore, the Dangerous Drugs Regulations (Chapter 134A of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time regulates the prescriptions, labelling and record keeping of dangerous drugs and monitors the sale of such drugs.

As mentioned above, all ordering and dispensing of medications at our CWB Centre and TST Centre are carried out by or conducted under the supervision of our Doctors. Moreover, as confirmed by our Doctors, neither of our CWB Centre and TST Centre keep any dangerous drugs regulated under the Dangerous Drugs Ordinance.

### Regulations on Clinical Waste Disposal

#### *Waste Disposal Ordinance*

The Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time (“**Waste Disposal Ordinance**”) and the Waste Disposal (Clinical Waste) (General) Regulation (Chapter 354O of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time (the “**Waste Disposal (Clinical Waste)(General) Regulation**”) provide for, among others, the control and regulation of the production, storage, collection and disposal of clinical waste.

Under the Waste Disposal Ordinance, clinical waste means waste consisting of any substance, matter or thing generated in connection with:

- a dental, medical, nursing or veterinary practice;
- any other practice, or establishment (howsoever described), that provides medical care and services for the sick, injured, infirm or those who require medical treatment;
- dental, medical, nursing, veterinary, pathological or pharmaceutical research; or
- a dental, medical, veterinary or pathological laboratory practice,

but does not include chemical waste or radioactive waste, and which consists wholly or partly of any of the materials specified in one or more of the groups listed below:

- used or contaminated sharps;
- laboratory waste;
- human and animal tissues;
- infectious materials;
- dressings; and
- such other wastes as specified by the Director of Environmental Protection.

The Waste Disposal (Clinical Waste)(General) Regulation requires all waste producers to arrange for their clinical waste to be properly disposed of. Waste producers comply with this duty if they consign the waste to a licensed clinical waste collector for delivery to a reception point, deliver the waste to a reception point or collection point, or dispose of their waste at a licensed clinical waste disposal facility according to the requirements specified in the Waste Disposal (Clinical Waste)(General) Regulation. The Waste Disposal (Clinical Waste)(General) Regulation also requires waste producers to keep records of the clinical waste consigned to licensed collectors or delivered to a collection point or licensed disposal facility, and to produce such records for inspection upon request by the Director of Environmental Protection.

A Code of Practice for the Management of Clinical Waste-Clinical Waste Producers and Waste Collectors (“**Code of Practice**”) has been published by the Secretary for the Environment under the Waste Disposal Ordinance to provide guidance to major clinical waste producers and small clinical waste producers to assist them to comply with the legal requirements of the Waste Disposal Ordinance and the Waste Disposal (Clinical Waste)(General) Regulation. Private medical clinics or practices are classified as small clinical waste producers under the Code of Practice.

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## REGULATORY OVERVIEW

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Given the medical aesthetic services provided at our medical aesthetic centres may produce used or contaminated sharps such as syringes and needles as well as dressings, our Group is subject to the Waste Disposal Ordinance, Waste Disposal (Clinical Waste)(General) Regulation and the Code of Practice.

Aside from the Waste Disposal (Clinical Waste)(General) Regulation, the Waste Disposal (Chemical Waste) General Regulation (Chapter 354C of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time (“**Waste Disposal (Chemical Waste) General Regulation**”) may also be relevant to our business. According to the provisions of the Waste Disposal (Chemical Waste) General Regulation, an unwanted substance or by-product arising from the application of or in the course of any process or trade activity, and which is or contains any substance or chemical specified in Schedule 1 of the Waste Disposal (Chemical Waste) General Regulation shall be regarded as chemical waste if such substance or chemical occurs in such form, quantity or concentration so as to cause pollution or constitute a danger to health or risk of pollution to the environment. Schedule 1 of the Waste Disposal (Chemical Waste) General Regulation includes, among other things, antibiotics, pharmaceutical products and medicines. There is no mention in the Waste Disposal (Chemical Waste) General Regulation as to what quantity or concentration of antibiotics/pharmaceutical products/medicines will amount to pollution or danger to health or risk to the environment. The requirements under the Waste Disposal (Chemical Waste) General Regulation for the disposal of chemical wastes are very similar to those as relates to clinical wastes under the Waste Disposal (Clinical Waste)(General) Regulation. In gist, the waste producer will need to register with the Director of Environmental Protection and the chemical wastes will need to be properly packed, labelled and stored until disposal is collected by a licensed waste collector or is delivered to a registered collection point.

Each of Dermaglow and Worldwide Beauty is registered under the Environmental Protection Department as a clinical waste producer. We are also in compliance with the requirements under the Waste Disposal (Clinical Waste)(General) Regulation by consigning the waste to a licensed clinical waste collector for delivery to a reception point or collection point and keeping such records for inspection upon request by the Director of Environmental Protection.

### **Regulations on possessing, maintaining and use of certain treatment devices**

Under the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong) as amended, supplemented and/or otherwise modified from time to time (“**Telecommunications Ordinance**”), for a person to possess or use any apparatus for radio communications or any apparatus of any kind that generates and emits radio waves notwithstanding that the apparatus is not intended for radio communications, the person must apply for an appropriate telecommunications licence from the Communications Authority.

During the Track Record Period, we possess one Thermage® CPT device in each of our CWB Centre and TST Centre for use in providing Thermage treatments, being a type of energy-based procedure involving the use of radiofrequency that deploys high-frequency radio waves that excite water molecules within the skin to generate heat, we are required to apply for and maintain an Industrial, Scientific and Medical Electronic Machine Licences (“**ISMEM Licence**”) as prescribed by the Communications Authority, which generally has a validity of one year and may be renewed for a period of one year at a time. Under the respective ISMEM Licence held by Dermaglow and Worldwide Beauty, we are licensed to possess, maintain and use the licensed Thermage® CPT device at our CWB Centre and TST Centre which address is specified under the relevant ISMEM Licence for the purpose of generating high frequency electro-magnetic energy which shall be used for industrial, scientific and medical purposes only, subject to certain conditions, which include:

- (a) the licensed Thermage® CPT device shall be used only under suppressed radiation conditions. Radiation outside the internationally allocated frequencies causing interference to communication services shall be suppressed to the satisfaction of the Communications Authority;

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## REGULATORY OVERVIEW

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- (b) the licensed Thermage® CPT device shall be operated only by persons authorised by the licensee, namely, Dermaglow or, as the case may be, Worldwide Beauty, which is the holder of the relevant ISMEM Licence, on their behalf;
- (c) The licensee shall not without the consent in writing of the Communications Authority (i) make any alternation or addition to the apparatus (apparatuses) covered by the ISMEM Licence; or (ii) change the address of the place where the apparatus (apparatuses) is maintained and used;
- (d) If at any time the licensee wishes to make (i) any alteration or addition mentioned in sub-paragraph (c)(i) above; or (ii) a change of address mentioned in sub-paragraph (c)(ii), it shall make application in writing to the Communications Authority for consent to such alteration, addition or change not less than 10 days before the date on which it intends to make such alteration, addition or change; and
- (e) the ISMEM Licence is not transferable.

As at the Latest Practicable Date, we have applied for two ISMEM Licences for two new Thermage® CPT devices which we had acquired after the Track Record Period. It is our policy that in each of our CWB Centre and TST Centre, the licensed Thermage® CPT device(s) shall only be operated by our Doctors and our trained therapists.

### Regulations on Personal Data Privacy

#### *Personal Data (Privacy) Ordinance*

The Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time (“**Personal Data (Privacy) Ordinance**”) places a statutory duty on data users to comply with the requirements of the six data protection principles contained in Schedule 1 to this ordinance. The Personal Data (Privacy) Ordinance provides that a data user shall not do an act, or engage in a practice, that contravenes a data protection principle unless the act or practice, as the case may be, is required or permitted under the Personal Data (Privacy) Ordinance. The six data protection principles are:

- Principle 1 – purpose and manner of collection of personal data;
- Principle 2 – accuracy and duration of retention of personal data;
- Principle 3 – use of personal data;
- Principle 4 – security of personal data;
- Principle 5 – information to be generally available; and
- Principle 6 – access to personal data.

The Personal Data (Privacy) Ordinance also gives data subjects certain rights, *inter alia*:

- the right to be informed of whether any data user holds their personal data;
- the right to be supplied with a copy of such data; and
- the right to request correction of any data they consider to be inaccurate.

Non-compliance with a data protection principle may lead to a complaint to the Privacy Commissioner for Personal Data. A claim for compensation may also be made by a data subject who suffers damage by reason of a contravention of a requirement under the Personal Data (Privacy) Ordinance.

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## REGULATORY OVERVIEW

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### RECENT DEVELOPMENT IN RELATION TO REGULATION OF MEDICAL PROCEDURES AND BEAUTY SERVICES AS WELL AS PRIVATE HEALTHCARE FACILITIES

#### Background

Recently, the Government of Hong Kong has been considering to tighten up regulation of the beauty industry and to provide a clear definition to differentiate beauty services from medical procedures. A Steering Committee on Review of the Regulation of Private Healthcare Facilities (the “**Steering Committee**”) has been established to review the regulatory regime for private healthcare facilities (“**PHFs**”). A Working Group on Differentiation between Medical Procedures and Beauty Services (the “**Working Group**”) has also been set up under the Steering Committee, which was tasked to differentiate between medical treatments and ordinary beauty services and to make recommendations on the regulatory approach. The Working Group, chaired by the Director of Health and includes representatives from relevant medical specialties, the beauty industry and consumer groups, is tasked to, among others, make recommendations on procedures that should be performed by registered medical practitioners. The Food and Health Bureau also published the Consultation Paper in December 2014 to invite public views.

#### Recommendations made by the Working Group

According to the Consultation Paper, reviews by Working Groups had been completed with their recommendations (“**Recommendations**”) which included, among others, a list of cosmetic procedures that should only be performed by registered medical practitioners:

1. Cosmetic procedures that involve injections should be performed by registered medical practitioners.
2. Procedures that involve the mechanical/chemical exfoliation of the skin below the epidermis should be performed by registered medical practitioners.
3. Traditional body tattooing and piercing should be exempted from being considered as a “medical procedure”, but special care should be taken for procedures performed on body parts which have higher risk of complications (e.g. near the eyes, the tongue, etc.). All practitioners should be well trained and adopt infection control measures when performing the procedures. Practitioners should ensure that consumers are made aware of the inherent risks involved and are allowed to make informed decisions before undergoing the procedure.
4. Hyperbaric oxygen therapy should not be performed as a form of beauty procedure. In view of its risks of complications, it should be performed by registered medical practitioners on patients with clinical indications.
5. Dental bleaching may lead to complications, especially if performed inappropriately or performed on inappropriate clients, such as those suffering from pre-existing dental conditions. The procedure should be performed by registered dentists.
6. It supports the plan of the Government of Hong Kong to introduce a new medical device ordinance to deal with the issue of control over the use of selected high-risk medical devices.
7. It recommends the setting up of an expert panel under the future medical device ordinance to advise on the risk and appropriate controls over new cosmetic procedures based on innovative technology.

### **Advisory note and letters issued by the Hong Kong Department of Health**

The Hong Kong Department of Health issued an advisory note on the provision of cosmetic procedures to beauty service providers based on the Recommendations and the general infection control principles, reminding beauty service providers to refrain from procedures that should only be performed by registered medical practitioners or registered dentists. Failure to follow the advice may render oneself liable for offences under the Medical Registration Ordinance or the Dentists Registration Ordinance (Chapter 156 of the Laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time.

An open letter was sent by the Hong Kong Department of Health to all registered medical practitioners reminding them to strictly observe the Hong Kong Medical Code of Professional Conduct when they provide cosmetic procedures in their medical practice, including providing formal medical consultation and keeping proper medical records.

### **Private Healthcare Facilities Bill (the “Bill”)**

The Steering Committee also recommended the Government of Hong Kong to introduce a new legislation to replace the Hospitals, Nursing Homes and Maternity Homes Registration Ordinance (Chapter 165 of the Laws of Hong Kong) and the Medical Clinics Ordinance (Chapter 343 of the Laws of Hong Kong).

The Government of Hong Kong introduced the Bill in June 2017, where the Bill was gazetted and passed through first reading at the Legislative Council. It seeks to strengthen oversight of the operation and management of the PHFs, introduce measures to enhance the protection of patients’ right and institute a modernised framework for effective regulatory control.

When the Bill comes into force, it will, among others:

1. regulate four types of PHFs, namely hospitals, day procedure centres, clinics and health services establishments. Each PHF will be subject to its codes of practice, which is promulgated by the Director of Health. In addition, a Project Steering Committee on Standards for Ambulatory Facilities has been set up by the Department of Health and the Hong Kong Academy of Medicine to draw up standards for day procedure centres and to give advice on the standards for clinics;
2. set out the requirements, authorities and responsibilities of the licensee and chief medical executive in managing a licensed PHF;
3. stipulate requirements for licensed PHFs to put in place price transparency measures;
4. provide for a two-tier complaints management system to handle complaints against the PHFs;
5. stipulate regulatory measures and offences to tackle breaches of the law and licensing requirements;  
and
6. provide for smooth transitional arrangements.

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## REGULATORY OVERVIEW

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### Effect on our Group

Pursuant to the Recommendations, procedures involving injections and procedures involving mechanical/chemical exfoliation of skin below the epidermis should be performed by registered medical practitioners in Hong Kong. Our Directors consider that the Recommendations and the letters to registered medical practitioners do not have any material adverse effect on our medical aesthetic centres because, even before the commencement of the legislative review by the Government of Hong Kong and the increased public awareness on treatment safety, procedures of such nature are carried out by our Doctors and there are controls in place to ensure these procedures are performed by our Doctors. See the section headed “Business – Our services – Non-surgical medical aesthetic services – Internal control procedures regarding high risk treatment procedures” in this prospectus for details of our internal control policies.

Pursuant to Schedule 2 of the Bill, it is possible that some of our medical aesthetic services rendered will fall under minor medical procedures. As such, our CWB Centre and TST Centre may be classified as clinics. Our Group may need to apply for a license and appoint a chief medical executive to manage our CWB Centre and TST Centre. Our Directors do not expect any difficulties in obtaining such license or appointing such chief medical executive as our existing structure and personnel in place are in line with the requirements stipulated in the Bill. For details, please refer to the section headed “Business – Our services – Non-surgical medical aesthetic services – Private Healthcare Facilities Bill (the “Bill”)” in this prospectus. Therefore, subject to our Group complying with the requirements of the provisions to be enacted under Divisions 4 and 5 of Part 5 of the Bill and the Code of Practice (the “Code of Practice”) to be formulated under the Bill at the appropriate time, Counsel Hingorani does not expect the passing of the Bill will have any material adverse impact on our Group’s business operations. Counsel Hingorani is of the view that in the event that the Private Healthcare Facilities Bill is enacted and a Code of Practice thereunder is brought into force, he knows of no Hong Kong law, statutory or otherwise, that would impose a material legal impediment to our Group’s ability to comply with the requirement of the enactment and the Code of Practice.

Divisions 4 and 5 of Part 5 of the Bill sets out, among others, that the licensee of a private healthcare facility must (i) make available to the public information about the prices of chargeable items and services provided in the facility as specified by the Director of Health and must ensure that the information is provided to the public in the way specified by the Director of Health; and (ii) put in place a complaints handling procedure for receiving, managing and responding to complaints that are received against the facility, and ensure the complaints handling procedure is made known in an appropriate way to (a) the patients of the facility; and (b) if the case required, persons acting on their behalf.

The Director of Health may issue the Code of Practice about any of the following matters: (i) the equipment, fittings and furnishings in private healthcare facilities; (ii) the management and staffing arrangement of private healthcare facilities; (iii) the quality of care for, and the safety of, patients in private healthcare facilities; and (iv) any other matters for protecting the health and interests of individuals receiving healthcare services in private healthcare facilities. The Code of Practice may include (a) a standard; and (b) a specification.

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## REGULATORY OVERVIEW

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### REGULATORY AUTHORITIES IN HONG KONG

Our business operations in Hong Kong are principally subject to the regulation of the Hong Kong Medical Council and the Hong Kong Consumer Council.

#### **Hong Kong Medical Council**

The Hong Kong Medical Council is established under the Medical Registration Ordinance. The Hong Kong Medical Council was founded to assure and promote quality in the medical profession in order to protect patients, foster ethical conduct, and develop and maintain high professional standards. The Hong Kong Medical Council maintains a register of eligible medical practitioners, administers relevant licensing examinations, issues guidelines and the Hong Kong Medical Code of Professional Conduct, and exercises regulatory and disciplinary powers over the medical profession.

All our Doctors are medical practitioners registered under the Medical Registration Ordinance and are therefore subject to the regulation of the Hong Kong Medical Council.

#### **Hong Kong Department of Health**

The Hong Kong Department of Health is the government agency in Hong Kong which is responsible for the execution of healthcare policies and statutory functions. There are two divisions under the department conduct duties that are particularly relevant to our business, namely the Drug Office and the Medical Device Control Office.

#### **Hong Kong Consumer Council**

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

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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### OVERVIEW

Our history can be traced back to 2008 when our founders, Mr. Yip and Ms. Fu, established Dermaglow in preparation for the opening of our first medical aesthetic centre under the trade name “Dermaglow” (the “**First Medical Aesthetic Centre**”). Ms. Fu, with the support of her spouse, Mr. Yip, made the decision to enter into the medical aesthetic service industry because of her enthusiasm for the pursuit of beauty and her vision on the business potential of the medical aesthetic service industry in Hong Kong. In July 2008, we commenced the operation of the First Medical Aesthetic Centre in a small unit in Soundwill Plaza, a commercial building located in the mixed shopping and commercial district of Causeway Bay providing a limited range of non-surgical medical aesthetic services.

The First Medical Aesthetic Centre was relocated to World Trade Centre, in the commercial complex of a popular shopping mall in Causeway Bay in September 2010 and had become the CWB Centre operating under our brand “per Face”. The GFA of the CWB Centre is approximately 6,900 sq. ft. and it has been providing an extensive range of non-surgical medical aesthetic services with some traditional beauty services to complement our non-surgical medical aesthetic services.

In December 2013, Mr. Yip and Ms. Fu acquired Worldwide Beauty and took over the operations of the TST Centre from Independent Third Parties and from then on, the TST Centre has been operating under our brand “per Face”. The GFA of the TST Centre is approximately 4,680 sq. ft. and it has been providing an extensive range of non-surgical medical aesthetic services with some traditional beauty services to complement our non-surgical medical aesthetic services in iSQUARE, the commercial complex of a popular shopping mall in Tsim Sha Tsui.

With the rising popularity of manicure, pedicure and fake eyelash extensions, Worldwide Beauty took the opportunity to expand its scope of traditional beauty service by setting up the First Retail and Beauty Counter in February 2015. We sold branded skincare products and provided nail and lash services in this counter. As both of our medical aesthetic centres have been operating in commercial buildings, this counter was also viewed by our Group as our “shop front” to reach out to potential clients and to turn retail customers into our potential clients.

Worldwide Beauty opened two more retail and beauty counters under our brand “Nail & Lash by per Face” at Harvey Nichols, Landmark in Central (i.e. our HN Counters) in September 2016, selling branded skincare products and providing nail and lash services. This was our attempt to reach out to retail customers and potential clients in Central which is a mixed commercial and shopping district away from the locations of our medical aesthetic centres. In November of the same year, Dermaglow opened a retail shop at the podium level of World Trade Centre (i.e. our CWB Shop) selling branded skincare products. This was our other attempt to turn retail customers into our potential clients and to draw more potential clients to our CWB Centre, which is located in the same building complex.

In January 2017, the lease for the First Retail and Beauty Counter expired and we closed the First Retail and Beauty Counter as its location was not in close proximity to the TST Centre to have synergistic effect. In order not to cause any major disruption to our business and to attract and draw more potential clients to our TST Centre, our TST Centre took up all the clients of the First Retail and Beauty Counter and started providing nail and lash services since January 2017.

In November 2017, our Group acquired the Headquarters from an Independent Third Party at a consideration of approximately HK\$28.5 million. In November of the same year, Mr. Yip and Ms. Fu established Per Face Institute in anticipation of the establishment of an ITEC approved training centre within the TST Centre (i.e. our Training Centre) to facilitate our in-house training of therapists. Our Training Centre was officially opened in April 2018.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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In April 2018, Worldwide Beauty opened a retail kiosk at the lobby level of iSQUARE (i.e. our TST Shop) selling branded skincare products. This was our further attempt to turn retail customers into our potential clients and to draw more potential clients to our TST Centre, which is located in the same building complex.

In our 10 years of operation, we had expanded to operate two medical aesthetic centres in the mixed shopping and commercial districts of Causeway Bay and Tsim Sha Tsui. To complement our non-surgical medical aesthetic services and as an attempt to turn retail customers into our potential clients, we also have a retail shop selling branded skincare products in the same building complex of each of our two medical aesthetic centres; and two retail and beauty counters in an upmarket department store in Central, selling branded skincare products and providing nail and lash services. Our headquarters is located in our self-owned property and we also have our own ITEC approved training centre to train our therapists.

The following table sets forth the important milestones in the development of the business of our Group up to the Latest Practicable Date:

<b>Year</b>	<b>Event</b>
2008	The First Medical Aesthetic Centre commenced business in July
2010	Relocation of the First Medical Aesthetic Centre to World Trade Centre in September to become our CWB Centre
2013	We acquired Worldwide Beauty and took over the operations of the TST Centre from some Independent Third Parties in December
2015	The First Retail and Beauty Counter was opened in February and in the same year, we obtained the “Top 10 Sales Achievement Award” from TEOSYAL® in Hong Kong
2016	The HN Counters were opened in September and the CWB Shop was opened in November
2017	The First Retail and Beauty Counter was closed and our TST Centre started providing nail and lash services in January. In November, we acquired the Headquarters. In the same year, we obtained the “Ultherapy® – Golden Record Award” from Merz Aesthetics, the “Top 10 Performer – Platinum Award” from MedicFACE HK Ltd. and the “Top 10 Sales Achievement Award” from Solta Medical
2018	The TST Shop and the Training Centre were opened in April. In August, we obtained the “Top 5 Merz Portfolio User Award” and the “Ultherapy® – Golden Record Award” from Merz Aesthetics in Hong Kong

As at the Latest Practicable Date, our clients were served by our four consultant Doctors with a team of 21 trained therapists. As at the Latest Practicable Date, we had 89 treatment devices and offered seven skincare brands with products comprising, among others, cleanser, toner, serum, moisturiser, eye care product, ultraviolet (UV) protection product and mask.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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### CORPORATE HISTORY

As at the Latest Practicable Date, our Group comprised our Company, Flourish Capital, Dermaglow, Worldwide Beauty, Fortune Marvel and Per Face Institute. The following is a brief corporate history of the establishment and major changes in the shareholdings of our Company and our subsidiaries during the Track Record Period.

#### **Our Company**

On 2 March 2018, our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability with an initial authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On the same date, one nil-paid Share (the “**Subscriber Share**”) was allotted and issued to the initial subscriber, a nominee of Conyers Trust Company (Cayman) Limited, who then transferred the Subscriber Share to Equal Joy on the same day. Upon completion of such share transfer, our Company became a wholly-owned subsidiary of Equal Joy.

On 21 September 2018, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,962,000,000 Shares, ranking *pari passu* in all respects with the then existing Shares.

Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 24 May 2018.

Our Company became the holding company of our Group as a result of the Reorganisation, details of which are set out in the paragraph headed “Reorganisation” in this section below.

#### **Flourish Capital**

On 30 November 2017, Flourish Capital was incorporated in the BVI with limited liability. Flourish Capital is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1, of which one share of US\$1 was allotted and issued to each of Mr. Yip and Ms. Fu for cash at par on 6 December 2017. As a result, Flourish Capital was owned by Mr. Yip and Ms. Fu as to 50% each. Following the Reorganisation, Flourish Capital became a direct wholly-owned subsidiary of our Company. Flourish Capital is an investment holding company.

#### **Dermaglow**

On 28 May 2008, Dermaglow was incorporated in Hong Kong as a limited liability company with a then authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. Ms. Fu was an initial subscriber and was allotted and issued one share for cash at par. On the same date, one share was allotted and issued to Mr. Yip for cash at par. As a result, Dermaglow was owned by Mr. Yip and Ms. Fu as to 50% each. Following the Reorganisation, Dermaglow became an indirect wholly-owned subsidiary of our Company. Dermaglow’s principal business is the operation of our CWB Centre and CWB Shop.

#### **Worldwide Beauty**

On 3 January 2011, Worldwide Beauty was incorporated in Hong Kong as a limited liability company with a then authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. The initial share was allotted and issued to an Independent Third Party, for cash at par.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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On 6 April 2011, the said initial share of Worldwide Beauty was transferred to Mr. Wong Chung Keung (“**Mr. Wong**”), an Independent Third Party, for cash at par. On the same date, the then authorised share capital of Worldwide Beauty was increased to HK\$2,000,000 by the creation of an additional 1,990,000 shares of HK\$1 each. On the same date, 499,999, 500,000, 500,000 and 500,000 shares of Worldwide Beauty were allotted and issued, for cash at par, to Mr. Wong, Mr. Yung Kwok Ho (“**Mr. Yung**”), Mr. Cheng Anthony (“**Mr. Cheng**”) and Ms. Loo Shuk Yin (“**Ms. Loo**”), respectively, all of whom are Independent Third Parties. On 16 December 2011, Mr. Wong and Mr. Yung transferred 170,000 and 160,000 shares of Worldwide Beauty, respectively, to Mr. Tsang Kwok Kit (“**Mr. Tsang**”), an Independent Third Party, for cash at par.

On 6 December 2013, Ms. Loo, Mr. Wong and Mr. Yung transferred 500,000, 330,000 and 170,000 shares of Worldwide Beauty to Mr. Yip, for cash at par, i.e. at a total consideration of HK\$1 million. On the same date, Mr. Cheng, Mr. Tsang and Mr. Yung transferred 500,000, 330,000 and 170,000 shares of Worldwide Beauty to Ms. Fu, for cash at par, i.e. at a total consideration of HK\$1 million. The consideration of the foregoing transfers was settled on 6 December 2013. As a result of the above transfers, Worldwide Beauty was owned by Mr. Yip and Ms. Fu as to 50% each.

Our Directors confirmed that all of the above transfers were legally completed and settled.

Following the Reorganisation, Worldwide Beauty became an indirect wholly-owned subsidiary of our Company. Worldwide Beauty’s principal business is the operation of our TST Centre, TST Shop and HN Counters.

### **Fortune Marvel**

On 19 July 2017, Fortune Marvel was incorporated in Hong Kong as a limited liability company. On incorporation, the initial share was allotted and issued to an Independent Third Party. On 24 August 2017, the said initial share was transferred to Dermaglow at a nominal consideration of HK\$1. As a result, Fortune Marvel became a wholly-owned subsidiary of Dermaglow.

Following the Reorganisation, Fortune Marvel became an indirect wholly-owned subsidiary of our Company. Fortune Marvel’s principal business is the holding company of our property interests in the Headquarters.

### **Per Face Institute**

On 3 November 2017, Per Face Institute was incorporated in Hong Kong as a limited liability company. Mr. Yip and Ms. Fu were the founding members and was each allotted and issued one share of Per Face Institute. As a result, Per Face Institute was owned by Mr. Yip and Ms. Fu as to 50% each. Following the Reorganisation, Per Face Institute became an indirect wholly-owned subsidiary of our Company. Per Face Institute’s principal business is the operation of our Training Centre.

## **REORGANISATION**

In preparation for the Listing, our Group has undergone the Reorganisation whereupon our Company became the holding company and the listing vehicle of our Group and our operating subsidiaries were transferred to Flourish Capital, which is a direct wholly-owned subsidiary of our Company.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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The principal steps of the Reorganisation are as follows:

### **Transfer of Dermaglow to Flourish Capital**

On 14 March 2018, pursuant to a sale and purchase agreement entered into between Mr. Yip, Ms. Fu and Flourish Capital, Mr. Yip and Ms. Fu transferred their entire shareholding interest in Dermaglow to Flourish Capital, in consideration of Flourish Capital allotting and issuing one share to each of Mr. Yip and Ms. Fu, credited as fully paid.

### **Transfer of Worldwide Beauty to Flourish Capital**

On 14 March 2018, pursuant to a sale and purchase agreement entered into between Mr. Yip, Ms. Fu and Flourish Capital, Mr. Yip and Ms. Fu transferred their entire shareholding interest in Worldwide Beauty to Flourish Capital, in consideration of Flourish Capital allotting and issuing one share to each of Mr. Yip and Ms. Fu, credited as fully paid.

### **Transfer of Per Face Institute to Flourish Capital**

On 14 March 2018, pursuant to a sale and purchase agreement entered into between Mr. Yip, Ms. Fu and Flourish Capital, Mr. Yip and Ms. Fu transferred their entire shareholding interest in Per Face Institute to Flourish Capital, in consideration of Flourish Capital allotting and issuing one share to each of Mr. Yip and Ms. Fu, credited as fully paid.

### **Transfer of Flourish Capital to our Company**

On 17 September 2018, pursuant to a sale and purchase agreement entered into between Mr. Yip, Ms. Fu and our Company, Mr. Yip and Ms. Fu transferred their entire shareholding interest in Flourish Capital to our Company in consideration of (i) our Company allotting and issuing 99 Shares to Mr. Yip and Ms. Fu's nominee, Equal Joy, credited as fully paid; and (ii) crediting as fully paid the Subscriber Share.

Upon completion of the Reorganisation but before the Share Offer and the Capitalisation Issue (and not taking into account of any Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option and upon the exercise of options which may be granted under the Share Option Scheme), the entire issued share capital of our Company would be held by Equal Joy, which is owned by Mr. Yip and Ms. Fu in equal shares.

## **CAPITALISATION ISSUE AND THE SHARE OFFER**

Conditional upon the creation of our Company's share premium account as a result of the issue of the new Shares pursuant to the Share Offer, an amount of HK\$5,999,999 standing to the credit of the share premium account of our Company will be capitalised by applying such sum towards paying up in full at par a total of 599,999,900 new Shares for allotment and issue to the then existing Shareholder(s).

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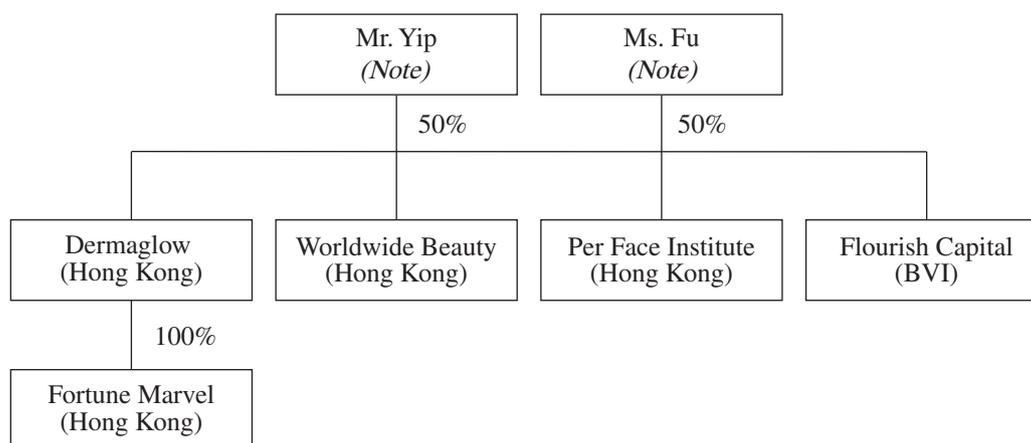
## HISTORY, REORGANISATION AND GROUP STRUCTURE

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### CORPORATE STRUCTURE OF OUR GROUP

The following charts illustrate our corporate structure (1) immediately before the Reorganisation; (2) immediately after the Reorganisation (but before the Share Offer and the Capitalisation Issue and without taking into account of any Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option and upon the exercise of options which may be granted under the Share Option Scheme); and (3) immediately following completion of the Share Offer and the Capitalisation Issue (but taking no account of any Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option and upon the exercise of options which may be granted under the Share Option Scheme):

#### (1) Our corporate structure immediately before the Reorganisation



*Note:*

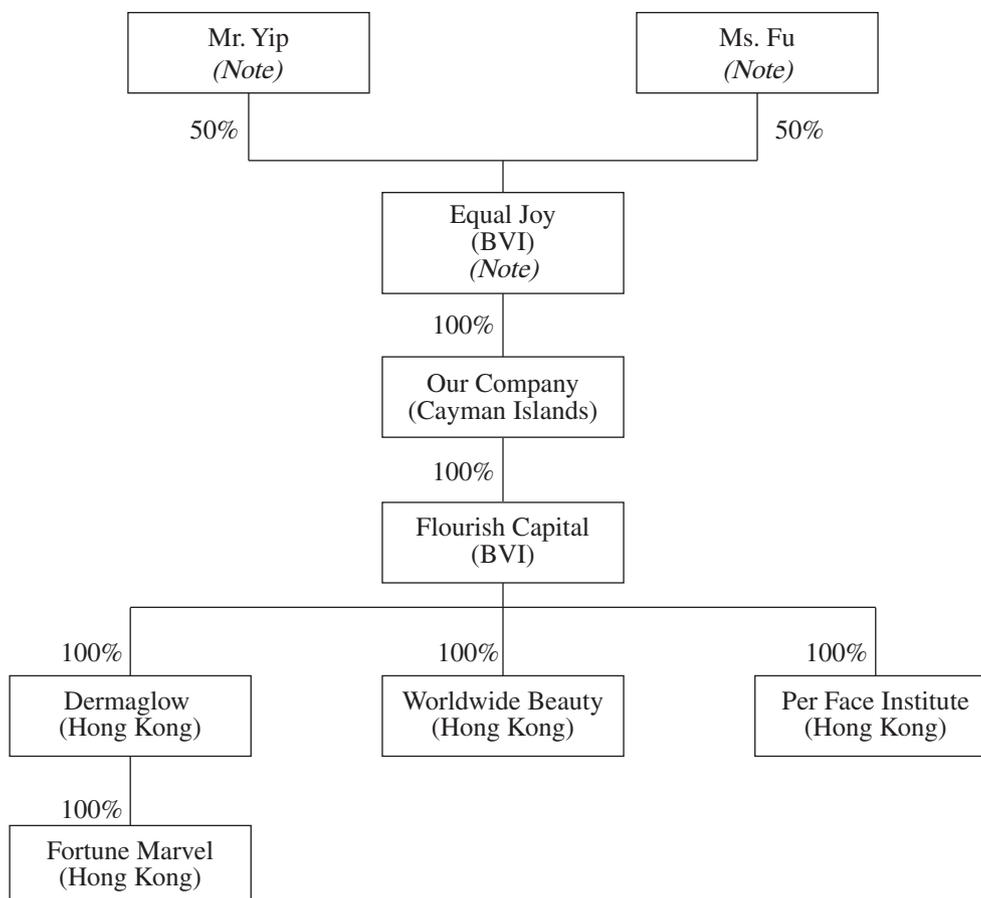
Mr. Yip and Ms. Fu are spouses.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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- (2) Our corporate structure immediately after the Reorganisation (but before the Share Offer and the Capitalisation Issue and without taking into account of any Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option and upon the exercise of options which may be granted under the Share Option Scheme)



*Note:*

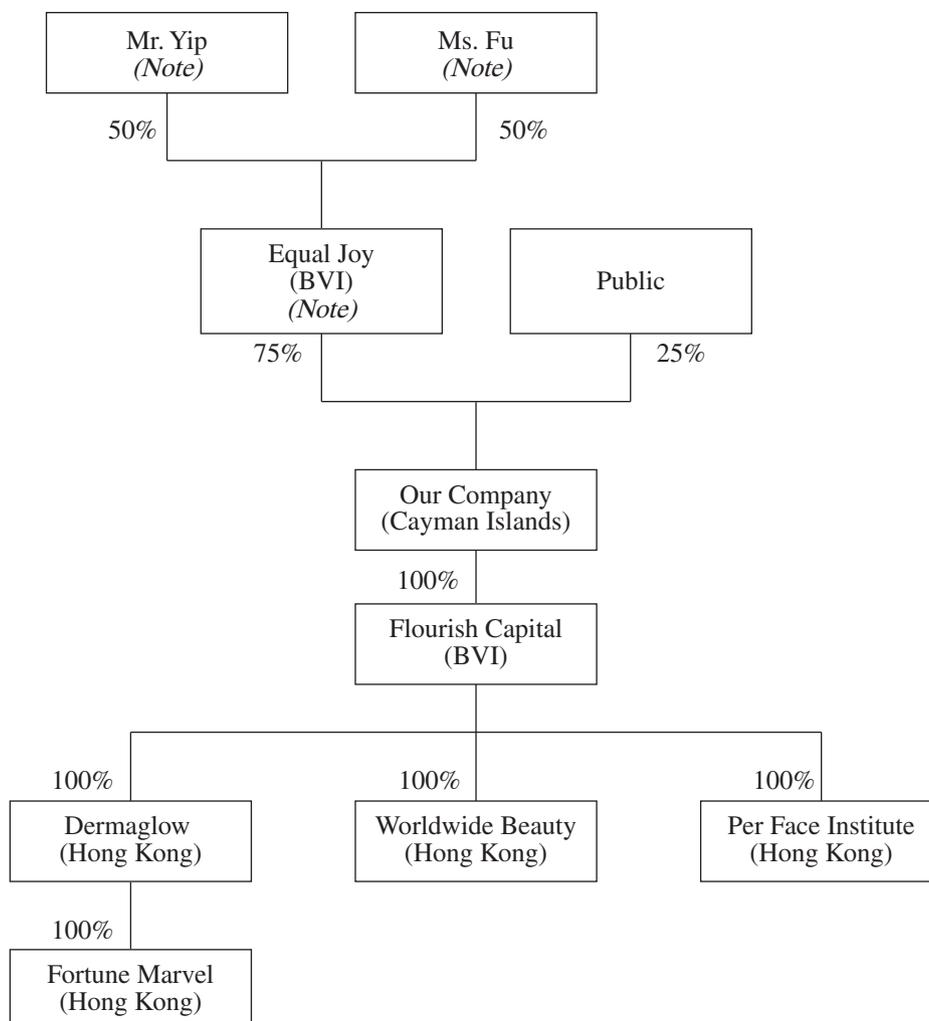
Mr. Yip and Ms. Fu are spouses. Mr. Yip, Ms. Fu and Equal Joy are together a group of Controlling Shareholders of our Company.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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- (3) Our corporate structure immediately following completion of the Share Offer and the Capitalisation Issue (but taking no account of any Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option and upon the exercise of options which may be granted under the Share Option Scheme)



*Note:*

Mr. Yip and Ms. Fu are spouses. Mr. Yip, Ms. Fu and Equal Joy are together a group of Controlling Shareholders of our Company.

**OVERVIEW**

We are a medical aesthetic service provider in Hong Kong with approximately 10 years of proven track record in the industry. We strive to provide holistic treatment solutions to our clients through our non-surgical medical aesthetic services, traditional beauty services and sale of skincare products. We operate two medical aesthetic centres in the prime locations of Causeway Bay and Tsim Sha Tsui under our brand “per Face”, with “per” standing for our core values “professional, effective and reliable”, meaning our professional team will strive to provide our effective treatments and reliable services to help our clients maintain and enhance their skin conditions and physical appearance. We also operate two retail shops, namely the CWB Shop and the TST Shop, each located in the same building complex of each of our medical aesthetic centres in Causeway Bay and Tsim Sha Tsui; and two retail and beauty counters, namely the HN Counters, in an upmarket department store in Central.

We offer an extensive range of non-surgical medical aesthetic services to meet different skincare and aesthetic objectives as well as personal needs of our clients. Our non-surgical medical aesthetic services can generally be categorised as (i) energy-based procedures; and (ii) minimally invasive procedures. We are well-equipped with various treatment devices with prevailing technologies, which enable our Doctors and trained therapists to provide an extensive range of treatment procedures to cater for the individual needs of each client. As at the Latest Practicable Date, we had 89 treatment devices for performing various treatment procedures involving the use of laser, radiofrequency, ultrasound, iontophoresis and cryolipolysis. All treatment devices deployed by us have been critically evaluated and assessed by our executive Directors, in consultation with our Doctors, to ensure they are safe and capable of producing the desired results for our clients.

Through our experienced Doctors and/or trained therapists, we provide professional and holistic treatment solutions bespoke to our clients’ particular needs. As at the Latest Practicable Date, we engaged (i) four consultant Doctors with on average 10 years of practising experience in the medical aesthetic service industry; and (ii) 21 trained therapists with on average eight years of experience in the medical aesthetic service industry.

Both our CWB Centre and TST Centre are located in the commercial complex of popular shopping malls, which are located in the mixed shopping and commercial districts of Causeway Bay and Tsim Sha Tsui. We believe our ability to offer professional and holistic treatment solutions, an extensive range of treatment services as well as our convenient and prime locations have allowed us to offer to our clients an enhanced experience at our medical aesthetic centres, which results in client satisfaction and strengthens their affinity to our brand, thereby enhancing client loyalty and drives repeat clients and client referrals. For the two years ended 31 March 2018, we served 4,367 and 5,021 active clients, respectively, and our repeat clients represented approximately 76.6% and 79.9% of our active clients for each of the respective periods. During the same periods, approximately 38.6% and 39.3% of our new clients were referred to us by our active clients, respectively.

To complement our non-surgical medical aesthetic services, we also offer a range of traditional beauty services and branded skincare products to our clients to improve their physical appearance, skin condition as well as to enhance the results of our non-surgical medical aesthetic treatments. Our traditional beauty services include facials as well as nail and lash services. As at the Latest Practicable Date, we offered seven skincare brands with products comprising, among others, cleanser, toner, serum, moisturiser, eye care product, ultraviolet (UV) protection product and mask.

## BUSINESS

Our total revenue experienced a significant increase of approximately 40.1% during the Track Record Period, from approximately HK\$63.3 million for the year ended 31 March 2017 to approximately HK\$88.7 million for the year ended 31 March 2018, mainly due to our acquisition of prevailing treatment devices to launch some high-priced energy-based procedures since the last calendar quarter of 2016, which became popular amongst our clients. Please refer to the section headed “Financial Information – Year-to-year comparison of results of operations” for further details.

The following table sets out a breakdown of the total number of treatments (including both non-surgical medical aesthetic services and traditional beauty services), our revenue from treatment services and average spending per treatment for the years indicated:

	Year ended 31 March	
	2017	2018
Total revenue from treatment services ( <i>HK\$'000</i> )	60,898	84,385
Number of active clients	4,367	5,021
Average annual spending per active client for treatment services ( <i>HK\$</i> )	13,945	16,806
Number of treatment sessions conducted	59,317	60,333
Average spending per treatment session ( <i>HK\$</i> )	1,027	1,399

As seen in the above table, our growth during the Track Record Period was mainly driven by the growth in the average annual spending per active client for treatment services and the increase in number of active clients, which is in line with the growth of the medical aesthetic service market in Hong Kong according to the Frost & Sullivan Report. The following table sets out a breakdown by our medical aesthetic centres of the number of treatments, our revenue from treatment services and average spending per treatment for the years indicated:

	Year ended 31 March			
	2017		2018	
	CWB Centre	TST Centre	CWB Centre	TST Centre
Revenue from treatment services ( <i>HK\$'000</i> )	39,372	20,108	54,173	29,624
Number of active clients	2,242	1,383	2,931	1,658
Average spending per active client ( <i>HK\$</i> )	17,561	14,540	18,483	17,867
Number of treatment sessions conducted	37,362	16,454	38,919	19,128
Average spending per treatment session ( <i>HK\$</i> )	1,054	1,222	1,392	1,549

In order to capture the growing market as highlighted in the Frost & Sullivan Report and further strengthen our market position, we plan to establish a New Medical Aesthetic Centre by the end of the first calendar quarter in each of 2019, 2020 and 2021. See the paragraphs headed “Our business strategies” and “Our medical aesthetic centres – Expansion plan” in this section for further details. Our vision is to establish a chain of medical aesthetic centres under our brand “per Face” in Hong Kong and we intend to adhere to our core values “per” in the provision of our treatment services to our valued clients in Hong Kong.

**OUR COMPETITIVE STRENGTHS**

We attribute our success to the following competitive strengths which we believe to be critical to our further development:

**Proven track record and strong brand recognition in the medical aesthetic service industry**

We believe that we have built a strong brand recognition in the medical aesthetic service industry due to the high standard of our services in our 10 years of operation and that the strategic locations of our Retail/Service Outlets have also helped to increase our brand awareness. We consider that our clients' satisfaction towards the services rendered by our Doctors and trained therapists is well demonstrated by their continued loyalty and our ability to maintain a high percentage of repeat clients, and a low percentage of unfavourable feedback and complaint from clients. See the paragraphs headed "Clients" and "Client feedback and complaint handling" in this section for details.

Our Directors are of the view that our strong brand recognition has enabled us to maintain close relationship with our current suppliers and to attract potential suppliers as well as clients. Such brand recognition also helps us to attract and retain registered medical practitioners and therapists which enables us to further improve the quality of our services and competitiveness.

**Medical aesthetic service provider with a competent and professional team of Doctors and trained therapists**

As at the Latest Practicable Date, we had four consultant Doctors who had on average 10 years of practising experience in the medical aesthetic service industry. Our Doctors carry out all high risk treatment procedures and such treatment procedures which are specifically requested by our clients to be performed by our Doctors rather than our trained therapists. According to the Frost & Sullivan Report, registered medical practitioners with proven clinical experience and skills are indispensable to achieving desired aesthetic results with minimal or no side effect after treatments. From time to time, there are negative news and media reports on health risks relating to medical aesthetic treatments as well as accidents relating to the medical aesthetic service industry and these have shaken consumers' confidence in medical aesthetic treatments in general. We consider our Doctors who possess long established experience in the medical aesthetic service industry can provide confidence to our clients and are instrumental to our success.

In addition to our Doctors, our trained therapists perform all low risk treatment procedures for our clients. As at the Latest Practicable Date, we had 21 trained therapists with on average eight years of relevant industry experience who had on average served our Group for four years. We require our newly recruited therapists to undergo a mandatory induction training programme, formulated by our Doctors and Trainers which consists of both theoretical and practical trainings. Our trained therapists also need to attend regular internal refresher courses to keep abreast of the latest development of the medical aesthetic service industry and undergo ongoing internal assessments. We believe our ability to offer high quality treatment services is to a large extent contributed by our dedicated and experienced team of trained therapists. As at the Latest Practicable Date, we had 21 trained therapists who had completed our mandatory induction training programme and passed the internal assessments set by our Doctors and over 85% of these trained therapists had also obtained at least a Level 3 Statement of Attainment under the RPL and/or an ITEC Level 2 Diploma for Beauty Specialists. See "Business – Our professional team – Trained therapists" in this prospectus for further details of these qualifications.

**Holistic medical aesthetic and beauty solution provider offering enhanced client experience which facilitates cross-selling and helps to retain clients and expand our client base**

Both of our medical aesthetic centres have 180° view of the Victoria Harbour in Hong Kong and we have adopted an upmarket decoration and setup for our medical aesthetic centres which we believe could provide a soothing atmosphere to enhance client experience. The convenient and prime locations of our medical aesthetic centres will also facilitate our clients to take treatments during their busy schedule of work or daily life. All these are done with the aim to provide an enhanced experience to our valued clients.

Reputation is imperative to us as a medical aesthetic service provider. As such, we continuously remind ourselves of how client experience is essential to the success of our business. We therefore strive to further extend the range of our services and products and improve the quality of our services in order to further strengthen our market position in this industry.

With a focus on improving the physical appearance and/or skin condition of our clients, we offer an extensive range of services and products. See the paragraphs headed “Our services” and “Our products” in this section for further details. Furthermore, our holistic medical aesthetic and beauty solution capability allows us to provide our clients with tailor-made services. Our sales consultants conduct an extensive consultation with each of our clients during their initial visit and on an as-needed basis from time to time to understand their respective desired outcomes, and recommend suitable and personalised medical aesthetic services that address each client’s specific needs as well as traditional beauty services to enhance the results of the non-surgical medical aesthetic treatments.

We believe that our diversified treatment offerings promote client loyalty and facilitate effective cross-selling, thereby drive repeated business. We have many long-term clients who have, over multiple years, retained us for different types of medical aesthetic and traditional beauty services. For example, many of our clients who have engaged us for energy-based procedures or minimally invasive procedures have subsequently used our traditional beauty services, and other clients have also purchased our skincare products subsequent to receiving our procedures. Some of the retail customers and/or clients of our Retail/Service Outlets who have purchased our skincare products or used our nail and lash services have also become the clients of our CWB Centre and/or TST Centre. For the two years ended 31 March 2018, our clients from our Retail/Service Outlets have purchased non-surgical medical aesthetic services from our medical aesthetic centres amounting to approximately HK\$4.9 million and HK\$6.7 million, respectively. Our Directors believe that these cross-selling activities have improved our profitability, promote client loyalty and expanded our client base. The average annual spending of our clients on non-surgical medical aesthetic services increased by approximately 18.3% and our repeat clients grew as a percentage of our active clients from approximately 76.6% to 79.9% from the year ended 31 March 2017 to the year ended 31 March 2018, demonstrating our ability to capture and retain clients.

**Our competent and dedicated management team**

Our Group is led by our executive Directors, Mr. Yip and Ms. Fu, each of whom had accumulated approximately 10 years of experience in the medical aesthetic service industry since the founding of our Group, and they are supported by an experienced, capable and dedicated management team. Mr. Yip is an experienced businessman and he is instrumental in the corporate development and strategic planning of our Group. Ms. Fu’s active involvement in our daily operations, management and public relations matters has also laid a strong foundation for our success. Ms. Chan Yuen Ping, our general manager of operation who has over 25 years of experience in the beauty industry, is mainly responsible for overseeing our daily operations, sales and client relationship. Ms. Lam Po Shan Lucia, our operation manager who has over 14 years of experience in customer service and hospitality, is responsible for implementing the marketing strategies of our Group and managing our relationship with clients. Both of them have led our Group to achieve continuous growth in both productivity and efficiency. See the section headed “Directors, Senior Management and Employees” in this prospectus for further details.

**Extensive range of treatment procedures complemented by treatment devices with prevailing technologies**

We operate in an industry that is highly driven by rapid technological advancements. We believe we are able to respond to the rapidly developing industry and market trend by introducing new treatment procedures to meet our clients' demand as soon as treatment devices of new technology are introduced. In order to keep abreast with the latest industry trend and the prevailing technologies, our chief executive officer, Ms. Fu, attends overseas industry expositions at least twice a year to get previews of the latest treatment devices and all purchases of treatment devices are decided by our executive Directors in consultation with our Doctors. As at the Latest Practicable Date, we had 89 treatment devices involving the use of laser, radiofrequency, ultrasound, iontophoresis and cryolipolysis, some of which are approved by national government agencies such as FDA and MFDS. We believe our ability to offer an extensive range of treatment procedures complemented by treatment devices with prevailing technologies significantly contributes to our success and enables us to maintain our competitiveness as compared to other leading industry players. For the two years ended 31 March 2018, the average annual spending of our active client on (i) treatment services was approximately HK\$13,945.0 and HK\$16,806.4, respectively; and (ii) non-surgical medical aesthetic services was approximately HK\$15,513.8 and HK\$18,346.1, respectively. The average annual spending of our active clients on non-surgical medical aesthetic services was more than doubled the actual and estimated industry average annual spending per client on medical aesthetic services of HK\$7,271.7 and HK\$8,310.7 for calendar years 2017 and 2018, respectively, as indicated in the Frost & Sullivan Report.

**Advanced information technology system facilitating internal control and efficient operations and management**

We have licensed and implemented an advance business management system which has significantly improved our internal control and efficiency in operations and management.

We rely on our business management system to implement certain parts of our internal control policy. It enables us to use different coding system to clearly identify the high risk treatment procedures which are to be performed by our Doctors only under our generally adopted practice, and our booking and invoicing systems make it impossible for our staff to book our trained therapist to perform a high risk treatment procedure for any client. Our business management system also generates automatic alerts to our sales consultants before the expiry dates of the prepaid packages purchased by our clients, so that they can remind our clients before the expiry dates of their prepaid packages in a timely manner. This explains the low level of revenue from expiry of prepaid treatments which only accounted for approximately 1.2% and 2.3% of our total revenue for the two years ended 31 March 2018, respectively.

Our business management system enables us to input and access centralised and real-time operational and financial data, which allows us to achieve real time monitoring of our daily operations, such as the tracking of the utilisation rates of equipment and service rooms, the workload of our staff at any time as well as the level of inventory and our management can adjust our internal resources allocation based on their analysis of the information in our business management system and to better implement our internal control measures to prevent excessive sales.

Our business management system also facilitates improvement of our staff performance. Our staff can view their up-to-date work statistics at any time so that they can self-evaluate in terms of meeting performance targets. Our Doctors and sales consultants can immediately record and retrieve the treatment history and other information of our clients on their computers and/or mobile tablets in the medical aesthetic centres, increasing accuracy and efficiency as well as reducing costs. Our business management system also enables our senior management to get a clear picture of the performance of each staff member and reduces the need to hire middle-level managers, and our senior management can therefore motivate our staff more directly and effectively.

Our Directors confirmed that our business management system had not encountered any unexpected major system or network failure during the Track Record Period.

## **OUR BUSINESS STRATEGIES**

### **Opening three New Medical Aesthetic Centres in Hong Kong**

According to the Frost & Sullivan Report, the total revenue of the medical aesthetic service industry in Hong Kong reached HK\$5.9 billion in 2017, and is expected to increase to HK\$11.4 billion in 2022, representing a CAGR of 14.1%. Non-surgical medical aesthetic services are getting more and more popular in Hong Kong due to reduced pain and recovery time, growing affordability as well as acceptance and demand from female population. This sector accounted for 75.7% of the total medical aesthetic services market in 2017 and is expected to grow from HK\$4.4 billion in 2017 to HK\$8.9 billion in 2022, representing a CAGR of 15.1%. We believe that we are well-positioned to capitalise on such anticipated growth. Leveraging on our successful track record and our brand image, we intend to expand our operations in Hong Kong by establishing the First New Medical Aesthetic Centre, the Second New Medical Aesthetic Centre and the Third New Medical Aesthetic Centre by the end of the first calendar quarter in each of 2019, 2020 and 2021 in the central and western district of Hong Kong Island, western district of Kowloon and eastern district of Hong Kong Island, respectively. Please refer to the paragraph headed “Our medical aesthetic centres – Expansion plan” in this section for reasons why we chose these locations. We believe this will help us attract the approximate clientele as the average annual spending of our clients on non-surgical medical aesthetic services was more than doubled the estimated industry average as indicated in the Frost & Sullivan Report during the Track Record Period. Moreover, the expansion will enable us to deepen our market penetration in Hong Kong and improve our Group’s profitability. The First New Medical Aesthetic Centre, the Second New Medical Aesthetic Centre and the Third New Medical Aesthetic Centre are expected to have 12, 10 and 8 treatment rooms, respectively. We plan to acquire prevailing treatment devices to equip our New Medical Aesthetic Centres. The total capital expenditure and initial operating costs for the establishment of the three New Medical Aesthetic Centres is estimated to be approximately HK\$31.7 million, which will be fully funded by the net proceeds from the Share Offer. As we do not require additional funding to implement our expansion plan of opening three New Medical Aesthetic Centres, we expect our expansion plan will not have a material impact on our liquidity position.

We are currently in the course of identifying available and suitable venues for the establishment of the three New Medical Aesthetic Centres in the planned locations and we expect them to commence operations in three to four months from the time we have identified the suitable location for the relevant New Medical Aesthetic Centre. See the paragraph headed “Our medical aesthetic centres – Expansion plan” in this section and the section headed “Future Plans and Use of Proceeds” in this prospectus for further details of our expansion plan. To support our expansion plan, we plan to recruit at least two consultant Doctors and 11 therapists. See the paragraph headed “Our business strategies – Continue to attract and retain experienced personnel through training and professional development” in this section and the section headed “Future Plans and Use of Proceeds” in this prospectus for further details.

The risk of cannibalisation associated with our plan to open three New Medical Aesthetic Centres are described in the section headed “Risk Factors – Risks relating to our business – The three New Medical Aesthetic Centres may not deliver the intended positive financial performance when they are in operation and we may be unable to minimise the risk of cannibalisation” of this prospectus. In deliberating the strategic locations of the New Medical Aesthetic Centres, our executive Directors focused on how we can attract new clients, and they believe that the extension of our location coverage will appeal to new clients as it can offer more location flexibility to them. As (i) the New Medical Aesthetic Centres will be strategically located at districts which will not be in direct competition with our existing or planned medical aesthetic centres; (ii) we will spend approximately HK\$4.0 million of the net proceeds from the Share Offer and our internal resources to promote our brand, in particular, to raise our brand awareness and increase our presence at the strategic locations of the New Medical Aesthetic Centres, further details of which are set out in the paragraph headed “Our medical aesthetic centres – Implementation of expansion plan” in this section and the section headed “Future Plans and Use of Proceeds – Reasons for the Listing and the Share Offer – Feasibility study and marketing of the three New Medical Aesthetic Centres” of this prospectus; and (iii) according to the Frost & Sullivan Report, our market share was only around 1.8% in terms of revenue generated from the provision of non-surgical medical aesthetic services in the non-surgical medical aesthetic service market in 2017 and that we only have two medical aesthetic centres at the Latest Practicable Date, our executive Directors believe that the risk of cannibalisation will be low.

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## BUSINESS

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The opening of new medical aesthetic centres normally involves spending higher start-up operating costs such as rental deposits, renovation costs and staff costs. We estimate the spending per client visit at each of the New Medical Aesthetic Centres would be similar to what we have achieved at our CWB Centre and TST Centre in the year ended 31 March 2018. With reference to the scales of business and/or financial performances of our CWB Centre and TST Centre, we estimate that the breakeven period for a New Medical Aesthetic Centre will be not more than one year and the investment payback period will be not more than three years. The breakeven period is the period after which the monthly revenue of a New Medical Aesthetic Centre is at least equal to its monthly expenses for the relevant period. The investment payback period is the time it takes for the accumulated earnings before interest, tax, depreciation and amortisation (EBITDA) from a New Medical Aesthetic Centre to cover its investment costs.

### **Acquire new treatment devices and treatment consumables to extend the spectrum of our treatment services offered in our current medical aesthetic centres**

We operate in an industry that is highly driven by rapid technological advancements. In order to remain competitive, we believe it is essential to keep up with the prevailing treatment technology and equipment, and the trend in treatment consumables and skincare products. Our chief executive officer and our marketing and business development department attend industry expositions from time to time to keep up with the prevailing technologies and our marketing and business development department also conducts market research on the prevailing treatment technologies, treatment consumables and skincare products to meet the increasing demand of our clients. We will continue to organise internal meetings among our Doctors, Trainers and senior management from time to time to share their experience in dealing with clients, discuss clients' feedback and exchange ideas on treatments and products and maintain close relationships with suppliers of treatment devices, treatment consumables and skincare products. We expect to use approximately HK\$4.8 million of the net proceeds of the Share Offer to fund the purchase of eight prevailing treatment devices (comprising five ultrasound devices, two laser devices and one radiofrequency device) and treatment consumables to extend the spectrum of our treatment services offered in our current medical aesthetic centres.

### **Renovate our CWB Centre and our TST Centre**

We intend to renovate our CWB Centre and our TST Centre to refresh our brand image and to maintain a comfortable ambience to enhance our clients' experience when visiting there in the future. According to the Frost & Sullivan Report, it is an industry norm that medical aesthetic centres be regularly renovated in order to provide a fresh brand image and a sense of novelty to clients. We pride ourselves on staying on top of the rapidly changing industry as well as being up-to-date with prevailing medical aesthetic technologies. Thus, we believe it is vital to constantly provide our clients with a novel environment and a cosy and comfortable ambience at our medical aesthetic centres to enhance their user experience, which we consider as one of our competitive strengths, and we normally perform major renovations on our medical aesthetic centres every two to three years. The last renovations of the CWB Centre and the TST Centre were performed in January 2017 and November 2017, respectively, and the costs incurred were approximately HK\$0.7 million and HK\$0.2 million, respectively. The estimated cost for the renovation work would be approximately HK\$4.0 million, which is expected to be funded with the net proceeds of the Share Offer. We therefore expect such strategy will not have a material impact on our liquidity position. It is our plan to complete the renovation in our CWB Centre before we start the renovation in our TST Centre. We intend to undertake the renovation works in phases so that we can continue to provide services during normal operating hours and perform structural works after operating hours, on Sundays as well as certain public holidays when our CWB Centre and our TST Centre are closed. We expect the renovation to span for a period of approximately four months for each of our CWB Centre and our TST Centre and we consider there will not be material disruption to our operations.

### **Actively promote our brand**

In order to ensure our long term plan of establishing a chain of medical aesthetic centres in Hong Kong is a success, it is essential that we maintain our established reputation as a professional, effective and reliable medical aesthetic service provider as well as to increase the public awareness of our brand in both our current and potential markets to expand our client base. When our medical aesthetic centres were first set up, we had engaged a celebrity spokesperson to promote our brand. After that, we have been relying on client referrals and/or word-of-mouth to promote our medical aesthetic centres. We have also set up Retail/Service Outlets to help us reach out to retail customers and convert them to our potential clients. In order to cater for a more extensive network of medical aesthetic centres, we intend to increase our marketing efforts to actively promote our brand. We expect to use approximately HK\$4.0 million of the net proceeds of the Share Offer and our internal resources to invite celebrities to endorse our medical aesthetic centres, to actively participate in online marketing campaigns (including search engine marketing, search engine optimisation and social media marketing) and to implement other marketing strategies to promote our brand and our medical aesthetic services.

### **Upgrade our business management system**

As we continue to expand our business to capture future opportunities, we plan to engage our licensor to upgrade our business management system to include the following new features:

- Enhanced programming of our business management system to conduct customised data mining and analysis for our marketing initiatives, including functions such as the generation of different kinds of customer relationship management reports, new customer reports, member referral report as well as member sales analysis report.
- Introduction of a customer service module, which includes record for calling and making appointments.
- Functions which facilitate phone messages to be sent directly from our business management system to our clients.
- Improved linkage between our accounting system and our business management system, which improves the efficiency of our financial reporting function, with improved functions on mapping between amounts in sales invoices and that recorded as deferred revenue under our accounting system, tracking of utilisation rates at each of our medical aesthetic centres, tracking of timing and pattern of utilisation of prepaid packages as well as improved features on payroll calculation and alerts on expiry dates of prepaid packages.

Through the above upgrades, we would be able to capture, store and analyse operational data to formulate sound and more scientific business strategies and streamline operational procedures and our financial reporting system will be improved as well. We believe our operational procedures can be optimised and our overall efficiency can be increased as a result. We expect to use approximately HK\$1.0 million to upgrade our business management system, which is expected to be funded with the net proceeds from the Share Offer.

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## BUSINESS

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### Continue to attract and retain experienced personnel through training and professional development

Our success depends on, to a large extent, the vision of our executive Directors and the experience and capability of our senior management and professional team. As such, we believe our dedication to maintaining high quality employee will continue to contribute to our business growth and enhance the quality of our services offered. To support our expansion plan to open three New Medical Aesthetic Centres, we plan to (i) recruit one consultant Doctor, four therapists, one centre supervisor, two sales consultants, one marketing staff and three office supporting staff for the First New Medical Aesthetic Centre; (ii) one consultant Doctor, four therapists, one senior sales consultant, one sales consultant and one office supporting staff for the Second New Medical Aesthetic Centre; and (iii) one centre supervisor, three therapists, one sales consultant and one office supporting staff for the Third New Medical Aesthetic Centre. For recruitment of consultant Doctors, we aim to engage registered medical practitioners with at least five years of practising experience in the medical aesthetic service industry prior to joining our Group. In addition, we will continue to attract and retain experienced employees and consultants through training and professional development such as encouraging and subsidising our Doctors to attend medical aesthetic conferences, seminars and workshops and the recently introduced ITEC approved training course available at our Training Centre for newly recruited therapists. Please refer to the paragraph head “Quality assurance – Training” in this section for further details on the ITEC approved training course.

### BUSINESS MODEL

We offer an extensive range of non-surgical medical aesthetic services by our Doctors and trained therapists to meet different skincare and aesthetic objectives as well as personal needs of our clients.

During the Track Record Period, our revenue was derived from (i) provision of treatment services; (ii) sale of skincare products; and (iii) revenue from expiry of prepaid treatments. The following table sets out our revenue by service and product offering for the years indicated:

	Year ended 31 March			
	2017		2018	
	HK\$'000	%	HK\$'000	%
Provision of treatment services	60,898	96.2	84,385	95.2
Sale of skincare products	1,636	2.6	2,232	2.5
Revenue from expiry of prepaid treatments	<u>742</u>	<u>1.2</u>	<u>2,042</u>	<u>2.3</u>
Total revenue	<u>63,276</u>	<u>100.0</u>	<u>88,659</u>	<u>100.0</u>

## BUSINESS

### OUR SERVICES

We generally categorise our treatment services as (i) non-surgical medical aesthetic services; and (ii) traditional beauty services. The following table sets out a breakdown of the total number of treatments, our revenue from treatment services and average spending per treatment by treatment category for the years indicated:

	Year ended 31 March									
	2017					2018				
	Number of treatments	%	Revenue from treatment services HK\$'000	%	Average spending per treatment HK\$	Number of treatments	%	Revenue from treatment services HK\$'000	%	Average spending per treatment HK\$
Non-surgical medical aesthetic services	43,925	74.1	55,989	91.9	1,275	45,660	75.7	79,072	93.7	1,732
Traditional beauty services	15,392	25.9	4,909	8.1	319	14,673	24.3	5,313	6.3	362
<b>Total/Overall</b>	<b>59,317</b>	<b>100.0</b>	<b>60,898</b>	<b>100.0</b>	<b>1,027</b>	<b>60,333</b>	<b>100.0</b>	<b>84,385</b>	<b>100.0</b>	<b>1,399</b>

Our treatment services are performed by (i) our Doctors; or (ii) our trained therapists, depending on whether they are high risk treatment procedures and whether our clients specifically request certain low risk treatment procedures be performed by our Doctors rather than our trained therapists. The following table sets out a breakdown of the total number of treatments and our revenue from treatment services by treatment handler for the years indicated:

	Year ended 31 March									
	2017					2018				
	Number of treatments	%	Revenue from treatment services HK\$'000	%	Average spending per treatment HK\$	Number of treatments	%	Revenue from treatment services HK\$'000	%	Average spending per treatment HK\$
Doctors	2,260	3.8	13,598	22.3	2,282	3.8	12,561	14.9		
Trained therapists	57,057	96.2	47,300	77.7	58,051	96.2	71,824	85.1		
<b>Total</b>	<b>59,317</b>	<b>100.0</b>	<b>60,898</b>	<b>100.0</b>	<b>60,333</b>	<b>100.0</b>	<b>84,385</b>	<b>100.0</b>		

### Non-surgical medical aesthetic services

Typical skincare issues of our clients include those relating to skin tone (such as pigmentation and acne marks), skin surface (such as enlarged pores and dry skin), wrinkles (such as crow's feet) and facial and body contouring (such as skin laxity). Our other clients may want to improve certain skin conditions such as wart, seborrheic keratosis and skin tag. All of the services offered by us are non-surgical medical aesthetic services that aim to meet different skincare and aesthetic objectives as well as personal needs of our clients. We generally categorise our non-surgical medical aesthetic services as (i) energy-based procedures; and (ii) minimally invasive procedures.

Depending on the needs of our clients and the opinion of our sales consultants and/or diagnosis of our Doctors based on their training and clinical experience, one-off treatment, multiple treatment sessions of a single treatment or multiple treatment courses may be recommended to our clients to achieve desired results.

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According to the Frost & Sullivan Report, energy-based procedures and minimally invasive procedures are the most popular non-surgical medical aesthetic services in Hong Kong. The following table sets out a breakdown of the total number of treatments, our revenue from non-surgical medical aesthetic services and average spending per treatment for the years indicated:

	Year ended 31 March									
	Number of treatments		2017		Average spending per treatment		2018		Average spending per treatment	
			Revenue from non-surgical medical aesthetic services	%			Revenue from non-surgical medical aesthetic services	%		
		%	HK\$'000	%	HK\$		%	HK\$'000	%	HK\$
Energy-based procedures	42,298	96.3	48,255	86.2	1,141	43,936	96.2	71,397	90.3	1,625
Minimally invasive procedures	<u>1,627</u>	<u>3.7</u>	<u>7,734</u>	<u>13.8</u>	4,754	<u>1,724</u>	<u>3.8</u>	<u>7,675</u>	<u>9.7</u>	4,452
Total/Overall	<u>43,925</u>	<u>100.0</u>	<u>55,989</u>	<u>100.0</u>	1,275	<u>45,660</u>	<u>100.0</u>	<u>79,072</u>	<u>100.0</u>	1,732

### ***Energy-based procedures***

We provide treatment services utilising energy-based procedures through the use of energy-based devices such as laser, radiofrequency, ultrasound, iontophoresis and cryolipolysis to emit different types of energy on skin surface. Such procedures aim to enhance appearance and skin conditions such as facial and body contouring, removal treatment of moles and warts, seborrheic keratosis, skin tag, milia and syringoma. We offer an extensive range of energy-based procedures for various purposes such as skin rejuvenation, pigment improvement, skin tightening, collagen stimulation, lifting, skin whitening, skin exfoliation, hair removal, localised fat cell disruption, mole removal, warts removal, seborrheic keratosis removal, skin tag removal, milia removal and syringoma removal. Our executive Directors, based on our Doctors' professional advice and judgment on the risk of severe complication and the prevailing laws and regulations in Hong Kong, have formulated a generally adopted practice that selective high risk energy-based procedures which may cause complications such as infection, bleeding, haematoma formulation, bruising, scarring or hyperpigmentation or there is a potential risk of irreversible damage to the eye or tissue damage including nerve injury, muscle burn, fat necrosis or skin necrosis are to be performed by our Doctors only whereas our trained therapists will perform all the other energy-based procedures. At the option of our clients, they can request our Doctors to perform certain low risk energy-based procedures which are normally performed by our trained therapists by paying a premium for the treatment. Examples of high risk energy-based procedures that can only be performed by our Doctors based on our generally adopted practice include mole or nevus removal and Thermage eye treatment.

Energy-based procedures had been our main revenue source as well as our main revenue growth driver during the Track Record Period, mainly due to our acquisition of prevailing treatment devices to launch some high-priced energy-based procedures since the last calendar quarter of 2016, which became popular amongst our clients. Please refer to the section headed "Financial Information – Year-to-year comparison of results of operations" for further details. According to the Frost & Sullivan Report, energy-based procedures generated a total revenue of HK\$3.1 billion in 2017, which accounted for 70.5% of the total non-surgical medical aesthetic services market in Hong Kong, and this sector is expected to reach HK\$6.0 billion in 2022, representing a CAGR of 14.1% during the same period of time. It is our plan to leverage on our successful track record and our brand image to capture these growth opportunities by focusing on our treatment services utilising energy-based procedures.

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The table below sets out descriptions of several of our top revenue-generating energy-based procedures during the Track Record Period:

Technology/ Device type	Treatments offered by us (Treatment device used)	Description	Typically intended aesthetic effect	Price range per treatment session as at the Latest Practicable Date (Note)
Laser	1. PICO whitening, depigmenting and rejuvenating treatments (Cutera Enlighten with Micro Lens Array)	Deploying laser that is able to pinpoint a particular skin area where the principles of selective photothermolysis are used. The technique directs short, concentrated pulsating beams of light at skin to achieve various desired results, depending on the absorption spectrum of the tissue components	Improving pigment problems and acne scar; refining pores; lightening fine wrinkles; rejuvenating skin	1. HKD6,000 to HKD8,000
	2. Express laser treatment (Lutronic Spectra VRM)			2. HKD1,800 to HKD2,300
	3. Whitening and depigmenting treatment (Lutronic Spectra VRM)			3. HKD2,200 to HKD2,800
Radiofrequency	Thermage treatment (Thermage® CPT)	Deploying high-frequency radio waves that excite water molecules within the skin to generate heat. The heat reaches deep layers of skin to tighten existing collagen, remodel and stimulate growth of new collagen	Improving skin laxity and fine wrinkles; body contouring and increase local circulation	HKD16,000 to HKD48,000
Ultrasound	1. Ultherapy firming treatment (Ulthera)	Using high intensity focused ultrasound (HIFU) to heat the deep tissues under the skin to stimulate growth of new collagen and tighten the skin	Lifting and tightening of skin; lifting the eyebrow, neck and under-chin	1. HKD11,000 to HKD54,000
	2. Ultra V HIFU treatment (K1 Med Ultra V HIFU)			2. HKD3,000 to HKD9,000
Cryolipolysis	Coolsculpting (Coolsculpting System (ZELTIQ Breeze System))	Using a medical treatment to achieve the non-invasive cooling of fat cells to induce lipolysis without damage to other tissues or structures	Eliminating unwanted fat cells	HKD10,800
Iontophoresis	Hydrating lifting treatment (NanoCool:C)	Applying ion wave technology to maximise cell permeability and the absorption of active ingredients by cells. The ion waves create temporary micro channels in cell membranes, which helps improve the penetration of ingredients into skin cells	Improving moisture retention; stimulating skin cell regeneration; reducing fine lines and wrinkles; evening skin tone	HKD1,000 to HKD5,700

*Note:* The prices stated exclude prepaid packages, trials or retouches. The wide price range for some of the treatments is due to (i) the type of devices used in the relevant treatments; (ii) most treatments can be performed in various parts of the face and/or body and it will normally be more expensive if the size of the treatment area is larger; and (iii) certain treatments can be performed by either our Doctors or our trained therapists at the option of our clients, and our clients normally have to pay a premium of 20% to 30% for treatments performed by our Doctors.

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### ***Minimally invasive procedures***

We offer minimally invasive procedures intended to shape a person's face or body or to stimulate hair follicles by injections of certain materials. We offer minimally invasive procedures for aesthetic enhancement including facial and body contouring, wrinkle reduction, hyperhidrosis, skin rejuvenation and stimulation of hair follicles. According to the Frost & Sullivan Report, injection procedures are gaining popularity in Hong Kong because such procedures involve less pain and scarring and offer quicker recovery when compared to surgical medical aesthetic procedures. Based on our generally adopted practice, all minimally invasive procedures are high risk treatment procedures and should be performed by our Doctors only.

The table below sets out descriptions of several of our top revenue-generating minimally invasive procedures during the Track Record Period:

Procedure	Description	Typically intended aesthetic effects	Treatment	Price range per treatment session as at the Latest Practicable Date <i>(Note)</i>
Injection of dermal fillers	Injecting hyaluronic acid, such as Restylane®, JUVÉDERM® and TEOSYAL®, into the skin of the face and/or body	Filling in wrinkles and deep creases; smoothing out scars; filling out thin or wrinkled lips; plumping up and lifting cheeks, jawlines, temples and sagging hands	1. Sculptra volumising treatment	1. HKD22,000
			2. 5D contouring treatment	2. HKD22,000
Injection of botulinum toxin type A	Injecting the medication botulinum toxin type A, such as BOTOX®, Dysport® and Xeomin®, into the skin of the face and/or body	Reducing wrinkles in the area of the face or body, facial and body contouring	1. Injection of BOTOX®	1. HKD3,600 to HKD11,800
			2. Injection of Dysport®	2. HKD2,800 to HKD8,800

*Note:* The prices stated exclude prepaid packages, trials or retouches. The wide price range for some of the treatments is due to most treatments can be performed in various parts of the face and/or body and it will normally be more expensive if the size of the treatment area is larger.

### ***Pricing policy***

The price of our non-surgical medical aesthetic services is determined principally with reference to the following factors:

- duration of treatment performed and size of treatment area with consideration to our cost structure, including the costs of the treatment devices, treatment consumables, rental and staff costs;
- whether the treatment is performed by our Doctors or trained therapists (our clients normally have to pay a premium of 20% to 30% for treatments performed by our Doctors); and
- market reference price by comparing with several selected major industry players.

Based on the above factors, we will devise a trial price and/or a one-off treatment price. We will also develop a package price at a discount to the one-off treatment price for clients who purchase multiple sessions of the same treatment at the same time. We may offer higher discounts during special promotions.

### *Internal control procedures regarding high risk treatment procedures*

We have formulated the following stringent internal control measures to ensure that only our Doctors can perform all high risk treatment procedures:

- We maintain a full list of treatment procedures which we may sell to our clients (“**Treatment List**”) in our business management system. As all bookings for treatments can only be made through our business management system, we can only book and invoice our clients for treatment items appearing on the Treatment List.
- Our executive Directors, having considered the relevant laws and regulations in Hong Kong, the level of risk of the treatment procedures, and in consultation with our Doctors, determine which treatment procedures on the Treatment List are considered as high risk treatment procedures and must be performed by Doctors only. Such high risk treatment procedures are assigned with a special code number on the Treatment List, which is well recognised by our Doctors, trained therapists, sales consultants and other front-line staff as well as our business management system as “being performed by Doctors only”. The Treatment List is regularly reviewed and updated by our executive Directors in consultation with our Doctors.
- When a client books an appointment for treatment session, our front-line staff will ensure our Doctor or trained therapist (as the case may be) is available at such requested time slot in our real-time appointment system, by identifying the code number of the treatment purchased as stated in the client’s profile. When the client attends our medical aesthetic centre for the treatment session, our front-line staff will then inform the relevant Doctor or trained therapist (as the case may be), based on the code number in the appointment record.
- For high risk treatment procedures, our real-time appointment system will forbid any staff to make appointments with our trained therapists for performance of such high risk treatment procedures for any clients and appointments can only be arranged with our Doctors only. Our trained therapists would not have any incentive to perform high risk treatment procedures as our business management system will not generate any invoice for any trained therapist for such high risk treatment procedures and therefore no commission or service fee can be recorded for our trained therapists if they perform such high risk treatment procedures.
- For high risk treatment procedures, our Doctors are required to record treatment remarks in the client’s profile after performance of the relevant high risk treatment procedure, which will then be passed to our front-line staff for invoicing and/or updating such client’s profile. If a front-line staff discovers that no Doctor’s remark has been recorded in the client’s profile for any high risk treatment procedure, such staff is required to report the case to the general manager of operation for follow up and rectification.
- As high risk treatment procedures can only performed by our Doctors, we will arrange our trained therapists to attend such treatment sessions to assist our Doctors and ensure that (i) our Doctors had checked the client’s current health and skin conditions prior to the performance of the high risk treatment procedures; (ii) the treatment consumable being used is appropriate for the relevant treatment; (iii) the client has in fact read and signed the consent form prior to the performance of the high risk treatment procedures; and (iv) the client is not suffering from any adverse effect immediately after the high risk treatment procedures.
- Injection medicine used in performing minimally invasive procedures can only be accessed by designated persons.

### ***Private Healthcare Facilities Bill (the “Bill”)***

The Government of Hong Kong introduced the Bill in June 2017, where the Bill was gazetted and passed through first reading at the Legislative Council. See the section headed “Regulatory Overview – Recent development in relation to regulation of medical procedures and beauty services as well as private healthcare facilities – Private Healthcare Facilities Bill (the “Bill”)” in this prospectus for further details.

Pursuant to Schedule 2 of the Bill, it is possible that some of our non-surgical medical aesthetic services rendered will fall under minor medical procedures. As such, our medical aesthetic centres may be classified as clinics. If the Bill has been passed in its current form, our Group may need to apply for a license and appoint a chief medical executive to manage our medical aesthetic centres. Our Directors are of the view that our Group will not have any major issue in obtaining such license or appointing such chief medical executive for the following reasons:

- all of our consultant Doctors at the Latest Practicable Date are registered medical practitioners who have over 10 years of registration in Hong Kong and two of them (one of which had provided exclusive non-surgical medical aesthetic services to our Group during the Track Record Period) had each signed a letter of intent with us to confirm our mutual understanding that he can act as the chief medical executive of our medical aesthetic centres when the Bill has been passed to become the laws of Hong Kong; and
- subject to the appointment of a chief medical executive, our existing structure and operation of our medical aesthetic centres are in line with the requirements stipulated in the Bill and we just have to make some minor alterations to our existing operation manual to fully comply with the requirements of the Bill.

Subject to our Group complying with the requirements of the provisions to be enacted under Divisions 4 and 5 of Part 5 of the Bill and the Code of Practice (the “**Code of Practice**”) to be formulated under the Bill at the appropriate time, Counsel Hingorani does not expect the passing of the Bill will have any material adverse impact on our Group’s business operations. Counsel Hingorani is of the view that in the event that the Bill is enacted and a Code of Practice thereunder is brought into force, he knows of no Hong Kong law, statutory or otherwise, that would impose a material legal impediment to our Group’s ability to comply with the requirement of the enactment and the Code of Practice.

### **Traditional beauty services**

To complement our non-surgical medical aesthetic services offering, we also offer some traditional beauty services to our clients that are non-medical and non-invasive in nature and hence of low risk and cost. Our traditional beauty services include facial procedures intended to improve the physical appearance and/or the skin condition of our clients, such as facial as well as nail and lash services, and are performed by our trained therapists only.

The price range per treatment session (excluding prepaid packages, trials or retouches) of our traditional beauty services as at the Latest Practicable Date was HK\$100 to HK\$2,500. The price of our traditional beauty treatment is determined with reference to, among others, (i) price of similar treatments on the market; (ii) size of treatment area; (iii) cost of treatment consumable; and (iv) duration typically required for the performance of the treatment.

### **Proposed introduction of a mandatory cooling-off period**

The Consumer Council of Hong Kong has recently advocated in favour of introducing a mandatory cooling-off period of seven days for consumer transactions including beauty services contracts with a duration of not less than six months or involving prepayment (the “**Recommendation**”). Beauty services cover procedures used or intended to be used to maintain, restore, correct, modify or improve the physical appearance of the human body, irrespective of whether it is a general beauty service or a medical beauty procedure.

As at the Latest Practicable Date, there was no further legal development in respect of the Recommendation. As the Recommendation is still at a very preliminary stage, our Directors are unable to visualise the impact of the Recommendation on the operations of our medical aesthetic centres and Retail/Service Outlets.

### **OUR PRODUCTS**

#### **Sale of skincare products**

To complement our non-surgical medical aesthetic services, we also sell skincare products originated from the United States, the United Kingdom, Korea, New Zealand and France with an aim to improve our clients’ skin conditions and further enhance the treatment effects. As at the Latest Practicable Date, we offered seven skincare brands with products comprising, among others, cleanser, toner, serum, moisturiser, eye care product, ultraviolet (UV) protection product and mask.

As advised by Counsel Hingorani, we are not required to obtain any specific licences for selling skincare products and that none of our skincare products are regulated or are required to be registered under the Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong).

#### ***Product return, warranties and liability***

We generally do not allow product returns and do not give warranties as to the effectiveness of our skincare products. However, we do allow our clients to exchange products once if the product is a full-priced unopened item that is undamaged or unused within five days of the purchase. During the Track Record Period, we had not been subject to any material product liability claim nor did we experience any material product return or product recall.

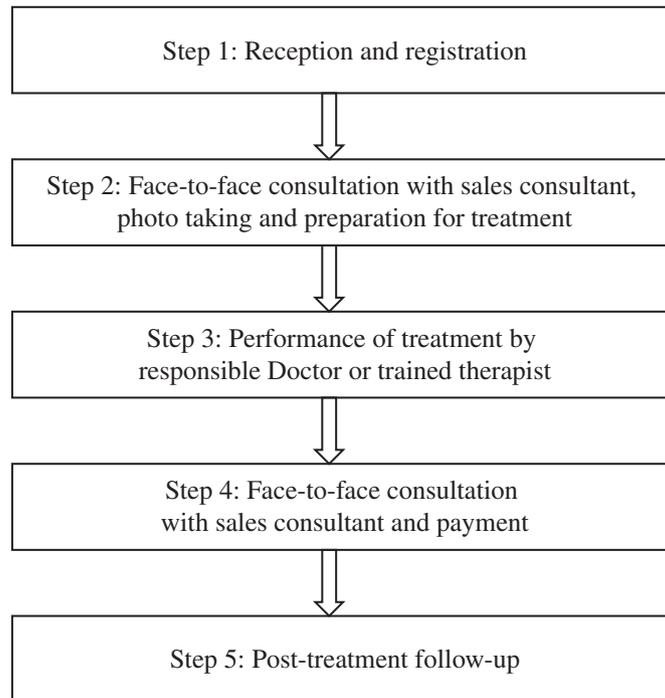
#### ***Price range and pricing policy***

As at the Latest Practicable Date, the price of our skincare products ranged from HK\$75 to HK\$2,900. Such price is determined on a cost-plus basis, namely with a margin over the cost of purchase of the relevant skincare products.

## BUSINESS PROCESS

### Non-surgical medical aesthetic services

The following diagram illustrates the key stages of the process of our non-surgical medical aesthetic services:



#### ***Step 1: Reception and registration***

When a client visits us for the first time, we ask the client to fill out and sign a personal record form that contains the client's name, gender, age, contact number, medical record (such as skin conditions, allergy history, previous medical history and current medication intake) and history of medical aesthetic treatments for registration. We also ask the client to provide proof of identity for registration and verification. Our reception staff will then enter the information on the personal record form into our business management system. This procedure is only applicable to new clients and for clients revisiting our medical aesthetic centres to utilise the prepaid packages which they have purchased from us (the "**Revisiting Clients**"), the reception staff will arrange for them to see the sales consultant directly.

### ***Step 2: Face-to-face consultation with sales consultant, photo taking and preparation for treatment***

All our sales consultant are well-trained to have a thorough knowledge of the full range of the non-surgical medical aesthetic services which we offer and the type of treatment that is suitable for a particular skin problem or concern. Except in the rare case of our client specifically requesting for a consultation with our Doctor before they select a treatment, our sales consultant is generally responsible for the face-to-face consultation with our client.

At this stage, our sales consultant goes through the personal record form with our new client so as to better understand the concerns and needs of our client, such as skin conditions that the client is concerned with and how he/she would like to see the skin conditions improved.

If a new client has requested for a consultation with our Doctor, our sales consultant will still go through the personal record form with the client before directing the client to the Doctor for his/her face-to-face consultation with the client. During the face-to-face consultation, our Doctor performs examination and/or make diagnosis of the client's skin conditions with reference to his/her medical history and background. Such diagnosis will have regard to the client's specific condition and needs. Following such diagnosis, our Doctor will pass the client back to our sales consultant to recommend the suitable treatment plans to the client.

After going through the personal record form with the new client or the client has finished the consultation with our Doctor (as the case may be), our sales consultant will recommend suitable treatment plans (including the type of treatment and number of sessions) in response to the client's individual needs. Our sales consultant will also explain to the client the treatment procedure, associated risks, possible side-effects as well as answers the client's questions and addresses his/her concerns. After that, our sales consultant will explain the prices of the recommended treatments as well as any promotion or package that is applicable to such recommendations. We believe that it is crucial for our clients to be at ease when purchasing prepaid packages from us and we endeavour to do the same. As such, our sales consultants, whose main duty is to conclude sales transactions with clients after going through their personal record form or consultation with a Doctor, can only market to clients those treatment procedures that are suitable to them or as recommended by our Doctors. Furthermore, the sales consultants are required to ensure the quantity of treatments purchased by clients can be reasonably utilised within the validity period of the package.

Once the new client has decided on the treatment plan to take, he/she will be taken for photo taking, where we capture the client's skin textures and contours for before and after treatment side-by-side image comparison.

For Revisiting Clients who have already completed the personal record forms, our sales consultant will discuss the treatment progress and outcome and their skin or other body conditions with them. If required, he/she will be taken for photo taking to record his/her skin conditions photographically for before and after treatment side-by-side image comparison.

Prior to the performance of the treatment, the responsible Doctor or trained therapist, as applicable, again explains the proposed treatment to the client, including the purpose, nature, process, possible risks and potential complications of the treatment, and answers any questions that the client may have relating to the treatment to be performed. Our client will be asked to study and sign a consent form, which, among others, requires the client to acknowledge his/her understanding of the proposed treatment as explained by the responsible Doctor or trained therapist, and the risks involved in the treatment and his/her consent to undergo such treatment.

***Step 3: Performance of treatment by responsible Doctor or trained therapist***

Our Doctors or trained therapists will perform the treatment which has been booked by the client. For high risk treatment procedures that can only be performed by our Doctors, we will arrange for our trained therapists to attend such treatment sessions to assist our Doctors. Our trained therapists will perform low risk treatment procedures independently.

***Step 4: Face-to-face consultation with sales consultant and payment***

Subsequent to the performance of treatment, our client will have another face-to-face meeting with our sales consultant. In this meeting, our sales consultant will, where applicable, take post-treatment photos of our client to enable our responsible Doctor or trained therapist to monitor the treatment progress and outcome and skin conditions of our client, and our sales consultant will also update the client's profile in our business management system accordingly. In addition, our sales consultant may also provide post-treatment care tips to the client, and where applicable, assist the client with payment for the treatment, booking of the next appointment and purchase of skincare products.

***Step 5: Post-treatment follow-up***

To monitor our client's satisfaction towards the treatment received, our sales consultant will contact the client within three days after the treatment by phone or text message to gather his/her feedback, and where applicable, check that the client is not suffering from any symptoms of allergies and that there are no bruises around the treatment areas. We maintain a log book on feedback for management review.

**Traditional beauty services**

When a client visits us for the first time, we ask him/her to fill out a personal record form that contains the client's name, gender, age and contact number for registration. We also ask the client to provide proof of identity for registration and verification. Our client's personal information will then be entered into our business management system by our reception staff. This procedure is only applicable to new clients whereas for Revisiting Clients, the reception staff will arrange for them to see the sales consultant directly.

During the face-to-face meeting with our sales consultant, our sales consultant will see if our client is also interested in our non-surgical medical aesthetic services. If the client is interested in our non-surgical medical aesthetic services, we will adopt step 2 to step 5 of the business process described in the paragraph headed "Business process – Non-surgical medical aesthetic services" in this section. If the client would only like to take the treatment which he/she has booked, then the sales consultant will arrange for the client to see the trained therapist directly for the performance of treatment.

Subsequent to the performance of treatment, our sales consultant will have another short face-to-face meeting with our client to collect his/her feedback and to see if we can further assist him/her in our non-surgical medical aesthetic services. Our sales consultant will also assist our client with booking of the next appointment.

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## BUSINESS

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### OUR PROFESSIONAL TEAM

Our front-line professional team comprises our Doctors, trained therapists and sales consultants.

#### Doctors

As at the Latest Practicable Date, we engaged four Doctors who had participated in the provision of non-surgical medical aesthetic services to our clients in our medical aesthetic centres on a consultancy basis. Each of our Doctors had entered into a consultancy service agreement with our Group and one of them has provided exclusive non-surgical medical aesthetic services to our Group during the Track Record Period.

The table below summarises the details of our Doctors as at the Latest Practicable Date:

Doctor	Type of registered medical practitioner	Relevant qualifications	Years of experience in the medical aesthetic service industry as at the Latest Practicable Date	Date of joining our Group	Term of consultancy service agreement
Doctor A ( <i>Note 1</i> )	General surgery	Bachelor Degree in Medicine and Bachelor Degree in Surgery, Hong Kong; Fellow of the Royal College of Surgeons, Edinburgh; Fellow of the College of Surgeons of Hong Kong; Fellow of the Hong Kong Academy of Medicine (Surgery); Fellow of the Royal Australasian College of Surgeons; Postgraduate Diploma in Practical Dermatology	15	October 2016	1 October 2016 to 30 September 2021
Doctor B	General practitioner	Bachelor Degree in Medicine, PRC; Fellow of the Royal College of Surgeons, Edinburgh; Fellow of the College of Surgeons of Hong Kong	10	August 2011	No fixed period
Doctor C	General practitioner	Bachelor Degree in Medicine, Hong Kong; Postgraduate Diploma of Community Geriatrics, Hong Kong; Diploma of Child Health, Ireland; Diploma in Family Medicine, Hong Kong; Fellow of Hong Kong College of Family Physicians; Fellow of the Royal Australasian College of Family Physicians; Diploma in Practical Dermatology, United Kingdom; Master of Science in Clinical Dermatology, United Kingdom	10	October 2014 ( <i>Note 2</i> )	No fixed period
Doctor D ( <i>Note 3</i> )	General practitioner	Bachelor Degree in Medicine and Bachelor Degree in Surgery, Hong Kong; Diploma of Practical Dermatology, United Kingdom; Diploma of Child Health, Ireland; Master Science of Women Health Study, Hong Kong; Fellow of Hong Kong College of Family Medicine; Fellow of the Royal Australasian College of General Practitioner; Diploma in Advances in Medicine, Hong Kong; Fellow of Hong Kong Academy of Medicine (Family Medicine); Diploma of Clinical Dermatology, United Kingdom	6	January 2017	No fixed period

*Notes:*

1. Doctor A had provided exclusive non-surgical medical aesthetic services to our Group during the Track Record Period and he had also signed a letter of intent with us to confirm our mutual understanding that he can act as the chief medical executive of our medical aesthetic centres when the Private Healthcare Facilities Bill has been passed to become the laws of Hong Kong.
2. Doctor C took maternity leave from us from October 2015 to February 2018.
3. Doctor D had signed a letter of intent with us to confirm our mutual understanding that he can act as the chief medical executive of our medical aesthetic centres when the Private Healthcare Facilities Bill has been passed to become the laws of Hong Kong.

We expect there will be no material impact on the consultancy service agreements with Doctor B, Doctor C and Doctor D who do not have a fixed term of service under their respective consultancy service agreement as our Directors believe that such Doctors are replaceable, and there is sufficient time for us to look for replacements given such Doctors are required to give at least two months' notice to us to terminate their consultancy service agreements.

From time to time, our Doctors attend industry conferences, seminars and workshops as well as seminars organised by our suppliers on topics such as minimally invasive procedures and energy-based procedures. To ensure our newly recruited Doctor is well versed with our internal operating protocols and service standards, our chief executive officer would, together with one of our Doctors, go through our company policies and the orientation programme with such Doctor before such Doctor commences to serve our clients.

As at 31 March 2017 and 2018 and the Latest Practicable Date, we engaged five, four and four Doctors, respectively. During the Track Record Period, one Doctor left our Group on his own accord. For the two years ended 31 March 2018, the number of treatments performed by our Doctors was 2,260 and 2,282, respectively, representing approximately 3.8% and 3.8% of the respective total number treatments performed. During the same periods, revenue from treatment services contributed by our Doctors amounted to approximately HK\$13.6 million and HK\$12.6 million, respectively, representing approximately 22.3% and 14.9% of our respective total revenue from treatment services.

### **Material terms of engagement of our Doctors**

Our Doctors generally agreed to, during their term of engagement, (i) provide medical consultancy services to our clients and keep proper medical records of such clients; (ii) perform medical aesthetic treatments for our clients and follow-up on their status; (iii) provide training to our therapists and sales consultants and help our Group assess our therapists from time to time; and (iv) conduct research and develop state-of-the-art medical aesthetic treatments for our Group. They are generally paid a monthly service fee or an hourly service fee, plus a treatment fee which is calculated as a percentage of the actual amount received by our Group for certain treatments.

Under the consultancy service agreement, either party is entitled to terminate the agreement at any time by giving the other party two calendar months' prior notice in writing or payment in lieu of notice. The payment in lieu of notice shall be two months of the average monthly consultancy fee paid to the Doctor in the 12 months immediately preceding the date of the termination.

### ***Doctors' liability***

Due to the nature of our business operations, the performance of high risk treatment procedures and/or the intake of medication may carry inherent health risks and may have varying effects on individuals. As a result, our Doctors are inevitably exposed to potential liability arising from complaints, claims and possibly litigation brought against them by clients alleging to have suffered from treatments performed and/or medication prescribed. Since the results of treatments depend on, among others, the client's skin condition, allergies (if any), medical condition and daily skincare treatment and products used, there is no guarantee that our treatments may achieve the client's most desired results, which may be quite subjective. Our clients are asked to sign a consent form which, among others, requires them to acknowledge their understanding of the proposed procedure as explained by Doctors and the risks involved in the treatment and their consent to undergo such treatment.

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## BUSINESS

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There is also a risk that claims of medical negligence and malpractice may be brought against our Doctors. As such, as with any other registered medical practitioners, our Doctors are exposed to, among others, the following:

- complaints brought against them informally or formally through our CWB Centre and TST Centre in connection with treatment results, treatment errors and/or use of equipment or processes which caused harm to clients;
- complaints or information brought to the Hong Kong Medical Council against them in respect of any case or matter concerning their suitability to practice and/or treatment-related matters;
- investigations brought by the Hong Kong Medical Council following any complaints and/or information supplied by clients;
- disciplinary orders made by the Hong Kong Medical Council following due inquiry, including an order of removal from the general register;
- litigation and court proceedings relating to allegations of medical malpractice or negligence or unsettled client complaints; and
- reputational damage arising from one or more of the above.

Our Doctors, as members of the Medical Protection Society or Hong Kong Doctors Union, maintain professional malpractice liability insurance, which includes, subject to certain exclusions, indemnity in relation to claims, investigations and proceedings arising from or in connection with their professional practices. For selection criteria of our Doctors, see the paragraph headed “Quality assurance – Recruitment of professional staff” in this section for details.

### ***Doctors’ non-competition and non-solicitation obligations***

As at the Latest Practicable Date, all of our contracts with our Doctors contain non-competition and non-solicitation clauses so that whether during the term of the relevant contract or 12 months after the expiry or termination of the relevant contract, our Doctors shall not, except with our prior written consent, directly or indirectly (i) employ, solicit or entice away any of our clients or suppliers or prospective clients or suppliers with whom such Doctors had personal contact or dealings during the term of the relevant contract; (ii) solicit or entice away or employ or otherwise engage any of our employees with whom such Doctors had personal contact or dealings during the term of the relevant contract; or (iii) be engaged, employed, concerned or interested whether as shareholder, director, consultant, employee, partner, agent or otherwise and whether alone or jointly with others in any business that is in competition with our business in any place where we carry on business (other than as a holder of not more than two per cent of the issued shares or debentures of any company listed on any recognised stock exchange). Such non-competition and non-solicitation clauses mainly aim to safeguard our Group against the solicitation or enticing away by our Doctors of (a) any of our clients or suppliers; and (b) our employees.

As at the Latest Practicable Date, (i) Doctor A had provided exclusive non-surgical medical aesthetic services to our Group; and (ii) of the three remaining Doctors, only Doctor B and Doctor D have requested for and we have granted to them written consents for the provision of medical aesthetic services to other service providers in the medical aesthetic industry. The said consents are conditional on (a) the strict compliance with all other terms and conditions of the relevant consultancy service agreement; (b) the said provision of medical aesthetic services shall not adversely affect the relevant Doctor’s provision of services as agreed to be provided under the relevant consultancy service agreement or otherwise bring our Group or any of our members into disrepute; and (c) the relevant Doctor shall update us from time to time the particulars of the said provision of medical aesthetic services.

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## BUSINESS

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Our executive Directors are of the view that the granting of such consents did not and will not materially and adversely affect our operations as (i) we have imposed the aforementioned conditions in granting the relevant consents; (ii) Doctor D has signed a letter of intent with us to confirm our mutual understanding that he can act as the chief medical executive of our medical aesthetic centres when the Private Healthcare Facilities Bill has been passed to become the laws of Hong Kong; and (iii) Doctor B has committed to provide services to our Group for not less than 30 hours per month under his consultancy service agreement.

### **Trained therapists**

As at the Latest Practicable Date, we had 21 trained therapists at our medical aesthetic centres who possessed on average eight years of experience in the medical aesthetic service industry and had on average served our Group for four years and over 85% of these trained therapists had also obtained at least a Level 3 Statement of Attainment under the RPL and/or an ITEC Level 2 Diploma for Beauty Specialists. A Level 3 Statement of Attainment under the RPL recognises that the certificate holder is equipped with knowledge and skills in various aspects, such as basic facial care treatments, skin structure, skin diagnosis and analysis, and ingredients and therapeutic effects of beauty care products, and is able to provide safe and reliable beauty, and skin care services. An ITEC Level 2 Diploma for Beauty Specialists recognises that the certificate holder has gained necessary practical and theoretical skills such as care of the skin, care of the eyebrows and eyelashes, application of all make-up products, care of the hands and feet and waxing, in order to provide beauty specialist treatments to the general public and to gain employment in the beauty therapy industry.

We require our newly recruited therapists to undergo a mandatory induction training programme provided by our Trainers and Doctors and passing the internal assessments set by our Doctors prior to performing treatments on our clients.

During the Track Record Period, all low risk treatment procedures (unless our clients had made specific requests for such treatment procedures to be performed by our Doctors) and traditional beauty treatments were performed by our trained therapists, which, under the applicable laws and regulations of Hong Kong, do not require any special qualifications. For the two years ended 31 March 2018, the number of treatments performed by our trained therapists was 57,057 and 58,051, respectively, representing approximately 96.2% and 96.2% of the respective total number treatments performed. During the same periods, revenue from treatment services contributed by our trained therapists amounted to approximately HK\$47.3 million and HK\$71.8 million, respectively, representing approximately 77.7% and 85.1% of our respective total revenue from treatment services.

### **Sales consultants**

As at the Latest Practicable Date, we had nine sales consultants, who are mainly responsible for initial consultation with clients, sales and promotion as well as providing after-sales follow-up services. Under the applicable laws and regulations of Hong Kong, the tasks performed by our sales consultants do not require any special qualifications. We offer our sales consultants remuneration scheme comprising basic salary, commission and discretionary bonus. For the two years ended 31 March 2018, the average commission rate was approximately 4.2% and 4.9%, respectively, and the total commission paid to our sales consultants was approximately HK\$3.1 million and HK\$4.7 million, respectively, in which HK\$2.7 million and HK\$4.0 million were recognised to profit or loss in the respective years.

## BUSINESS

### OUR MEDICAL AESTHETIC CENTRES

As at the Latest Practicable Date, we operated two medical aesthetic centres which are located in Causeway Bay and Tsim Sha Tsui. The table below summarises the location, year of commencement of operation, gross floor area and number of treatment rooms of our CWB Centre and TST Centre:

	<b>CWB Centre</b>	<b>TST Centre</b>
Location	World Trade Centre, Causeway Bay	iSQUARE, Tsim Sha Tsui
Year of commencement of operation	2010	2013
GFA (sq. ft.)	Approx. 6,900	Approx. 4,680
Number of treatment rooms	32	15
Types of services/products offered	Non-surgical medical aesthetic services, traditional beauty services and skincare products	Non-surgical medical aesthetic services, traditional beauty services and skincare products
Expiry date of tenure	25 July 2020	18 July 2020

Set out below are photos of our medical aesthetic centres:



The table below sets out the revenue contribution from our medical aesthetic centres during the Track Record Period:

	<b>Year ended 31 March</b>			
	<b>2017</b>		<b>2018</b>	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
CWB Centre	40,196	65.3	55,983	64.1
TST Centre	21,401	34.7	31,299	35.9
<b>Total</b>	<u>61,597</u>	<u>100.0</u>	<u>87,282</u>	<u>100.0</u>

**Equipment**

We offer an extensive range of treatment procedures utilising various treatment devices with prevailing technologies which enable our Doctors and trained therapists to provide to each of our clients a professional and holistic treatment solution that is bespoke to his/her personal needs. As at the Latest Practicable Date, we had 89 treatment devices for performing various treatment procedures, which were sourced from leading medical device manufacturers, distributors and healthcare companies, all of which are Independent Third Parties. Such leading medical device manufacturers, distributors and healthcare companies generally do not indemnify us against any losses, damages, costs or expenses which we may suffer in case the treatment devices they supplied to us have injured our clients while they are taking medical aesthetic treatments at our medical aesthetic centres due to the defect of such treatment devices. Some of these treatment devices are acquired by way of finance lease. Please refer to the section headed “Financial Information – Indebtedness – Obligations under finance leases” for more details.

Set out below are photos of some of our prevailing treatment devices:



A majority of our treatment devices are used for energy-based procedures, such as devices for laser, radiofrequency, ultrasound, iontophoresis and cryolipolysis. We perform regular maintenance on our treatment devices in accordance with the relevant suggestions by the respective manufacturers. The following table summarises the number, estimated average age and remaining useful life of our treatment devices as at the Latest Practicable Date:

Type of treatment devices	Number of treatment devices	Approximate estimated average age of treatment devices (years)	Approximate estimated remaining useful life of treatment devices (Note) (years)
Laser	37	4.3	2.5
Iontophoresis	27	4.3	1.9
Radiofrequency	11	3.3	2.7
Ultrasound	3	1.3	3.7
Cryolipolysis	2	1.5	3.5
Others	9	5.9	1.1
Total:	<u>89</u>		

*Note:* The actual length of time that we will use these devices may be different from the estimates due to reasons such as periodic maintenance.

See the paragraph headed “Quality assurance – Procurement of treatment devices/treatment consumables” in this section for details of our quality assurance and control measures in purchasing treatment devices.

## BUSINESS

### Utilisation rate of our medical aesthetic centres

The table below sets out details of the utilisation of our medical aesthetic centres for non-surgical medical aesthetic services for the years indicated:

	For the year ended 31 March 2017			For the year ended 31 March 2018		
	Service Capacity (Note 1)	Actual number of treatments performed	Utilisation rate (Note 2) %	Service Capacity (Note 1)	Actual number of treatments performed	Utilisation rate (Note 2) %
<b>CWB Centre</b>						
Peak (Note 3)	19,500	12,210	62.6	19,500	13,345	68.4
Non-peak	31,200	15,872	50.9	31,200	16,982	54.4
Overall	50,700	28,082	55.4	50,700	30,327	59.8
<b>TST Centre</b>						
Peak (Note 3)	9,000	7,076	78.6	9,000	6,840	76.0
Non-peak	14,400	8,767	60.9	14,400	8,493	59.0
Overall	23,400	15,843	67.7	23,400	15,333	65.5
<b>Overall</b>	<b>74,100</b>	<b>43,925</b>	<b>59.3</b>	<b>74,100</b>	<b>45,660</b>	<b>61.6</b>

*Notes:*

- The service capacity for each year refers to the maximum number of non-surgical medical aesthetic treatments we can provide in our medical aesthetic centres each year, which is calculated based on the product of: (i) the number of treatment rooms in our medical aesthetic centre(s) available for non-surgical medical aesthetic services (i.e. 26 in our CWB Centre and 12 in our TST Centre); (ii) the expected maximum number of treatments performed per day per treatment room when the medical aesthetic centre(s) are open for business (i.e. 6.5 treatments, with 2.5 treatments during peak hours and 4 treatments during non-peak hours); (iii) six working days per week; and (iv) 50 working weeks per year. The service capacity is calculated for illustrative purpose only. In the calculation, we have, based on our experience, assumed that each treatment (including set-up time) will take approximately one hour and we have also allowed for certain periods of idle time for contingency taking into account factors such as rest time of our Doctors and trained therapists.
- Utilisation rate is calculated by dividing the actual number of treatments performed by service capacity in each year.
- The peak hours for each of our medical aesthetic centres are between 12:00 to 14:00 and between 18:00 to 20:00 from Monday to Saturday. Our medical aesthetic centres are closed on Sunday.

During the Track Record Period, our overall utilisation rate maintained a steady growth. Our Directors consider that an overall utilisation rate at approximately 60.0% for our two current medical aesthetic centres, with the utilisation rate of our CWB Centre and TST Centre reaching approximately 68.4% and 76.0% during the peak hours for the year ended 31 March 2018, is a close-to-optimal utilisation level as an approximately 70.0% overall utilisation rate is a good benchmark for offering a comfortable and enhanced experience for our clients, which we consider as one of our competitive strengths. With spare capacity, we can (i) handle client bookings flexibly, such as taking last minute or other urgent bookings of our high spending clients, long-standing clients and clients who have referred a lot of clients to us in a discretionary manner; (ii) allow ample of time between treatments to maintain a soothing atmosphere in the medical aesthetic centres and the privacy of clients; and (iii) our Doctors and trained therapists will also have ample time to rest and prepare themselves in between treatments. As such, we do not aim to maximise the utilisation of our medical aesthetic centres to their respective maximum limits.

Since our peak hour utilisation rate for our TST Centre has already reached approximately 76.0% for the year ended 31 March 2018, we do not believe that striving for an even higher utilisation rate would be beneficial to our business operations, as we pride ourselves on being able to deliver promised quality services to our clients, and we believe the stable overall utilisation rate of approximately 60.0% for our two current medical aesthetic centres was a result of our active monitoring of the workload of our Doctors and trained therapists. Such was to help maintain a good balance between maximising profits and provision of good services to our clients. As a result of this strategic approach, we did not receive any complaint from our clients in respect of failure to make bookings for treatment and in relation to excessive sales during the Track Record Period.

### Expansion plan

We believe that we are well-positioned to capitalise on the anticipated growth in the non-surgical sector of the medical aesthetic service industry in Hong Kong as highlighted in the Frost & Sullivan Report. Leveraging on our successful track record and our brand image, we intend to expand our operations in Hong Kong by establishing a New Medical Aesthetic Centre by the end of the first calendar quarter in each of 2019, 2020 and 2021. See the paragraph headed “Our business strategies” in this section and the section headed “Future Plans and Use of Proceeds” in this prospectus for further details.

Our expansion plan has been determined on the basis of, among others, the following factors:

- *Growing market.* During the Track Record Period, we experienced continued growth in the number of treatment sessions conducted, which increased from 59,317 for the year ended 31 March 2017 to 60,333 for the year ended 31 March 2018. We have also attracted 1,021 and 1,010 new clients for the two years ended 31 March 2018. Although the increase in treatment sessions conducted was less than 2%, we still recorded a significant growth of approximately 40.1% in our treatment revenue, mainly due to our acquisition of prevailing treatment devices to launch some high-priced energy-based procedures since the last calendar quarter of 2016, which became popular amongst our clients.

According to the Frost & Sullivan Report, the total revenue of the non-surgical medical aesthetic service industry in Hong Kong is expected to grow at a CAGR of 15.1%, from HK\$4.4 billion in 2017 to HK\$8.9 billion in 2022. In this regard, we believe that the establishment of three New Medical Aesthetic Centres will benefit from the increase in market demand for safe and high quality non-surgical medical aesthetic services in Hong Kong.

- *Stable utilisation rate of over 65% of our TST Centre and increasing utilisation rate of our CWB Centre.* For the two years ended 31 March 2018, the overall utilisation rate of our TST Centre maintained at a stable level of approximately 67.7% and 65.5%, respectively. Further the overall utilisation rate of our CWB Centre increased from approximately 55.4% for the year ended 31 March 2017 to approximately 59.8% for the year ended 31 March 2018. We believe the growth trend of our CWB Centre will continue and our TST Centre will also experience further increase in its overall utilisation rate in the years ahead. To facilitate the increasing number of clients while maintaining our quality of service as well as to capture the anticipated market growth, we believe it is important to start planning for the establishment of three New Medical Aesthetic Centres before the operations of our medical aesthetic centres reach full capacity. As it involves a lengthy process to identify available and suitable locations as well as to set up the three New Medical Aesthetic Centres, we believe it is desirable for the three New Medical Aesthetic Centres to commence operation by the end of the first calendar quarter in each of 2019, 2020 and 2021, in order to implement our expansion plan gradually and conservatively.

### Implementation of expansion plan

- *Selection criteria for planned locations.* The First New Medical Aesthetic Centre, the Second New Medical Aesthetic Centre and the Third New Medical Aesthetic Centre are expected to be located in the central and western district of Hong Kong Island, western district of Kowloon and eastern district of Hong Kong Island, respectively, which are prime locations in mixed residential and commercial districts that (i) have a higher than average population and per capita income in Hong Kong; (ii) have high concentration of potential new clients, including local residents and workers, visiting shoppers and tourists; (iii) will not be in direct competition with our existing or planned medical aesthetic centres; and (iv) are transportation hubs. We strategically planned the opening of the First New Medical Aesthetic Centre in the central and western district of Hong Kong Island because we have been operating the HN Counters in Central since September 2016 and have built up a certain level of brand awareness in the area to attract potential new local clients, and we can use the HN Counters to actively promote the opening of the First New Medical Aesthetic Centre.
- *Demand analysis.* According to the Frost & Sullivan Report, the number of clients receiving medical aesthetic services in Hong Kong recorded a significant growth from approximately 191,000 in 2011 to 320,000 in 2016 at a CAGR of 10.7% and the number of clients is expected to increase at a CAGR of 5.7% during 2016 to 2021.

We have also conducted market feasibility study on the planned locations of the three New Medical Aesthetic Centres which has taken into account the following principal areas: (i) the penetration rate of medical aesthetic services in Hong Kong; (ii) the industry growth rate of medical aesthetic services in Hong Kong; (iii) the population and household statistics by District Council from the Census and Statistics Department; (iv) population growth rate in Hong Kong; (v) consumer behaviours (such as consumers may consume at places of where they live and/or work and/or other convenient places); and (vi) our operational data during the Track Record Period. Based on such feasibility study, we estimate that the potential female clients aged over 25 (the “**Potential Clients**”) in 2019 in the central and western district of Hong Kong Island, in 2020 in the western district of Kowloon and in 2021 in the eastern district of Hong Kong Island, will be not less than approximately 45,000, 70,000 and 35,000, respectively. In light of the average annual spending of our active clients on non-surgical medical aesthetic services for the year ended 31 March 2018 amounted to HK\$18,346.1, our Directors believe that we could achieve breakeven period for a New Medical Aesthetic Centre not more than one year and the investment payback period not more than three years as we estimate that we could achieve investment payback (i) for the First New Medical Aesthetic Centre as long as we could attract not less than 2,100 new clients within three years with an average of not less than 700 new clients each year, representing approximately 1.5% of the estimated number of the Potential Clients in 2019; (ii) for the Second New Aesthetic Centre as long as we could attract not less than 1,800 new clients within three years with an average of not less than 600 new clients each year, representing approximately 0.8% of the estimated number of the Potential Clients in 2020; and (iii) for the Third New Aesthetic Centre as long as we could attract not less than 1,800 new clients within three years with an average of not less than 600 new clients each year, representing approximately 1.5% of the estimated number of the Potential Clients in 2021, which is lower than our 1.8% market share of the revenue generated from the provision of non-surgical medical aesthetic services in Hong Kong in 2017.

Based on the above, our Directors concluded that there are pent-up demands in the planned locations of the New Medical Aesthetic Centres.

- *Marketing strategy.* Based on the Frost & Sullivan Report and our experience in operating the CWB Centre and TST Centre, brand image is considered as one of the key factors for medical aesthetic service providers to capture new customers, which is primarily developed based on service and treatment quality, reputation as well as marketing activities.

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Historically, when our medical aesthetic centres were first set up, we had engaged a celebrity spokesperson to promote our Group's brand from 2011 to 2014. After the initial heavy promotion period, we mainly relied on client referrals and/or word-of-mouth and other low-key promotional campaigns (such as members referral programme and offering trial price for new clients and online marketing) to promote our medical aesthetic centres. Even though our Group has only implemented low-key marketing activities during the Track Record Period, we managed to attract 1,021 and 1,010 new clients, respectively, for the two years ended 31 March 2018 and capture 1.8% share of the non-surgical medical aesthetic market in 2017.

Our Directors are confident that by replicating our successful strategy in engaging a celebrity spokesperson to promote our brand and our bigger network of medical aesthetic centres, especially the opening of the New Medical Aesthetic Centres, we will be able to (i) attract new clients and broaden our client base; (ii) capture the anticipated growth in market demand for medical aesthetic services and industry growth; (iii) expand our market share; and (iv) offer more convenient and flexible arrangements to our potential clients, by opening three New Medical Aesthetic Centres in phases at the planned locations to increase our service capacity. As such, we plan to increase our marketing efforts to actively promote our brand by utilising approximately HK\$4.0 million of the net proceeds of the Share Offer to actively promote our brand and our medical aesthetic centres, of which approximately (i) HK\$1.2 million will be used to invite celebrities to endorse our medical aesthetic centres to repeat our previous successful marketing strategy adopted at the time we first opened our medical aesthetic centres; (ii) HK\$2.6 million will be used to actively participate in online marketing campaigns (including search engine marketing, search engine optimisation and social media marketing); and (iii) HK\$0.2 million will be used for the production of marketing materials.

### OUR RETAIL/SERVICE OUTLETS

As at the Latest Practicable Date, we operated four Retail/Service Outlets which are located in Causeway Bay, Tsim Sha Tsui and Central. The table below summarises the location, year of commencement of operation and gross floor area of our CWB Shop, HN Counters and TST Shop:

	CWB Shop	HN Counters	TST Shop
Location	World Trade Centre, Causeway Bay	(i) Counter HL-108, 1st Floor; and (ii) Counter HL-211, 2nd Floor, Harvey Nichols, Landmark, Central	iSQUARE, Tsim Sha Tsui
Year of commencement of operation	2016	2016	2018
GFA (sq. ft.)	Approx. 140	(i) Approx. 300 (ii) Approx. 250	Approx. 102
Types of services/products offered	Skincare products	Traditional beauty services and skincare products	Skincare products
Expiry date of tenure	13 November 2018 ( <i>Note</i> )	20 September 2018 (Expired) ( <i>Note</i> )	26 April 2019

*Note:* As at the Latest Practicable Date, we had not received any indication from the landlord of our CWB Shop or licensor of our HN Counters that they may not renew our lease or licences or that there will be a substantial increase in rental or licence fees which are not in line with market rates when the lease or licences are subject to renewal. We also have not experienced any material dispute with such landlord or licensor during the Track Record Period and up to the Latest Practicable Date. As such, our Directors expect that there will be no material difficulty for us to renew such lease or licences, even though we had not commenced any formal renewal discussions with the relevant landlord or licensor as at the Latest Practicable Date due to the busy schedules of such landlord and licensor (whose authorised representatives had verbally indicated to us that we could stay in the CWB Shop/HN Counters until they have reached a formal renewal agreement with us).

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The table below sets out the revenue contribution from our Retail/Service Outlets during the Track Record Period:

	Year ended 31 March			
	2017		2018	
	HK\$'000	%	HK\$'000	%
First Retail and Beauty Counter ( <i>Note 1</i> )	1,231	73.3	–	–
CWB Shop	158	9.4	769	55.8
HN Counters	290	17.3	608	44.2
TST Shop ( <i>Note 2</i> )	–	–	–	–
<b>Total</b>	<b><u>1,679</u></b>	<b><u>100.0</u></b>	<b><u>1,377</u></b>	<b><u>100.0</u></b>

*Notes:*

- As the First Retail and Beauty Counter closed down in January 2017, no revenue was recorded for the year ended 31 March 2018. See the section headed “History, Reorganisation and Group Structure – Overview” for further details on the First Retail and Beauty Counter.
- As the TST Shop was opened in April 2018, no revenue was recorded during the Track Record Period.

## CLIENTS

During the Track Record Period, all of our clients were individual retail clients. Since we did not conduct high-profile active marketing or advertising campaigns, most of our clients are introduced to us through client referrals and/or word-of-mouth. A majority of our clients purchase prepaid package treatments rather than one-off treatments. The table below sets out the number of active clients, repeat clients and new clients for the years indicated:

	Year ended 31 March			
	2017		2018	
	Number	%	Number	%
Repeat clients ( <i>Note 1</i> )	3,346	76.6	4,011	79.9
New clients ( <i>Note 2</i> )	<u>1,021</u>	<u>23.4</u>	<u>1,010</u>	<u>20.1</u>
<b>Active clients</b>	<b><u>4,367</u></b>	<b><u>100.0</u></b>	<b><u>5,021</u></b>	<b><u>100.0</u></b>

*Notes:*

- Clients who (i) have made at least one purchase of service(s) and/or received at least one treatment session in the relevant financial year; and (ii) have previously made purchase of service(s) and received at least one treatment session in the past.
- Clients who have made their first purchase of service(s) and received at least one treatment session in the relevant financial year.

For the two years ended 31 March 2018, we served 4,367 and 5,021 clients, respectively, and our repeat clients represented approximately 76.6% and 79.9% of our active clients for each of the respective periods. During the same periods, approximately 38.6% and 39.3% of our new clients were referred by our active clients, respectively. Substantially all of our clients are female clients, comprising approximately 98.8% and 98.4% of our clients for the two years ended 31 March 2018, respectively.

For the two years ended 31 March 2018, revenue from our five largest clients was approximately HK\$2.0 million and HK\$2.1 million, respectively, representing approximately 3.1% and 2.3% of our revenue for the same periods. Our clients may choose to pay after each treatment session or purchase prepaid package, and no credit period is granted to them from us. Payment can be settled by cash, EPS, credit cards or cheques. All of our five largest clients during the Track Record Period are Independent Third Parties. None of our Directors, their associates or any Shareholder (which to the knowledge of our Directors owns more than 5% of our share capital) had any interest in any of our five largest clients during the Track Record Period. None of our five largest clients was also our supplier during the Track Record Period.

**PREPAID PACKAGES**

We offer one-off treatment and multiple treatment sessions for our treatment services. Subject to the opinion of our sales consultants and where applicable, the diagnosis of our Doctors based on their clinical experience, we recommend the type of treatment service and the number of treatment sessions that suit our clients' needs. Our clients may choose to pay after each treatment session or purchase prepaid package for multiple treatment sessions. Most of our treatment services are sold on a prepaid package basis and we may design some special prepaid packages tailored to the needs of our clients.

The key features of our standard non-surgical medical aesthetic services prepaid packages are set out below:

- generally, a discount of 10% to 30% to the one-off treatment price is offered to our clients during the term of the prepaid packages. Such discount is determined based on the number of treatment sessions purchased by our clients, discounts offered by selected major industry players and the mark-up on costs of the treatment;
- our prepaid packages have a price range of HK\$800.0 to HK\$67,500.0, which depends on the type of treatment service and number of treatment sessions, and an average price of approximately HK\$13,102.4 and HK\$17,800.0 for the two years ended 31 March 2018, respectively;
- the number of treatment sessions of our prepaid packages is based on our experience and/or recommendations from our Doctors and will generally not exceed 10;
- our prepaid packages generally have a validity period of up to 24 months from date of purchase; and
- generally, our prepaid packages cannot be used for other treatment services or treatment sessions not specified in the relevant contract.

**Expiry, extension and refund**

During the Track Record Period, some of our clients did not utilise all the available treatment sessions in the prepaid packages before they expire. We believe that this may be because such clients consider that they have already obtained the desired results or they may have other personal reasons, such as a busy schedule. See the section headed "Financial Information – Description of components of combined statements of profit or loss and other comprehensive income – Revenue – (iii) Revenue from expiry of prepaid treatments" in this prospectus for further details of the accounting treatment of revenue from expiry of prepaid treatments.

It is our general policy that prepaid packages cannot be extended or transferred to any third party. However, we are prepared to, as part of our client service, extend the validity of our prepaid packages for a period of not more than 12 months for those clients with good spending history with us. When our business management system generates an alert to our responsible sales consultant regarding the expiry of a prepaid package, the responsible sales consultant will review the relevant client's profile before they contact such client to remind him/her on the expiry of his/her prepaid package. If the relevant client is considered to be a client with good spending history with us, our sales consultant will extend the validity of the prepaid package for such client if such client requests for an extension upon being notified that his/her prepaid package will soon be expired. Apart from clients who have good spending history with us, we may also extend the validity period of the prepaid packages for other clients for an appropriate period on a case-by-case basis. Such extension is subject to our absolute discretion, and requires approval from our general manager of operation or the operation manager. Examples of valid reasons for extension include changes of the client's skin/health condition, the client will leave Hong Kong temporarily and pregnancy. Our Directors believe our practice of extending the validity period of the prepaid packages of our clients, in particular those clients with good spending history with us, is a common client service amongst our competitors. For the two years ended 31 March 2018, the value of prepaid packages which expiry dates were extended amounted to approximately HK\$14.6 million and HK\$20.8 million, respectively.

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Our non-surgical medical aesthetic services are subject to a certain degree of health risks. Allergic reaction, undesirable or unexpected outcome or injury may occur as a result of undergoing medical aesthetic treatments. Where a client has experienced side effects or developed skin problems after a particular treatment, subject to the approval of our general manager of operation or the operation manager (who may get our Doctor to verify the situation before granting the approval) on a case-by-case basis, we may offer to transfer the unutilised balance of the prepaid package for another type of treatment service or subject to the final approval of our chief executive officer, offer a refund to our client.

Our Directors are of the view, and the Sole Sponsor concurs, that our Group has adequate capacity to provide the treatment services sold by way of prepaid packages based on the following factors:

- We have maintained sufficient service capacity at our medical aesthetic centres for performance of our treatment services. For the two years ended 31 March 2018, the overall utilisation rate of our medical aesthetic centres was approximately 59.3% and 61.6%, respectively. Our service capacity is expected to increase further upon the completion of our expansion plan by establishing a New Medical Aesthetic Centre by the end of the first calendar quarter in each of 2019, 2020 and 2021 as detailed in the paragraph headed “Our medical aesthetic centres – Expansion plan” in this section and the section headed “Future Plans and Use of Proceeds” in this prospectus.
- We review staff rosters in our business management system regularly to ensure that there are enough staff for each treatment session. During the Track Record Period and up to the Latest Practicable Date, our Group had not received any complaints about difficulties in booking treatment sessions.
- During the Track Record Period and up to the Latest Practicable Date, our Group had not faced any difficulty in attracting or retaining experienced registered medical practitioner or therapists to provide treatment services to our clients.
- During the Track Record Period and up to the Latest Practicable Date, our Group had not faced any difficulty in renewing our lease agreements in respect of our CWB Centre and TST Centre.

### **Internal control measures to monitor and prevent excessive sales of prepaid packages**

We have implemented a series of stringent internal control measures to help prevent our staff from engaging in excessive sales of prepaid packages to our clients, including the following:

- It is our policy that unfair trade practices (such as using harassment, coercion, or undue influence to impair clients’ freedom of choice) are unlawful and are strictly prohibited in our Group.
- Our prepaid packages are designed based on our experience and/or our Doctors’ recommendations, such that the number of treatment sessions in each prepaid package commensurate with our clients’ needs and can be reasonably utilised by our clients within the validity period.
- We take into account the following factors before offering a new prepaid package: (i) existing capacity (including during peak hours); (ii) skill set of our trained therapists; (iii) number of treatment devices; and (iv) whether we have offered similar treatment.

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- We have clear division of labour in our front-line operations, where sales of treatment services and prepaid packages can only be handled by our sales consultants, who may only sell prepaid packages that are suitable to our clients based on the treatment list in our invoicing system with reference to our sales consultants and/or Doctor's assessment after face-to-face consultation with them.
- Terms and conditions in respect of our prepaid packages, such as the validity period and our policy on expired prepaid packages, are clearly set out in our sales invoice and explained to our clients.
- Our general manager of operation and/or operation manager monitor (i) the prepaid packages sales pattern by reviewing the sales report on a daily basis to identify any potential excessive sale by our sales consultants; and (ii) the status of utilisation of prepaid packages on a monthly basis for arranging treatment appointments for clients by our sales consultants.
- We schedule regular meetings between our sales consultants and our general manager of operation and/or operation manager to maintain and strengthen the understanding of our clients' needs.
- Our senior management regularly reviews the utilisation rates of our medical aesthetic centres in order to ensure we have sufficient service capacity to meet the demands generated by the prepaid packages and to avoid excessive sales of prepaid packages.
- In order to avoid providing undue incentive to excessive selling of prepaid packages, we offer our sales consultants remuneration scheme comprising basic salary, commission and discretionary bonus which is based on a number of performance benchmarks, among which the commission is calculated at the same commission rates which apply uniformly across the sales of one-off treatment and prepaid packages and is calculated on invoice sales and treatment done basis. Any refund would render the sales invalid and the sales commission will be adjusted accordingly.
- Our sales consultants are required to attend training on the Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) and will be subject to disciplinary actions by our Group if they are found to have performed unfair trade practices.
- We have established procedures for recording and handling feedback and complaints to ensure timely and proper response is provided to our clients. See the paragraph headed "Client feedback and complaint handling" in this section for details.

Based on the review of the implementation of the internal control measures set out above, the Sole Sponsor is of the view that our Group has taken reasonable steps to formulate the necessary internal control measures to monitor and prevent excessive sales of prepaid packages.

### SALES AND MARKETING

When our medical aesthetic centres were first set up, we had successfully promoted our brand and attracted new clients through the engagement of a celebrity spokesperson to promote our brand. After that, we have been adopting more low-key marketing strategies and relying on client referrals and/or word-of-mouth to promote our medical aesthetic centres. During the Track Record Period, we implemented the following marketing strategies in promoting our medical aesthetic centres:

- members referral programme – existing members of our medical aesthetic centres can get certain benefit, such as a free gift, if they refer a designated number of new members to our medical aesthetic centres with total spending exceeding a designated sum;
- offer trial price for new client;
- online marketing including search engine marketing, search engine optimisation and social media marketing;
- promotional gift giveaways – existing members of our medical aesthetic centres can get certain free gift(s) if they perform designated treatment(s) or their total spending exceeds a designated sum;
- our website at [www.perface.com](http://www.perface.com) and our corporate account on Facebook and Instagram; and
- joint promotion with certain credit card issuing financial institutions and airline operators.

Our Directors also believe that each of our CWB Shop and TST Shop, which is strategically located in a prime shopping mall in the same building complex of our CWB Centre and our TST Centre, respectively, and our HN counters, which are located in an upmarket department store in Central, are effectively the “shop fronts” to our medical aesthetic centres which are located in the commercial complex of shopping malls. Our Retail/Service Outlets help us reach out to retail customers and convert them to our potential clients and are instrumental in the promotion of our brand, cross-selling and client loyalty.

### OUR SUPPLIERS, PROCUREMENT AND INVENTORY MANAGEMENT

#### Major purchases and suppliers

Purchases of treatment consumables, skincare products and medications represent our main purchases of inventories and consumables. Our cost of inventories and consumables amounted to approximately HK\$4.6 million and HK\$7.4 million for the two years ended 31 March 2018, respectively. Our treatment consumables include some of the prevailing treatment medications and injectables which are produced and marketed by international pharmaceutical companies, such as BOTOX®, Restylane®, JUVÉDERM®, Dysport® and TEOSYAL®, whereas all of the skincare products offered by us were supplied by distributors and trading companies and the country of origin of these products include the United States, the United Kingdom, Korea, New Zealand and France.

During the Track Record Period, we procured the supplies of treatment consumables, skincare products and medications from distributors and trading companies, which are usually engaged by pharmaceutical companies, treatment device manufacturers and branded skincare labels to market and arrange delivery of products. Payment to these distributors and trading companies are directly settled by us and we consider such settlement arrangement to be common among pharmaceutical companies, treatment device manufacturers and branded skincare labels.

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We do not enter into long-term supply agreements for the purchase of treatment consumables, skincare products and medications. We have established on average approximately four years of business relationship with our five largest suppliers during the Track Record Period. The credit period on purchase of goods ranges from 0 to 30 days. We primarily settle payments to our suppliers in Hong Kong dollars by way of payment of cheques. During the Track Record Period, we have not experienced any material shortage or delay in the supply of inventories and consumables.

For the two years ended 31 March 2018, the aggregate purchases from our five largest suppliers amounted to approximately HK\$3.1 million and HK\$4.9 million, respectively, representing approximately 56.3% and 61.1% of our respective total purchases. During the same periods, the purchases from our largest supplier amounted to approximately HK\$0.8 million and HK\$1.1 million, respectively, accounting for approximately 14.3% and 13.9% of our total purchases, respectively. Save for Prestigious Holdings Limited (“**Prestigious**”), one of our five largest suppliers during the Track Record Period, the entire shareholding of which had been disposed of by our Controlling Shareholders in June 2016, none of our Directors, their close associates or any Shareholder (which to the knowledge of our Directors owns more than 5% of our share capital) had any interest in any of our five largest suppliers during the Track Record Period. Further details on the disposal of our Controlling Shareholders’ interest in Prestigious are set out in the section headed “Relationship with our Controlling Shareholders – Relationship between our Controlling Shareholders and Prestigious Holdings Limited (“Prestigious”)” in this prospectus. For the two years ended 31 March 2018, the purchases from Prestigious amounted to approximately HK\$0.6 million and HK\$1.0 million, respectively, accounted for approximately 11.4% and 12.0% of our total purchases, respectively. During the Track Record Period, all of our five largest suppliers, other than Prestigious, were Independent Third Parties. Our Directors confirmed that our Group had no material dispute with our suppliers and none of our five largest suppliers was also our customer during the Track Record Period.

For the sensitivity analysis in relation to changes in costs of inventories, see the section headed “Financial Information – Description of components of combined statements of profit or loss and other comprehensive income – Cost of inventories and consumables” in this prospectus for details.

### **Procurement**

We operate in an industry which is highly driven by rapid technological advancements. We rely on our marketing and business development department to keep up with the prevailing technologies and conduct market research on the latest and prevailing treatment technologies and skincare products trends. Our marketing and business development department recommends suitable prevailing treatment devices and skincare products to our executive Directors as well as prepares feasibility studies containing details of such technologies or skincare products and market price for our executive Directors to consider and approve. We are also approached by suppliers of treatment devices and skincare products periodically and are given samples for trial. The approval of our executive Directors must be obtained before we procure a new treatment device or product, and our executive Directors will consult our Doctors before making a decision on the procurement. The procurement process is then handled by our administration department. Designated treatment consumables are procured in accordance with the relevant treatment devices.

During the Track Record Period, we did not encounter any quality issue on our purchases or receive any defective products that would have had material impact on our business, financial condition or results of operations.

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### **Inventory management**

The inventory at our medical aesthetic centres and Retail/Service Outlets mainly comprises treatment consumables, skincare products and/or medications, which amounted to approximately HK\$2.3 million and HK\$2.9 million as at 31 March 2017 and 2018, respectively.

We carry out overall inventory management through our business management system, which records, among others, the stock level of our inventory and past purchase records, to facilitate our purchase decisions that minimise storage costs and risk of obsolete inventory.

Our administration and operations departments regularly monitor the level of our treatment consumables, skincare products and medications to ensure we are adequately stocked for approximately four months and we conduct stock-take on inventories every month. We also have policies and procedures in place for the safety storage of our inventories.

### **SETTLEMENT AND CASH MANAGEMENT**

Cash receipts at our medical aesthetic centres generally arise from income from the sale of treatment packages and skincare products. Clients normally pay by EPS or credit cards and sometimes by cash or cheques. Our clients may also pay by instalments through the financing plans offered by the credit card issuing financial institutions that they use. Credit card issuing financial institutions normally settle our clients' payments with us between 90 to 180 days and the licensor of the HN Counters which collect payments for purchases made and services consumed at the HN Counters usually settle our clients' payments with us within 30 days. Payment by EPS will normally be settled within one or two days.

We have implemented a check and balance system to ensure that our sales receipts are accurately received and recorded. Our front-line staff are expected to, on a daily basis, verify our daily sales records in our business management system against all credit card slips and EPS slips generated from credit card machines and EPS terminals and actual cash receipts, and rectify any identified discrepancies. Actual cash receipts will be arranged to be deposited to the bank on the next business day. The above documents will be sent back to the accounts department for further verification against the sales report generated from our business management system. Upon receiving bank statements, monthly bank reconciliation will be conducted by our accounts staff to ensure the accuracy of proceeds received. Reconciliation reports will be reviewed and approved by the head of our accounts department of our Group.

During the Track Record Period, we did not encounter any issues in connection with our sales receipt control and management policy which would have had material impact on our business, financial condition or results of operations.

### **QUALITY ASSURANCE**

We are committed to delivering quality non-surgical medical aesthetic services. We have therefore adopted comprehensive and stringent quality assurance and control measures throughout our business processes which cover staff recruitment and training; performance of consultation and treatments; procurement of treatment devices, treatment consumables and skincare products; standardised operation procedures; and operational safety guidelines.

### **Recruitment of professional staff**

We assess, among others, the academic and professional qualifications, years of relevant experience as well as the character and integrity of registered medical practitioners and therapists during our selection process. We generally prefer to engage registered medical practitioners with at least five years of practising experience in the medical aesthetic service industry prior to joining our Group. For therapists, we generally prefer candidates who have obtained relevant beauty service qualifications or with at least three years of relevant experience in the medical aesthetic service industry.

### **Performance of consultation and treatments**

The carrying out of consultation services that involve the practice of medicine, medical diagnosis, prescription of pharmaceutical products and medicines (each as defined under the Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong)) and certain types of treatments (such as injection of botulinum toxin type A and dermal fillers) constitute the practice of medicine and therefore must be carried out by registered medical practitioners pursuant to the Medical Registration Ordinance (Chapter 151 of the Laws of Hong Kong). Our Doctors carry out such consultation services and high risk treatment procedures. Generally, all treatments with risk of severe complication or there is potential risk of irreversible damage to the eye or tissue damage including nerve injury, muscle burn, fat necrosis or skin necrosis will be considered as high risk treatment procedures under our generally adopted practice and must be performed by Doctors only.

### **Training**

From time to time, our Doctors attend industry conferences, seminars and workshops as well as seminars organised by our suppliers on topics such as minimally invasive procedures and energy-based procedures to keep abreast of the latest developments in the medical aesthetic industry.

We require our newly recruited therapists to undergo a mandatory induction training programme and pass the internal assessments set by our Doctors prior to performing any treatments for our clients. During the mandatory induction training programme, our Trainers, who have over 10 years of experience in the medical aesthetic service industry and have been with our Group for at least seven years, will provide both theoretical and practical trainings to the therapists. Our Doctors are also involved in certain parts of the mandatory induction training programme.

With an aim to standardise and improve efficiency of our training process and to attract therapists to join our Group, we had established our Training Centre in April 2018 to provide centralised and systematic trainings to our therapists. Our ITEC approved training course is a 200-hour training course consisted of both theoretical and practical lessons and case studies. It comprises (i) theoretical lessons on skin structure, types and function; hair structure, function and growth; endocrine system; basic electricity theories; aesthetic optical principles and efficacy of the treatment devices; and applied aesthetic optical theories; and (ii) practical lessons on the operation of laser devices. All our newly recruited therapists and our trained therapists who have not yet attained any ITEC qualification on medical aesthetic services will be required to attend this ITEC approved training course and pass the knowledge-based written examinations and the final practical hands-on assessment by the ITEC examiners before they can obtain the ITEC qualification as a medical aesthetic therapist.

Our trained therapists undergo ongoing internal assessments set by our Doctors, and attend regular internal refresher training courses and trainings provided by our Trainers and/or treatment device suppliers to keep up with the prevailing technology and their service standards. Our Doctors and trained therapists also attend periodic departmental meetings to share their experience in dealing with clients, discuss clients' feedback and exchange ideas on treatments and products.

### **Procurement of treatment devices/treatment consumables**

We commit to delivering quality medical aesthetics services and endeavour to ensure treatment devices to be introduced for use in our medical aesthetic centres are reliable and capable of delivering desired results for our clients. We therefore have established policies and procedures to evaluate and assess treatment devices. We rely on our marketing and business development department to keep up with the prevailing technologies and conduct market research on the latest and prevailing treatment technologies and skincare product trends. In order to keep up with the latest industry trend and the prevailing technologies, our chief executive officer attends overseas industry expositions at least twice a year to get previews of the latest treatment devices. Periodic meetings are held among our executive Directors, chief executive officer, Doctors and marketing and business development department to discuss the latest technologies and skincare products, during which our marketing and business development department may recommend the types of treatment devices to procure. From time to time, suppliers of treatment devices visit us and demonstrate their treatment devices to us, which may also provide us with a trial period during which we can evaluate and assess the function and effectiveness of the treatment devices.

When deciding whether to procure a new treatment device, we take into account factors such as (i) whether it is approved by national government agencies such as the FDA and MFDS and/or whether such devices bear CE mark(s); (ii) whether there are similar devices on the market; (iii) whether it is complementary to our existing treatment offering; and (iv) our internal test results. The approval of our executive Directors must be obtained before we procure a new treatment device and our executive Directors will only make such procurement decision after consultation with our Doctors.

For treatment consumables, including medications and injectables, we generally source from the relevant pharmaceutical companies, treatment device manufacturers and branded skincare labels, and their respective authorised distributors and trading companies and/or other reputable suppliers in Hong Kong to ensure their authenticity and quality. Some treatment devices are required to complement with specific consumables (such as the replaceable tips and heads) to ensure the intended results, and they are only available from the suppliers of the relevant treatment devices. In these cases, we will source such specific consumables from the suppliers of the relevant treatment devices.

### **Procurement of skincare products**

The skincare products offered by us are supplied by distributors and save for Prestigious Holdings Limited, further details of which are set out in the paragraph headed “Our suppliers, procurement and inventory management – Major purchases and suppliers” in this section as well as the section headed “Relationship with our Controlling Shareholders – Relationship between our Controlling Shareholders and Prestigious Holdings Limited (“Prestigious”)” in this prospectus, all of our suppliers of skincare products are Independent Third Parties. The countries of origin of our skincare products include the United States, the United Kingdom, Korea, New Zealand and France. We select and source skincare products with due caution and with regard to factors such as the suppliers’ background, credentials and reputation, product quality and cost. The approval of our chief executive officer must be obtained before we take in any new skincare product for sale. During the Track Record Period, none of our suppliers had indemnified us for defective products sold. However, one supplier (which contributed to approximately 11.4% and 12.0% of our total purchases for the two years ended 31 March 2018, respectively) allowed us to submit a claim for return or refund of defective products within three days from delivery.

### **Internal control procedures to ensure the quality of our skincare products and treatment consumables**

In addition to our procurement procedures discussed above, we also implement the following quality control procedures for our skincare products and treatment consumables:

- Before placing order for a new type of skincare product or treatment consumable, our Doctors will review the ingredient list to ensure its contents and composition are safe for users and we will request two to three rounds of product samples for our inspection and testing to ensure its quality consistency. We will also perform trial of the skincare products among our staff to test its quality.
- We generally place small order sizes of our skincare products and treatment consumables to avoid excess inventory. We also perform regular review on the consumption of skincare products and treatment consumables and report to our shop managers the items of low usage to facilitate our purchase decisions and stock management.
- Before accepting the product delivery, our sales and operations staff would perform sample check on the packaging to ensure that it is not physically damaged or opened.
- Proper recording of the delivery date or manufacturing date of products, and periodic monitoring of stock level on our inventory management system are performed to ensure inventories have not expired and are safe for consumption.
- All skincare products and treatment consumables are stored at our premises according to the recommended storage conditions.

### **Standardised operation procedures and clear division of labour**

The operation procedures at our medical aesthetic centres are standardised and we adopt a clear division of labour to improve operational and administrative efficiency as well as to improve the quality of our services. Our front-line professional staff mainly comprise (i) Doctors; (ii) trained therapists; and (iii) sales consultants. Our Doctors and trained therapists are mainly responsible for performing treatments while our sales consultants are mainly responsible for sales and promotion. As we strive to provide quality services to our clients, their satisfaction towards our services serve as an indication of our performance. As such, we monitor our client's satisfaction towards the treatment received by contacting the client within three days after the treatment by phone or text message to gather his/her feedback. We maintain a log book on feedback for management review. Such internal structure and well-defined responsibilities are established for the purpose of segregating the powers of operations, sales and client service to achieve effective check and balance.

### **Operational safety guidelines and manuals**

We have implemented operational safety guidelines and manuals for performing treatment procedures and the use of treatment devices covering aspects including obtaining client consent, equipment requirements (such as safety goggles), explaining the sensation that the client may feel upon application of treatment devices on the skin, pre- and post-treatment examination of the client, emergency response protocols and the disposal of medical waste.

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### CLIENT FEEDBACK AND COMPLAINT HANDLING

We treasure client feedback as it allows us to practically evaluate and improve our service. We emphasise the importance of client feedback and have implemented procedures to ensure that feedback and complaints from clients are handled in a timely and appropriate manner. We adopt multiple channels to seek clients' feedback, including telephone surveys, online surveys at our website and post-treatment follow-up calls and text messages.

Upon receipt of unfavourable feedback through our various client feedback channels, our staff member who received the unfavourable feedback (the “**receiving party**”) will be responsible for handling the feedback on the spot. If he/she is unable to resolve the unfavourable feedback, he/she will have to report the matter to the sales consultant in charge of the relevant client. The sales consultant will investigate the case and report findings to the general manager of operation or operation manager (the “**follow-up party**”), who is responsible for registering the unfavourable feedback in the client unfavourable feedback register and completing the client unfavourable feedback log sheet to keep track of details of the unfavourable feedback, including the type of unfavourable feedback (relating to treatment, skincare products, medication, staff attitude or others), all actions taken with respect to the unfavourable feedback and how it is resolved.

When we receive an unfavourable feedback, the follow-up party will take all necessary action to remedy the problem, including but not limited to a refund, change the type of treatment and exchange the problem product. All refunds to client are subject to the approval of our chief executive officer or any executive Director whereas change of treatment or product will be subject to the approval of our general manager of operation. The number of refund cases for the two years ended 31 March 2018 was one and nil, respectively. After the matter is settled, the follow-up party will update the client unfavourable feedback register and client unfavourable feedback log sheet and pass them together with all relevant documents to the administration manager for filing and safe keeping. The follow-up party will initiate the discussion of such unfavourable feedback in the next weekly management meeting. In the management meeting, management will discuss the unfavourable feedback and measures to stop the same unfavourable feedback from recurring and will review or amend our Company's policy if necessary after discussion.

If the unfavourable feedback involves any of our Doctors, the relevant Doctor will be an additional follow-up party. If the unfavourable feedback results in a legal action against any of our Doctors, the relevant Doctor will also file the case with the Medical Protection Society or Hong Kong Doctors Union. For the two years ended 31 March 2018 and from 1 April 2018 to the Latest Practicable Date, two, three and one unfavourable feedbacks were lodged at our client unfavourable feedback register and client unfavourable feedback log sheet, respectively. As at the Latest Practicable Date, all of the unfavourable client feedbacks listed above had been properly addressed and satisfactorily resolved and HK\$5,073 was paid to one of the clients who filed an unfavourable feedback during the year ended 31 March 2017. The table below sets out a summary of the number and nature of unfavourable feedbacks we received for the years indicated:

Nature of unfavourable feedbacks from clients	Year ended 31 March		1 April
	2017	2018	2018 to the Latest Practicable Date
Result of treatment not up to expectation	2	–	–
Unsatisfactory staff services/miscommunication	–	3	1
Total	<u>2</u>	<u>3</u>	<u>1</u>

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Our Directors confirmed that, save as disclosed above, there was no other unfavourable feedback which had been lodged in the form of a complaint with the Hong Kong Consumer Council or the Hong Kong Medical Council during the Track Record Period. Our Directors also confirmed that we had only incurred HK\$5,073 in resolving the unfavourable feedbacks from clients during the Track Record Period and up to the Latest Practicable Date.

Our Directors further confirmed that during the Track Record Period, we did not receive any complaint or unfavourable feedback which had a material impact on our business and operation. In particular, we did not receive any complaint due to our clients being unable to book treatments at the preferred time nor did we have to compensate our clients through free gifts or extending the validity of prepaid packages due to booking unavailability in order to keep our clients satisfied during the Track Record Period.

### INFORMATION TECHNOLOGY

We have licensed from an Independent Third Party the business management system, which facilitates our business operations in three major areas: (i) management of clients' accounts; (ii) monitoring of front-line staff's key performance indicators; and (iii) computerisation of management and administrative tools for our medical aesthetic centres and Retail/Service Outlets. This platform enables us to manage our client bookings, compute operational and financial data, manage inventory, calculate payroll and store client data and treatment history through a centralised informational technology platform, which enhances our efficiency, cost-effectiveness, data analysis, record keeping and risk management. We also rely on the business management system to implement certain parts of our internal control policy. For more detailed information on the functions of the business management system and how it facilitates our internal control, please refer to the paragraph headed "Our competitive strengths – Advanced information technology system facilitating internal control and efficient operations and management" in this section.

All data generated in the business management system are backed up periodically.

As confirmed by our Directors, there had been no unexpected system or network failure which caused material interruption to our operations during the Track Record Period.

### RESEARCH AND DEVELOPMENT

We do not engage in any proprietary medical aesthetic research and development. In order to keep ourselves abreast of the latest industry and market trends as well as technological developments, our chief executive officer, marketing and business development department and our Doctors attend and participate in industry expositions, events, seminars and conferences from time to time.

### EMPLOYEES

As at the Latest Practicable Date, we had 76 employees in Hong Kong. The following table shows a breakdown of our employees by function:

<b>Function</b>	<b>Number of employees</b>
Management	4
Trainers, trained therapists and trainee therapists	21
Sales and operations	23
Marketing and business development	11
Human resources, administration and information technology	12
Accounting	5
Total ( <i>Note</i> )	<u>76</u>

*Note:* Excluding our four Doctors as at the Latest Practicable Date who worked with us on a consultancy basis.

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For the two years ended 31 March 2018, our total staff cost (excluding consultancy fees paid to our Doctors) was approximately HK\$23.3 million and HK\$31.1 million, respectively, representing approximately 36.8% and 35.1% of our total revenue, respectively.

We generally recruit our employees, consultants and staff through the posting of job advertisements on recruitment websites. During the Track Record Period and up to the Latest Practicable Date, we have engaged one recruitment agent in Hong Kong to assist us in engaging certain sales, operational and administrative staff, therapists as well as Doctors. We pay the recruitment agent a pre-agreed fixed sum in stages. We will bear all relevant costs in relation to the benefits of the recruited candidate and the recruitment agent is not required to bear any such costs. The remuneration package of our employees includes basic salary, commission, discretionary bonus, retirement benefit scheme contributions and staff discount on our treatment services and skincare products. We endeavour to incentivise our staff for their contribution with an aim to improve our business performance. To this end, we have formulated an incentive scheme for certain front-line employees with their commission linked to the amount of sales of our treatment services. We offer the same commission rates which apply uniformly across all services we offer, including the sales of one-off treatment and prepaid packages. We value the contribution of our employees to our business development. As such, apart from induction and regular training provided to our therapists, we also provide on-the-job training to other employees and encourage them to attend conferences and/or external training programmes that focus on topics relevant to their position, to facilitate their continuing development.

We have not established a labour union. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material dispute with our employees or disruption to our operations due to labour dispute and we had not experienced any difficulty in recruitment.

### MARKET AND COMPETITION

According to the Frost & Sullivan Report, the competition among the non-surgical medical aesthetic service providers in Hong Kong is fierce. There were over 300 medical aesthetic centres providing non-surgical medical aesthetic services in Hong Kong in 2017. The entry barrier to the medical aesthetic service industry in Hong Kong is high as new entrants require abundant working capital to purchase cutting-edge devices and rent service venues.

According to the Frost & Sullivan Report and our experience in the opening and operation of the CWB Centre and the TST Centre, brand image is considered as one of the key factors for medical aesthetic service providers to capture new clients, which is primarily developed based on service and treatment quality, reputation as well as marketing activities. Effective marketing activities and promotion are required for medical aesthetic service providers to gain presence in the market, and established service providers generally rely on their brand image for expansion in the market. As such, we believe the success of service providers in the medical aesthetic service industry depends on their reputation, track record and how they implement effective marketing strategies to support their business plans and to promote their brand in order to get a strong hold in this competitive industry.

As indicated in the Frost & Sullivan Report, our Group ranked 13th in the non-surgical medical aesthetic service market in 2017, with a market share of approximately 1.8% in terms of revenue generated from the provision of non-surgical medical aesthetic services. We believe that the key factors contributing to our success and competitiveness include our strong branding; our professional services; capability of offering holistic medical aesthetic and beauty solutions and enhanced client experience; competent management team; extensive range of treatment procedures and advanced information technology system, which result in the consistently high percentage of repeat clients during the Track Record Period.

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### PROPERTIES

As at the Latest Practicable Date, we leased three properties, licensed three properties and owned one property in Hong Kong, which were used as our medical aesthetic centres, training centre, retail shops, retail and beauty counters and office premises. All our medical aesthetic centres are located in Grade A commercial complexes. The following table sets forth certain details of our leased/licensed/self-owned properties as at the Latest Practicable Date:

Location	Leased/Licensed/ Self-owned	Usage	GFA (sq. ft.)	Monthly Rent/ Licence Fee (HK\$)	Tenure
Room 3501-03, 35th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong	Leased	Medical aesthetic centre	Approx. 6,900	393,300	26 July 2016 to 25 July 2020
Shop No. 1, 21st Floor, iSQUARE, 63 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong	Leased	Medical aesthetic centre and training centre	Approx. 4,680	240,000 (Note 1)	19 July 2017 to 18 July 2020
Shop No. P117, Podium 1, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong	Leased	Retail shop	Approx. 140	the higher of 31,900 and 15% of gross sales	14 November 2016 to 13 November 2018
Counter HL-108 on 1st Floor, Harvey Nichols, Landmark, Central, Hong Kong	Licensed	Retail and beauty counter	Approx. 300	Contingency fee (Note 2)	21 September 2016 to 20 September 2018 (expired)
Counter HL-211 on 2nd Floor, Harvey Nichols, Landmark, Central, Hong Kong	Licensed	Retail and beauty counter	Approx. 250	Contingency fee (Note 3)	21 September 2016 to 20 September 2018 (expired)
Kiosk No.1 on Lobby Floor, iSQUARE, 63 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong	Licensed	Retail kiosk	Approx. 102	the higher of 30,000 and 15% of gross sales	27 April 2018 to 26 April 2019
Unit 304, Global Gateway Tower, 63 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong (Note 4)	Self-owned	Office premises (our Headquarters)	Approx. 2,167 (with a flat roof of approx. 1,759)	N/A	N/A

*Notes:*

- The monthly rent indicated is effective from the Latest Practicable Date to 18 July 2019. From 19 July 2019 to 18 July 2020, the monthly rent shall be HK\$260,000.
- Contingency fee is charged at 25% of the gross revenue from services and 30% of the gross revenue from product sales.
- Contingency fee is charged at 30% of gross revenue.
- For further details on our self-owned property, please refer to the “Property Valuation Report” set out in Appendix III to this prospectus. Please also refer to the paragraph headed “Legal proceedings and compliance – Historical non-compliance incident – Non-compliance with government leases, the deed of mutual covenant (“DMC”) and the occupation permit in respect of the use of our Headquarters” in this section for details of our non-compliances in respect of the use of our Headquarters.

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For the two years ended 31 March 2018, our rental and related expenses amounted to approximately HK\$10.6 million and HK\$10.5 million, respectively, representing approximately 16.7% and 11.9% of our revenue, respectively. During the Track Record Period, we did not experience any material difficulties in renewing our lease or licence agreements or finding new premises for our business operations.

The term of the lease agreement for our CWB Shop and the licence agreements for our HN Counters as mentioned above will expire in November 2018 and had expired in September 2018, respectively. As at the Latest Practicable Date, we had not received any indication from the landlord or licensor that they may not renew our lease or licences or that there will be a substantial increase in rental or licence fees which are not in line with market rates when the lease or licences are subject to renewal. We also have not experienced any material dispute with such landlord or licensor during the Track Record Period and up to the Latest Practicable Date. As such, our Directors expect that there will be no material difficulty for us to renew such lease or licenses, even though we had not commenced any formal renewal discussions with the relevant landlord or licensor as at the Latest Practicable Date due to the busy schedules of such landlord and licensor (whose authorised representatives had verbally indicated to us that we could stay in the CWB Shop/HN Counters until they have reached a formal renewal agreement with us). In the event that we have to relocate our CWB Shop and/or our HN Counters, our Directors believe that we will have no difficulty in relocating to other premises which are comparable to our CWB Shop and HN Counters.

### **INTELLECTUAL PROPERTY**

We operate our business under the brand name “per Face”, which we believe embodies our established reputation for our professional team, effective treatment and reliable services and products. As at the Latest Practicable Date, our Group had registered six trademarks in Hong Kong, three of which are material to our business. Our other intellectual property rights include trademarks registered in the PRC (three of which are in the process of being cancelled) and Macau as well as our domain names. Our Directors confirmed that our intellectual property rights in the PRC and Macau are immaterial to our business. We have also filed two trademark applications in Hong Kong as at the Latest Practicable Date. See the paragraph headed “Further information about the business of our Group – 8. Intellectual property rights of our Group” in Appendix V to this prospectus for details of our material intellectual property rights.

During the Track Record Period, we were not aware of any infringement of our intellectual property rights. We believed that we have taken all reasonable measures to protect our intellectual property rights and deter any such infringement.

### **HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS**

We believe that the health and safety of our employees and consultants are important to our business and have implemented certain procedures and guidelines in respect of the operation of treatment devices and the disposal of medical waste.

We maintain records of all workplace accidents. During the Track Record Period, none of our employees and consultants was involved in any material workplace accident or suffered any material injury in the course of his/her employment or consultancy, and we were not subject to any disciplinary action with respect to occupational safety.

Our Directors are of the view that the annual cost of compliance with applicable environmental laws and regulations was not material during the Track Record Period and the cost of such compliance is not expected to be material going forward.

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### AWARDS, RECOGNITIONS AND CORPORATE SOCIAL RESPONSIBILITIES

The following table sets out the major awards which we received from our suppliers as a medical aesthetic service provider:

Year awarded	Awards	Awarding body
2015	Top 10 Sales Achievement Award	TEOSYAL®
2017	Ultherapy® – Golden Record Award ( <i>Note 1</i> )	Merz Aesthetics
2017	Top 10 Performer – Platinum Award ( <i>Note 2</i> )	MedicFACE HK Ltd.
2017	Top 10 Sales Achievement Award ( <i>Note 3</i> )	Solta Medical
2018	Top 5 Merz Portfolio User Award ( <i>Note 4</i> )	Merz Aesthetics
2018	Ultherapy® – Golden Record Award ( <i>Note 1</i> )	Merz Aesthetics

Notes:

1. This was an award from the distributor of the Ulthera device recognising us as the first runner up in Hong Kong in terms of the total number of Ultherapy® treatments performed in our medical aesthetic centres.
2. This was a certificate of sales achievement from the distributor of the devices providing various meso solutions recognising us as the top sales of meso treatments in Hong Kong.
3. This was an award from the distributor of the Thermage® CPT device recognising us as one of the top 10 sales accounts in terms of the total number of Thermage treatments performed in our medical aesthetic centres.
4. This was an award from the distributor of the Ulthera device and treatment injectables including Xeomin, Belotero and Radiesse, recognising us as the first runner-up of their top five users.

We take our corporate social responsibility seriously and we believe in giving back to our society, especially to the ones in need. We organise and encourage our staff to attend various charitable or social activities. The following table sets out the awards to us in recognition of our efforts:

Year awarded	Recognitions of our corporate social responsibilities	Awarding body
2013	Caring Company	The Lok Sin Tong Benevolent Society Kowloon ( <i>Note 1</i> )
2016	Certificate of Appreciation for contributing to the Partnership Fund for the Disadvantaged	Social Welfare Department
2016 to 2018	Caring Company – caring for the community, the employees and the environment	The Hong Kong Council of Social Service
2017	Happy Company	Promoting Happiness Index Foundation ( <i>Note 2</i> )

Notes:

1. A charitable foundation registered under the laws of Hong Kong that is committed to the provision of education, social welfare and medical care to the people in need.
2. A charitable foundation registered under the laws of Hong Kong that is committed to organising activities such as talks, interest classes, workshops and voluntary work to promote positive thinking and healthy lifestyle in order to raise the happy index of the people living in Hong Kong.

**INSURANCE**

We maintain insurance coverage for our content, equipment and stock, business interruption, public liability, money in premises and employees' compensation. In addition, our Doctors, as members of the Medical Protection Society or Hong Kong Doctors Union, maintain professional malpractice liability insurance, which includes, subject to certain exclusions, indemnity to claims, investigations and proceedings arising from or in connection with their professional practices. However, there is no assurance that such insurance coverage will adequately protect us from the risks involved in our business operations. See the section headed "Risk Factors – Risks relating to our business" in this prospectus for further details.

For the two years ended 31 March 2018, our total insurance cost amounted to HK\$65,443 and HK\$92,193, respectively. Our Directors believe that our insurance coverage is sufficient, adequate and in line with the industry norm. We will continue to review and assess our risk portfolio and make necessary and appropriate adjustments to our insurance coverage.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, no material insurance claim had been filed by our Group.

**INTERNAL CONTROL AND RISK MANAGEMENT**

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. In accordance with the applicable laws and regulations, we have established an internal control system, covering areas such as corporate governance, risk management, operations, management, legal matters, finance and audit. We believe that our internal control system is sufficient in terms of comprehensiveness, practicability and effectiveness.

In preparation for the Listing, we engaged an internal control consultant to conduct an evaluation of our internal control system and have implemented certain suggestions and recommendations proposed by the internal control consultant to improve and enhance our internal control system. To strengthen our internal control and ensure future compliance with the applicable laws and regulations (including the GEM Listing Rules) after the Listing, we have adopted the following additional internal control measures:

- (1) our Board will continuously monitor, evaluate and review our internal control system to ensure compliance with the applicable legal and regulatory requirements and will adjust, refine and enhance our internal control system as appropriate;
- (2) Ms. Fu, our executive Director and chief executive officer, will be responsible for overseeing our internal control system in general and will act as the chief coordinator of matters relating to legal, regulatory and financial reporting compliance. Upon receipt of any query or report relating to legal, regulatory and financial reporting compliance, Ms. Fu will look into the matter and, if considered necessary or appropriate, seek advice, guidance or recommendation from professional advisers and report to our Board. For further information about the qualifications and experience of Ms. Fu, see the section headed "Directors, Senior Management and Employees – Directors – Executive Directors" in this prospectus;
- (3) we have appointed Innovax Capital as our compliance adviser upon Listing to advise our Group on matters relating to compliance with the GEM Listing Rules;
- (4) if necessary, we may consider arranging our Directors, members of senior management and relevant employees to attend trainings on the legal and regulatory requirements applicable to our business operations from time to time; and
- (5) if necessary, we may consider appointing external Hong Kong legal advisers to advise us on matters relating to compliance with the GEM Listing Rules and the applicable Hong Kong laws and regulations.

### LICENCES AND PERMITS

Our Group has obtained two Industrial, Scientific and Medical Electronic Machine Licences (each a “**ISMEM Licence**”) in respect of our two Thermage® CPT devices and such licenses are renewable on an annual basis. As at the Latest Practicable Date, such licences remained valid and were in full force and effect and we have applied for two ISMEM Licences for two new Thermage® CPT devices which we had acquired after the Track Record Period.

As at the Latest Practicable Date, all of our Doctors had obtained the necessary qualifications required of them for their medical practice in Hong Kong.

### LEGAL PROCEEDINGS AND COMPLIANCE

#### Legal proceedings

To the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, none of the members of our Group was engaged in any litigation, arbitration or claim of material importance, and our Directors were not aware of any pending or threatened litigation, arbitration or claim of material importance against our Group which, in the opinion of our Directors, would have a material adverse effect on our financial condition or results of operations.

#### Legal compliance

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date (i) save as disclosed below, we had not been involved in any incidents of material non-compliance with the applicable laws and regulations in Hong Kong; and (ii) none of the members of our Group had been subject to any proceedings brought under, or received any written complaints or warnings in relation to, any of the laws or regulations applicable to our Group’s business as summarised in the section headed “Regulatory Overview” in this prospectus.

Each of our Doctors who had current consultancy service agreement with our Group has confirmed that during the Track Record Period and up to the Latest Practicable Date, he/she has not been involved in any actual or pending litigation or claims against or associated with his/her medical practice.

#### **Historical non-compliance incident – Non-compliance with the government leases, the deed of mutual covenant (“DMC”) and the occupation permit in respect of the use of our Headquarters**

##### ***Details of non-compliance***

The use of our Headquarters as our office during the period from January 2018 up to the Latest Practicable Date was in breach of (i) the land use restriction set out in the government leases; (ii) the user restriction set out in the occupation permit; and (iii) the DMC. The land use was restricted to general industrial purposes under the government leases; factories and ancillary accommodation for non-domestic use under the occupation permit; and the DMC requires the registered owner of the property to comply with the government leases (the “**Non-compliances**”).

***Reasons for non-compliance***

Fortune Marvel completed the acquisition of our Headquarters (the “**Headquarters Acquisition**”) in November 2017. Our Group was not aware of the Non-compliances for the following reasons: (i) the deed of assignment did not state the permitted use of our Headquarters was restricted to industrial purposes/factory use; (ii) the legal adviser of our Group in relation to the Headquarters Acquisition had not raised any legal requisitions and/or concerns in relation to the proposed use of our Headquarters at the relevant time; and (iii) we mistakenly believed that our Headquarters could be used for office purposes as it appeared to us that there were other premises in the same building which were used for office purposes. Accordingly, it was not obvious to our Group that there would be Non-compliances by using our Headquarters as our office.

The Non-compliances were only identified and made known to our Directors in the course of the due diligence exercise conducted by the professional parties during the course of preparation for the Listing application. The Non-compliances were not wilful and were due to the inadvertent oversight of the accounting manager of our Group at the relevant time who was responsible for such matter. She did not have adequate understanding of the relevant land use/user restriction, and hence she solely relied on the then legal adviser of our Group in relation to the Headquarters Acquisition without personally checking the permitted use under the government leases, the occupation permit and the DMC of our Headquarters.

***Legal consequences including potential maximum penalties and other financial liabilities***

*(a) Regarding the non-compliance of the government leases:*

As advised by Counsel Chong, in practice, the Lands Department may issue a notice (if not notices) demanding the lessee to cease and desist the non-compliance. As such, there will be a chance for Fortune Marvel to be ordered to stop using our Headquarters for office purposes upon the issuance of such notice by the Lands Department. In the event that Fortune Marvel does not comply with the stop notice, the Government of Hong Kong may, under the Government Rights (Re-entry and Vesting Remedies) Ordinance (Chapter 126 of the Laws of Hong Kong) exercise the right to re-enter our Headquarters and register a memorial of an instrument of re-entry with the Lands Registry. Once the aforesaid memorial is registered with the Lands Registry, our Headquarters will be deemed to have re-vested in the Government of Hong Kong.

*(b) Regarding the non-compliance of the occupation permit:*

The Buildings Department may serve an order under section 25(2) of the Buildings Ordinance requiring Fortune Marvel to stop the office use. It will be an offence under section 40(1B)(b) of the Buildings Ordinance for any failure without reasonable excuse to comply with an order served under section 25(2) of the Buildings Ordinance. Under section 40(6) of the Buildings Ordinance, if an offence is committed under section 40(1B)(b) of the Buildings Ordinance, among others, with the consent, neglect or default on the part of any director or officer concerned in the management of the company (being Mr. Yip and/or Ms. Fu), such director or officer concerned will also be guilty of the offence.

The maximum penalty is a fine of HK\$50,000 and imprisonment for one year, plus a daily fine of HK\$5,000 for the continuing breach.

*(c) Regarding the non-compliance of the DMC:*

According to Counsel Chong, there is no criminal sanction. The manager of the building may apply for an injunction restraining Fortune Marvel from using our Headquarters for office purposes.

***Remedial/rectification action taken/to be taken***

By a letter dated 10 April 2018, the Authorised Person has applied to the Lands Department on behalf of Fortune Marvel for a temporary waiver (the “**Waiver**”) for an initial term of three years so as to permit the office use of our Headquarters (the “**Waiver Application**”). As at the Latest Practicable Date, the Waiver has not been granted by the Lands Department.

*(a) Procedures of the Waiver Application*

According to the Authorised Person, in general:

- (i) Waiver applications must be submitted by the registered owner(s) of the property concerned or his/their authorised persons.
- (ii) Upon receipt of a lease modification/waiver application and the payment of an initial administrative fee, the Lands Department will consult the relevant Government departments. Each case will be considered on its merits after full consideration of the circumstances.
- (iii) If the application is approved, an offer letter setting out the basic terms such as the amount of the premium/waiver fee, balance of the administrative fee (if any) and the deposit payable, will be issued to the applicant. The applicant will be required to indicate acceptance of the basic terms within the period stated in the offer letter before a formal waiver letter is issued.
- (iv) Once an offer is accepted and after all relevant payments are made, the Lands Department will issue the waiver letter to the applicant for execution. A certified copy of the executed waiver letter will be registered by memorial at the Land Registry. The applicant will be required to pay the requisite registration fee to the Land Registry.
- (v) If the application is not approved, a letter setting out the reasons for rejection will be sent to the applicant.

*(b) Estimated processing time of the Waiver Application and no material impediment to be granted with the Waiver*

Based on the Authorised Person’s experience, when processing the Waiver Application, the Lands Department will circulate the Waiver Application to the Buildings Department for comments, and the Lands Department will grant a temporary waiver to the registered owner of the premises within the course of six to nine months from the date of receipt of the application. The Authorised Person is of the view that there is no material impediment for Fortune Marvel to be granted with the Waiver by the Lands Department, and the grant of Waiver is only subject to administrative work.

*(c) Renewal of Waiver*

According to the Authorised Person, based on the applications of waiver for premises which are of proximity to our Headquarters, and on the assumptions that (i) there will be no further change of use of our Headquarters; (ii) the terms and conditions to be stipulated in the Waiver (including the payment of waiver fee as required under the Waiver) will be duly observed; and (iii) there will be no change of the current practice as adopted by the Lands Department, the Waiver, when granted, shall be renewable upon the expiry of its initial three years’ term on a quarterly basis. Further, under the existing policy, the Waiver would be automatically renewed as long as there is no further change of use of our Headquarters after obtaining the Waiver. The Lands Department, however, will review the waiver fee from time to time.

*(d) Counsel Chong's view*

Counsel Chong is of the view that the maximum penalty and a term of imprisonment under the Buildings Ordinance will not be imposed as the breach is not a serious offence. In forming this view, Counsel Chong has considered the case authorities in Hong Kong in respect of similar offences which also come under section 40(1B)(b) of the Buildings Ordinance. According to Counsel Chong, the normal ranges of penalty for such similar offences are between HK\$800 and HK\$30,000 (for the fixed fine) and between HK\$100 and HK\$200 (for the daily fine). Further, based on the opinion given by the Authorised Person that there is no material impediment for Fortune Marvel to be granted with the Waiver by the Lands Department, and upon the grant of the Waiver, Counsel Chong is of the view that prosecution and re-entry by the Government authorities is unlikely, and there will also be no breach of the DMC.

*(e) Indemnity from our Controlling Shareholders*

Our Controlling Shareholders have agreed to indemnify us for all fines, penalties, losses and costs we may incur as a possible result of the Non-compliances.

*(f) Impact on our financial performance and operations if the Waiver is not obtained*

Our Directors are of the view that in the event that the Waiver is not obtained: (i) our operational and financial performance will not be materially and adversely affected, as (a) Counsel Chong is of the view that the penalty under the Buildings Ordinance will not be imposed; (b) the maximum monetary penalty under the Buildings Ordinance is merely HK\$50,000 and the financial impact to us is immaterial; and (c) in any event, any costs we may incur as a result of the relocation of our Headquarters will be indemnified by our Controlling Shareholders; and (ii) our operations will not be materially and adversely affected even if our Headquarters is relocated, as our revenue is generated from our medical aesthetic centres and our Headquarters is merely used as our back office and we are able to easily find replacement for our office.

**Internal control measures to prevent the recurrence of the Non-compliances**

We had implemented and/or will continue to implement the following measures, in addition to the internal control measures set out in the paragraph headed "Internal control and risk management" in this section, to prevent the recurrence of the Non-compliances:

- In March 2018, our Group had appointed an independent internal control consultancy firm (the "**Consultant**") to perform a detailed evaluation on our Group's procedures, systems and internal control measures covering the areas of property leasing or acquisition and our accounting and management systems. According to the result of the follow up review by the Consultant, our Group had implemented measures and rectified deficiencies as recommended by the Consultant.
- To ensure our Group's compliance with government leases, deeds of mutual covenant, occupation permits and other applicable laws and regulations:
  - If the initiation of (i) a new leasing arrangement; or (ii) an acquisition of property is agreed by our Board, our accounting manager or our administrative manager will be designated as the representative of our Group to negotiate the lease terms or acquisition terms, after which the relevant lease agreement or property sale and purchase agreement will be approved and signed by a Director. Our accounting department will help to complete the required registration procedures (if any) and ensure the payment of all applicable registration fees and stamp duties.

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## BUSINESS

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- Physical inspection of property will be performed by an external professional party (such as an architect or a surveyor who is also an authorised person whose name is on the authorised persons' register kept under section 3 of the Buildings Ordinance) to check whether the actual environment has complied with the relevant rules and regulations in Hong Kong, and whether the permitted use is suitable for the intended use. An executive of our Group will be present throughout such physical inspection. Timely waiver application will be submitted to the Lands Department if the intended use does not comply with the permitted use.
- Our Group will request the property agent to conduct land search on the relevant property to ascertain the title and ownership of the relevant property. Alternatively, land search can be conducted internally and the relevant documents will be filed together with the relevant lease agreement or property sale and purchase agreement. Our Group will engage external legal advisers to advise us on all our property transactions and pay special attention to the permitted use of the property before entering into any property transactions.

### **Views of our Directors and the Sole Sponsor**

As set out in the paragraphs headed “Internal control and risk management” and “Legal proceedings and compliance – Internal control measures to prevent the recurrence of the Non-compliances” in this section, our Group has laid down and implemented detailed internal control and corporate governance measures to monitor on-going compliance with the relevant laws and regulations to prevent the occurrence of any non-compliance incident in the future. Our Directors believe that the corporate governance and internal control measures could effectively ensure a proper internal control system and maintain good corporate governance practices of our Group. In view of the measures in place, our Directors are of the view, and the Sole Sponsor concurs, that these systems are sufficient and effective to ensure on-going compliance with the relevant laws and regulations by our Group.

Our Directors are of the view, and the Sole Sponsor concurs, that the Non-compliances (i) did not involve any dishonesty on the part of our Directors or cast any doubt on their integrity or competence; (ii) does not affect our Directors' suitability to act as directors of a listed issuer under Rules 5.01 and 5.02 of the GEM Listing Rules; and (iii) does not affect our Company's suitability for listing under Rule 11.06 of the GEM Listing Rules.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option and upon the exercise of any options which may be granted under the Share Option Scheme), Mr. Yip and Ms. Fu will through Equal Joy control 75% of our Shares in issue. Mr. Yip, Ms. Fu and Equal Joy together are a group of Controlling Shareholders of our Company.

Save as disclosed above, there is no other person who will, immediately following the completion of the Share Offer and Capitalisation Issue (without taking into account of any Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option and upon the exercise of options which may be granted under the Share Option Scheme), be directly or indirectly interested in 30% or more of the Shares then in issue or have a direct or indirect equity interest in any member of our Group representing 30% or more of the equity in such entity.

Save as disclosed in the section headed “Business – Our suppliers, procurement and inventory management – Major purchases and suppliers” in this prospectus and this section below, during the Track Record Period, our Group did not have any business dealings with the companies associated with or controlled by our Controlling Shareholders and there was no overlapping of business between our Group and our Controlling Shareholders.

### RELATIONSHIP BETWEEN OUR CONTROLLING SHAREHOLDERS AND PRESTIGIOUS HOLDINGS LIMITED (“Prestigious”)

Prestigious is a company incorporated in Hong Kong with limited liability on 7 May 2015 and it is legally owned as to 25% and 75% by two Independent Third Parties, respectively, as at the Latest Practicable Date.

When Prestigious was first incorporated, Prestigious was legally owned as to 10% by Mr. Yip and 90% by Ms. Fu. During the Track Record Period, Prestigious’ principal business activity was the wholesale distribution of branded skincare products in Hong Kong, although it also operated a small-scale sales counter for skincare products in a department store in Hong Kong.

On 18 May 2016, Ms. Fu disposed of a 25% shareholding interest in Prestigious to an Independent Third Party, at a consideration of HK\$50,000 (“**May Disposal**”). On 16 June 2016, Mr. Yip and Ms. Fu disposed of their remaining shareholding interest in Prestigious, i.e. 10% and 65% respectively, to another Independent Third Party, at a total consideration of HK\$150,000 (“**June Disposal**”, together with the May Disposal, the “**Prestigious Disposals**”). The total consideration for the Prestigious Disposals was based on the net asset value of Prestigious after arm’s length negotiations. Mr. Yip and Ms. Fu resigned as a secretary and a director of Prestigious, respectively, upon the Prestigious Disposals. To the best of the knowledge of our Directors, neither of the above Independent Third Parties has any past or present relationship (business or otherwise) with our Company, subsidiaries, Directors, Shareholders, senior management or any of their respective associates and they only became related to us through their respective shareholdings in Prestigious (being one of our suppliers) after the Prestigious Disposals. Prestigious had recorded profits from the date of its incorporation to 30 June 2016. As confirmed by our Directors, Prestigious was not involved in any incidents of material non-compliance with the applicable laws and regulations in Hong Kong, nor was it engaged in any litigation, arbitration or claim of material importance in Hong Kong during the Track Record Period and prior to the Prestigious Disposals. It is the intention of our Controlling Shareholders to maintain business relationship with Prestigious after the Prestigious Disposals because Prestigious was one of our five largest suppliers during the Track Record Period. See the section headed “Business – Our suppliers, procurement and inventory management – Major purchases and suppliers” for the amounts of purchases from Prestigious during the Track Record Period. As we intend to maintain business relationship with Prestigious after the Prestigious Disposals, the Prestigious Disposals will have no impact on our operations. All transactions with Prestigious had been and will be (i) on an arm’s length basis; (ii) on normal commercial terms; (iii) fair and reasonable; and (iv) comparable to those transactions between our Group and other Independent Third Party suppliers.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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The reason for the Prestigious Disposals is that our Group intends to focus on our core business of the provision of non-surgical medical aesthetic services, and the operation of our Retail/Service Outlets which complements our core business. Our Directors believe that the wholesale distribution of numerous lines of branded skincare products by Prestigious would deviate from our core business and that it would benefit our Group more if we focus our resources and manpower on our core business.

Having considered the above, our Controlling Shareholders consider it to be in the interest of our Company and the Shareholders as a whole to dispose of their interest in Prestigious to an Independent Third Party.

**RELATIONSHIP BETWEEN OUR CONTROLLING SHAREHOLDERS AND 柏菲思美容發展(北京)有限公司 (BAIFEISI BEAUTY DEVELOPMENT (BEIJING) COMPANY LIMITED\*) (now known as 麗儀美容發展(北京)有限公司 (LIYI BEAUTY DEVELOPMENT (BEIJING) COMPANY LIMITED\*)) (“Baifeisi Beauty Development”)**

Baifeisi Beauty Development is a wholly foreign-owned company established in the PRC with limited liability on 29 August 2012 and it is wholly-owned by Champ Centre Limited (亮晶魅力有限公司) (“**Champ Centre**”), an investment holding company, as at the Latest Practicable Date. Champ Centre is a company incorporated in Hong Kong with limited liability on 1 December 2011 and it is wholly-owned by an Independent Third Party as at the Latest Practicable Date.

When Baifeisi Beauty Development was first established, it was a wholly foreign-owned company owned as to 54% by Champ Centre and 31% and 15% by two Independent Third Parties (the “**Baifeisi ex-shareholders**”), respectively, and its principal business has been the provision of traditional beauty services in the PRC. Mr. Yip and Ms. Fu through their then respective 50% shareholding in Champ Centre indirectly held 54% equity interest in Baifeisi Beauty Development.

On 27 July 2016, Champ Centre and the Baifeisi ex-shareholders had entered into a share transfer agreement for Champ Centre to acquire the Baifeisi ex-shareholders’ respective 31% and 15% interests in Baifeisi Beauty Development, at a consideration of RMB341,000 and RMB165,000, respectively, which was based on arm’s length negotiation. Subsequent to these acquisitions, Baifeisi Beauty Development became wholly-owned by Mr. Yip and Ms. Fu through their then respective 50% shareholding in Champ Centre.

On 26 January 2017, Mr. Yip and Ms. Fu disposed of their entire shareholding interest in Champ Centre to an Independent Third Party, at a consideration of RMB 1.1 million, which was based on arm’s length negotiation (the “**Baifeisi Disposal**”). Subsequent to the Baifeisi Disposal, both of Mr. Yip and Ms. Fu resigned as directors of Champ Centre and Ms. Fu also resigned as a director and supervisor of Baifeisi Beauty Development. Dermaglow also terminated its licence of its trademarks “**柏菲思**” and “**FACE**” to Champ Centre and Baifeisi Beauty Development. Baifeisi Beauty Development recorded a loss for the year ended 31 December 2016. As confirmed by our Directors, Baifeisi Beauty Development was not involved in any incidents of material non-compliance with the applicable laws and regulations in the PRC, nor was it engaged in any litigation, arbitration or claim of material importance in the PRC during the Track Record Period and prior to the Baifeisi Disposal. Our Directors confirmed that our Group never had and it is not the intention of our Group to have any business relationship with Champ Centre or Baifeisi Beauty Development after the Baifeisi Disposal.

The reason for the Baifeisi Disposal is that our Group intends to focus on our business in Hong Kong, where we are headquartered and can directly manage our operations. We intend to strengthen our market position as a non-surgical medical aesthetic service provider in Hong Kong, which we believe has an edge as compared to a traditional beauty service provider in the PRC.

Having considered the above, our Controlling Shareholders consider it to be in the interest of our Company and the Shareholders as a whole to dispose of their interest in Champ Centre and Baifeisi Beauty Development to an Independent Third Party.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

#### Competing interests

None of our Controlling Shareholders or our Directors or any of their respective close associates has any interests in a business, other than our Group's business, which competes or is likely to compete, either directly or indirectly, with our Group's business. In addition, each of the Controlling Shareholders has given non-competition undertakings in favour of our Company. For details, please refer to the paragraph headed "Non-competition undertakings" in this section below.

#### Management independence

Although our Controlling Shareholders will maintain controlling interests in our Company upon completion of the Share Offer, the day-to-day management and operation of the business of our Group will be the responsibility of all our executive Directors and senior management of our Company. Our Board has five Directors comprising two executive Directors and three independent non-executive Directors, hence there will be a sufficiently robust and independent voice within our Board to protect the interests of our independent Shareholders.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit of and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) will abstain from voting at the relevant board meetings of our Company in respect of such transactions and will not be counted in the quorum. In addition, our Company has an independent senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Company is capable of managing our Group's business independently from our Controlling Shareholders.

#### Operational independence

Our Group has established our own organisational structure made up of individual departments, each with specific areas of responsibilities. We did not share any operational resources, such as office premises, sales and marketing and general administrative resources, and facilities and equipment with our Controlling Shareholders and their close associates during the Track Record Period. We have also established a set of internal controls to facilitate the effective operation of our business. Our Group also has its own capabilities and personnel to perform all essential administrative functions, including financial and accounting management, invoicing and billing, human resources and information technology.

Save as disclosed in the section headed "Business – Our suppliers, procurement and inventory management – Major purchases and suppliers" in this prospectus and in this section above, our suppliers and customers are all independent from our Controlling Shareholders. We do not rely on our Controlling Shareholders or their close associates and have our independent access to our suppliers for the provision of services and materials.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### Financial independence

We have our own accounting and finance department and independent financial system and make financial decisions according to our own business needs. We also have our own treasury function and independent access to third party financing. During the Track Record Period and as at the Latest Practicable Date, our Controlling Shareholders, Mr. Yip and/or Ms. Fu have provided certain personal guarantees in relation to our bank borrowings/facilities and finance lease agreements. Please refer to the section headed “Financial Information – Indebtedness” in this prospectus and notes 22 and 23 to the Accountants’ Report set out in Appendix I to this prospectus for further details. The personal guarantees provided by Mr. Yip and/or Ms. Fu in relation to our bank borrowings/facilities and finance lease agreements have been released or will be released and replaced by corporate guarantees to be given by our Company upon, among others, the successful Listing.

In view of our Group’s internal resources and the estimated net proceeds from the Share Offer, our Directors believe that our Group will have sufficient capital for its financial needs without dependence on our Controlling Shareholders. Our Directors further believe that, upon the Listing, our Group is capable of obtaining financing from external sources independently without the support of our Controlling Shareholders.

### NON-COMPETITION UNDERTAKINGS

Our Controlling Shareholders (each a “**Covenantor**” and collectively, the “**Covenantors**”) entered into the Deed of Non-Competition in favour of our Company, under which each of the Covenantors has irrevocably and unconditionally, jointly and severally, warranted and undertaken to our Company (for ourselves and as trustee for each of our subsidiaries) that:

- (a) he/she/it will not, and will procure any Covenantor and his/her/its close associates (each a “**Controlled Person**” and collectively, the “**Controlled Persons**”) and any company directly or indirectly controlled by the Covenantor (which for the purpose of the Deed of Non-Competition, shall not include any member of our Group) (the “**Controlled Company**”) not to, except through any member of our Group, directly or indirectly (whether as principal or agent, through any body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise), carry on, engage in, invest or be interested or otherwise involved in any business that is similar to or in competition with or is likely to be in competition with any business carried on or contemplated to be carried on by any member of our Group from time to time or in which any member of our Group is engaged or has invested or is otherwise involved in or which any member of our Group has otherwise publicly announced its intention to enter into, engage in or invest in (whether as principal or agent and whether directly or through any body corporate, partnership, joint venture, or other contractual or other arrangement) in any territory that our Group carries on its business from time to time (“**Restricted Business**”);
- (b) when any Controlled Person and/or any Controlled Company is offered or becomes aware of any new project or business opportunity (“**New Business Opportunity**”) directly or indirectly to engage or become interested in a Restricted Business, he/she/it (i) shall promptly notify our Company of such New Business Opportunity in writing, refer the same to our Company for consideration first and provide such information as may be reasonably required by our Company to make an informed assessment of such New Business Opportunity; and (ii) shall not, and shall procure that the Controlled Persons or Controlled Company shall not, invest or participate in any such New Business Opportunity unless such New Business Opportunity shall have been declined by our Company in writing and the principal terms of which he/she/it and/or his/her/its close associates invest or participate in are no more favourable than those made available to our Company.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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The restrictions which each of the Covenantors has agreed to undertake pursuant to the non-competition undertakings will not apply to such Covenantors in the circumstances where he/she/it has the holding of or interests in shares or other securities by any of the Covenantors and/or his/her/its close associates in any company which conducts or is engaged in any Restricted Business, provided that, in the case of such shares, they are listed on a recognised stock exchange as specified under the SFO and either:

- (a) the relevant Restricted Business (and assets relating thereto) accounts for less than 10% of the relevant combined turnover or combined assets of the company in question, as shown in the latest audited accounts of the company in question; or
- (b) the total number of the shares held by any of the Covenantors and his/her/its close associates or in which they are together interested does not amount to more than 5% of the issued shares of that class of the company in question, provided that any of the Covenantors and his/her/its close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and that at all times there is a holder of such shares holding (together, where appropriate, with its close associates) a larger percentage of the shares in question than the Covenantors and his/her/its close associates together hold.

The non-competition undertakings will take effect from the date on which dealings in the Shares first commence on GEM and will cease to have any effect upon the earliest of the date on which (i) such Covenantor, being a Controlling Shareholder, individually or collectively with any other Covenantor(s) ceases to be interested, directly or indirectly, in 30% or more of the issued Shares, or otherwise ceased to be regarded as controlling shareholder (as defined under the GEM Listing Rules from time to time) of our Company; or (ii) the Shares cease to be listed and traded on the Stock Exchange or other recognised stock exchange.

### CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to strengthen our corporate governance practice and to safeguard the interests of our Shareholders:

- (a) the Articles provide that a Director shall absent himself/herself from participating in Board meetings (nor shall he/she be counted in the quorum) and voting on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested unless a majority of the independent non-executive Directors expressly requested him/her to attend;
- (b) the independent non-executive Directors will review and will disclose decisions with basis, on an annual basis, the compliance with the non-competition undertakings by our Controlling Shareholders;
- (c) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the non-competition undertakings;
- (d) our Company will disclose decisions with basis on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-competition undertakings of our Controlling Shareholders in the annual reports of our Company or otherwise by way of announcements published by our Company;
- (e) our Controlling Shareholders will make an annual declaration on compliance with their non-competition undertaking in the annual report of our Company;

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (f) our Company has appointed Innovax Capital as the compliance adviser, which upon enquiry of our Company, will provide advice and guidance to our Company in respect of compliance with the GEM Listing Rules;
- (g) the independent non-executive Directors will be responsible for deciding whether or not to allow our Controlling Shareholders and/or their respective close associates to involve or participate in a Restricted Business and if so, any condition to be imposed; and
- (h) the independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the non-competition undertakings or connected transaction(s) at the cost of our Company.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective close associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

None of the members of our Group has experienced any dispute with its shareholders or among its shareholders themselves and our Directors believe that each member of our Group has maintained positive relationship with its shareholders. With the corporate governance measures comprising the measures set out above, our Directors believe that the interest of our Shareholders will be protected.

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## SUBSTANTIAL SHAREHOLDERS

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### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, as at the date of this prospectus and immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of the Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option and upon the exercise of options that may be granted under the Share Option Scheme), the following persons/entities will have an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Name	Capacity/Nature of interest	Immediately following completion of the Share Offer and the Capitalisation Issue	
		Number of Shares held after the Share Offer (Note 1)	Percentage of shareholding after the Share Offer
Equal Joy	Beneficial Owner	600,000,000 (L)	75%
Mr. Yip	Interest in controlled corporation (Note 2)	600,000,000 (L)	75%
Ms. Fu	Interest in controlled corporation (Note 2)	600,000,000 (L)	75%

*Notes:*

- (1) The letter “L” denotes the person’s long position in the relevant Shares.
- (2) All the issued shares of Equal Joy are legally and beneficially owned as to 50% by each of Mr. Yip and Ms. Fu. As such, they are deemed to be interested in all the Shares held by Equal Joy by virtue of the SFO. Mr. Yip, Ms. Fu and Equal Joy together are a group of Controlling Shareholders of our Company.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the Share Offer and the Capitalisation Issue (without taking into account of the Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option and upon the exercise of options that may be granted under the Share Option Scheme), have an interest or short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

### UNDERTAKINGS

Each of the Controlling Shareholders has given certain undertakings in respect of the Shares held by them to our Company, the Sole Sponsor, the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters), the Joint Lead Managers and the Stock Exchange, details of which are set out under the section headed “Underwriting – Underwriting arrangements and expenses – Undertakings” in this prospectus. The Controlling Shareholders have also given undertakings in respect of the Shares to our Company and the Stock Exchange as required by Rules 13.16A(1) and 13.19 of the GEM Listing Rules.

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### OVERVIEW

Our Board of Directors consists of two executive Directors and three independent non-executive Directors. The following table sets out the information concerning our Directors:

### Directors

Name	Age	Date of joining our Group	Present position within our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Director(s)/ members of senior management (other than through or relating to our Group)
<i>Executive Directors</i>						
Mr. Yip Chun Kwok Danny, MH (葉振國)	52	28 May 2008	Chairman of our Company and executive Director	2 March 2018	Overseeing general corporate direction and sharing his vision and strategies with our Group	Spouse of Ms. Fu
Ms. Fu Chi Ching (符芷晴)	40	28 May 2008	Executive Director and chief executive officer of our Company	2 March 2018	Overall daily business operations, management structure, quality assurance and public relations of our Group	Spouse of Mr. Yip
<i>Independent non-executive Directors</i>						
Mr. Chan Sing Nun (陳星能)	43	21 September 2018	Independent non-executive Director	21 September 2018	Providing independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct	Nil
Mr. Khoo Wun Fat William (丘煥法)	37	21 September 2018	Independent non-executive Director	21 September 2018	Providing independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct	Nil
Mr. Yu Chi Wing (于志榮)	34	21 September 2018	Independent non-executive Director	21 September 2018	Providing independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct	Nil

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### DIRECTORS

#### Executive Directors

**Mr. Yip Chun Kwok Danny, MH (葉振國)**, aged 52, founded our Group with Ms. Fu jointly in May 2008. He was appointed as a Director on 2 March 2018 and re-designated as the chairman of our Company and an executive Director on 6 June 2018. He is the chairman of the nomination committee. Mr. Yip brought more than 30 years of entrepreneurship and executive management experience to his role with our Group. He oversees general corporate direction and shares his vision and strategies with our Group. Mr. Yip is the spouse of Ms. Fu.

Mr. Yip gained extensive experience through his family business at Wing Hing Provision, Wine & Spirits Trading Company Limited and other companies under the name of “Wing Hing”, such as sales and marketing on spirits and wine distribution, property development projects in the Greater China region and Thailand and property and taxi license investments in Hong Kong, as a diversified entrepreneur. He first joined the company in July 1988 as a marketing executive, and mainly assisted in developing marketing campaigns and generating marketing reports. He was promoted to become the marketing manager in August 1989 and was responsible for developing, implementing and executing strategic marketing plans. He was further promoted to become the managing director in August 1990, with extensive experience in management, operations, sales, distribution and marketing as well as property development.

Mr. Yip completed high school education in Bromsgrove, the United Kingdom in July 1987.

Mr. Yip has been actively engaged in prominent political and civil affairs in Hong Kong and in the Greater China region. The key and influential positions held by Mr. Yip are as follows:

<b>Period</b>	<b>Association</b>	<b>Position</b>
2007 to 2016	Guangdong Province Jieyang City Committee of the Chinese People’s Political Consultative Conference (中華人民政治協商會議廣東省揭陽市委員會)	Member
2009 to 2010	Fight Crime Committee (Central and Western District) (中西區撲滅罪行委員會)	Member
2010 to 2012	Junior Police Call Honorary President Council (Western District)(西區少年警訊名譽會長會)	Vice Chairman
2017 to 2018	Fire Safety Committee (Central and Western District, Home Affairs Department) (民政事務署中西區防火委員會)	Chairman
2017 to present	Guangdong Province Jieyang City Committee of the Chinese People’s Political Consultative Conference (中華人民政治協商會議廣東省揭陽市委員會)	Consultant

The valuable contribution of Mr. Yip to social and civil affairs in Hong Kong has been exemplarily recognised. He was awarded the Medal of Honour by the Government of Hong Kong for his outstanding and dedicated community service in Central and Western District in 2009.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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368 Development Company Limited (“**368 Development**”) was a company incorporated in Hong Kong with limited liability, which was engaged in trading prior to its dissolution on 8 January 2010 by way of striking off. The then shareholders of 368 Development decided to focus on their other businesses and resolved in January 1996 to dissolve the company by creditors’ voluntary winding-up pursuant to section 228 of the Predecessor Companies Ordinance. Mr. Yip was a director of 368 Development at the time or within 12 months from the date on which the then shareholders of 368 Development resolved for its voluntary winding up.

Heinz Rich Limited (“**Heinz Rich**”) was a company incorporated in Hong Kong with limited liability, which was engaged in advertising prior to its dissolution on 20 May 2016 by way of voluntary deregistration pursuant to section 751 of the Companies Ordinance. Mr. Yip was a director of Heinz Rich at the time or within 12 months from the time prior to its dissolution. Mr. Yip confirms that Heinz Rich was solvent at the time of deregistration.

Mr. Yip confirmed that there was no fraudulent act or misfeasance on his part leading to the dissolution of 368 Development and Heinz Rich and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of such companies.

**Ms. Fu Chi Ching** (符芷晴), aged 40, founded our Group with Mr. Yip jointly in May 2008. She was appointed as a Director on 2 March 2018 and re-designated as an executive Director and the chief executive officer of our Company on 6 June 2018. She is a member of the remuneration committee. Ms. Fu is responsible for overall daily business operations, management structure, quality assurance, and public relations of our Group. Ms. Fu is the spouse of Mr. Yip.

Ms. Fu is an entrepreneur with over 10 years of start-up and operational experience primarily in the medical aesthetic service industry. Prior to the establishment of our Group, she worked at the Cathay Pacific Airways group of companies from July 2001 to March 2007 and another world-class international airline for approximately one year, where, during those tenures, she carried out inflight safety and security procedures, managed cabin crew and handled customers’ complaints and learned the values of customers with different backgrounds and how to manage customers’ expectation, which greatly assists her in formulating marketing strategies for her current business.

Aiming to enhance business practices and deepening her knowledge, Ms. Fu has obtained an International Master of Business Administration from the Buckinghamshire New University of the United Kingdom, by way of long distance learning, in July 2018.

### **Independent non-executive Directors**

**Mr. Chan Sing Nun** (陳星能)(“**Mr. Chan**”), aged 43, was appointed as an independent non-executive Director on 21 September 2018. Mr. Chan is the chairman of the audit committee and a member of the remuneration committee.

Mr. Chan has approximately 18 years of experience in auditing, accounting and financial management. From May 1998 to May 2002, he worked at K.L. Wong & Co., an audit firm. Since January 2003, Mr. Chan has been working at Brandwell Limited, a consulting service company, and became the chief financial officer in September 2006. He joined Qing Lan C.P.A. Limited as the audit principal in September 2009. Mr. Chan has also served as the director of A2Z Hotel Equipment Limited, a company engaged in trading of hotel equipment, since June 2017.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Chan also serves as an independent non-executive director of various listed companies in Hong Kong. Since October 2016, he has been an independent non-executive director of Guangdong Kanghua Healthcare Co., Ltd. (a company listed on the Main Board (stock code: 3689)). Mr. Chan has also served as an independent non-executive director of Differ Group Holding Co. Ltd (a company formerly listed on GEM (stock code: 8056) and currently listed on the Main Board (stock code: 6878)) since November 2013. Mr. Chan also serves as the company secretary of SMI Holdings Group Limited (a company listed on the Main Board (stock code: 198)) since September 2018.

Mr. Chan obtained a Higher Diploma in Accountancy from the City University of Hong Kong in November 1998. Mr. Chan has been a certified public accountant of the HKICPA since May 2003. He was admitted as a member and a fellow of the Association of Chartered Certified Accountants in January 2009 and April 2015, respectively.

Mr. Chan was a director of the following companies at the time or within 12 months from the time of their respective deregistration. The relevant details are as follows:

Company name	Place of incorporation	Nature of business	Date of deregistration
On King Logistics Limited	Hong Kong	Never commenced business or operation	6 January 2017
Victory Logistic Company Limited	Hong Kong	Providing logistic services	29 December 2017

The above companies were dissolved by way of voluntary deregistration pursuant to section 751 of the Companies Ordinance. Mr. Chan confirmed that the companies listed above were solvent at the time of deregistration. Mr. Chan further confirmed that there was no fraudulent act or misfeasance on his part leading to the deregistration of such companies and he is not aware of any actual or potential claim that has been or will be made against him as a result of the deregistration of such companies.

**Mr. Khoo Wun Fat William (丘煥法) (“Mr. Khoo”)**, aged 37, was appointed as an independent non-executive Director on 21 September 2018. Mr. Khoo is the chairman of the remuneration committee, and a member of the audit committee and the nomination committee.

Mr. Khoo has approximately nine years of experience in the legal industry and has extensive experience in corporate finance law and aviation law. From July 2007 to April 2010, Mr. Khoo worked at P. C. Woo & Co. as a trainee and then as an assistant solicitor. From May 2010 to April 2011, Mr. Khoo worked at Charltons as an assistant solicitor. From April 2011 to March 2014, Mr. Khoo worked at DLA Piper Hong Kong as an associate. Mr. Khoo established Khoo & Co. in November 2014.

Apart from his legal profession, Mr. Khoo is also a member of the standing committee of the convocation of City University of Hong Kong (the “**Convocation**”) since January 2010 and is currently the vice-chairman of the Convocation. He is also currently a director of the Alumni Association of Raimondi College.

Since November 2017, Mr. Khoo has been an independent non-executive director of Z-Obee Holdings Limited (a company listed on the Main Board (stock code: 948)).

Mr. Khoo obtained a Bachelor of Science from the Chinese University of Hong Kong in December 2003. He obtained a Bachelor of Laws in November 2006 and the Postgraduate Certificate in Laws in July 2007 from the City University of Hong Kong. He was admitted as a solicitor of Hong Kong in September 2009.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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**Mr. Yu Chi Wing** (于志榮) (“**Mr. Yu**”), aged 34, was appointed as an independent non-executive Director on 21 September 2018. He is a member of the audit committee and the nomination committee.

Mr. Yu has over 12 years of experience in advisory, accounting, taxation and auditing. From June 2005 to June 2014, Mr. Yu worked at RSM Nelson Wheeler, an accounting and consulting firm and his last position was manager. From June 2014 to May 2015, Mr. Yu worked as a financial controller at Niche-Tech (Hong Kong) Limited, a semiconductor packaging materials manufacturer. Since June 2015, Mr. Yu has been the financial controller of Tactful Building Company Limited, a company primarily engaging in construction and fitting out services. Mr. Yu founded JR & Co., Certified Public Accountants in September 2016.

Mr. Yu obtained a Bachelor of Arts in Accountancy from the Hong Kong Polytechnic University in June 2005. He has been a member and practising member of the HKICPA since January 2012 and March 2015, respectively.

Save as disclosed above, each of our Directors has confirmed that as at the Latest Practicable Date: (i) he/she had no interests in the Shares within the meaning of Part XV of the SFO; (ii) he/she was independent from, and was not related to, any other Directors, members of senior management, substantial Shareholders or Controlling Shareholders; (iii) he/she had not held any directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years preceding the Latest Practicable Date; and (iv) there was no other information which is required to be disclosed pursuant to any of the requirements under the GEM Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his/her appointment as a Director.

### SENIOR MANAGEMENT

Our senior management team consists of two individuals. Our senior management is responsible for the day-to-day management of our Company’s business. The table below sets forth certain information concerning our senior management team:

Name	Age	Date of joining our Group	Present position within our Group	Roles and responsibilities	Relationship with other Director(s)/ members of senior management (other than through or relating to our Group)
Ms. Chan Yuen Ping (陳婉萍)	50	August 2012	General manager of operation	Overseeing our daily operations, sales and client relationship	Nil
Ms. Lam Po Shan Lucia (林寶珊)	36	July 2015	Operation manager	Implementing marketing strategies of our Group and managing our relationship with clients	Nil

**Ms. Chan Yuen Ping** (陳婉萍) (“**Ms. Y.P. Chan**”), aged 50, is the general manager of operation of our Group. She joined our Group in August 2012 as a shop manager. She temporarily left our Group in June 2015 and rejoined our Group in September 2015. She was promoted to her current position in October 2017. Ms. Y.P. Chan is primarily responsible for overseeing our daily operations, sales and client relationship.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Prior to joining our Group, Ms. Y.P. Chan worked at Glycel (Far East) Co., Ltd, a renowned skincare product company originated from Switzerland, from July 1993 to October 2000. Her last position held was supervisor. From May 2001 to December 2003, she worked at Su-Yamano (H.K. & China) Limited, a company engaged in beauty aesthetics, with her last position as sales manager. Ms. Y.P. Chan was self-employed from February 2004 to February 2007 and she traded skincare and makeup products. From March 2007 to June 2012, Ms. Y.P. Chan worked at Belle Cosmetic Limited, a company engaged in beauty aesthetics, with her last position as shop manager. During her tenures, she was primarily responsible for managing operations of beauty salons and developing sales strategies to achieve sales targets.

Ms. Y.P. Chan obtained a certificate of skincare and makeup cosmetics applications from Mariannebolle in September 2002.

**Ms. Lam Po Shan Lucia (林寶珊) (“Ms. P.S. Lam”)**, aged 36, is the operation manager of our Group. She joined our Group in July 2015 as a customer service manager and was promoted to her current position in October 2017. Ms. P.S. Lam is primarily responsible for implementing marketing strategies of our Group and managing our relationship with clients.

Prior to joining our Group, Ms. P.S. Lam worked at Hong Kong Dragon Airlines Limited from December 2004 to July 2015 with her last position as senior purser. During her tenure, Ms. P.S. Lam was primarily responsible for managing cabin crew and handling complaints from customers.

Ms. P.S. Lam obtained a Professional Diploma in Hospitality Management from the Hong Kong Management Association in April 2011. She also obtained a Bachelor of Arts from the University of Greenwich of the United Kingdom in July 2013, by way of long distance learning.

None of our members of senior management has held any directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the Latest Practicable Date.

### COMPANY SECRETARY

**Ms. Lee Ka Man Carmen (李嘉雯) (“Ms. Lee”)**, aged 33, is the accounting manager of our Group and was appointed as the company secretary of our Company on 6 June 2018.

Prior to joining our Group, Ms. Lee worked at Smart Success Consultants Limited, an associate company of Alliance & Associates, which is a professional accounting firm, from August 2007 to November 2010 and her last position was semi-senior associate. Ms. Lee worked at The Beauty Group International Limited, a company primarily engaged in the manufacturing and marketing of skincare cosmetics, garments and accessories, as a management accountant from October 2010 to June 2014. From June 2014 to January 2018, Ms. Lee worked as a senior accountant at Adecco Personnel Limited, a company primarily engaged in staff recruitment, executive search and human resources management.

Ms. Lee has been a certified public accountant of the HKICPA since May 2014. She obtained her Bachelor of Arts, Major in Accounting and Finance from Leeds Metropolitan University of the United Kingdom (now known as Leeds Beckett University) in June 2007, by way of long distance learning.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### COMPLIANCE OFFICER

Ms. Fu is the compliance officer of our Company for the purpose of the GEM Listing Rules. Please refer to the paragraph headed “Directors – Executive Directors” in this section for details of her qualification and experience.

### REMUNERATION POLICY

The aggregate amounts of remuneration (comprising fees, salaries, allowances and other benefits in kind, discretionary bonuses and retirement benefit scheme contributions) of our Directors for the two years ended 31 March 2018 were approximately HK\$0.8 million and HK\$2.5 million, respectively. The aggregate amounts of salaries, other allowances and benefits, and contributions to pension schemes of our five highest paid individuals (excluding the emoluments paid to our Directors) for the two years ended 31 March 2018 were approximately HK\$3.7 million and HK\$5.0 million, respectively. Details of the arrangement for remuneration are set out in note 10 to the Accountants’ Report in Appendix I to this prospectus. Under such arrangement and pursuant to our Directors’ service contracts and letters of appointment referred to in the paragraph headed “Further information about our Directors, management and staff – 9. Directors – (a) Particulars of service contracts and letters of appointment” in Appendix V to this prospectus, the aggregate amount of Directors’ fee and other emoluments payable to our Directors (excluding any discretionary bonuses) for the year ending 31 March 2019 is estimated to be approximately HK\$3.1 million.

Our Group’s principal policies concerning the remuneration of Directors and senior management are determined based on their duties, responsibilities, experience and skills and the performance of our Group. Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. Our Company also reimburses them for expenses which are necessarily and reasonably incurred for providing services to our Group or executing their functions in relation to our operations. Our Company regularly reviews and determines the remuneration and compensation packages of our Directors and senior management. Our Company also provides discretionary bonuses to our key employees as incentive.

Our Company has conditionally adopted the Share Option Scheme on 21 September 2018 to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Please refer to the paragraph headed “Further information about our Directors, management and staff – 13. Share Option Scheme” in Appendix V to this prospectus.

After the Listing, our remuneration committee will review and determine the remuneration and compensation packages of our Directors and senior management with reference to the salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

During the Track Record Period, no remuneration was paid by our Group to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Group. No compensation was paid by our Group to, or receivable by, our Directors, past Directors or the five highest paid individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### EMPLOYEES

We recognise the importance of having a good relationship with our employees. The remuneration payable to the employees comprise, among others, salary, commission, discretionary bonus, retirement benefit scheme contributions as well as staff discounts on our services and products.

Our Directors confirmed that we have not experienced any significant problems with the recruitment and retention of experienced employees. In addition, we have not suffered from any material disruption of our normal business operations as a result of labour disputes or strikes.

### BOARD COMMITTEES

The audit committee, remuneration committee and nomination committee of our Company were approved to be established by resolution passed by our Board on 21 September 2018.

Each of the three committees has written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules (the “**Corporate Governance Code**”). The functions of the three committees are summarised as follows:

Committee	Mr. Yip	Ms. Fu	Mr. Chan	Mr. Khoo	Mr. Yu
Audit ( <i>Note</i> )			X*	X	X
Remuneration ( <i>Note</i> )		X	X	X*	
Nomination ( <i>Note</i> )	X*			X	X

*Note:* \* denotes chairman of committee

#### Audit Committee

Our Company established an audit committee on 21 September 2018 by a resolution of the Board passed on 21 September 2018 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraphs C3.3 and C3.7 of the Corporate Governance Code. The audit committee comprises three independent non-executive Directors, namely Mr. Chan, Mr. Khoo and Mr. Yu. Mr. Chan was appointed as the chairman of the audit committee. The primary duties of our audit committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the risk management and internal control systems of our Company.

#### Remuneration Committee

Our Company established a remuneration committee on 21 September 2018 by a resolution of the Board passed on 21 September 2018 with written terms of reference in compliance with Rules 5.34 to 5.36 of the GEM Listing Rules and paragraph B.1.2 of the Corporate Governance Code. The remuneration committee comprises one executive Director, Ms. Fu, and two independent non-executive Directors, namely Mr. Chan and Mr. Khoo. Mr. Khoo was appointed as the chairman of the remuneration committee. The primary functions of our remuneration committee are to make recommendations to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of our Group, review performance-based remuneration and ensure none of our Directors determine their own remuneration.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### Nomination Committee

Our Company established a nomination committee on 21 September 2018 by a resolution of the Board passed on 21 September 2018 with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code. The nomination committee comprises one executive Director, Mr. Yip, and two independent non-executive Directors, namely Mr. Khoo and Mr. Yu. Mr. Yip was appointed as the chairman of the nomination committee. The primary functions of our nomination committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement our Company's corporate strategy; identify individuals suitably qualified as potential Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of our independent non-executive Directors; and make recommendations to the Board on the appointment or reappointment of Directors and succession planning of Directors, in particular that of the chairman and the chief executive officer of our Company.

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports upon the Listing.

### COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, we have appointed Innovax Capital as the compliance adviser. The compliance adviser will have access to all relevant records and information relating to our Company that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular, or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (iii) where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry to our Company in accordance with Rule 17.11 of the GEM Listing Rules.

The term of appointment of the compliance adviser shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date.

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## SHARE CAPITAL

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### SHARE CAPITAL

The table as shown below assumes the Share Offer and the Capitalisation Issue have become unconditional and the issue of Shares pursuant thereto is made as described herein. It takes no account of any Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option and upon the exercise of the options which may be granted under the Share Option Scheme.

The authorised and issued share capital of our Company before and following the completion of the Capitalisation Issue and Share Offer are as follows:

HK\$

#### Authorised share capital:

<u>10,000,000,000</u>	Shares	<u>100,000,000</u>
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#### Shares in issue or to be issued, fully paid or credited as fully paid:

100	Shares in issue as at the date of this prospectus	1
599,999,900	New Shares to be issued pursuant to Capitalisation Issue	5,999,999
<u>200,000,000</u>	New Shares to be issued pursuant to the Share Offer (assuming the Offer Size Adjustment Option is not exercised at all) ( <i>Note</i> )	<u>2,000,000</u>
<u>800,000,000</u>	Total Shares (assuming the Offer Size Adjustment Option is not exercised at all) ( <i>Note</i> )	<u>8,000,000</u>

*Note:* If the Offer Size Adjustment Option is exercised in full, then 30,000,000 additional Shares will be issued resulting in a total issued share capital of 830,000,000 Shares with an aggregate nominal value of HK\$8,300,000.

### ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional and the issue of Shares pursuant to the Share Offer and the Capitalisation Issue are made. It takes no account of any Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option and upon the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

### MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

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## SHARE CAPITAL

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### RANKING

The Shares issued under the Share Offer will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalisation Issue.

### CIRCUMSTANCES WHERE GENERAL MEETING AND CLASS MEETING OF OUR COMPANY ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in the Articles, details of which are set out in the paragraph headed “2. Articles of Association – (e) Meetings of members – (iv) Notices of meetings and business to be conducted” in Appendix IV to this prospectus.

### SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed “Further information about our Directors, management and staff – 13. Share Option Scheme” in Appendix V to this prospectus.

### GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” in this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by the Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue (not including Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option and upon the exercise of any options which may be granted under the Share Option Scheme); and
- (b) the aggregate nominal value of the share capital of our Company repurchased (if any) pursuant to the authority granted to our Directors as referred to in the paragraph headed “General mandate to repurchase Shares” in this section below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the Offer Size Adjustment Option or upon the exercise of any options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company’s next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles; or
- (c) it is varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed “Further information about our Company and our subsidiaries – 3. Resolutions in writing of the sole Shareholder passed on 21 September 2018” in Appendix V to this prospectus.

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## SHARE CAPITAL

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### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus being fulfilled, our Directors have been granted a general mandate to exercise all the powers of our Company to purchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (not including Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option and upon the exercise of any options which may be granted under the Share Option Scheme).

This general mandate to repurchase Shares will remain in effect until:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company’s next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles; or
- (c) it is varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed “Further information about our Company and our subsidiaries – 3. Resolutions in writing of the sole Shareholder passed on 21 September 2018” in Appendix V to this prospectus.

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## FINANCIAL INFORMATION

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*You should read this section in conjunction with our audited combined financial statements, including the notes thereto, as set out in the Accountants' Report set out in Appendix I to this prospectus. Our audited combined financial statements have been prepared in accordance with HKFRS. You should read the Accountants' Report set out in Appendix I to this prospectus in its entirety and not rely merely on the information contained in this section. The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those anticipated in the forward-looking statements. Factors that may cause future results to differ significantly from those anticipated in the forward-looking statements as a result of various factors, including those discussed in the section headed "Risk Factors" and elsewhere in this prospectus. See the sections headed "Risk Factors" and "Forward-looking Statements" of this prospectus for further details.*

### OVERVIEW

We are a medical aesthetic service provider in Hong Kong and operate two medical aesthetic centres in the prime locations of Causeway Bay and Tsim Sha Tsui under our brand "per Face". We also operate two retail shops, namely the CWB Shop and TST Shop, each located in the same building complex of each of our medical aesthetic centres; and two retail and beauty counters, namely the HN Counters, in an upmarket department store in Central. We strive to provide holistic treatment solutions to our clients through our non-surgical medical aesthetic services, traditional beauty services and sale of skincare products. See the section headed "Business – Overview" for an overview of our business.

We recorded an increase in total revenue by approximately 40.1%, from approximately HK\$63.3 million for the year ended 31 March 2017 to approximately HK\$88.7 million for the year ended 31 March 2018. We also recorded an increase in net profit by approximately 16.5%, from approximately HK\$13.6 million for the year ended 31 March 2017 to approximately HK\$15.8 million for the year ended 31 March 2018.

### MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition have been and will continue to be affected by the following major factors:

#### **Growth of the medical aesthetic service industry in Hong Kong**

Our revenue growth and results of operations are highly affected by the market demand for medical aesthetic services in Hong Kong. Such demand is determined by an interplay of a number of factors such as consumer spending patterns, the prospects of Hong Kong's economy, and increasing acceptance of medical aesthetic services.

According to the Frost & Sullivan Report, the total revenue of the non-surgical medical aesthetic services market in Hong Kong reached HK\$4.4 billion in 2017 and is expected to increase to HK\$8.9 billion in 2022, representing a CAGR of 15.1%. Energy-based procedures accounted for 70.5% of non-surgical medical aesthetic services in 2017, generating an income of HK\$3.1 billion in 2017. This segment is expected to reach HK\$6.0 billion in 2022, representing a CAGR of 14.1%. Such growth was supported by the factors stated in the section headed "Industry Overview" in this prospectus, as well as the technological advancement and increasing market acceptance of medical aesthetic services, and in particular, energy-based procedures and minimally invasive procedures. As an established medical aesthetic service provider, we believe that we are well-positioned to capitalise on the anticipated growth of the medical aesthetic service industry in Hong Kong. If the market demand of our services and client spendings slow down, our financial and business performance may be adversely affected.

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## FINANCIAL INFORMATION

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### **Ability to maintain a strong brand recognition**

We believe a strong brand recognition for being a safe, reliable and quality service provider is of utmost importance in the medical aesthetic service industry as medical aesthetic procedures intrinsically carry certain health risks.

In order to enhance the public awareness of our brands in both current and potential markets and to increase our client base, retain our current clients and increase overall sales revenue, we advertise through a variety of marketing channels. These marketing channels include members referral programme, offering trial price for new clients, online marketing and promotional gift giveaways. Our marketing expenses were approximately HK\$1.3 million and HK\$5.6 million for the years ended 31 March 2017 and 2018, respectively, representing approximately 2.1% and 6.3%, respectively, of our total revenue for the same periods and our total revenue has increased by 40.1% during the same periods. Our revenue, and therefore, profitability is directly affected by the effectiveness of our marketing and promotional efforts, in particular the promotional gifts to existing clients to attract them to perform the high-priced treatments which we launched in the last calendar quarter of 2016.

In addition, owing to the personalised nature of medical aesthetic services, it is very important for us to strive to enhance client satisfaction with our quality services and to meet the specific needs of our clients. We believe that our ability to offer our clients with a remarkable holistic treatment experience has resulted in enhanced client satisfaction and strengthened client affinity to our brand, thereby enhancing client loyalty and driving repeat clients and client referrals. For the two years ended 31 March 2018, the number of repeat clients we served were 3,346 and 4,011, respectively, representing approximately 76.6% and 79.9% of the number of active clients we served in the respective periods.

### **Ability to keep abreast of the latest technology and maintain quality of our services**

Medical aesthetic technology has been advancing rapidly in recent years and it is expected that new treatment devices and know-how will continue to emerge. In order to maintain our competitiveness, we are keen to ensure that we are kept abreast of the latest technology. Our chief executive officer and our marketing and business development department attend industry expositions from time to time to keep up with the prevailing technologies and our marketing and business development department also conducts market research on the prevailing treatment technologies, treatment consumables and skincare products to meet the increasing demand of our clients. From time to time, our Doctors attend industry conferences, seminars and workshops as well as seminars organised by our suppliers on topics such as minimally invasive procedures and energy-based procedures to keep abreast of the latest developments in the medical aesthetic service industry. We are also committed to provide professional training to our trained therapists in order to provide quality services to our clients. As at the Latest Practicable Date, we had 21 trained therapists who had completed our mandatory induction training programme and passed the internal assessments set by our Doctors, and over 85% of these trained therapists had also obtained at least a Level 3 Statement of Attainment under the RPL and/or an ITEC Level 2 Diploma for Beauty Specialists. See “Business – Our professional team – Trained therapists” in this prospectus for further details of these qualifications. Our trained therapists also need to attend regular internal refresher courses to keep up with the latest developments in the medical aesthetic service industry and undergo ongoing internal assessments. If we are unable to keep up with the latest advance in treatment technology and enhance the variety of treatments provided, we may lose our competitiveness and our business performance and financial results may be adversely affected.

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## FINANCIAL INFORMATION

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### **Major costs of operating our business**

As a medical aesthetic service provider, our business incurs a number of operating costs, including staff costs, rental, costs of treatment consumables and consultancy fees for our Doctors. We need to generate sufficient revenue to cover these operating costs in order to maintain our profitability. Our ability to control our major operating costs, especially staff costs and rental expenses, significantly affects our business and results of operations.

In respect of staff costs and consultancy fees for our staff and Doctors, it is our approach to offer competitive wages, consultancy fees and/or other benefits to recruit and retain quality registered medical practitioners, therapists, sales consultants and other supporting staff. Our staff costs, which include salaries, bonuses and other employee benefits, increased from approximately HK\$23.3 million for the year ended 31 March 2017 to approximately HK\$31.1 million for the year ended 31 March 2018 and accounted for approximately 36.8% and 35.1% of our total revenue for the two years ended 31 March 2018 respectively. Our consultancy fee for Doctors increased from approximately HK\$1.6 million for the year ended 31 March 2017 to approximately HK\$4.7 million for the year ended 31 March 2018 and accounted for approximately 2.5% and 5.3% of our total revenue for the two years ended 31 March 2018, respectively.

As our medical aesthetic centres and Retail/Service Outlets are strategically located at prime locations in Tsim Sha Tsui, Causeway Bay and Central, rental expenses are relatively high compared to non-prime areas in Hong Kong and we expect that rental expenses will continue to be a significant part of our operating costs. Rental and related expenses remained stable from approximately HK\$10.6 million for the year ended 31 March 2017 to approximately HK\$10.5 million for the year ended 31 March 2018 and accounted for approximately 16.7% and 11.9% of our revenue for the two years ended 31 March 2018, respectively. As stipulated in the tenancy agreements of our medical aesthetic centres, our rental expenses are subject to increments.

Our profitability will be affected substantially by the high level of our operating costs. See the paragraph headed “Description of components of combined statements of profit or loss and other comprehensive income” in this section for a sensitivity analysis on our profit before taxation for hypothetical changes in our major operating costs.

### **Retention of our Doctors and trained therapists**

The availability and quality of our treatment services and the amount of revenue derived therefrom depend largely on our ability to retain our Doctors and trained therapists. For the two years ended 31 March 2018, our revenue from treatment services accounted for approximately 96.2% and 95.2% of our total revenue, respectively, and our Doctors and trained therapists contributed approximately 22.3% and 77.7%; and 14.9% and 85.1% of our revenue from treatment services, respectively, during the same periods. During the Track Record Period, our Group did not experience any material adverse impact on our operations or fluctuation in revenue due to the departure of our Doctors or trained therapists. Should some of our Doctors and/or trained therapists resign, and suitable replacements at comparable remuneration levels are not available in a timely manner, we may experience a decrease in revenue and/or increase in staff costs/consultancy fee, which in turn may bring adverse impact to our results of operation.

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## FINANCIAL INFORMATION

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### Regulations of the medical aesthetic service industry

Our business is subject to certain rules and regulations in relation to registered medical practitioners, trade description and safety of consumer goods, medical advertisement, importation and dealing in skincare products and clinical waste disposal. Any changes in existing laws and regulations, or any new laws or regulations may have significant impact on our business model or render it more restrictive for us to conduct our business. It is vital for us to be responsive to such changes within a short period of time, and the failure to sufficiently and promptly respond to such changes may affect our financial condition and results of operations. Compliance with new rules, laws and regulations may increase our operating costs and in turn, lower our profit margins.

### BASIS OF PRESENTATION

In preparation for the Listing, the companies comprising our Group underwent Reorganisation, our Company has become the holding company of the companies now comprising our Group on 17 September 2018. Dermaglow, Worldwide Beauty, Per Face Institute, Fortune Marvel and Flourish Capital are controlled by the Controlling Shareholders before and after Reorganisation. Accordingly, the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of our Group for the Track Record Period have been prepared under the principles of merger accounting in accordance with “Accounting Guideline 5 – Merger Accounting for Common Control Combinations” issued by the HKICPA before the completion of the Reorganisation.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of our Group for the Track Record Period include the results, changes in equity and cash flows of the companies now comprising our Group as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation, which is a shorter period. The combined statements of financial position of our Group as at 31 March 2017 and 2018 have been prepared to present the assets and liabilities of the companies now comprising our Group as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation, where applicable.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of the results of operations and financial position of our Group in this prospectus is based on the combined financial statements prepared in accordance with the HKFRS issued by the HKICPA.

In applying the accounting policies set forth in note 4 to the Accountants’ Report set out in Appendix I to this prospectus, we are required to make judgements, estimates and assumptions on certain accounting items, particularly revenue. The estimates and associated assumptions are based on our historical experience and various other relevant factors that we believe are reasonable under the circumstances. The determination of these items requires management’s judgements based on information and financial data that may change in the future periods, and as a result, actual results could differ significantly from those estimates. When reviewing our financial information, you should consider (i) our selection of significant accounting policies; (ii) the judgement and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. See note 5 to the Accountants’ Report set out in Appendix I to this prospectus for details.

We believe the following accounting policies are important to the preparation of our audited financial statements. For further details, please refer to note 4 to the Accountant’s Report set out in Appendix I to this prospectus.

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## FINANCIAL INFORMATION

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### **Revenue recognition**

Revenue is measured based on the consideration specified in a contract with a customer. Our Group recognises revenue when we transfer control of a product or render service to a customer. We recognise revenue from the following major sources: (i) provision of treatment services; (ii) sale of skincare products; and (iii) expiry of prepaid treatments.

We have elected to early adopt HKFRS 15 “Revenue from Contracts with Customers” throughout the Track Record Period. As the timing and amounts of revenue recognised under HKFRS 15 is similar to HKAS 18, our Directors are of the view that the adoption of HKFRS 15 will not have any significant impact on our Group’s financial position and performance compared to that of adoption of HKAS 18.

### ***Provision for medical aesthetic services and expiry of prepaid treatments***

Revenue from the rendering of services is recognised when the services have been rendered to the customers.

The services are usually sold on a prepaid basis. Payments received for the prepaid packages are recorded as deferred revenue at the time of receipt.

Deferred revenue is non-refundable and customers may not utilise all of their contracted rights within the service period. Such unutilised service treatments are referred to as breakage. An expected breakage amount in deferred revenue is determined by historical experience and is recognised as revenue in proportion to the pattern of service treatments utilised by the customers.

Any deferred revenue outstanding at the expiry of the service period is fully recognised in the profit or loss.

### ***Sale of skincare products***

Revenue from the sale of skincare products is recognised when control of the goods has been transferred at the point our client purchases the goods at our medical aesthetic centres and/or Retail/Service Outlets. Payment of the transaction price is due immediately at the point our client purchases the goods.

### **Property, plant and equipment**

#### ***Depreciation expenses***

Our management determines the estimated useful lives and depreciation method in determining the related depreciation expenses for its property, plant and equipment. This estimate is based on our management’s experience of the actual useful lives of property, plant and equipment of similar nature and functions. We will also write-off or writedown the carrying value of the items which are technically obsolete or non-strategic assets that have been abandoned. Actual economic useful lives may differ from estimated economic useful lives.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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Depreciation is provided to write off the cost of items of property, plant and equipment over their estimate useful lives, using the straight-line method, at the following rates per annum:

– Leasehold land and buildings	Over the shorter of the lease terms or 50 years
– Leasehold improvements	Over the shorter of the lease terms or 5 years
– Furniture and fixtures	20%
– Treatment devices	20%
– Motor vehicle	20%

### ***Leasing***

Leases are classified as finance leases whenever the terms of the leases provide for the transfer of substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of our Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in the combined statements of profit or loss and other comprehensive income unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with our Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

### ***Leasehold land and building***

When our Group makes payments for a property interest which includes both leasehold land and building elements, we assess the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to our Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease.

### **Deferred costs**

The incremental costs of obtaining a contract with a customer, which represent sales commissions paid or payable to staff, are recognised as deferred costs in the combined statements of financial position. Such costs are recognised in the combined statements of profit or loss and other comprehensive income in the period in which the deferred revenue to which they relate is recognised as revenue.

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### Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current tax liabilities are measured at the amount expected to be paid to the taxation authorities, based on applicable tax rates (and tax laws) at the end of each financial year. Hong Kong profits tax has been provided at a rate of 16.5%. Our Group is not subject to any income tax in the Cayman Islands and the BVI pursuant to the regulations of the Cayman Islands and the BVI.

Deferred tax is provided on all temporary differences at the end of each financial year between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

### SUMMARY OF RESULTS OF OPERATIONS

#### Combined statements of profit or loss and other comprehensive income

	For the year ended	
	31 March	
	2017	2018
	HK\$'000	HK\$'000
Revenue	63,276	88,659
Cost of inventories and consumables	(4,563)	(7,447)
Other income	1,156	1,207
Staff costs	(23,288)	(31,100)
Rental and related expenses	(10,579)	(10,527)
Depreciation	(2,141)	(3,089)
Listing expenses	–	(1,150)
Other expenses	(6,848)	(16,289)
Finance costs	(1,060)	(869)
	<u>15,953</u>	<u>19,395</u>
Profit before taxation	15,953	19,395
Taxation	(2,354)	(3,546)
	<u>13,599</u>	<u>15,849</u>
Profit for the year	<u>13,599</u>	<u>15,849</u>

### DESCRIPTION OF COMPONENTS OF COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

#### Revenue

Our revenue is derived from (i) the provision of treatment services; (ii) the sale of skincare products; and (iii) expiry of prepaid treatments. Our total revenue amounted to approximately HK\$63.3 million for the year ended 31 March 2017 and approximately HK\$88.7 million for the year ended 31 March 2018, representing a growth rate of approximately 40.1%.

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Set forth below is a breakdown of our revenue during the Track Record Period:

	<b>For the year ended 31 March</b>			
	<b>2017</b>		<b>2018</b>	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Provision of treatment services	60,898	96.2	84,385	95.2
Sale of skincare products	1,636	2.6	2,232	2.5
Revenue from expiry of prepaid treatments	<u>742</u>	<u>1.2</u>	<u>2,042</u>	<u>2.3</u>
	<u><u>63,276</u></u>	<u><u>100.0</u></u>	<u><u>88,659</u></u>	<u><u>100.0</u></u>

**(i) Revenue from treatment services**

During the Track Record Period, most of our revenue was derived from treatment services, which can be broadly classified as non-surgical medical aesthetic services and traditional beauty services. Revenue from treatment services amounted to approximately HK\$60.9 million and HK\$84.4 million for the two years ended 31 March 2018, respectively; representing approximately 96.2% and 95.2% of our total revenue for the respective years.

Set forth below is a breakdown of our revenue from treatment services during the Track Record Period:

	<b>For the year ended 31 March</b>			
	<b>2017</b>		<b>2018</b>	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Non-surgical medical aesthetic services	55,989	91.9	79,072	93.7
Traditional beauty services	<u>4,909</u>	<u>8.1</u>	<u>5,313</u>	<u>6.3</u>
	<u><u>60,898</u></u>	<u><u>100.0</u></u>	<u><u>84,385</u></u>	<u><u>100.0</u></u>

**(1) Non-surgical medical aesthetic services**

Non-surgical medical aesthetic services accounted for a majority of our revenue from treatment services in the Track Record Period. Revenue from non-surgical medical aesthetic services amounted to approximately HK\$56.0 million and HK\$79.1 million for the two years ended 31 March 2018, respectively; representing approximately 91.9% and 93.7% of our total revenue from treatment services for the respective years.

**(A) Breakdown by type of treatment provided**

- (1) Set forth below is a breakdown of our revenue from non-surgical medical aesthetic services by the type of treatment provided:

	<b>For the year ended 31 March</b>			
	<b>2017</b>		<b>2018</b>	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Energy-based procedures	48,255	86.2	71,397	90.3
Minimally invasive procedures	<u>7,734</u>	<u>13.8</u>	<u>7,675</u>	<u>9.7</u>
Total revenue from non-surgical medical aesthetic services	<u><u>55,989</u></u>	<u><u>100.0</u></u>	<u><u>79,072</u></u>	<u><u>100.0</u></u>

## FINANCIAL INFORMATION

### *Energy-based procedures*

Energy-based procedures involve the use of energy-based treatment devices, such as laser, radiofrequency, ultrasound, iontophoresis and cryolipolysis, to achieve certain aesthetic effects, such as facial and body contouring, skin rejuvenation, pigment improvement and skin tightening.

Energy-based procedures accounted for a majority of our total revenue from treatment services in the Track Record Period. Revenue from energy-based procedures amounted to approximately HK\$48.3 million and HK\$71.4 million for the two years ended 31 March 2018, respectively; representing approximately 86.2% and 90.3% of our total revenue from non-surgical medical aesthetic services for the respective years.

### *Minimally invasive procedures*

Minimally invasive procedures are procedures intended to shape a person's face or body or to stimulate hair follicles by injections of certain materials without surgical incisions. We offer injection procedures for aesthetic enhancement including facial and body contouring, wrinkle reduction, hyperhidrosis, skin rejuvenation and stimulation of hair follicles.

Revenue from minimally invasive procedures remained stable throughout the Track Record Period, and amounted to approximately HK\$7.7 million and HK\$7.7 million for the two years ended 31 March 2018, respectively, representing approximately 13.8% and 9.7% of our total revenue from non-surgical medical aesthetic services for the respective years.

The minimally invasive procedures that generated most revenue include injection of dermal fillers and injection of botulinum toxin type A. See the section headed "Business – Our services – Non-surgical medical aesthetic services – Minimally invasive procedures" in this prospectus for details of these treatment procedures and the intended aesthetic effects and pricing of these treatments.

### (B) Breakdown by Doctors and trained therapists

Set forth below is a breakdown of our revenue from treatment services performed by our Doctors and trained therapists:

	<b>For the year ended 31 March</b>			
	<b>2017</b>		<b>2018</b>	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Doctors	13,598	22.3	12,561	14.9
Trained therapists	<u>47,300</u>	<u>77.7</u>	<u>71,824</u>	<u>85.1</u>
 Total revenue from treatment services	 <u><u>60,898</u></u>	 <u><u>100.0</u></u>	 <u><u>84,385</u></u>	 <u><u>100.0</u></u>

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As at the Latest Practicable Date, our clients were served by our four Doctors and 21 trained therapists. The percentage of revenue from treatment services contributed by our Doctors and trained therapists was approximately 22.3% and 77.7% for the year ended 31 March 2017, respectively, and approximately 14.9% and 85.1% for the year ended 31 March 2018, respectively. It is our Company's generally adopted practice that all high risk treatment procedures are to be performed by our Doctors only, whereas our trained therapists will perform all low risk treatment procedures. See the section headed "Business – Our services" in this prospectus for further details. The increase in revenue contributed by trained therapists for the year ended 31 March 2018 was primarily a result of our introduction of a number of high-priced energy-based treatment procedures since the last calendar quarter of 2016 which were primarily performed by our trained therapists, such as PICO whitening, depigmenting and rejuvenating treatments, Thermage treatment and Ultra V HIFU treatment.

(C) Average annual spending per active client and average spending per treatment session

The following table illustrates our total revenue from non-surgical medical aesthetic services, number of active clients, average annual spending per active client, number of treatment sessions conducted and average spending per treatment session for the years indicated:

	<b>Year ended 31 March</b>	
	<b>2017</b>	<b>2018</b>
<b>In relation to non-surgical medical aesthetic services</b>		
Total revenue ( <i>HK\$'000</i> )	55,989	79,072
Number of active clients	3,609	4,310
Average annual spending per active client ( <i>HK\$</i> )	15,514	18,346
Number of treatment sessions conducted	43,925	45,660
Average spending per treatment session ( <i>HK\$</i> )	1,275	1,732

The average annual spending per active client for non-surgical medical aesthetic services increased by approximately 18.3% from approximately HK\$15,513.8 for the year ended 31 March 2017 to approximately HK\$18,346.1 for the year ended 31 March 2018. The number of treatment sessions conducted increased by approximately 3.9% from approximately 43,925 for the year ended 31 March 2017 to approximately 45,660 for the year ended 31 March 2018. The average spending per treatment session increased by 35.8% from approximately HK\$1,275 for the year ended 31 March 2017 to approximately HK\$1,732 for the year ended 31 March 2018. The increase in average annual spending per active client and average spending per treatment session was driven by the introduction of certain relatively high-priced energy-based treatment procedures, such as Thermage treatment, PICO whitening, depigmenting and rejuvenating treatments and Ultra V HIFU treatment, since the last calendar quarter of 2016.

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### *(2) Traditional beauty services*

Our traditional beauty services include procedures intended to improve the physical appearance and/or the skin condition of our clients, such as facial as well as nail and lash services, and are performed by our trained therapists. These services are non-medical and non-invasive in nature and hence of low risk and cost.

Revenue from traditional beauty services amounted to approximately HK\$4.9 million and HK\$5.3 million for the two years ended 31 March 2018, respectively, representing approximately 8.1% and 6.3% of our total revenue from treatment services for the respective years.

### *(ii) Revenue from sale of skincare products*

We offered seven brands of skincare products for sale as at the Latest Practicable Date. The skincare products offered by us are supplied by distributors and trading companies engaged by branded skincare labels. The countries of origin of our skincare products include the United States, the United Kingdom, Korea, New Zealand and France.

Revenue from the sale of skincare products amounted to approximately HK\$1.6 million and HK\$2.2 million for the two years ended 31 March 2018, respectively; representing approximately 2.6% and 2.5% of our total revenue for the respective years.

### *(iii) Revenue from expiry of prepaid treatments*

We offer one-off treatment and multiple treatment sessions to our clients. Our sales consultants, whose main duty is to conclude sales transactions with clients after consultation, can only market to clients those treatment procedures which are suitable to them or as recommended by our Doctors. Furthermore, the sales consultants are required to ensure the quantity of treatments purchased by clients can be reasonably utilised within the validity period of the package. Our general manager of operation and/or operation manager monitors (i) the prepaid packages sales pattern by reviewing the sales report on a daily basis to identify any potential excessive sale by our sales consultants; and (ii) the status of utilisation of prepaid packages on a monthly basis for arranging treatment appointments for clients by our sales consultants.

Receipts from prepaid packages are recorded as deferred revenue in the combined statements of financial position at the point of sales and are recognised as revenue in the combined statements of profit or loss and other comprehensive income when the relevant treatments are rendered to our clients. Our standard prepaid packages generally have a validity period of up to 24 months from the date of purchase. Upon expiry of the validity period, the remaining deferred revenue in respect of the prepaid packages not utilised will be recognised as revenue from expiry of prepaid treatments. If the relevant client is considered to be a client with good spending history with us, our sales consultant will extend the validity of the prepaid package for such client if such client requests for an extension upon being notified that his/her prepaid package will soon be expired. Apart from clients who have good spending history with us, we may also, with the final approval of our general manager of operation and/or operation manager on a case-by-case basis and in their absolute discretion, allow other clients to extend the validity period of the prepaid packages for an appropriate period.

Revenue from expiry of prepaid treatments amounted to approximately HK\$0.7 million and approximately HK\$2.0 million for the two years ended 31 March 2018, respectively, representing only approximately 1.2% and 2.3% of our total revenue for the respective years.

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### Cost of inventories and consumables

Our cost of inventories and consumables comprised the cost of treatment consumables, skincare products and medications. Examples of treatment consumables include replaceable tips and heads of treatment devices, and treatment medications and injectables.

The cost of inventories and consumables amounted to approximately HK\$4.6 million and HK\$7.4 million for the two years ended 31 March 2018, respectively, representing approximately 7.2% and 8.4% of our total revenue for the respective years.

### Other income

Set forth below is a breakdown of other income during the Track Record Period:

	<b>Year ended 31 March</b>	
	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income from life insurance contracts	1,032	1,038
Others	<u>124</u>	<u>169</u>
Total	<u><u>1,156</u></u>	<u><u>1,207</u></u>

Interest income from life insurance contracts refers to the imputed interest income from the life insurance policies taken out by Dermaglow with an insurance company and a bank to insure the lives of Mr. Yip and/or Ms. Fu for the benefit of Dermaglow.

Others mainly represent insurance claims from water damage of the CWB Shop.

### Staff costs

Set forth below is a breakdown of our staff costs during the Track Record Period:

	<b>Year ended 31 March</b>			
	<b>2017</b>		<b>2018</b>	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Management	2,769	11.9	4,648	14.9
Trainers, trained therapists and trainee therapists	8,364	35.9	9,236	29.7
Sales and operations	8,818	37.9	8,829	28.4
Administrative and back office	<u>3,337</u>	<u>14.3</u>	<u>8,387</u>	<u>27.0</u>
	<u><u>23,288</u></u>	<u><u>100.0</u></u>	<u><u>31,100</u></u>	<u><u>100.0</u></u>

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Staff costs represented the largest portion of our operating costs during the Track Record Period. Our staff costs amounted to approximately HK\$23.3 million and HK\$31.1 million for the two years ended 31 March 2018, respectively, representing approximately 36.8% and 35.1% of our total revenue for the respective years. The remuneration package of our employees includes basic salary, commission, discretionary bonus and retirement benefit scheme contributions. As at 31 March 2017 and 2018, we had 64 and 74 employees, respectively.

For illustration purposes, we set out below a sensitivity analysis of the estimated increase/decrease in our profit before taxation for the respective periods with reference to a hypothetical change in staff costs during the Track Record Period. The sensitivity analysis is performed with reasonably possible changes based on historical fluctuations, and assuming all other factors remain unchanged:

	Hypothetical increase/ decrease by 3%	Hypothetical increase/ decrease by 6%	Hypothetical increase/ decrease by 9%
Decrease/Increase in our profit before taxation:			
for the year ended 31 March 2017	699	1,397	2,096
for the year ended 31 March 2018	933	1,866	2,799

### Rental and related expenses

Property rental and related expenses amounted to approximately HK\$10.6 million and HK\$10.5 million for the two years ended 31 March 2018, respectively, which represented rental payments and license fees for our medical aesthetic centres and Retail/Service Outlets. The rental expenses of our medical aesthetics centres are subject to increments during the term of the relevant tenancy agreements. The contingency fees of our Retail/Service Outlets are determined either as a percentage of revenue, or the higher of a fixed fee and a certain percentage of the gross revenue of each Retail/Service Outlet.

For illustration purposes, we have set out below a sensitivity analysis of the estimated increase/decrease in our profit before taxation for the respective years with reference to a hypothetical change in property rental and related expenses during the Track Record Period. The sensitivity analysis is performed with reasonably possible changes based on historical fluctuations, and assuming all other factors remain unchanged:

	Hypothetical increase/ decrease by 4%	Hypothetical increase/ decrease by 8%	Hypothetical increase/ decrease by 12%
	<i>HK\$*000</i>	<i>HK\$*000</i>	<i>HK\$*000</i>
Decrease/Increase in our profit before taxation:			
for the year ended 31 March 2017	423	846	1,269
for the year ended 31 March 2018	421	842	1,263

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### Depreciation expenses

Depreciation expenses amounted to approximately HK\$2.1 million and HK\$3.1 million for the two years ended 31 March 2018, respectively, which primarily represented depreciation expenses for our property, plant and equipment, including leasehold land and buildings, leasehold improvements, furniture and fixtures, treatment devices and motor vehicles.

### Other expenses

Other expenses amounted to approximately HK\$6.8 million and HK\$16.3 million for the two years ended 31 March 2018, respectively. The following table sets forth a breakdown of other expenses for the years indicated:

	Notes	Year ended 31 March	
		2017 HK\$'000	2018 HK\$'000
Consultancy fee for Doctors	1	1,588	4,727
Card commission	2	1,737	2,266
Marketing and promotion	3	1,347	5,584
Repair and maintenance	4	377	682
Professional fees	5	72	181
Insurance		551	695
Office and training expenses		670	1,083
Others	6	<u>506</u>	<u>1,071</u>
		<u>6,848</u>	<u>16,289</u>

*Notes:*

- Our Doctors are hired on a consultancy basis, hence they are not classified as our employees and their compensation have not been included in our staff costs.
- Card commission represented commission charged by the credit card issuing financial institutions and EPS for sales at our medical aesthetic centres and our Retail/Service Outlets settled by credit cards and EPS.
- Marketing and promotion expenses mainly included online marketing expenses (such as search engine marketing, social media marketing and search engine optimisation) and the costs of promotional gifts given to clients who purchased our prepaid packages over a certain monetary value, staff messing and welfare and entertainment.
- Repair and maintenance expenses were mainly incurred for our treatment devices.
- Professional fees mainly included audit fees and tax representative professional fees.
- Others included recruitment, printing, stationery, information technology system maintenance, travelling and other miscellaneous expenses.

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## FINANCIAL INFORMATION

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### Finance costs

	Year ended 31 March	
	2017	2018
	HK\$'000	HK\$'000
Interests on:		
Bank borrowings	1,006	804
Obligations under finance leases	<u>54</u>	<u>65</u>
	<u>1,060</u>	<u>869</u>

Finance costs amounted to approximately HK\$1.1 million and HK\$0.9 million for the two years ended 31 March 2018, respectively, which represented interests on bank borrowings and obligations under finance leases. For further details, please refer to note 22 and note 23 to the Accountants' Report set out in Appendix I to this prospectus.

### Taxation

Income tax expense comprises current tax and deferred tax. Pursuant to the rules and regulations of the Cayman Islands and the BVI, our Group is not subject to any income tax in the Cayman Islands and the BVI. The Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at a rate of 16.5% during the Track Record Period.

### YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

#### Comparison of results for year ended 31 March 2017 and year ended 31 March 2018

##### Revenue

Our revenue increased by approximately HK\$25.4 million, or approximately 40.1%, from approximately HK\$63.3 million for the year ended 31 March 2017 to approximately HK\$88.7 million for the year ended 31 March 2018.

##### (i) Revenue from treatment services

Revenue from treatment services increased by approximately HK\$23.5 million, or approximately 38.6%, from approximately HK\$60.9 million for the year ended 31 March 2017 to approximately HK\$84.4 million for the year ended 31 March 2018. Such increase was mainly driven by increase in the provision of energy-based procedures, in which revenue increased by 48.0%, from approximately HK\$48.3 million for the year ended 31 March 2017 to approximately HK\$71.4 million for the year ended 31 March 2018.

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## FINANCIAL INFORMATION

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PICO whitening, depigmenting and rejuvenating treatments, Thermage treatment, Ultra V HIFU treatment and Coolsculpting treatment are the energy-based procedures that contributed a substantial part of the increase in our revenue for the year ended 31 March 2018. The total revenue generated from these energy-based procedures amounted to approximately HK\$7.1 million and HK\$27.2 million for the two years ended 31 March 2018, respectively, representing an increase of approximately HK\$20.1 million or 282.9% increase in revenue during the same periods. This illustrated our successful strategy in acquiring prevailing treatment devices to launch some high-priced energy-based procedures and our active promotion of these treatment procedures in the last calendar quarter of 2016, giving us the benefit of a full year of revenue growth for the year ended 31 March 2018. As a result of the above, (i) the average annual spending per active client for non-surgical medical aesthetic services increased by approximately 18.3%, from HK\$15,513.8 for the year ended 31 March 2017 to HK\$18,346.1 for the year ended 31 March 2018, and (ii) the average spending per treatment session from our non-surgical medical aesthetic services increased by approximately 35.8%, from HK\$1,275 for the year ended 31 March 2017 to HK\$1,732 for the year ended 31 March 2018.

Revenue from minimally invasive procedures remained stable and was recorded as approximately HK\$7.7 million for the two years ended 31 March 2018.

Revenue from traditional beauty services slightly increased from approximately HK\$4.9 million for the year ended 31 March 2017 to approximately HK\$5.3 million for the year ended 31 March 2018. The increase was mainly due to the increase in revenue from facial services, the effect of which is partially offset by the decrease in revenue from nail and lash services.

*(ii) Revenue from sale of skincare products*

Revenue from the sale of skincare products increased by approximately HK\$0.6 million, or approximately 36.4%, from approximately HK\$1.6 million for the year ended 31 March 2017 to approximately HK\$2.2 million for the year ended 31 March 2018. As our skincare products complement and enhance the results of our non-surgical medical aesthetic treatments, the sale of our skincare products had increased along with the increase in revenue from non-surgical medical aesthetic treatments.

*(iii) Revenue from expiry of prepaid treatments*

Revenue from expiry of prepaid treatments increased by approximately HK\$1.3 million, or approximately 175.2%, from approximately HK\$0.7 million for the year ended 31 March 2017 to approximately HK\$2.0 million for the year ended 31 March 2018 as a result of an increase in the number of prepaid packages that were not fully utilised by our clients.

**Other income**

Other income remained stable, and amounted to approximately HK\$1.2 million for the year ended 31 March 2017 and approximately HK\$1.2 million for the year ended 31 March 2018. Other income are mainly imputed interest income from life insurance contracts in which Dermaglow is the beneficiary and policy holder. See the paragraph headed “Description of components of combined statements of profit or loss and other comprehensive income – Other income” for details.

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## FINANCIAL INFORMATION

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### ***Cost of inventories and consumables***

Our cost of inventories and consumables increased by approximately HK\$2.9 million, or approximately 63.2%, from approximately HK\$4.6 million for the year ended 31 March 2017 to approximately HK\$7.4 million for the year ended 31 March 2018. Such increase was primarily attributable to the increase in consumption of treatment consumables as a result of an increase in the number of treatments performed during the Track Record Period. The percentage increase in our cost of inventories and consumables exceeded the percentage increase in our total revenue from treatment services because more expensive treatment consumables were used for several energy-based treatment procedures during the year ended 31 March 2018. These treatments include hydrating lifting treatment, Ultherapy treatment and Coolsculpting treatment, and their treatment consumables include replaceable tips and heads for the treatment devices. As a result, average unit cost of treatment consumables for the year ended 31 March 2018 increased by approximately 28.8% compared to the year ended 31 March 2017.

### ***Staff costs***

Staff costs increased by approximately HK\$7.8 million, or approximately 33.5%, from approximately HK\$23.3 million for the year ended 31 March 2017 to approximately HK\$31.1 million for the year ended 31 March 2018. Such increase was primarily attributable to (i) the increase in commission paid to our sales consultants and therapists which was in line with increase in revenue; (ii) the hiring of additional staff in our marketing department, accounting, and human resources and administrative department along with the business expansion of our Group; and (iii) the increase in salaries and bonuses paid to our senior management. The total number of staff increased from 64 as at 31 March 2017 to 74 as at 31 March 2018.

### ***Rental and related expenses***

Property rental and related expenses slightly decreased throughout the Track Record Period, from approximately HK\$10.6 million for the year ended 31 March 2017 to approximately HK\$10.5 million for the year ended 31 March 2018. Such slight decrease was primarily attributable to (i) the closure of our First Retail and Beauty Counter in January 2017, which had reduced our rental expense for the year ended 31 March 2018; (ii) the savings on office rental expenses as we have moved into our self-owned Headquarters in January 2018; the effect of which is offset by (a) the full year of rental effect of our CWB Shop (the lease commenced in November 2016), and (b) the increase in rental for our medical aesthetic centres as stipulated in the relevant tenancy agreements.

### ***Depreciation expenses***

Depreciation increased by approximately HK\$1.0 million, or approximately 44.3%, from approximately HK\$2.1 million for the year ended 31 March 2017 to approximately HK\$3.1 million for the year ended 31 March 2018. Such increase was mainly attributable to (i) the acquisition of new treatment devices to cope with our business expansion; (ii) the acquisition of our Headquarters; and (iii) the leasehold improvements for our Headquarters and medical aesthetic centres which are depreciated over useful life.

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### ***Other expenses***

Other expenses increased by approximately HK\$9.5 million, or approximately 137.9%, from approximately HK\$6.8 million for the year ended 31 March 2017 to approximately HK\$16.3 million for the year ended 31 March 2018. Such increase was mainly attributable to (i) the full year effect of the consultancy fees paid to our Doctors (one Doctor joined our Group in October 2016 and another Doctor joined in January 2017); (ii) the increase in card commission in line with increase in revenue; and (iii) the increase in marketing and promotion expenses from approximately HK\$1.3 million for the year ended 31 March 2017 to approximately HK\$5.6 million for the year ended 31 March 2018 to promote our business and expand our client base, such as social media marketing and promotional gift giveaways. Such promotional gifts included handbags, scarves, accessories and perfume from luxury brands and are used to attract our existing clients to perform the high-priced treatments launched since the last calendar quarter of 2016. We also devoted substantial marketing efforts for brand building and to strengthen our relationship with our suppliers and marketing media by organising networking lunch/dinner meetings with them and by inviting them to our 9th anniversary celebration event during the year ended 31 March 2018.

### ***Finance costs***

Finance costs decreased by approximately HK\$0.2 million, or approximately 18.0%, from approximately HK\$1.1 million for the year ended 31 March 2017 to approximately HK\$0.9 million for the year ended 31 March 2018. Such decrease was mainly attributable to full repayment of certain bank loans during the year ended 31 March 2018. There was no additional bank loans during the same year.

### ***Taxation***

Taxation increased by approximately HK\$1.2 million, or approximately 50.6%, from approximately HK\$2.4 million for the year ended 31 March 2017 to approximately HK\$3.5 million for the year ended 31 March 2018. Such increase was primarily due to an increase in our taxable profits because our revenue has increased for the year ended 31 March 2018. The effective tax rate for the two years ended 31 March 2018 were 14.8% and 18.3% respectively. The effective tax rate for the year ended 31 March 2017 was lower than that for the year ended 31 March 2018 due to utilisation of temporary difference of certain items including depreciation of treatment devices not recognised in the previous year. See note 11 to the Accountants' Report set out in Appendix I to this prospectus for details.

### ***Net profit***

As a result of the foregoing, our net profit increased by approximately HK\$2.3 million, or approximately 16.5%, from approximately HK\$13.6 million for the year ended 31 March 2017 to approximately HK\$15.8 million for the year ended 31 March 2018.

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### LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to satisfy our working capital and capital expenditure needs. We have historically financed our working capital and capital expenditure needs primarily through cash flow generated from operations, bank borrowings and funding from our Controlling Shareholders.

Going forward, we believe our liquidity requirements will be satisfied using net proceeds from the Share Offer, cash flow generated from operation and bank borrowings. For details of our future plans, see the section headed “Future Plans and Use of Proceeds” in this prospectus.

We regularly monitor our liquidity requirements to ensure that we maintain sufficient cash resources for our working capital and capital expenditure needs. During the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulties in settling our obligations in the normal course of business which would have had a material impact to our business, financial condition or results of operations

The following table summarises, for the respective years indicated, our combined statements of cash flows:

	As at 31 March	
	2017	2018
	HK\$'000	HK\$'000
Net cash from operating activities	27,123	20,114
Net cash (used in) from investing activities	(11,266)	21,552
Net cash used in financing activities	<u>(8,997)</u>	<u>(21,536)</u>
Net increase in cash and cash equivalents	6,860	20,130
Cash and cash equivalents at beginning of the year	<u>2,880</u>	<u>9,740</u>
Cash and cash equivalents at the end of the year, represented by bank balances and cash	<u><u>9,740</u></u>	<u><u>29,870</u></u>

### Cash flows from operating activities

Our sources of cash inflow from operating activities mainly include the receipts of payment for our prepaid packages. Our cash outflow from operations mainly comprised of payments for staff salary, rental, purchases of inventories, consultancy fees for Doctors and other operating costs.

For the year ended 31 March 2017, our net cash generated from operating activities amounted to approximately HK\$27.1 million. The net cash generated was mainly attributable to (i) our profit before taxation of approximately HK\$16.0 million; (ii) depreciation of approximately HK\$2.1 million; (iii) finance costs of approximately HK\$1.1 million; (iv) negatively adjusted for interest income of approximately HK\$1.0 million; (v) cash inflow from the increase in deferred revenue of approximately HK\$13.2 million; the effect of which is offset by (a) cash outflow from the increase in inventories of approximately HK\$1.0 million; (b) cash outflow from the increase in trade receivables, deposits and prepayments of approximately HK\$1.4 million; and (c) cash outflow in respect of Hong Kong profits tax paid of approximately HK\$0.9 million.

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For the year ended 31 March 2018, our net cash generated from operating activities amounted to approximately HK\$20.1 million. The net cash generated was mainly attributable to (i) our profit before taxation of approximately HK\$19.4 million; (ii) depreciation of approximately HK\$3.1 million; (iii) finance costs of approximately HK\$0.9 million; (iv) negatively adjusted for interest income of approximately HK\$1.0 million; (v) cash inflow from the increase in deferred revenue of approximately HK\$8.2 million; the effect of which is offset by (a) cash outflow from the increase in trade receivables, deposits and prepayments of approximately HK\$6.6 million; (b) cash outflow from the decrease in trade and other payables and accruals of approximately HK\$1.7 million; and (c) cash outflow in respect of Hong Kong profits tax paid of approximately HK\$0.8 million.

### **Cash flows from investing activities**

For the year ended 31 March 2017, our net cash used in investing activities amounted to approximately HK\$11.3 million, which was mainly attributable to (i) advances to Controlling Shareholders of approximately HK\$11.9 million and (ii) cash inflow due to repayments from Controlling Shareholders of approximately HK\$1.5 million.

For the year ended 31 March 2018, our net cash from investing activities amounted to approximately HK\$21.6 million, which was mainly attributable to (i) cash outflow mainly for the acquisition and renovation of our Headquarters amounting to approximately HK\$37.6 million; and (ii) advances to Controlling Shareholders of approximately HK\$3.5 million; the effect of which is offset by cash inflow due to repayments from Controlling Shareholders of approximately HK\$62.0 million.

### **Cash flows from financing activities**

For the year ended 31 March 2017, our cash used in financing activities were approximately HK\$9.0 million, which represented (i) interests paid of approximately HK\$1.1 million; (ii) repayments of obligations under finance leases of approximately HK\$1.9 million; and (iii) repayments of bank borrowings of approximately HK\$6.0 million.

For the year ended 31 March 2018, our cash used in financing activities were approximately HK\$21.5 million, which represented (i) interests paid of approximately HK\$0.9 million; (ii) Share issuance costs of approximately HK\$1.0 million; (iii) repayments of obligations under finance leases of approximately HK\$1.8 million; (iv) repayments of bank borrowings of approximately HK\$4.9 million; and (v) dividends declared and paid of approximately HK\$13.0 million.

## FINANCIAL INFORMATION

### Net current liabilities

The table below sets forth our current assets and current liabilities as at 31 March 2017, 31 March 2018 and 31 July 2018, respectively.

	As at 31 March		As at
	2017	2018	31 July
	HK\$'000	HK\$'000	HK\$'000
			(unaudited)
<b>Current assets</b>			
Inventories	2,301	2,864	5,230
Trade receivables, deposits and prepayments	10,474	16,982	14,562
Deferred costs	1,415	1,924	2,257
Amounts due from Controlling Shareholders	58,804	279	–
Bank balances and cash	<u>9,740</u>	<u>29,870</u>	<u>24,632</u>
Total current assets	<u>82,734</u>	<u>51,919</u>	<u>46,681</u>
<b>Current liabilities</b>			
Trade and other payables and accruals	5,866	2,118	3,068
Deferred revenue	54,640	62,812	64,214
Tax payable	2,012	4,349	4,910
Bank borrowings	26,572	21,644	20,123
Obligations under finance leases	1,464	701	1,044
Provisions	<u>308</u>	<u>–</u>	<u>–</u>
Total current liabilities	<u>90,862</u>	<u>91,624</u>	<u>93,359</u>
Net current liabilities	<u>(8,128)</u>	<u>(39,705)</u>	<u>(46,678)</u>

We recorded net current liabilities of approximately HK\$8.1 million, HK\$39.7 million and HK\$46.7 million as at 31 March 2017, 31 March 2018 and 31 July 2018, respectively. The net current liabilities position was primarily attributable to (i) the long-term bank borrowings (with maturity dates over one year) with an overriding right of demand clause in the facility agreements of such bank borrowings being classified as current liabilities, and (ii) amounts received from the sale of prepaid packages, which are classified as deferred revenue under current liabilities in our combined statements of financial position.

The increase in the net current liabilities from approximately HK\$8.1 million as at 31 March 2017 to approximately HK\$39.7 million as at 31 March 2018 was mainly due to the acquisition of our Headquarters of approximately HK\$28.5 million with cash received from our Controlling Shareholders as repayment of the amount due from them to our Group.

The increase in the net current liabilities from approximately HK\$39.7 million as at 31 March 2018 to approximately HK\$46.7 million as at 31 July 2018 was mainly due to decrease in bank balances and cash as a result of the payment of the non-recurring Listing expenses in this period.

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## FINANCIAL INFORMATION

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### DESCRIPTION OF SELECTED ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

#### Property, plant and equipment

During the Track Record Period, our property, plant and equipment mainly comprised leasehold land and buildings, leasehold improvements, furniture and fixtures, treatment devices and motor vehicle. As at 31 March 2017 and 2018, our property, plant and equipment amounted to approximately HK\$7.0 million and HK\$41.1 million, respectively. The increase in property, plant and equipment of approximately HK\$34.1 million, or 490.1%, for the year ended 31 March 2017 to 31 March 2018 was primarily due to (i) the acquisition of our Headquarters amounting to approximately HK\$28.5 million; (ii) renovation costs incurred for our medical aesthetic centres and Headquarters; and (iii) the purchase of treatment devices to cope with our business expansion.

#### Inventories

Our inventories include treatment consumables and skincare products.

The following table sets forth a breakdown of our inventories as at the dates indicated:

	As at 31 March	
	2017	2018
	HK\$'000	HK\$'000
Consumables	1,462	2,012
Skincare products	<u>839</u>	<u>852</u>
	<u>2,301</u>	<u>2,864</u>

The inventories remained relatively stable at approximately HK\$2.3 million as at 31 March 2017 and approximately HK\$2.9 million as at 31 March 2018. We generally maintain inventories sufficient for our treatment services for at least four months. See the section headed “Business – Our suppliers, procurement and inventory management – Inventory management” in this prospectus for our inventory management policies.

#### Inventory Turnover Days

The following table sets forth our inventory turnover days for the relevant years indicated.

	For the year ended	
	31 March	2018
	2017	2018
Turnover of inventory (days) <sup>(Note)</sup>	<u>144</u>	<u>127</u>

*Note:* Calculated by dividing the arithmetic mean of the opening and closing balances of inventories for the relevant years by the cost of inventories and consumables used and multiplied by 365 for the two years ended 31 March 2018.

Inventory turnover days decreased from 144 days for the year ended 31 March 2017 to 127 days for the year ended 31 March 2018, mainly due to the increase in treatment consumables that were used for performing treatments during the year, which was in line with our business growth.

There was no impairment in relation to our inventories during the Track Record Period. As at the Latest Practicable Date, approximately HK\$2.4 million or 84.3% of our inventory balance as at 31 March 2018 had been subsequently sold. The shelf life of our products are in the range of one to three years.

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### Trade receivables, deposits and prepayments

The following table sets forth a breakdown of trade and other receivables, deposits and prepayments as at the dates indicated:

	<b>As at 31 March</b>	
	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	8,185	13,183
Rental, utilities and other deposits	2,968	3,178
Payment for life insurance contracts	18,874	18,453
Prepayments	271	497
Prepaid Listing expenses	–	2,281
Deferred Listing expenses	–	383
	<u>–</u>	<u>–</u>
Total trade receivables, deposits and prepayments	<u>30,298</u>	<u>37,975</u>

Our trade receivables primarily consisted of receivables from credit card issuing financial institutions and the licensor of the HN Counters. The credit period is normally 90 to 180 days after the transaction date for settlement of credit card receivables by the respective financial institutions, and 30 days for the licensor of the HN Counters to settle our Group's receivables as the licensor collects payments for purchases made and services consumed at the HN Counters on behalf of our Group. Payment by EPS will normally be settled within one to two days. Our Group seeks to maintain strict control over our outstanding receivables to minimise credit risk. The balance of our trade receivables amounted to approximately HK\$8.2 million and HK\$13.2 million as at 31 March 2017 and 2018, respectively, as a result of increase in revenue.

### Trade Receivable Turnover Days

The following table sets forth our trade receivables turnover days for the relevant years indicated.

	<b>For the year ended</b>	
	<b>31 March</b>	
	<b>2017</b>	<b>2018</b>
Turnover of trade receivables (days) <i>(Note)</i>	<u>44</u>	<u>44</u>

*Note:* Calculated by dividing the arithmetic mean of the opening and closing balance of trade receivables for the relevant years by revenue and multiplied by 365 for the two years ended 31 March 2018.

Trade receivables turnover days remained stable at 44 days throughout the Track Record Period.

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### ***Trade receivables ageing analysis***

The following table sets forth an ageing analysis of our trade receivables, based on invoice date, as at the dates indicated:

	As at 31 March	
	2017	2018
	HK\$'000	HK\$'000
0 – 30 days	3,387	4,704
31 – 90 days	3,453	4,572
Over 90 days	<u>1,345</u>	<u>3,907</u>
Total	<u><u>8,185</u></u>	<u><u>13,183</u></u>

It is our Group's policy to make provision on trade receivables when they are considered to be uncollectible. In determining the recoverability of a trade receivable, our Group considers various factors, including any change in credit rating of the counterparty from the date credit was initially granted up to the end of each reporting period.

During the Track Record Period and up to the Latest Practicable Date, we had not written-off any trade receivables and no provision for impairment in respect of our trade receivables was necessary as our debtors were generally reputable credit card issuing financial institutions which had no history of material default with us. There had not been a significant change in their credit rating and all balances are considered fully recoverable. As at the Latest Practicable Date, approximately HK\$13.2 million or 99.8% of our trade receivables as at 31 March 2018 had been subsequently settled.

### ***Rental, utilities and other deposits***

Rental, utilities and other deposits mainly included rental/licence deposits for the lease/licence of our medical aesthetic centres and Retail/Service Outlets. It also included other deposits such as service deposits for the payment gateway of card processing banks and EPS and deposits for utilities. The balance of deposits remained relatively stable at approximately HK\$3.0 million and HK\$3.2 million as at 31 March 2017 and 2018, respectively.

### ***Payment for life insurance contracts***

Payment for life insurance contracts represented payments for the insurance contracts to insure the lives of Mr. Yip and/or Ms. Fu maintained by Dermaglow during the Track Record Period, whereby the gross premiums were separated into deposits placed and prepayment of life insurance policy charge at the inception date of these policies. Dermaglow is the beneficiary and policy holder of these insurance contracts. The prepayment of life insurance policy charge, representing the policy premiums charged by the insurance company or bank, is amortised to the combined statements of profit or loss and other comprehensive income over the insured period and the deposits placed are carried at amortised cost using the effective interest method.

Certain secured bank borrowings are secured by these insurance contracts. For details, please refer to the paragraph headed "Indebtedness – Bank borrowings" in this section.

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### **Prepayments**

Prepayments included the prepaid maintenance costs of our treatment devices and other miscellaneous prepayments, such as insurance expenses. It increased from approximately HK\$0.3 million as at 31 March 2017 to approximately HK\$0.5 million as at 31 March 2018 as a result of the acquisition of additional treatment devices.

### **Prepaid and deferred Listing expenses**

Prepaid and deferred Listing expenses amounted to approximately HK\$2.3 million and HK\$0.4 million respectively as at 31 March 2018. Our deferred Listing expenses were payments to professional parties for services rendered that are directly attributable to the issuance of new Shares in connection with the Listing and will be capitalised and deducted from equity upon the Listing, while our prepaid Listing expenses will be recognised in the combined statements of profit or loss and other comprehensive income for the year ending 31 March 2019.

### **Amounts due from Controlling Shareholders**

The following table sets forth a breakdown of amounts due from Controlling Shareholders as at the dates indicated.

	As at 31 March	
	2017	2018
	HK\$'000	HK\$'000
Ms. Fu	49,326	279
Mr. Yip	<u>9,478</u>	<u>–</u>
Total	<u><u>58,804</u></u>	<u><u>279</u></u>

The amounts are non-trade nature, unsecured, interest-free and repayable on demand. As confirmed by our Directors, all the amounts due from Controlling Shareholders have been fully repaid in May 2018.

### **Deferred costs**

The following table sets out our deferred costs as at the dates indicated:

	As at 31 March	
	2017	2018
	HK\$'000	HK\$'000
Costs to obtain contracts	<u>1,929</u>	<u>2,677</u>
Analysed for reporting purposes as:		
Non-current assets	514	753
Current assets	<u>1,415</u>	<u>1,924</u>
	<u><u>1,929</u></u>	<u><u>2,677</u></u>

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Our management expects that incremental costs paid or payable to the staff in the form of commission as a result of obtaining contracts are recoverable when the treatment services are subsequently performed. Our Group therefore capitalise them as deferred cost in the amount of approximately HK\$1.9 million and HK\$2.7 million as at 31 March 2017 and 2018, respectively.

Capitalised incremental cost is amortised when the related revenue is recognised. The amount of amortisation was HK\$3.1 million and HK\$4.6 million during the years ended 31 March 2017 and 2018 respectively and there was no impairment loss in relation to the costs capitalised.

### Trade and other payables and accruals

The following table sets forth a breakdown of trade and other payables and accruals as at the dates indicated:

	<b>As at 31 March</b>	
	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	227	221
Payables for salaries and consultancy fees	2,920	1,520
Payables for additions to property, plant and equipment	2,034	–
Accruals and other payables	<u>685</u>	<u>377</u>
	<u><u>5,866</u></u>	<u><u>2,118</u></u>

### Trade payable turnover days

The following table sets forth our trade payable turnover days for the relevant years indicated:

	<b>For the year ended</b>	
	<b>31 March</b>	
	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover of trade payables (days) <i>(Note)</i>	<u>17</u>	<u>11</u>

*Note:* Calculated by dividing the arithmetic mean of the opening and closing balances of trade payables by the cost of inventories and consumables and multiplied by 365 for the two years ended 31 March 2018.

The credit period granted by our suppliers is normally 0 to 30 days. Our trade payable turnover days decreased from 17 days as at 31 March 2017 to 11 days as at 31 March 2018. During the Track Record Period, our Group had settled all of our trade payables in a timely manner. As at the Latest Practicable Date, all of our trade payables as at 31 March 2018 had been settled.

An ageing analysis of trade payables, based on invoice date, is as follows:

	<b>As at 31 March</b>	
	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	223	117
31 – 90 days	4	–
Over 90 days	<u>–</u>	<u>104</u>
	<u><u>227</u></u>	<u><u>221</u></u>

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### *Payables for salaries and consultancy fees*

Payables for salaries and consultancy fees decreased from approximately HK\$2.9 million for the year ended 31 March 2017 to approximately HK\$1.5 million for the year ended 31 March 2018 due to early payment of salaries to our staff.

### *Payables for additions to property, plant and equipment*

Payables for additions to property, plant and equipment decreased from approximately HK\$2.0 million as at 31 March 2017 to nil as at 31 March 2018, because of settlement of accruals for our leasehold improvements as a result of the completion of renovation of our medical aesthetic centres during the year ended 31 March 2017.

### **Deferred revenue**

We offer prepaid packages to our clients in connection with our treatment services, which can be redeemed within the validity period. Receipts from the sale of prepaid packages are recorded as deferred revenue in the combined statements of financial position at the point of sales and are recognised as revenue in the combined statements of profit or loss and other comprehensive income according to the actual number of treatments that have been performed for our clients from time to time.

Our standard prepaid packages generally have a validity period of up to 24 months from the date of purchase. Upon expiry of the validity period, we may extend the validity period of the unutilised prepaid packages on a case-by-case basis. Any remaining deferred revenue in respect of the unutilised prepaid packages upon expiry of the extended validity period will be recognised as revenue from expiry of prepaid treatments.

#### *(i) Movement of deferred revenue*

The following table sets forth a movement of the balance of deferred revenue for the relevant years indicated:

	<b>As at 31 March</b>	
	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	41,417	54,640
Sales contracts entered into during the year	74,863	94,599
Revenue recognised upon provision of services	(60,898)	(84,385)
Revenue recognised from expiry of prepaid treatments	<u>(742)</u>	<u>(2,042)</u>
At the end of the year	<u>54,640</u>	<u>62,812</u>

The balance of deferred revenue increased by approximately HK\$8.2 million, from approximately HK\$54.6 million as at 31 March 2017 to approximately HK\$62.8 million as at 31 March 2018. Such increase was mainly attributable to the increase in the sale of prepaid packages for our new popular high-priced energy-based treatments which were introduced in the last calendar quarter of 2016.

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## FINANCIAL INFORMATION

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### (ii) Ageing analysis

The following table sets forth an ageing analysis of our deferred revenue, based on invoice date of the relevant prepaid package:

	As at year ended 31 March			
	2017		2018	
	HK\$'000	%	HK\$'000	%
Within 6 months	24,250	44.4	26,468	42.1
7 to 12 months	11,417	20.9	12,096	19.3
13 to 18 months	7,609	13.9	8,522	13.6
19 to 24 months	4,852	8.9	5,488	8.7
25 to 30 months	4,485	8.2	4,354	6.9
More than 30 months	<u>2,027</u>	<u>3.7</u>	<u>5,884</u>	<u>9.4</u>
Total deferred revenue	<u>54,640</u>	<u>100.0</u>	<u>62,812</u>	<u>100.0</u>

The ageing analysis illustrates the length of time that the relevant deferred revenue has been recorded in the combined statements of financial position since its initial recognition. As at 31 March 2017 and 2018, approximately 11.9% and 16.3% of our deferred revenue aged over 24 months respectively. Deferred revenue that aged over 24 months was attributable to those prepaid packages that had been extended as part of our client service for clients with good spending history with us or at our discretion taking into account certain client specific reasons, such as the client will leave Hong Kong temporarily and pregnancy, for an appropriate period on a case-by-case basis.

### WORKING CAPITAL SUFFICIENCY

Our Directors confirm that, taking into consideration the financial resources presently available to us, including facilities and other internal resources, and the estimated net proceeds from the Share Offer, we have sufficient working capital for our present requirements and for at least the next twelve months commencing from the date of this prospectus.

## FINANCIAL INFORMATION

### INDEBTEDNESS

#### Bank borrowings

	As at 31 March		As at
	2017	2018	31 July
	HK\$'000	HK\$'000	2018
			HK\$'000
			(unaudited)
Unsecured and guaranteed bank borrowings	8,522	4,758	3,637
Secured and guaranteed bank borrowings	<u>18,050</u>	<u>16,886</u>	<u>16,486</u>
	<u>26,572</u>	<u>21,644</u>	<u>20,123</u>
Fixed-rate bank borrowing	932	628	–
Variable-rate bank borrowings	<u>25,640</u>	<u>21,016</u>	<u>20,123</u>
	<u>26,572</u>	<u>21,644</u>	<u>20,123</u>
The carrying amounts are repayable: <i>(Note)</i>			
Within one year	3,922	3,043	2,750
Within a period of more than one year but not exceeding two years	3,673	3,123	2,859
Within a period of more than two years but not exceeding five years	<u>18,977</u>	<u>15,478</u>	<u>14,514</u>
	<u>26,572</u>	<u>21,644</u>	<u>20,123</u>

*Note:* All bank borrowings are due within one year or contain a repayable on demand clause, therefore, they are shown under current liabilities.

The following table sets out the interest rates of our bank borrowings as at the dates indicated:

	As at 31 March		As at 31 July
	2017	2018	2018
			(unaudited)
Effective interest rate:			
Fixed-rate borrowings	4.56%	4.56%	N/A
Variable rate borrowings	2.25% – 4.25%	2.25% – 4.25%	2.25% – 4.25%

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## FINANCIAL INFORMATION

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During the Track Record Period, our Group's bank borrowings consisted of short term and long term bank loans with fixed or variable interest rates. As at 31 July 2018, there were no unutilised banking facilities available to our Group. During the Track Record Period and as at 31 July 2018, our Controlling Shareholders provided personal guarantee to support all our banking facilities. Also, the secured bank borrowings of approximately HK\$18.1 million, HK\$16.9 million and HK\$16.5 million as at 31 March 2017, 31 March 2018 and 31 July 2018, respectively, are secured by our Group's deposits for life insurance contracts taken out by Dermaglow to insure the lives of Mr. Yip and Ms. Fu. Bank borrowings of approximately HK\$7.6 million, HK\$4.1 million and HK\$3.6 million as at 31 March 2017, 31 March 2018 and 31 July 2018, respectively, are guaranteed by The Hong Kong Mortgage Corporation Limited under the Small-Medium Enterprise Financing Guarantee Scheme. Our Directors confirmed that the personal guarantees given by our Controlling Shareholders will be released and the bank borrowings guaranteed by the Hong Kong Mortgage Corporation Limited will be settled prior to the Listing.

All of our Group's borrowings during the Track Record Period and the four months ended 31 July 2018 bear interest ranging from Hong Kong dollar best lending rate minus/plus a spread per annum. The effective fixed interest rate on our fixed rate bank loans was 4.56% per annum and the effective variable interest rates on our variable interest rate bank loans were 2.25% to 4.25% per annum.

Certain of our bank borrowings contain terms/covenants that require the borrower, Dermaglow, to, among others:

- (i) maintain certain loan-to-value ratio by (a) providing additional securities acceptable to the relevant lender; or (b) prepaying part of the outstanding balance of the relevant bank loans; and
- (ii) notify or obtain consent from the relevant lenders prior to (a) any change of control of the borrower; or (b) any change in shareholders of the borrower.

Our Directors have confirmed that, to the best of their knowledge, there had not been (i) any delay or default in repayment of our bank borrowings; (ii) any material non-compliance with the terms/covenants contained in our facility agreements; or (iii) any difficulty for our Group to obtain any bank borrowings, throughout the Track Record Period and up to the Latest Practicable Date. Our Directors do not foresee any difficulty for our Group in obtaining bank borrowings after the Latest Practicable Date.

As at 31 July 2018, our Group had secured and guaranteed bank borrowings and unsecured and guaranteed bank borrowings amounting to approximately HK\$16.5 million and HK\$3.6 million, respectively.

### **Obligations under finance leases**

The present value of the minimum lease payments as at 31 March 2017, 31 March 2018 and 31 July 2018 amounted to approximately HK\$1.9 million, HK\$1.7 million and HK\$2.7 million, respectively. Our Group leased certain of its treatment devices and motor vehicles under finance leases with lease terms ranging from two to five years. Interest rates under these finance leases were fixed at respective contract dates ranging from 2.6% to 3.4% per annum as at 31 March 2017, 31 March 2018 and 31 July 2018. No arrangement has been entered into for contingent rental payments. During Track Record Period, our Group's obligations under finance leases were secured by charges over the relevant motor vehicles and treatment devices and guaranteed by our Controlling Shareholders. As at 31 July 2018, our Group's obligations under finance leases amounting to HK\$0.4 million were guaranteed by our Controlling Shareholders and secured by a treatment device, HK\$1.6 million were guaranteed by subsidiaries of our Company and secured by deposits and treatment devices. The remaining balance of obligations under finance leases amounting to HK\$0.7 million were secured by deposits and a motor vehicle and unguaranteed. As confirmed by our Directors, such personal guarantee will be released prior to the Listing.

Save as aforesaid and apart from the intra-group liabilities, our Group did not have any outstanding mortgages, charges, debentures, other loan capital, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, finance leases, hire purchase commitments, guarantees or other material contingent liabilities, issued or authorised but unissued debt securities, term loans or any other borrowings as at 31 July 2018.

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## FINANCIAL INFORMATION

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### CAPITAL EXPENDITURES

#### Capital expenditures during the Track Record Period

The following table sets forth a breakdown of our capital expenditures during the Track Record Period:

	For the year ended	
	31 March	
	2017	2018
	HK\$'000	HK\$'000
Leasehold land and buildings	–	28,505
Leasehold improvements	2,718	3,404
Treatment devices	2,414	3,267
Motor vehicle	–	972
Furniture and fixtures	10	1,143
	<u>5,142</u>	<u>37,291</u>

During the year ended 31 March 2018, we acquired our Headquarters amounting to approximately HK\$28.5 million and incurred renovation costs of approximately HK\$3.4 million for our medical aesthetic centres and Headquarters.

### CONTRACTUAL COMMITMENTS

#### Capital commitment

As at 31 March 2017, 31 March 2018 and the Latest Practicable Date, our Group had no material capital commitment.

#### Operating lease commitments

The following table sets forth our total future minimum lease payments in respect of rented/licenced premises under non-cancellable operating lease arrangements with Independent Third Parties as at the dates indicated:

	As at 31 March	
	2017	2018
	HK\$'000	HK\$'000
Within one year	5,935	7,828
In the second to fifth year, inclusive	<u>11,379</u>	<u>10,372</u>
	<u>17,314</u>	<u>18,200</u>

Operating lease payments represent rentals and licence fees payable by our Group for our office premises, medical aesthetic centres and Retail/Service Outlets. The term of our tenancy/license agreements are generally between two to four years. The tenancy/licence agreements for our Retail/Service Outlets include contingency fees calculated with reference to the sales in our Retail/Service Outlets.

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## FINANCIAL INFORMATION

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### KEY FINANCIAL RATIOS

	Year ended 31 March	
	2017	2018
Net profit margin <i>(Note 1)</i>	21.5%	17.9%
Current ratio <i>(Note 2)</i>	0.9 times	0.6 times
Quick ratio <i>(Note 3)</i>	0.9 times	0.5 times
Return on equity <i>(Note 4)</i>	71.5%	72.5%
Return on total assets <i>(Note 5)</i>	12.3%	13.8%
Fixed charge coverage ratio <i>(Note 6)</i>	2.4 times	2.7 times
Net debt to equity <i>(Note 7)</i>	98.3%	Nil
Gearing ratio <i>(Note 8)</i>	149.5%	106.5%

*Notes:*

1. Net profit margin equals to our net profit for the year divided by revenue for the year.
2. Current ratio equals to our current assets divided by current liabilities as at the end of the year.
3. Quick ratio equals to our current assets less inventories divided by current liabilities as at the end of the year.
4. Return on equity equals to net profit for the year divided by total equity as at the end of the year.
5. Return on total asset equals to net profit for the year divided by total assets as at the end of the year.
6. Fixed charge coverage ratio equals to profit before fixed charge (interest and rental and related expense) and taxation for the year divided by fixed charge of the same year.
7. Net debt to equity ratio equals to net debt divided by total equity as at the end of the year. Net debt includes all interest-bearing bank borrowings and obligations under finance leases, net of cash and cash equivalents.
8. Gearing ratio equals to total debt divided by total equity as at the end of the year. Total debt includes all interest-bearing bank borrowings and obligations under finance leases.

### Net profit margin

Our net profit margin was approximately 21.5% and 17.9% for the two years ended 31 March 2018, respectively. The increase in our operating costs is proportionally more than the increase in our revenue. The increase in our operating costs was mainly due to (i) the increase in our staff costs and consultancy fees paid to our Doctors, which was in line with the increase in revenue from treatment services for the year ended 31 March 2018; and (ii) the increase in our marketing and promotional costs to promote our business and expand our client base.

The recognition of Listing expenses of approximately HK\$1.2 million during the year ended 31 March 2018 has also reduced our net profit for the year.

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## FINANCIAL INFORMATION

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### **Current ratio and quick ratio**

Our current ratio and quick ratio were approximately 0.9 times and 0.9 times; and 0.6 times and 0.5 times as at 31 March 2017 and 2018, respectively. The decrease in current ratio and quick ratio was mainly due to the acquisition of our Headquarters by cash during the year ended 31 March 2018. The Headquarters is recognised as property, plant and equipment under non-current assets.

### **Return on equity**

Our return on equity was approximately 71.5% and 72.5% for the two years ended 31 March 2018, respectively. The increase in return on equity for the year ended 31 March 2018 was mainly due to the increase in net profits of our Group for the year ended 31 March 2018.

### **Return total assets**

Our return on total assets was approximately 12.3% and 13.8% for the two years ended 31 March 2018, respectively. The increase in return on total assets for the two years ended 31 March 2018 was mainly attributable to the increase in net profits of our Group for the year ended 31 March 2018.

### **Fixed charge coverage ratio**

Our fixed charge coverage ratio was approximately 2.4 times and 2.7 times for the two years ended 31 March 2018, respectively. The increase in our fixed charge coverage ratio for the year ended 31 March 2018 was mainly attributable to the increase in net profits for the year ended 31 March 2018 while our outstanding bank borrowings decreased as a result of loan repayments by our Group.

### **Net debt to equity and gearing ratio**

Our net debt to equity and gearing ratio were approximately 98.3% and 149.5%; and nil and 106.5% as at 31 March 2017 and 2018, respectively. The decrease in net debt to equity and gearing ratio was due to (i) the decrease in bank borrowings as our Group gradually pays off the bank loans; and (ii) the increase in retained earnings as a result of increased net profit for the year ended 31 March 2018. Due to the increase in our bank balance and cash from repayment of amounts due from our Controlling Shareholders and sales of prepaid packages of our treatment services, our bank balance and cash is greater than the amount of net debts owed by us as at 31 March 2018. As a result, our net debt to equity ratio as at 31 March 2018 was nil.

## **RELATED PARTY TRANSACTIONS**

Our Group entered into certain related party transactions with our related parties during the Track Record Period, details of which are set out in note 33 to the Accountants' Report in Appendix I to this prospectus. Our Directors confirmed that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

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## FINANCIAL INFORMATION

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### QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT FINANCIAL RISKS

#### Capital risk

We manage our capital to ensure that entities in our Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. Our Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of our Group consists of debt balance and equity balance, which includes bank borrowings and obligations under finance leases. Equity balance consists of equity attributable to owners of our Company, comprising issued share capital, other reserve and accumulated profits.

Our management reviews the capital structure regularly. As part of this review, our management considers the cost of capital and the risk associated with each class of capital and will balance its overall capital structure through new Share issue as well as the issue of new debts or the redemption of existing debts.

#### Interest rate risk

Our Group is exposed to cash flow interest rate risk in relation to our floating rate payment for life insurance contracts, variable-rate bank balances and bank borrowings. Our Group is also exposed to fair value interest rate risk in relation to our interest-free amounts due from our Controlling Shareholders, fixed-rate bank borrowings and obligations under finance leases. The management of our Group considers that our exposures of the bank balances are not significant as interest bearing bank balances are within short maturity period. We currently do not have a policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Our Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and payment for the insurance policies and Hong Kong dollar best lending rate arising from our variable-rate bank borrowings.

Our Group currently does not have interest rate risk hedging policy. However, management closely monitors our exposure to future cash flow interest rate risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

#### Credit risk

As at 31 March 2017 and 2018, our Group's maximum exposure to credit risk which will cause a financial loss to us due to the failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position. In order to minimise the credit risk, our Directors have delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In view of the business nature, our management considers that the credit risks of trade receivables are insignificant after considering the credit rating and financial strength of the relevant financial institutions and there is no history of delay or default in settlement by them. The credit risk on liquid funds and payment for life insurance policies are limited as such amounts are placed with an insurance company and a bank with good reputations.

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## FINANCIAL INFORMATION

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### Liquidity risk

As at 31 March 2017 and 2018, we recorded net current liabilities of approximately HK\$8.1 million and HK\$39.7 million, respectively. The net current liabilities arose mainly from (i) deferred revenue of approximately HK\$54.6 million and HK\$62.8 million as at 31 March 2017 and 2018; (ii) the long-term bank borrowings (with maturity dates over one year) amounting to approximately HK\$22.7 million and HK\$18.6 million being classified as current liabilities as at 31 March 2017 and 2018, respectively, due to the overriding right of demand clause as stipulated in the facility agreements of the bank borrowings; and (iii) cash outflows in connection with the acquisition of our Headquarters in November 2017 in the aggregate amount of HK\$28.5 million by cash. Our Directors believe that these loan facilities will continue to be made available to us and will not be withdrawn by the banks within the next 12 months from the end of each of the reporting period.

Taking into account our financial position, our management does not believe it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Our management believes that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the facility agreements.

### DISTRIBUTABLE RESERVES

As at 31 March 2018, our Company had no distributable reserves available for distribution to our Shareholders.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we did not have any off-balance sheet commitments and transactions.

### LISTING EXPENSES

Based on the Offer Price of HK\$0.36 per Offer Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus, the estimated total Listing expenses are approximately HK\$22.0 million, of which: (i) approximately HK\$6.8 million is directly attributable to the issue of Offer Shares in the Listing and will be accounted for as a deduction from equity upon Listing; and (ii) approximately HK\$15.2 million is chargeable as expenses to our profit and loss account. Out of this amount, approximately HK\$1.2 million had been charged to our profit and loss account for the year ended 31 March 2018. The remaining amount of approximately HK\$14.0 million is expected to be charged to our profit and loss account for the year ending 31 March 2019. The actual amounts to be recognised to the profit and loss account of our Group or to be capitalised are subject to adjustments based on audit and changes in variables and assumptions. Prospective investors should note that our financial results for the year ending 31 March 2019 will be adversely affected by the non-recurring Listing expenses described above and may not be comparable to the financial performance of our Group in the past.

### DIVIDEND

During the year ended 31 March 2018, Dermaglow declared and paid dividends of HK\$4.0 million to its then shareholders. During the year ended 31 March 2018, Worldwide Beauty declared and paid dividends of HK\$9.0 million to its then shareholders.

Under the Companies Law and our Articles, dividends may be paid out of the profits of our Company, or subject to solvency of our Company, out of sums standing to the credit of our share premium account. However, no dividend shall exceed the amount recommended by our Directors.

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## FINANCIAL INFORMATION

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We currently do not have a formal dividend policy or a fixed dividend distribution ratio. The declaration, payment and the amount of dividends are dependent on the results of operations, cash flows, financial condition, future prospects and other factors that our Directors may consider relevant. Holders of the Shares will be entitled to receive such dividends on a pro-rata basis according to the amounts paid up or credited as paid up on the Shares. There can be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

### PROPERTY INTEREST AND PROPERTY VALUATION

AVISTA Valuation Advisory Limited, an independent property valuer, has valued interests of our property in Hong Kong as at 30 June 2018 and is of the opinion that the value of such property was approximately HK\$31.6 million. Please refer to Appendix III to this prospectus for the full text of the property valuation report with regard to such property interests.

The statement below shows the reconciliation of aggregate amounts of leasehold land and buildings carried at cost on the audited combined statements of financial position as at 31 March 2018 with the valuation of these properties as at 30 June 2018 as set out in the valuation report in Appendix III to this prospectus.

	<i>HK\$'000</i>
Carrying amounts of our property interests in leasehold land and buildings in Hong Kong as at 31 March 2018	28,125
Less: Depreciation for the three months ended 30 June 2018	<u>(285)</u>
Carrying amounts of our property interests in leasehold land and buildings in Hong Kong as at 30 June 2018	27,840
Net revaluation surplus ( <i>Note</i> )	<u>3,760</u>
Valuation as at 30 June 2018	<u><u>31,600</u></u>

*Note:*

The net revaluation surplus of leasehold land and buildings under property, plant and equipment was not included in our Group's financial information for the year ended 31 March 2018 in accordance with our accounting policy to state such property interests at costs less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

### DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

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## FINANCIAL INFORMATION

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### RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

In April 2018, our TST Shop (which raised our brand awareness) and our Training Centre (which created a steady supply of trained therapists for us) were officially opened. Our Directors confirmed that since 1 April 2018 and up to the Latest Practicable Date, our business model, revenue structure, financial performance, profitability and cost structure remain unchanged. Subsequent to the Track Record Period and up to the Latest Practicable Date, our cash inflow from sales of prepaid packages of our treatment services and the number of our new clients were approximately HK\$35.4 million and 396, respectively. Based on the unaudited financial information of our Group, for the four months ended 31 July 2018, our revenue and net profit (excluding non-recurring Listing expenses) remained stable as compared to the corresponding period in 2017. However, our Group was loss-making for the four months ended 31 July 2018 due to the recognition of the non-recurring Listing expenses. As at 31 July 2018, our deferred revenue was approximately HK\$64.2 million which remained relatively stable as compared to 31 March 2018.

Our Directors also confirmed that save for the estimated non-recurring Listing expenses as disclosed in the paragraph headed “Listing expenses” in this section, since 1 April 2018 and up to the date of this prospectus, (i) there was no material adverse change in the market conditions and the industry and the regulatory environment in which our Group operates that affects our financial or operating position materially and adversely; (ii) there was no material adverse change in the business model, revenue structure, financial performance, profitability, cost structure, financial or trading position and prospects of our Group; and (iii) no event had occurred that would affect the information shown in the Accountants’ Report in Appendix I to this prospectus materially and adversely. As a result of the estimated non-recurring Listing expenses, our Group is expected to record a net loss in the year ending 31 March 2019. Even if we disregard the estimated non-recurring Listing expenses, we expect a decline in forecasted profit for the year ended 31 March 2019 mainly due to (i) increase in depreciation as a result of the full year effect of depreciation of our treatment devices which were acquired in the second half of the year ended 31 March 2018; (ii) increase in depreciation of our Headquarters and its leasehold improvement, furniture and fixture which were acquired in November 2017; (iii) additional depreciation resulting from renovation and acquisition of treatment devices to be incurred for the First New Medical Aesthetic Centre; and (iv) additional operating expenses to be incurred for the First New Medical Aesthetic Centre.

### UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

See “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus for further details.

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## FUTURE PLANS AND USE OF PROCEEDS

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### BUSINESS STRATEGIES AND FUTURE PLANS

Please refer to the paragraphs headed “Our business strategies” and “Our medical aesthetic centres – Expansion plan” under the section headed “Business” in this prospectus for a detailed description of our future plans.

#### Bases and assumptions

Our Directors have adopted the following principal assumptions in the preparation of the future plans from the Latest Practicable Date up to 31 March 2021:

- (a) there will be no material changes in the existing political, legal, fiscal, social or economic conditions in Hong Kong, or in any other places in which any member of our Group carries on its business or will carry on its business;
- (b) our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- (c) there will be no material changes in the bases or rates of taxation in Hong Kong or in any other places in which any member of our Group operates or will operate;
- (d) there will be no material changes in legislations or regulations whether in Hong Kong or elsewhere materially affecting the business carried on by our Group;
- (e) there will be no significant changes in our Group’s business relationship with our existing strategic and business partners;
- (f) there will be no significant changes in our Group’s business relationship with our major suppliers;
- (g) our Group will be able to continue its operation in substantially the same manner as our Group has been operating during the Track Record Period and our Group will also be able to carry out our development plans without disruptions adversely affecting our operations or business objectives in any way;
- (h) our Group will be able to retain key staff in the management and the main operational departments;
- (i) there will be no material changes in the funding required for each of the scheduled achievements as outlined in the paragraph headed “Implementation plans” below;
- (j) our Group will not be materially affected by the risk factors as set out in the section headed “Risk Factors” in this prospectus; and
- (k) the Share Offer will be completed in accordance with and as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

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## FUTURE PLANS AND USE OF PROCEEDS

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### REASONS FOR THE LISTING AND THE SHARE OFFER

#### Commercial rationale for the Listing

Our Directors believe that the significant increase in revenue of approximately 40.1% during the Track Record Period was mainly due to our successful strategy in acquiring prevailing treatment devices to launch some high-priced energy-based procedures since the last calendar quarter of 2016, which became popular amongst our clients. We want to leverage on our successful track record to capture the opportunities arising from the expected growth in the medical aesthetic service industry in Hong Kong as highlighted in the Frost & Sullivan Report to develop our medical aesthetic centres into a chain of centres providing professional, effective and reliable medical aesthetic services in Hong Kong. With such a backdrop, our Directors, having considered:

- (i) proceeds from the Listing will provide us the capital necessary to maintain our competitiveness in an industry which requires abundant working capital and is highly driven by technological advancements as highlighted in the Frost & Sullivan Report. For the two years ended 31 March 2018, our total capital expenditure for the purchase of prevailing treatment devices and renovation of our medical aesthetic centres amounted to approximately HK\$5.7 million and HK\$4.4 million, respectively. We expect to incur approximately HK\$31.6 million as capital expenditure for the opening of three New Medical Aesthetic Centres, the purchase of prevailing treatment devices to extend the spectrum of the treatment services offered in our current medical aesthetic centres, the renovation of our CWB Centre and TST Centre and the upgrade of our business management system, which as further elaborated in the section headed “Business – Our business strategies” of this prospectus and in the latter part of this section, are expected to expand the network of our medical aesthetic centres and enhance the operations of our current medical aesthetic centres, which will allow us to achieve economies of scale, increase our competitiveness and enable our Group to better serve our clients, thereby deepening our market penetration and enhancing our industry position in Hong Kong;
- (ii) the Listing would enable us to (a) increase our exposure and raise our profile in Hong Kong and the Greater China region which will help to attract tourists from the Greater China region and help us to diversify and expand our client base; and (b) leverage on the enhanced prestige offered by a listing status to attract new and retain our existing Doctors, therapists and suppliers, which is paramount to the future growth of our Group as a medical aesthetic service provider;
- (iii) we believe when clients select medical aesthetic service providers, clients will give credit to and place trust and confidence in companies with a listing status which have sufficient operating cash on hand and cash inflow to fulfill their obligations under the prepaid packages sold to their clients. Furthermore, as several of our competitors are listed on GEM and the Main Board, we believe it is important for us to achieve a listing status to maintain our competitiveness in the medical aesthetic service industry;
- (iv) equity fund raising would be a better alternative than sole reliance on debt financing for the following reasons: (a) there are no unutilised banking facilities available to our Group; (b) we are currently operating at a net current liabilities position; (c) we have a high level of operating lease commitments; (d) all our existing bank borrowings are either secured by the life insurance contracts of Mr. Yip and/or Ms. Fu with Dermaglow being the beneficiary and/or under personal guarantees given by Mr. Yip and/or Ms. Fu. We believe that it is customary for banks to require personal guarantees from our Controlling Shareholders as security for bank borrowings. Whilst we can pledge our assets as security for further bank borrowings, our Directors believe that we will not be granted with a substantial bank loan as the assets we can pledge are limited. For instance, whilst we can

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## FUTURE PLANS AND USE OF PROCEEDS

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pledge our Headquarters as security for further bank borrowings, our principal bankers had indicated to us that we will at most be granted with a mortgage loan which equals to approximately 10% of the market value of our Headquarters, i.e. approximately HK\$3.2 million based on the market value of our Headquarters as at 30 June 2018 set out in the “Property Valuation Report” in Appendix III to this prospectus, as the land use of our Headquarters is restricted to industrial purposes. Our Directors consider that further undue reliance on bank borrowings to finance our Group’s capital and cash flow requirements would not be commercially feasible as it would place considerable financial burden on our Group as well as our Controlling Shareholders, which would in turn curtail our long-term sustainability and room for business development; (e) all our bank loan agreements during the Track Record Period contain a payment on-demand clause, pursuant to which the lenders, rather than us, have the absolute right to control the timing of repayment of the loan; and (f) in view of the recent upward trend of the United States federal funds rate, our Directors believe that the local interest rate for debt financing, and thus the costs of borrowing, is likely to rise in the near future. Equity fund raising therefore allows us to reduce our interest rate risk.

Further, the permanent nature of equity capital does not involve recurring interest expenses and the subsequent fund raising process, such as private placement and rights issue, is usually simpler than negotiations with banks and other financial institutions (which generally involve (a) the lenders conducting detailed and lengthy due diligence and analysis on our Group’s financial position; (b) a lengthy approval process prior to approving/providing such loans; and (c) the lenders demanding for security to secure such loans). Equity fund raising would also allow our Group to react more promptly to the changing market conditions and business opportunities which present themselves from time to time due to the high trading liquidity of the Hong Kong stock market which facilitates future issuance of equity and debt securities, such as convertible debt instruments and bonds. Our executive Directors also believe that the listing status would allow our Group to gain leverage in obtaining bank financing on more favourable terms (such as the provision of a corporate guarantee by our Company rather than personal guarantees by our Controlling Shareholders), thus offering us more flexibility in financing our operations;

- (v) our financial strength, credibility and transparency in operations and financial reporting will be enhanced following the Listing; and
- (vi) our Company will be able to diversify the risk of ownership among a larger group of Shareholders after the Listing, as the shareholder base of a listed company will be much larger than that of a private company, which is important as we continue to expand our business. The introduction of private investors to our Group may not be practical as (a) there may not be private investors willing to invest in a minority interest of our Group with little or no control over the management, operations and major decisions of our Group; and (b) even if there are interested private investors, they may ask for veto rights for certain major managerial matters of our Group and demand for protection against dilution of their interests and hence, it may be easier to have deadlocks in management of our Group and it may be more difficult for us to raise capital in the future. In contrast, investors will be more confident to invest in a listed company regulated by well-defined GEM Listing Rules and the shares of which can be freely traded in the open market,

are of the view that a listing on GEM would augment the development of our Group’s business and is strategically critical to the long-term growth of our Group. For further details of our future plans and business strategies, please refer to the paragraphs headed “Our business strategies” and “Our medical aesthetic centres – Expansion plan” under the section headed “Business” in this prospectus for further details.

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## FUTURE PLANS AND USE OF PROCEEDS

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### **Our capital requirements and reasons for the Share Offer**

During the Track Record Period, the operations of our medical aesthetic centres were on track and substantially all of our revenue was derived from our medical aesthetic centres. We have been relying on the organic growth from our current medical aesthetic centres during the Track Record Period and our executive Directors believe that it would be difficult for us to sustain the same rate of organic growth with no expansion of our capacity as the overall utilisation rates of our medical aesthetic centres are close to an optimal level. Given that our total revenue experienced a significant increase of approximately 40.1% during the Track Record Period, mainly due to our acquisition of prevailing treatment devices to launch some high-priced energy-based procedures since the last calendar quarter of 2016, which became popular amongst our clients, we would like to leverage on our success and our executive Directors' vision by strategically opening three New Medical Aesthetic Centres at prime locations over the next three financial years. Our executive Directors are of the view that we will only be able to strengthen our market position and fully capture the opportunities arising from the anticipated growth in the medical aesthetic service industry as highlighted in the Frost & Sullivan Report by establishing a chain of medical aesthetic centres under our brand "per Face" in Hong Kong, and that it would be a prudent approach to gradually expand our Group's business and client base by setting up the three New Medical Aesthetic Centres in phases and to extend the spectrum of our treatment services offered in our current medical aesthetic centres at the same time. For the means of finance of our expansion plan, our Directors consider that equity fund raising is a better alternative than debt financing, a comparison of which is detailed in the paragraph headed "Reasons for the Listing and the Share Offer – Commercial rationale for the Listing" in this section.

As the three New Medical Aesthetic Centres are going to be in new geographic locations, smaller in scale and targeted to a much wider base of clients, our Directors believe that it will be prudent for us to achieve the approximate breakeven point for the first New Medical Aesthetic Centre before we proceed to open the Second New Medical Aesthetic Centre and likewise for the Third New Medical Aesthetic Centre. For each New Medical Aesthetic Centre, we estimate that a period of three to four months will be required for the initial set-up (from identifying the suitable location to setting up the location for operation) and expect to grow to breakeven within one year with reference to the scales of business and/or financial performances of our current medical aesthetic centres, and hence our executive Directors are of the view that the timing of opening a New Medical Aesthetic Centre by the end of the first calendar quarter in each of 2019, 2020 and 2021 is appropriate and in alignment with our prudent management practice. Moreover, as there will bound to be some teething problems at the opening of any new medical aesthetic centre, we believe that it will also help us ensure the quality of our services if we open the New Medical Aesthetic Centres in phases.

To ensure that we have enough resources to fulfil our obligations under the prepaid packages sold, to support future business development and to cover for contingencies, our Directors believe we should maintain a sufficient level of bank balances and cash. For the two years ended 31 March 2018, our major operating costs, including staff cost, consultancy fee for our Doctors and rental and related expenses, amounted to approximately HK\$35.5 million and HK\$46.3 million, respectively, representing a growth rate of approximately 30.4%. As at 31 July 2018, our bank balances and cash were approximately HK\$24.6 million, which were less than our major operating costs for each of the two years ended 31 March 2018. Furthermore, we believe our net cash from operating activities only covers our foreseeable cash outflow such as financial lease payables within one year, unsecured and guaranteed bank borrowings which are repayable on demand, and capital expenditure in relation to the purchase of new prevailing treatment devices. Finally, as our deferred revenue in relation to prepaid packages sold amounted to approximately HK\$64.2 million as at 31 July 2018, our Directors consider that it is responsible and prudent for us to maintain our current level of bank balances and cash in order to avoid liquidity problems and to ensure that we have sufficient internal resources (rather than solely relying on the expected future cash inflows from the sale of prepaid packages (which represent more future performance obligations) that may vary depending on the demand of our clients from time to time) to satisfy our future performance obligations under the prepaid packages sold, to support future business development (such as setting up new

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## FUTURE PLANS AND USE OF PROCEEDS

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medical aesthetic centres) and to cover contingencies, such as (i) reinstatement, renovation, relocation and/or other capital expenses which we may incur in case we have to relocate the CWB Shop and/or the HN Counters when their lease and/or licenses expire in the last calendar quarter of 2018; (ii) credit card issuing financial institutions extending their settlement period, which will result in delays to settle our clients' payments with us; (iii) the additional compliance costs which we have to bear in case the Private Healthcare Facilities Bill has been passed to become the laws of Hong Kong; and (iv) liquidity problems arising from changes in macroeconomic factors which may materially and detrimentally affect the sales of prepaid packages, to name a few.

For the reasons set out above, our Directors believe that notwithstanding we have maintained a seemingly high level of bank balances and cash of approximately HK\$24.6 million as at 31 July 2018 together with our ability to generate net cash from operating activities of over HK\$20.0 million each year during the Track Record Period, we do not have enough internal resources to fund our expansion plan which require approximately HK\$45.5 million whilst maintaining sufficient cash resources for our cash outflow requirements. As such, our Directors consider that there is a genuine need for us to pursue the Listing in order to raise the funds required for our expansion plan and to facilitate our future fund raising for our long term business development plans.

### **Feasibility study and marketing of the three New Medical Aesthetic Centres**

According to the Frost & Sullivan Report, the non-surgical medical aesthetic services market is expected to grow at a CAGR of 15.1% from 2017 to 2021. Further, the penetration rate of medical aesthetic services in Hong Kong was only 4.3% in 2016 which was approximately 6.3% to 14.6% lower than Japan, the United States and South Korea, and is expected to experience a rapid increase from 2016 to 2021. Our Group's market share of the non-surgical medical aesthetic services market in Hong Kong in 2017 was approximately 1.8% in terms of revenue generated from the provision of non-surgical medical aesthetic services, which represents only a small share of the entire non-surgical medical aesthetic services market in Hong Kong. Through the feedbacks of our frontline staff, we understand that some of our clients want to refer friends and families to use our medical aesthetic services but such referral was not successful due to the limited choice of locations of our medical aesthetic centres. In order to (i) capture these anticipated demands; (ii) expand our market share; and (iii) ensure that we have enough capacity to satisfy our obligations under the increasing number of prepaid packages sold to our clients in the year ending 31 March 2018, we have conducted market, technical and financial feasibility studies before we devised the plan to open the three New Medical Aesthetic Centres in phases at the planned locations. Based on our market feasibility study, there are pent-up demands in each of the planned locations of the New Medical Aesthetic Centres and it is expected that we should be able to capture such demands, expand our market share and broaden our client base if we devise appropriate marketing plans to promote the New Medical Aesthetic Centres.

We estimate that (i) the spending per treatment session for non-surgical medical aesthetic services at the New Medical Aesthetic Centres would be the same as our current medical aesthetic centres for the year ended 31 March 2018; (ii) the breakeven point for a New Medical Aesthetic Centre will be not more than one year and the investment payback period will be not more than three years; (iii) the average annual utilisation rate required to achieve the estimated breakeven point will be not more than 22.5%. The annual utilisation rate for a New Medical Aesthetic Centre is calculated based on the estimated number of treatment sessions required to achieve the breakeven point (i.e. estimated annual revenue required to achieve breakeven point/average spending per treatment session for non-surgical medical aesthetic services) divided by the estimated annual service capacity of such New Medical Aesthetic Centre, calculation basis of which is similar to that of our current medical aesthetic centres; and (iv) the average three-year average annual utilisation rate to achieve the investment payback period will be not more than 36.4%. The three-year average annual utilisation rate for a New Medical Aesthetic Centre is calculated based on the estimated number of treatment sessions required to achieve the investment payback period (i.e. estimated total revenue for the first three years required to achieve the investment payment period/average spending per treatment session for non-surgical medical aesthetic services) divided by the estimated total

## FUTURE PLANS AND USE OF PROCEEDS

service capacity of such New Medical Aesthetic Centre for the first three years (i.e. three times the estimated annual service capacity of such New Medical Aesthetic Centre, calculation basis of which is similar to that of our current medical aesthetic centres).

Given the utilisation rate required to achieve the estimated breakeven point for each New Medical Aesthetic Centre, being not more than 22.5%, is approximately a third of our overall utilisation rate of our current medical aesthetic centres, our Directors believe that we should be able to achieve at least the breakeven utilisation rate given our successful track record and our plan to use part of our net proceeds from the Share Offer and our internal resources to promote the three New Medical Aesthetic Centres.

To ensure that our expansion plan of opening three New Medical Aesthetic Centres is a success, our executive Directors plan to use approximately 8.0%, which comes to approximately HK\$4.0 million, of the net proceeds from the Share Offer and our own internal resources for brand promotion and to attract new clients. For details, please refer to the section headed “Business – Our business strategies – Actively promote our brand”.

### USE OF PROCEEDS

Our Directors consider that net proceeds from the Share Offer are for financing our Group’s future plans. Our Directors estimate that the aggregate net proceeds from the Share Offer (after deducting underwriting fees and estimated expenses in connection with the Share Offer and assuming an Offer Price of HK\$0.36 per Offer Share, being the mid-point of the stated Offer Price range of HK\$0.28 and HK\$0.44 per Offer Share), will be approximately HK\$50.0 million. We intend to apply such net proceeds in the following manner:

- Approximately HK\$31.7 million, representing approximately 63.4% of the net proceeds from the Share Offer, will be used to fund the capital expenditure and initial operating costs for the establishment of three New Medical Aesthetic Centres.

Set out below is a breakdown of the estimated net proceeds from the Share Offer earmarked for each New Medical Aesthetic Centre:

	<b>Estimated net proceeds from the Share Offer (HK\$’000)</b>		
	<b>First New Medical Aesthetic Centre</b>	<b>Second New Medical Aesthetic Centre</b>	<b>Third New Medical Aesthetic Centre</b>
Treatment devices and equipment costs	4,770	4,170	4,100
Renovation and furniture costs	3,100	2,580	2,080
Running capital for the first three months of establishing the relevant New Medical Aesthetic Centre (including rental expenses and staff costs for the said period)	2,020	1,450	1,330
Deposit for rental and management fee	900	610	850
Other capital expenditures	710	690	840
Promotion expenses	500	500	500
Total	12,000	10,000	9,700

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## FUTURE PLANS AND USE OF PROCEEDS

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- Approximately HK\$4.8 million, representing approximately 9.6% of the net proceeds from the Share Offer, will be used for the purchase of eight prevailing treatment devices (comprising five ultrasound devices, two laser devices and one radiofrequency device) and treatment consumables to extend the spectrum of the treatment services offered in our current medical aesthetic centres.
- Approximately HK\$4.0 million, representing approximately 8.0% of the net proceeds from the Share Offer, will be used for the renovation of our CWB Centre and TST Centre.
- Approximately HK\$4.0 million, representing approximately 8.0% of the net proceeds from the Share Offer, will be used for active promotion of our brand.

Set out below is a breakdown of the estimated net proceeds from the Share Offer earmarked for the active promotion of our brand:

	<b>Estimated net proceeds from the Share Offer (HK\$'000)</b>
Online marketing	1,400
Celebrity spokesperson	1,200
Outdoor advertising	1,200
Production costs for marketing materials	<u>200</u>
Total	<u><u>4,000</u></u>

The above breakdown is made with reference to (i) how other industry players are advertising their medical aesthetic centres in the market; (ii) the recent quotation which we have obtained from a target celebrity; and (iii) the recent quotations which we have obtained on the planned online marketing (such as search engine marketing on Google platforms and social media marketing on Facebook and Instagram) and outdoor advertising (such as MTR advertising and POAD's tunnel platforms) campaigns, after taking into account the duration and size of our planned marketing campaigns, the types of advertising channels/media and the prominence of the advertisements.

- Approximately HK\$1.0 million, representing approximately 2.0% of the net proceeds from the Share Offer, will be used to upgrade our business management system.
- Approximately HK\$4.5 million, representing approximately 9.0% of the net proceeds from the Share Offer, will be used as additional working capital and for other general corporate purposes.

## FUTURE PLANS AND USE OF PROCEEDS

We currently intend that the net proceeds of the Share Offer will be applied as follows:

	From the Latest Practicable Date to 31 March 2019 (HK\$'000)	For the six months ending 30 September 2019 (HK\$'000)	For the six months ending 31 March 2020 (HK\$'000)	For the six months ending 30 September 2020 (HK\$'000)	For the six months ending 31 March 2021 (HK\$'000)	Total (HK\$'000)	Approximate percentage of total net proceeds
Capital expenditure and initial operating costs for establishing three New Medical Aesthetic Centres	8,980	3,020	8,140	1,860	9,700	31,700	63.4
Purchase prevailing treatment devices and treatment consumables	320	1,200	1,780	900	600	4,800	9.6
Renovate our CWB Centre and TST Centre	–	2,500	–	1,500	–	4,000	8.0
Promotion of our brand	800	800	800	800	800	4,000	8.0
Upgrade our business management system	–	1,000	–	–	–	1,000	2.0
General working capital	900	900	900	900	900	4,500	9.0
<b>Total</b>	<b>11,000</b>	<b>9,420</b>	<b>11,620</b>	<b>5,960</b>	<b>12,000</b>	<b>50,000</b>	<b>100.0</b>

If the Offer Price is set at either the high-end or low-end of the proposed Offer Price range, the net proceeds from the Share Offer will increase or decrease by approximately HK\$16.0 million. In the event that the Offer Price is fixed at a higher level compared to the mid-point of the estimated Offer Price, the additional net proceeds will be allocated to the above purposes on a pro-rata basis. In the event that the Offer Price is fixed at a lower level compared to the mid-point of the estimated Offer Price, we will reduce the amount of net proceeds allocated to the above purposes on a pro-rata basis. If the Offer Size Adjustment Option is exercised, the additional net proceeds will be allocated to the above purposes on a pro-rata basis.

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## FUTURE PLANS AND USE OF PROCEEDS

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### IMPLEMENTATION PLANS

Our Directors have drawn up an implementation plan for the six-month periods up to 31 March 2021 with a view to achieving our business objectives. The detailed implementation plan and the expected timetable are set out below:

#### **Business Strategies**

#### **Implementation activities**

##### **From the Latest Practicable Date to 31 March 2019**

Capital expenditure and initial operating costs for establishing the First New Medical Aesthetic Centre	<ul style="list-style-type: none"><li>• Renovate the First New Medical Aesthetic Centre.</li><li>• Recruit one consultant Doctor, four therapists, one centre supervisor, two sales consultants, one marketing staff and three office supporting staff.</li><li>• Purchase one laser treatment device, two ultrasound treatment devices and eight other ancillary treatment devices and equipment.</li><li>• The First New Medical Aesthetic Centre commences operation.</li></ul>
Purchase prevailing treatment devices and treatment consumables	<ul style="list-style-type: none"><li>• Purchase treatment consumables for our current medical aesthetic centres.</li></ul>
Promotion of our brand	<ul style="list-style-type: none"><li>• Invite celebrity(ies) to endorse our medical aesthetic centres and actively participate in online marketing campaigns, including search engine marketing, search engine optimisation and social media marketing.</li></ul>

#### **Business Strategies**

#### **Implementation activities**

##### **From 1 April 2019 to 30 September 2019**

Capital expenditure for establishing the First New Medical Aesthetic Centre	<ul style="list-style-type: none"><li>• Purchase three laser treatment devices and one radiofrequency treatment device.</li></ul>
Purchase prevailing treatment devices and treatment consumables	<ul style="list-style-type: none"><li>• Purchase two ultrasound treatment devices and treatment consumables for our current medical aesthetic centres.</li></ul>
Renovate our CWB Centre	<ul style="list-style-type: none"><li>• Undergo renovation of our CWB Centre.</li></ul>
Promotion of our brand	<ul style="list-style-type: none"><li>• Actively participate in online marketing campaigns, including search engine marketing, search engine optimisation and social media marketing.</li></ul>
Upgrade our business management system	<ul style="list-style-type: none"><li>• Upgrade the licence of our business management system.</li></ul>

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## FUTURE PLANS AND USE OF PROCEEDS

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### **Business Strategies**

### **Implementation activities**

#### **From 1 October 2019 to 31 March 2020**

Capital expenditure and initial operating costs for establishing the Second New Medical Aesthetic Centre

- Renovate the Second New Medical Aesthetic Centre.
- Recruit one consultant Doctor, four therapists, one senior sales consultant, one sales consultant and one office supporting staff.
- Purchase three laser treatment devices, one ultrasound treatment device and eight other ancillary treatment devices and equipment.
- The Second New Medical Aesthetic Centre commences operation.

Purchase prevailing treatment devices and treatment consumables

- Purchase one radiofrequency treatment device, two ultrasound treatment devices and treatment consumables for our current medical aesthetic centres.

Promotion of our brand

- Invite celebrity(ies) to endorse our medical aesthetic centres and actively participate in online marketing campaigns, including search engine marketing, search engine optimisation and social media marketing.

### **Business Strategies**

### **Implementation activities**

#### **From 1 April 2020 to 30 September 2020**

Capital expenditure for establishing the Second New Medical Aesthetic Centre

- Purchase two ultrasound treatment devices and one laser treatment device.

Purchase prevailing treatment devices and treatment consumables

- Purchase two laser treatment devices and treatment consumables for our current medical aesthetic centres.

Renovate our TST Centre

- Undergo renovation of our TST Centre.

Promotion of our brand

- Actively participate in online marketing campaigns, including search engine marketing, search engine optimisation and social media marketing.

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## FUTURE PLANS AND USE OF PROCEEDS

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### **Business Strategies**

### **Implementation activities**

**From 1 October 2020 to 31 March 2021**

Capital expenditure and initial operating costs for establishing the Third New Medical Aesthetic Centre

- Renovate the Third New Medical Aesthetic Centre.
- Recruit one centre supervisor, three therapists, one sales consultant and one office supporting staff.
- Purchase two laser treatment devices, two ultrasound treatment devices, one radiofrequency treatment device and seven other ancillary treatment devices and equipment.
- The Third New Medical Aesthetic Centre commences operation.

Purchase prevailing treatment devices and treatment consumables

- Purchase one ultrasound treatment device and treatment consumables for our current medical aesthetic centres.

Promotion of our brand

- Invite celebrity(ies) to endorse our medical aesthetic centres and actively participate in online marketing campaigns, including search engine marketing, search engine optimisation and social media marketing.

Our Directors consider that the net proceeds from the Share Offer together with the internal resources of our Group will be sufficient to finance the implementation of our Group's future plans as set out above.

Investors should note that the implementation plans are formulated on the bases and assumptions referred to in the paragraph headed "Business strategies and future plans – Bases and assumptions" in this section above. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set out in the section headed "Risk Factors" in this prospectus. Therefore, there is no assurance that our future plans will materialise in accordance with the estimated time frame and that our future plans will be accomplished at all.

Under such circumstances, our Directors will evaluate carefully the situations and will hold the funds as short-term deposits in authorised banks and/or financial institutions in Hong Kong until the relevant future plan materialises. Our Company will issue an appropriate announcement if there is any material change in the abovementioned use of proceeds.

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## UNDERWRITING

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### UNDERWRITERS

#### Public Offer Underwriters

Sorrento Securities Limited

Innovax Securities Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, we are offering our Public Offer Shares for subscription by members of the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

The Public Offer Underwriting Agreement is conditional upon and subject to, amongst others, the Placing Underwriting Agreement becoming unconditional and not having been terminated. Subject to the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus being granted by the Listing Division of the Stock Exchange and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally agreed to subscribe or procure subscribers, for our Public Offer Shares.

#### Grounds for Termination

The Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) is entitled by notice (orally or in writing) given to our Company, our executive Directors and our Controlling Shareholders to terminate the Public Offer Underwriting Agreement with immediate effect if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

- (a) there shall develop, occur or come into force:
  - (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the BVI, the Cayman Islands or any other jurisdiction(s) relevant to any member of our Group or the Share Offer (the “**Relevant Jurisdictions**”) or any other similar event which in the reasonable opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) has a material adverse effect on the business or financial conditions or prospects of our Group or which may be expected to adversely affect the business or financial condition or prospects of our Group in a material way; or
  - (ii) any change (whether or not permanent) in national, regional, international, financial, military, industrial or economic conditions or prospects, stock market, fiscal or political conditions, any of regulatory or market conditions and matters and/or disasters in the Relevant Jurisdictions or any other similar event which in the reasonable opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) has a material adverse effect on the business or financial conditions or prospects of our Group or which may be expected to adversely affect the business or financial condition or prospects of our Group in a material way; or
  - (iii) without prejudice to (i) above, the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

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## UNDERWRITING

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- (iv) any event, or series of events, beyond the control of the Public Offer Underwriters (including, without limitation, acts of government, strikes, lockout, fire, explosion, flooding, civil commotion, acts of war or acts of God or accident) would or might have a material adverse effect on any member of our Group or its present or prospective shareholders in their capacity as such; or
- (v) any change or development occurs involving a prospective change in taxation or in exchange control in any of the Relevant Jurisdictions to which any member of our Group is subject or the implementation of any exchange controls which in the reasonable opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) would or might have a material adverse effect on any member of our Group or our present or prospective shareholders in their capacity as such in a material way; or
- (vi) any litigation or claim of material importance to the business, financial or operations of our Group being threatened or instituted against any member of our Group which in the reasonable opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) would or might have a material adverse effect on any member of our Group or our present or prospective shareholders in their capacity as such; or
- (vii) the imposition of economic sanctions, in whatever form, directly or indirectly, in any of the Relevant Jurisdictions which in the reasonable opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) would or might have a material adverse effect on any member of our Group or our present or prospective shareholders in their capacity as such; or
- (viii) any governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-government regulatory authority, or any court, tribunal or arbitrator, whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign, or a political body or organisation in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any members of our Group or executive Directors which in the reasonable opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) makes it inadvisable or impracticable to proceed with the Share Offer; or
- (ix) order or petition for the winding up of any members of our Group or any composition or arrangement made by any members of our Group with its creditors or a scheme of arrangement entered into by any members of our Group or any resolution for the winding up of any members of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any members of our Group or anything analogous thereto occurring in respect of any members of our Group; or
- (x) and any such event, which, individually, or in the aggregate, in the reasonable opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters), (i) has or may have a material adverse effect on the success of the Share Offer, or the level of applications under the Public Offer or the level of interest under the Placing; or (ii) has or will or may have a material adverse effect on the assets, liabilities, business, prospects, trading or financial position of our Group as a whole; or (iii) makes it inadvisable or impracticable to proceed with the Share Offer; or (iv) has or will or may have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof; or

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## UNDERWRITING

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- (b) there comes to the notice of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) any matter or event showing (i) any of the representations and warranties contained in the Public Offer Underwriting Agreement to be, in the reasonable opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters), untrue or inaccurate in any material respect or, if repeated immediately after the occurrence thereof, would be untrue or inaccurate in any material respect; or (ii) any of the obligations or undertakings expressed to be assumed by or imposed on our Company or the covenantors under the Public Offer Underwriting Agreement not to have been complied with in any respect considered in the reasonable opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) to be material; or
- (c) there comes to the notice of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) any breach on the part of our Company or any of the covenantors of any provisions of the Public Offer Underwriting Agreement in any respect which is considered in the reasonable opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) to be material; or
- (d) any statement contained in this prospectus, notices, advertisements, announcements, application proof prospectus, the submissions, documents or information provided to the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters), the Stock Exchange, the legal adviser to the Sole Bookrunner and the Public Offer Underwriters and any other parties involved in the Share Offer which in the reasonable opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) has become or been discovered to be untrue, incorrect, incomplete or misleading in any material respect; or
- (e) matters have arisen or have been discovered which would, if this prospectus, notices, advertisements, announcements, application proof prospectus, was to be issued at that time, constitute, in the reasonable opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) a material omission of such information; or
- (f) there is any material adverse change or prospective material adverse change in the business or in the financial or trading position or prospects of our Group which in the reasonable opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) is material; or
- (g) the approval of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued or sold under the Share Offer and the Shares to be issued pursuant to the Capitalisation Issue is refused or not granted, other than subject to customary conditions, on or before 8:00 a.m. (Hong Kong time) on the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (h) any expert, who has given opinion or advice which are contained in this prospectus, has withdrawn his/its respective consent to the issue of this prospectus with the inclusion of its reports, letters, opinions or advices and references to his/its name included in the form and context in which it respectively appears prior to the issue of this prospectus; or
- (i) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Share Offer) or the Share Offer; or
- (j) there comes to the notice of the Sole Bookrunner or any of the Underwriters any information, matter or event which in the reasonable opinion of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters):
  - (i) is inconsistent in any material respect with any information contained in the Declaration and Undertaking with regard to Directors (Form A) given by any Directors pursuant to the Share Offer; or
  - (ii) would cast any serious doubt on the integrity or reputation of any Director or the reputation of our Group.

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## UNDERWRITING

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### Undertakings

#### *Undertakings by our Company pursuant to the GEM Listing Rules*

We have undertaken to the Stock Exchange that (except pursuant to the Share Offer) at any time during the period commencing on the date of this prospectus and ending on the expiry of the six-month period after the Listing Date, our Company will not, without the prior consent of the Stock Exchange and unless in compliance with the requirements of the GEM Listing Rules, allot or issue or agree to allot or issue any Shares or other securities convertible into equity securities of our Company (including warrants or other convertible securities), whether or not of a class already listed, except in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules.

#### *Undertakings by our Company pursuant to the Public Offer Underwriting Agreement*

We have also undertaken to each of the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Public Offer Underwriters under the Public Offer Underwriting Agreement that, and each of our Company, our Controlling Shareholders and our executive Directors have undertaken to procure, that, without the prior written consent of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the GEM Listing Rules:

- (1) except pursuant to the Share Offer, the Capitalisation Issue, the exercise of the Offer Size Adjustment Option or any options granted or to be granted under the Share Option Scheme during the six months period commencing on the Listing Date (the “**First Six Month Period**”), our Company will not:
  - (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of, or agree to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares, as applicable), or deposit any Shares or other securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts; or repurchase any Shares or other securities of our Company, as applicable; or
  - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company, as applicable); or
  - (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
  - (iv) offer to or agree to or announce any intention to effect any transaction described in (i), (ii) or (iii) above,

in each case, whether any of the transactions described in (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six Month Period);

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## UNDERWRITING

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- (2) our Company will not, and will procure each other member of our Group not to, enter into any of the transactions specified in (1)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction, such that any of our Controlling Shareholders would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company during the period of six months commencing on the date on which the First Six Month Period expires (the “**Second Six Month Period**”); and
- (3) in the event that, during the Second Six Month Period, our Company enters into any of the transactions specified in (1)(i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other securities of our Company.

### ***Undertakings by our group of Controlling Shareholders pursuant to the GEM Listing Rules***

Under Rule 13.16A(1) of the GEM Listing Rules, our group of Controlling Shareholders, namely Mr. Yip, Ms. Fu and Equal Joy, have undertaken to the Stock Exchange, our Company and the Sole Sponsor that except pursuant to the Share Offer, they shall not, and shall procure that the relevant registered holder(s) shall not (i) at any time during the period commencing on the date by reference to which disclosure of the shareholding of our group of Controlling Shareholders is made in this prospectus and ending on the date which is 12 months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of the Shares or other securities in respect of which it is shown by this prospectus to be the beneficial owners; and (ii) at any time during the period of 12 months commencing on the date on which the period referred to in (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or other securities referred to in (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they would then cease to be our Company’s group of controlling shareholders (as defined under the GEM Listing Rules).

Note of Rule 13.16A(1) of the GEM Listing Rules provides that our group of Controlling Shareholders are free to purchase additional Shares or other securities of our Company and dispose of such Shares or other securities thus purchased in the period commencing on the date by reference to which disclosure of the shareholding of the group of Controlling Shareholders is made in this prospectus and ending on the date which is 12 months from the Listing Date, subject to compliance with the requirements of Rule 11.23 of the GEM Listing Rules to maintain an open market in the Shares or other securities and a sufficient public float.

Under Rule 13.19 of the GEM Listing Rules, our group of Controlling Shareholders, namely Mr. Yip, Ms. Fu and Equal Joy, have also undertaken to the Stock Exchange, our Company and the Sole Sponsor that in the event that our group of Controlling Shareholders or any of their close associates (i) pledges or charges any direct or indirect interest in the relevant Shares in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), as security for a bona fide commercial loan or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it must inform our Company immediately thereafter, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and (ii) having pledged or charged any interest in Shares under (i) above, he/she/it must inform our Company immediately in the event that he/she/it becomes aware that the pledgee or chargee has disposed of or intended to dispose of such interest and of the number of Shares affected.

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## UNDERWRITING

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### ***Undertakings by our Controlling Shareholders pursuant to the Public Offer Underwriting Agreement***

Each of the Controlling Shareholders also jointly and severally undertakes to and covenants with each of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Public Offer Underwriters that, without the prior written consent of the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the GEM Listing Rules:

- (i) he/she/it will not, and will procure that his/her/its close associates will not, during the First Six Month Period, (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable) (the foregoing restriction is expressly agreed to include the Controlling Shareholders engaging in any hedging or other transactions which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of any Shares even if such Shares would be disposed of by someone other than the Controlling Shareholders. Such prohibited hedging or other transactions would include without limitation any put or call option with respect to any Shares or with respect to any securities that includes, relates to or derives any significant part of its value from such Shares); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other members of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);
- (ii) he/she/it will not, during the Second Six Month Period, enter into any of the transactions specified in (i)(a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he/she/it will cease to be a “controlling shareholder”(as the term is defined in the GEM Listing Rules) of our Company or cease to hold, directly or indirectly, a controlling interest of over 30% or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer, in any of the companies controlled by him/her/it and/or any of his/her/its close associate which owns such Shares or interests as aforesaid; and
- (iii) during the First Six Month Period and the Second Six Month Period, in the event that he/she/it enters into any of the transactions specified in (i)(a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, he/she/it will take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other securities of our Company.

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## UNDERWRITING

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### **The Placing**

In connection with the Placing, it is expected that our Company and the Placing Underwriters will enter into the Placing Underwriting Agreement. Under the Placing Underwriting Agreement, our Company will offer our Placing Shares for subscription and purchase by professional, institutional and other investors at the Offer Price payable in full on subscription and purchase in Hong Kong dollars, on and subject to the terms and conditions set out in the Placing Underwriting Agreement and the placing documents. It is expected that the Placing Underwriters will agree to severally underwrite for our Placing Shares.

### **Commission**

The Public Offer Underwriters will receive a commission of 2.5% of the aggregate Offer Price of our Public Offer Shares underwritten by the Public Offer Underwriters and the Placing Underwriters will receive a commission of 2.5% of the aggregate of the Offer Price of our Placing Shares underwritten by the Placing Underwriters, out of which they will pay any sub-underwriting commissions and praecipium.

The Sole Sponsor will in addition receive sponsorship and documentation fees. The underwriting commission, financial advisory and documentation fees, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Share Offer, assuming an Offer Price of HK\$0.36 (being the mid-point of Offer Price range between HK\$0.28 per Offer Share and HK\$0.44 per Offer Share), are estimated to amount to approximately HK\$22 million in total (assuming that the Offer Size Adjustment Option is not being exercised).

### **Minimum Public Float**

Our Directors will ensure that there will be a minimum of 25% of the total Shares in issue in public hands in accordance with Rule 11.23 of the GEM Listing Rules after completion of the Capitalisation Issue and the Share Offer.

### **SOLE SPONSOR'S AND UNDERWRITERS' INTERESTS IN OUR COMPANY**

The Sole Sponsor will receive a combined sponsorship, financial advisory and documentation fee.

The Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set out in the paragraph headed “–Underwriting arrangements and expenses – Commission” in this section.

Save as contemplated pursuant to the Underwriting Agreements, none of the Sole Sponsor and the Underwriters has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares or other securities in any member of our Group.

### **Sponsor's Independence**

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### STRUCTURE OF THE SHARE OFFER

The Share Offer comprises (subject to the Offer Size Adjustment Option):

- (a) the Public Offer of an aggregate of 20,000,000 Public Offer Shares (subject to reallocation as mentioned below) in Hong Kong; and
- (b) the Placing of 180,000,000 Placing Shares (subject to reallocation as mentioned below).

Investors may apply for the Offer Shares under the Public Offer or, if qualified to do so, apply for or indicate an interest for the Offer Shares under the Placing, but may not do both. The Offer Shares will represent approximately 25% of the enlarged issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be issued pursuant to the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme). The number of Offer Shares to be offered under the Public Offer and the Placing, respectively, may be subject to reallocation as mentioned below.

### CONDITIONS OF THE SHARE OFFER

The Share Offer is conditional upon, among other things:

- (a) the Listing Division of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be allotted and issued as mentioned in this prospectus, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (b) the Offer Price having been duly determined; and
- (c) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sole Bookrunner (for itself and on behalf of the Underwriters)) and the Underwriting Agreements not being terminated in accordance with its terms,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published by our Company on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.fameglow.com](http://www.fameglow.com) on the next business day following such lapse.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### THE PUBLIC OFFER

#### Number of Shares Initially Offered

We are initially offering 20,000,000 Public Offer Shares at the Offer Price, representing 10% of the Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to reallocation of Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Public Offer will represent approximately 2.5% of our Company's enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue, and without taking into account Shares which may be issued pursuant to the Offer Size Adjustment Option and upon exercise of options as may be granted under the Share Option Scheme. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions set out in the paragraph headed “–Conditions of the Share Offer” in this section.

#### Allocation

Allocation of the Offer Shares to investors under the Share Offer will be based solely on the level of valid applications received under the Share Offer. The basis of allocation may vary, depending on the number of the Public Offer Shares validly applied for by applicants. Allocation of the Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Multiple or suspected multiple applications under the Public Offer and any application for more than 100% of the Public Offer Shares initially available for subscription will be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application have not received any Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The final Offer Price, the level of indication of interest in the Placing, level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be announced on Friday, 12 October 2018 through a variety of channels as described in the section headed “How to Apply for the Public Offer Shares – 11. Publication of results” in this prospectus.

#### Reallocation of the Offer Shares between the Public Offer and the Placing

The allocation of the Offer Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

The allocation of Offer Shares between the Public Offer and the Placing is subject to adjustment pursuant to Practice Note 6 of the GEM Listing Rules as follows:

- (a) if the number of the Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Public Offer, then 40,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be 60,000,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option);

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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- (b) if the number of the Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Public Offer, then 60,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be 80,000,000 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option); and
- (c) if the number of the Offer Shares validly applied for under the Public Offer represents 100 times or more the number of the Offer Shares initially available for subscription under the Public Offer, then 80,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be 100,000,000 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option).

Any such clawback and reallocation between the Placing and the Public Offer will be completed prior to any adjustment of the number of the Offer Shares pursuant to the exercise of the Offer Size Adjustment Option, if any.

In addition, the Sole Bookrunner may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer. In accordance with Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 6 of the GEM Listing Rules, the maximum total number of Offer Shares that may be allocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer (i.e. 40,000,000 Offer Shares).

If the Public Offer is not fully subscribed, the Sole Bookrunner has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing in such proportions as the Sole Bookrunner deems appropriate.

Details of any reallocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement of the Share Offer, which is expected to be published on or before Friday, 12 October 2018.

### **THE PLACING**

#### **Number of the Offer Shares Initially Offered**

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the Placing will be 180,000,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 22.5% of our Company's enlarged issue share capital immediately after the completion of the Share Offer and the Capitalisation Issue, but without taking into account Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option and upon the exercise of options which may be granted under the Share Option Scheme.

#### **Allocation**

Pursuant to the Placing, the Placing Shares will be conditionally placed by the Placing Underwriters. The Placing Shares will be selectively placed to certain professional and institutional and other investors anticipated to have a sizeable demand for such Placing Shares in Hong Kong. The Placing is subject to the Public Offer being unconditional.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the book-building process described in the paragraph headed “–Offer price” in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Bookrunner may require any investor who has been offered Placing Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Sole Bookrunner so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

### OFFER PRICE

#### Determination of the Offer Price

The Offer Price will be fixed by the Price Determination Agreement on the Price Determination Date, which is expected to be on or around Thursday, 4 October 2018. If Sorrento Securities, Innovax Securities and our Company are unable to reach an agreement on the Offer Price on or before Thursday, 11 October 2018, the Share Offer will not become unconditional and will not proceed. The Sole Bookrunner (for itself and on behalf of the Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range to below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, our Company will, as soon as practicable following the decision to make such reduction, cause to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company’s website at [www.fameglow.com](http://www.fameglow.com) an announcement of such change on or before the Price Determination Date. Prospective investors of the Offer Shares should be aware that the Offer Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative Offer Price range stated in this prospectus.

If for any reason the Price Determination Date is changed, our Company will as soon as practicable cause to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company’s website at [www.fameglow.com](http://www.fameglow.com) a notice of the change and if applicable the revised date.

#### Offer Price Range

The Offer Price will not be more than HK\$0.44 per Offer Share and is expected to be not less than HK\$0.28 per Offer Share. The Offer Price will fall within the indicative Offer Price range as stated in this prospectus unless otherwise announced.

#### Price Payable on Application

Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK\$0.44 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$4,444.34 per board lot of 10,000 Offer Shares. If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.44 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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### ANNOUNCEMENT OF OFFER PRICE AND BASIS OF ALLOCATION

Announcement of the final Offer Price, together with the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares is expected to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.fameglow.com](http://www.fameglow.com) on Friday, 12 October 2018.

### COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence on Monday, 15 October 2018. The Shares will be traded in board lots of 10,000 Shares each. The GEM stock code for the Shares is 8603.

### SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus. If the Stock Exchange grants the listing of and permission to deal in the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or, under contingent situation, any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interest.

Details of the Share Offer will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

### OFFER SIZE ADJUSTMENT OPTION

The Sole Bookrunner (for itself and on behalf of the Placing Underwriters) can exercise the Offer Size Adjustment Option solely to cover any over-allocation in the Placing. Pursuant to the Offer Size Adjustment Option, our Company may be required to allot and issue up to an aggregate of 30,000,000 additional Shares at the Offer Price, representing approximately 15% of the Offer Shares initially available under the Share Offer. The Offer Size Adjustment Option can only be exercised at any time before 5:00 p.m. on the business day immediately before the date of the announcement of the results of allocation and the basis of allocation of the Public Offer Shares, otherwise it will lapse. The purpose of the Offer Size Adjustment Option is to provide flexibility for the Sole Bookrunner to meet any excess demand in the Placing. Any such additional Shares to be issued pursuant to the Offer Size Adjustment Option will not be used for price stabilisation purpose and is not subject to the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong). No purchase of the Shares in the secondary market will be effected to cover any excess demand in the Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

In the event that the Offer Size Adjustment Option is exercised in full, 30,000,000 additional Placing Shares will be issued resulting in a total number of 830,000,000 Shares in issue and the shareholding of the Shareholders will be diluted by approximately 3.6% following completion of the Share Offer and the exercise of the Offer Size Adjustment Option but without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme.

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## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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If the Offer Size Adjustment Option is exercised, the additional net proceeds will be used in the same proportions as disclosed in the section headed “Future Plans and Use of Proceeds” in this prospectus, on a pro-rata basis.

Our Company will disclose in the announcement of the results of allocations and the basis of allocation of the Public Offer Shares whether, and to what extent, the Offer Size Adjustment Option has been exercised. In the event that the Offer Size Adjustment Option has not been exercised by the Sole Bookrunner on behalf of the Placing Underwriters, our Company will confirm in such announcement that the Offer Size Adjustment Option has lapsed and cannot be exercised at any future date.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** at [www.hkeipo.hk](http://www.hkeipo.hk); or
- **electronically** cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Sponsor, the Sole Bookrunner and the Joint Lead Managers may accept it at its discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** for the Public Offer Shares.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- a Director or the chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the GEM Listing Rules) of any of the above;
- a connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

### 3. APPLYING FOR PUBLIC OFFER SHARES

#### Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through [www.hkeipo.hk](http://www.hkeipo.hk).

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 28 September 2018 until 12:00 noon on Thursday, 4 October 2018 from:

- (i) the following offices of the Sole Sponsor:

**Innovax Capital Limited**  
Room 2002, 20/F  
Chinachem Century Tower  
178 Gloucester Road  
Wanchai, Hong Kong

- (ii) the following offices of the Public Offer Underwriters:

**Sorrento Securities Limited**  
11/F, The Wellington  
198 Wellington Street  
Central, Hong Kong

**Innovax Securities Limited**  
Unit A-C, 20/F  
Neich Tower  
128 Gloucester Road  
Wanchai, Hong Kong

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- (iii) any of the designated branches of Industrial and Commercial Bank of China (Asia) Limited, the receiving bank for the Public Offer:

District	Branch Name	Address
Hong Kong	Siu Sai Wan Branch	Shop Nos 17-19, Ground Floor, Harmony Garden, No. 9 Siu Sai Wan Road, Hong Kong
Kowloon	Ho Man Tin Branch	G/F, Tsan Yung Mansion, No. 70 Waterloo Road, Ho Man Tin, Kowloon, Hong Kong
New Territories	Kwai Chung Branch	Unit G02, Tower A, Regent Centre, 63 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 28 September 2018 until 12:00 noon on Thursday, 4 October 2018 from the Depository Counter of HKSCC at 1/F., One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

### Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**ICBC (ASIA) NOMINEE LIMITED – FAMEGLOW HOLDINGS PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Friday, 28 September 2018	–	9:00 a.m. to 5:00 p.m.
Saturday, 29 September 2018	–	9:00 a.m. to 1:00 p.m.
Tuesday, 2 October 2018	–	9:00 a.m. to 5:00 p.m.
Wednesday, 3 October 2018	–	9:00 a.m. to 5:00 p.m.
Thursday, 4 October 2018	–	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 4 October 2018, the last application day or such later time as described in the paragraph headed "–10. Effect of bad weather on the opening of the application lists" in this section.

#### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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By submitting an Application Form or applying through the **HK eIPO White Form**, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company, the Sole Sponsor, the Sole Bookrunner and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (WUMP) Ordinance, the Companies Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (a) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Sole Sponsor, the Sole Bookrunner and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (a) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (b) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### **Additional Instructions for YELLOW Application Form**

You may refer to the **YELLOW** Application Form for details.

## **5. APPLYING THROUGH HK eIPO WHITE FORM**

### **General**

Individuals who meet the criteria in the paragraph headed “–2. Who Can Apply” in this section, may apply through the **HK eIPO White Form** for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form**.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at [www.hkeipo.hk](http://www.hkeipo.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 28 September 2018 until 11:30 a.m. on Thursday, 4 October 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 4 October 2018 or such later time under the paragraph headed “–10. Effect of bad weather on the opening of the application lists” in this section.

### No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** or by any other means, all of your applications are liable to be rejected.

### Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

## 6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

### General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**  
Customer Service Center  
1/F One & Two Exchange Square  
8 Connaught Place, Central  
Hong Kong

and complete an input request form.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and our Hong Kong Branch Share Registrar.

### **Giving Electronic Application Instructions to HKSCC via CCASS**

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Public Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
  - declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
  - confirm that you understand that our Company, our Directors, the Sole Sponsor, the Sole Bookrunner and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
  - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (WUMP) Ordinance, the Companies Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of number of 10,000 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

### Time for Inputting Electronic Application Instructions <sup>(1)</sup>

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 28 September 2018	–	9:00 a.m. to 8:30 p.m.
Saturday, 29 September 2018	–	8:00 a.m. to 1:00 p.m.
Tuesday, 2 October 2018	–	8:00 a.m. to 8:30 p.m.
Wednesday, 3 October 2018	–	8:00 a.m. to 8:30 p.m.
Thursday, 4 October 2018	–	8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 28 September 2018 until 12:00 noon on Thursday, 4 October 2018 (24 hours daily, except on 4 October 2018, the last application day).

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 4 October 2018, the last application day or such later time as described in the paragraph headed “–10. Effect of bad weather on the opening of the application lists” in this section.

- (1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

### No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

### Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

## 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** services is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** services will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 4 October 2018.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** services, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

*“Unlisted company” means a company with no equity securities listed on the Stock Exchange.*

*“Statutory control” means you:*

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** services in respect of a minimum of 10,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and Conditions of the Share Offer – Offer Price – Determination of the Offer Price.”

### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 11:45 a.m. to 12:00 noon on Thursday, 4 October 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 11:45 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 4 October 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable,” an announcement will be made in such event.

### 11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Friday, 12 October 2018 on our Company’s website at **www.fameglow.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at **www.fameglow.com** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 9:00 a.m. on Friday, 12 October 2018;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Friday, 12 October 2018 to 12:00 midnight on Thursday, 18 October 2018;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 12 October 2018 to Thursday, 18 October 2018 (excluding Saturday, Sunday and Public Holidays);
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 12 October 2018 to Tuesday, 16 October 2018 at all the receiving bank designated branches.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and Conditions of the Share Offer.”

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

#### **If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

#### **If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### **If the allotment of Public Offer Shares is void:**

The allotment of Public Offer Shares will be void if the Listing Division of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Division notifies our Company of that longer period within three weeks of the closing date of the application lists.

### **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** services are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company, the Sole Sponsor, the Sole Bookrunner or the Joint Lead Managers believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 100% of the Public Offer Shares initially offered under the Public Offer.

### **13. REFUND OF APPLICATION MONIES**

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$0.44 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with the section headed "Structure and Conditions of the Share Offer – Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Friday, 12 October 2018.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or around Friday, 12 October 2018. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, 15 October 2018 provided that the Share Offer has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

#### **Personal Collection**

##### ***(i) If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 12 October 2018 or such other date as notified by us in the newspapers.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form on Friday, 12 October 2018 by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Friday, 12 October 2018, by ordinary post and at your own risk.

***(ii) If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Friday, 12 October 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, 12 October 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

*If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

*If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "–11. Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 12 October 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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### ***(iii) If you apply through the HK eIPO White Form***

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 12 October 2018, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Friday, 12 October 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

### ***(iv) If you apply via Electronic Application Instructions to HKSCC***

#### *Allocation of Public Offer Shares*

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

#### *Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 12 October 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed “–11. Publication of results” above on Friday, 12 October 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 12 October 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

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## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 12 October 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 12 October 2018.

### 15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

*The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.*



## ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF FAMEGLOW HOLDINGS LIMITED AND INNOVAX CAPITAL LIMITED

### Introduction

We report on the historical financial information of Fameglow Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-48, which comprises the combined statements of financial position as at 31 March 2017 and 2018, the statement of financial position of the Company as at 31 March 2018, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the two years ended 31 March 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-47 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 28 September 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

### Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

### Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 March 2017 and 2018, of the Company's financial position as at 31 March 2018, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance*****Adjustment***

The Historical Financial Information is stated after making such adjustment to the Underlying Financial Statements as defined on page I-3 as considered necessary.

***Dividends***

We refer to note 12 to the Historical Financial Information which contains information about the dividends paid by the entities now comprising the Group and states that no dividends have been declared by the Company in respect of the Track Record Period.

***No historical financial statements for the Company***

No financial statements have been prepared for the Company since its date of incorporation.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

28 September 2018

**HISTORICAL FINANCIAL INFORMATION OF THE GROUP****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on the consolidated financial statements of Flourish Capital Holdings Limited ("Flourish Capital") and its subsidiaries for the Track Record Period and the management accounts of the Company for the period from its date of incorporation to 31 March 2018 (collectively known as "Underlying Financial Statements"). The Underlying Financial Statements are prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements of Flourish Capital and its subsidiaries were audited by us in accordance with Hong Kong Standards of Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollar ("HK\$"), and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

## COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 March	
		2017 HK\$'000	2018 HK\$'000
Revenue	6	63,276	88,659
Cost of inventories and consumables		(4,563)	(7,447)
Other income	7	1,156	1,207
Staff costs		(23,288)	(31,100)
Rental and related expenses		(10,579)	(10,527)
Depreciation		(2,141)	(3,089)
Listing expenses		–	(1,150)
Other expenses		(6,848)	(16,289)
Finance costs	8	<u>(1,060)</u>	<u>(869)</u>
Profit before taxation	9	15,953	19,395
Taxation	11	<u>(2,354)</u>	<u>(3,546)</u>
Profit and total comprehensive income for the year		<u>13,599</u>	<u>15,849</u>

## STATEMENTS OF FINANCIAL POSITION

		<u>The Group</u>		<u>The Company</u>
		<u>As at 31 March</u>		<u>As at</u>
	<i>NOTES</i>	<u>2017</u>	<u>2018</u>	<u>31 March</u>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2018</i>
				<i>HK\$'000</i>
Non-current assets				
Property, plant and equipment	14	6,961	41,078	–
Deposits for acquisition of property, plant and equipment		178	317	–
Deposits and prepayments	16	19,824	20,993	–
Deferred costs	17	514	753	–
Deferred tax assets	25	476	177	–
		<u>27,953</u>	<u>63,318</u>	<u>–</u>
Current assets				
Inventories	15	2,301	2,864	–
Trade receivables, deposits and prepayments	16	10,474	16,982	2,664
Deferred costs	17	1,415	1,924	–
Amounts due from controlling shareholders	18	58,804	279	–
Bank balances and cash	19	9,740	29,870	–
		<u>82,734</u>	<u>51,919</u>	<u>2,664</u>
Current liabilities				
Trade and other payables and accruals	20	5,866	2,118	–
Deferred revenue	21	54,640	62,812	–
Amount due to a subsidiary	18	–	–	3,814
Tax payable		2,012	4,349	–
Bank borrowings	22	26,572	21,644	–
Obligations under finance leases	23	1,464	701	–
Provisions	24	308	–	–
		<u>90,862</u>	<u>91,624</u>	<u>3,314</u>
Net current liabilities		<u>(8,128)</u>	<u>(39,705)</u>	<u>(1,150)</u>
Total assets less current liabilities		<u>19,825</u>	<u>23,613</u>	<u>(1,150)</u>

	NOTES	<u>The Group</u>		<u>The</u>
		As at 31 March		<u>Company</u>
		2017	2018	As at
		HK\$'000	HK\$'000	31 March
				2018
		HK\$'000	HK\$'000	HK\$'000
Non-current liabilities				
Obligations under finance leases	23	399	949	–
Provisions	24	407	715	–
Deferred tax liabilities	25	–	81	–
		<u>806</u>	<u>1,745</u>	<u>–</u>
Net assets (liabilities)		<u>19,019</u>	<u>21,868</u>	<u>(1,150)</u>
Capital and reserves				
Share capital	26	2,000	–	–
Reserves		<u>17,019</u>	<u>21,868</u>	<u>(1,150)</u>
Total equity		<u>19,019</u>	<u>21,868</u>	<u>(1,150)</u>

## COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2016	2,000	–	3,420	5,420
Profit and total comprehensive income for the year	<u>–</u>	<u>–</u>	<u>13,599</u>	<u>13,599</u>
At 31 March 2017	2,000	–	17,019	19,019
Effect of reorganisation ( <i>Note</i> )	(2,000)	2,000	–	–
Profit and total comprehensive income for the year	–	–	15,849	15,849
Dividend recognised as distribution ( <i>note 12</i> )	<u>–</u>	<u>–</u>	<u>(13,000)</u>	<u>(13,000)</u>
At 31 March 2018	<u>–</u>	<u>2,000</u>	<u>19,868</u>	<u>21,868</u>

*Note:* Other reserve of HK\$2,000,000 is resulted from the reorganisation as detailed in note 2(iv) and represents the difference between the share capital of Flourish Capital issued during the year ended 31 March 2018 and the aggregate share capital of Dermaglow Limited (“Dermaglow”), Worldwide Beauty Limited (“Worldwide Beauty”) and Per Face Institute Limited (“Per Face Institute”).

## COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 March	
	2017 HK\$'000	2018 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	15,953	19,395
Adjustments for:		
Interest income	(1,032)	(1,038)
Depreciation	2,141	3,089
Loss on written-off of property, plant and equipment	–	85
Finance costs	1,060	869
Operating cash flows before movements in working capital	18,122	22,400
Increase in inventories	(1,013)	(563)
Increase in trade receivables, deposits and prepayments	(1,384)	(6,604)
Increase in deferred costs	(483)	(748)
Decrease in trade and other payables and accruals	(448)	(1,714)
Increase in deferred revenue	13,223	8,172
Cash generated from operations	28,017	20,943
Hong Kong Profits Tax paid	(894)	(829)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>27,123</b>	<b>20,114</b>
<b>INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(681)	(37,575)
Deposits for acquisition of property, plant and equipment	(178)	(317)
Proceeds received from early termination of a life insurance policy	–	919
Advances to controlling shareholders	(11,937)	(3,524)
Repayments from controlling shareholders	1,530	62,049
Advances to related companies	(2,022)	–
Repayments from related companies	2,022	–
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>	<b>(11,266)</b>	<b>21,552</b>
<b>FINANCING ACTIVITIES</b>		
Share issuance costs paid	–	(954)
Interests paid	(1,060)	(869)
Dividend paid	–	(13,000)
Repayments of obligations under finance leases	(1,903)	(1,785)
Repayments of bank borrowings	(6,034)	(4,928)
<b>CASH USED IN FINANCING ACTIVITIES</b>	<b>(8,997)</b>	<b>(21,536)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>6,860</b>	<b>20,130</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>2,880</b>	<b>9,740</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR,</b> represented by bank balances and cash	<b>9,740</b>	<b>29,870</b>

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION****1. GENERAL**

The Company was incorporated and in the Cayman Islands as an exempted company with limited liability on 2 March 2018 under the Companies Law Chapter 22 of the Cayman Islands. The immediate holding company of the Company is Equal Joy Holdings Limited (“Equal Joy”), which is incorporated in the British Virgin Islands (“BVI”), and is 50% and 50% owned by Ms. Fu Chi Ching (“Ms. Fu”) and Mr. Yip Chun Kwok Danny (“Mr. Yip”), spouse of Ms. Fu (Mr. Yip together with Ms. Fu collectively known as the “Controlling Shareholders”). The addresses of the registered office and the principal place of business of the Company are set out in the section headed “Corporate Information” to the Prospectus.

The Company acts as an investment holding company and its subsidiaries are principally engaged in provision of treatment services and sale of skincare products in Hong Kong.

The Historical Financial Information is presented in HK\$ which is also the functional currency of the Company.

**2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION**

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with HKFRSs issued by the HKICPA and the principles of merger accounting (under Accounting Guideline 5 – Merger Accounting for Common Control Combinations (“AG 5”) issued by the HKICPA).

Before the completion of the reorganisation, Dermaglow, Worldwide Beauty and Per Face Institute were directly owned by the Controlling Shareholders. Fortune Marvel Limited (“Fortune Marvel”), a company incorporated in Hong Kong on 19 July 2017, was directly owned by Dermaglow.

In preparation of the listing of the Company’s shares on GEM of the Stock Exchange (the “Listing”), the companies comprising the Group underwent a group reorganisation as described below (the “Reorganisation”).

- (i) On 30 November 2017, Flourish Capital was incorporated as limited liability in the BVI with an authorised share capital of United States dollars (“US\$”) 50,000 divided into 50,000 shares with a par value of US\$1 each. Upon incorporation, it is owned as to 50% and 50% by Ms. Fu and Mr. Yip respectively.
- (ii) On 2 February 2018, Equal Joy was incorporated as limited liability company in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1 each. On 1 March 2018, Equal Joy allotted and issued 1 share each at par to Mr. Yip and Ms. Fu.

- (iii) On 2 March 2018, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares with a par value of HK\$0.01 each, of which one share was allotted and issued to an independent first subscriber at par and was subsequently transferred to Equal Joy.
- (iv) On 14 March 2018, Ms. Fu and Mr. Yip transferred their entire shareholdings in Dermaglow, Worldwide Beauty and Per Face Institute to Flourish Capital in consideration of the allotment and issue of 3 shares and 3 shares of Flourish Capital to Ms. Fu and Mr. Yip respectively. Upon completion of the transfer, Dermaglow, Worldwide Beauty and Per Face Institute became wholly-owned subsidiaries of Flourish Capital.
- (v) On 17 September 2018, Ms. Fu and Mr. Yip transferred their entire shareholdings in Flourish Capital to the Company in consideration of the allotment and issue of 99 shares of the Company to Equal Joy. Upon completion of the transfer, Flourish Capital became a wholly-owned subsidiary of the Company.

Pursuant to the Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group on 17 September 2018 and Dermaglow, Worldwide Beauty, Per Face Institute, Fortune Marvel and Flourish Capital are controlled by Controlling Shareholders before and after Reorganisation.

Accordingly, the Historical Financial Information has been prepared under the principles of merger accounting in accordance with AG 5 before the completion of the Reorganisation. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective date of incorporation, where there is a shorter period. The combined statements of financial position of the Group as at 31 March 2017 and 2018 have been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure has been in existence at those dates taking into account the respective dates of incorporation, where applicable.

As of 31 March 2017 and 2018, the Group recorded net current liabilities of HK\$8,128,000 and HK\$39,705,000, respectively. The net current liabilities arose mainly from the long-term bank borrowings (with maturity dates over one year) amounting to HK\$22,650,000 and HK\$18,601,000 being classified as current liabilities as at 31 March 2017 and 2018, respectively, due to the overriding right of demand clause as stipulated in the facility agreements of the bank borrowings. The directors of the Company believe that these loan facilities (including those unutilised bank facilities) will continue to be made available to the Group and will not be withdrawn by the banks within the next twelve months from the end of each of the reporting period. In addition, as at 31 March 2017 and 2018, included in the current liabilities of the Group were deferred revenue of HK\$54,640,000 and HK\$62,812,000 respectively, which represented services to be performed and shall not result in any cash outflow of the Group eventually.

Taking into account the above consideration and the Group's cash flow projection for the coming twelve months from the end of each reporting period, the directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the next twelve months from the end of each reporting period. Accordingly, the Historical Financial Information has been prepared on a going concern basis.

### 3. APPLICATION OF NEW AND REVISED HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted the HKFRSs issued by the HKICPA that are effective for the Group's financial year beginning on 1 April 2017 throughout the Track Record Period. In addition, the Group has elected to early apply HKFRS 15 "Revenue from contracts with customers" throughout the Track Record Period.

The Group has not early applied the following new and amendments to HKFRSs which are not yet effective:

HKFRS 9	Financial instruments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance contracts <sup>4</sup>
Hong Kong (International Financial Reporting Interpretations Committee) Interpretations ("HK(IFRIC) – Int") 22	Foreign currency transactions and advance consideration <sup>1</sup>
HK(IFRIC) – Int 23	Uncertainty over income tax treatments <sup>2</sup>
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts" <sup>1</sup>
Amendments to HKFRS 9	Prepayment features with negative compensation <sup>2</sup>
Amendments to HKFRS 10 and Hong Kong Accounting Standard ("HKAS") 28	Sale or contribution of assets between an investor and its associate or joint venture <sup>3</sup>
Amendments to HKAS 19	Plan amendment, curtailment or settlement <sup>2</sup>
Amendments to HKAS 28	Long-term interests in associates and joint ventures <sup>2</sup>
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014 – 2016 cycle <sup>1</sup>
Amendments to HKAS 40	Transfers of investment property <sup>1</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2015 – 2017 cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021

#### HKFRS 9 "Financial instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirement of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model

whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss;

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 “Financial instruments: Recognition and measurement”. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group’s financial instruments and risk management policies as at 31 March 2018, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9.

#### ***Classification and measurement***

Payment for life insurance contracts as disclosed in note 16 will be classified as financial assets at fair value through profit or loss as contractual right to cash flows do not represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Upon initial application of HKFRS 9, the directors of the Company do not anticipate a fair value gain or loss relating to the payment for life insurance contracts would be adjusted to the accumulated profits as at 1 April 2018 as they considered the carrying amount of the payment for life insurance contracts at 31 March 2018 approximate to its fair value upon initial application of HKFRS 9.

All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

#### ***Impairment:***

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group’s financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

The impairment requirements are applied retrospectively by adjusting the opening accumulated profits at 1 April 2018, with no restatement to prior periods. The directors of the Company do not intend to restate comparative information for the application of HKFRS 9 when preparing the consolidated financial statements of the Group for the year beginning on 1 April 2018. The directors of the Company intend to apply HKFRS 9 in accordance with the transition provisions set out in HKFRS 9 ie. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application).

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables. Based on the assessment by the directors of the Company, the application of the expected credit loss model is not likely to have material impact on the Group's future financial performance and position.

### **HKFRS 16 “Leases”**

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is an operating lease lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of HK\$18,200,000 as disclosed in note 27. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases. The combination of straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term. The directors of the Company do not expect the adoption of HKFRS 16, as compared to the current accounting policy of the Group, would result in significant impact on the results and the net assets of the Group. Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

In addition, the Group currently considers refundable rental deposits paid of HK\$3,054,000 as at 31 March 2018 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Except for the above, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the Historical Financial Information.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared on the historical cost basis and in accordance with the following accounting policies which conform to HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Historical Financial Information is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of assets”.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

**Basis of combination**

The Historical Financial Information incorporates the financial statements of the Company and entities comprising the Group. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Combination of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the combined statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

**Merger accounting for business combination involving businesses under common control**

The Historical Financial Information incorporates the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining business first came under common control of the Controlling Shareholders.

The net assets of the combining businesses are combined using the existing carrying values from the Controlling Shareholders's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets and liabilities over cost at the time of common control combination, to the extent of the continuation of the Controlling Shareholders's interest.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining businesses from the earliest date presented or since the dates when the combining businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

**Revenue recognition**

Revenue is recognised revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control of a product or service to a customer. The Group recognises revenue from the following major sources: 1) provision for treatment services and expiry of prepaid treatments; and 2) sale of skincare products.

***Provision for treatment services and expiry of prepaid treatments***

Revenue from the rendering of services is recognised when the services have been rendered to customers.

The services are usually sold on a prepaid basis. Payments received for the prepaid packages are recorded as deferred revenue at the time of receipt.

Deferred revenue is non-refundable and customers may not utilise all of their contracted rights within the service period. Such unutilised service treatments are referred to as breakage. An expected breakage amount in deferred revenue is determined by historical experience and is recognised as revenue in proportion to the pattern of service treatments utilised by the customers.

Any deferred revenue outstanding at the expiry of the service period is fully recognised in profit or loss.

#### ***Sale of skincare products***

Revenue from sale of skincare products is recognised when control of the goods has been transferred, being at the point the customer purchases the goods at the aesthetic centres, retail shops or sales counters. Payment of the transaction price is due immediately at the point the customer purchases the goods.

#### ***Interest income***

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

#### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### ***The Group as lessee***

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

***Leasehold land and building***

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Deferred costs**

The incremental costs of obtaining a contract with a customer, which represent sales commissions paid or payable to staff, are recognised as deferred costs in the combined statements of financial position. Such costs are recognised in profit or loss in the period in which the deferred revenue to which they relate is recognised as revenue.

**Retirement benefits costs**

Payments to the Mandatory Provident Fund Scheme (“MPF Scheme”) are recognised as an expense when employees have rendered service entitling them to the contributions.

**Short-term and other long-term employee benefits**

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

**Taxation**

Income tax expense represents the sum of tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before taxation” as reported in the combined statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

**Property, plant and equipment**

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the supply of services, or for administrative purposes are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted on for a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### **Impairment loss on assets other than financial assets**

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

**Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

**Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

***Financial assets***

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits, amounts due from controlling shareholders and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

*Impairment of loans and receivables*

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments and observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

***Financial liabilities and equity instruments***

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

***Financial liabilities at amortised cost***

Financial liabilities including trade and other payables and accruals, amount due to a subsidiary and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

***Derecognition***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**5. KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in note 4, directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

### ***Revenue***

Revenue recognition on provision of services is dependent on the estimation of the utilisation pattern of treatments. Based on the Group's historical experience, the Group makes estimates of an expected amount of breakage. Actual utilisation may be higher or lower than those estimated at the end of each reporting period, which would affect the revenue and profit recognised in the year when estimation is revised.

### ***Inventories***

The management of the Group reviews an ageing analysis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in operation. Estimation of net realisable value are based on the latest invoice prices and current market condition. Where the net realisable value is less than the carrying amount, impairment loss may arise. As at 31 March 2017 and 2018, the carrying amount of inventories is approximately HK\$2,301,000 and HK\$2,864,000 respectively.

## **6. REVENUE AND SEGMENT INFORMATION**

### **Revenue**

Revenue represents the net amounts received and receivable arising from provision of treatment services and sales of skincare products in Hong Kong during the Track Record Period.

The details of provision of treatment services are set out below:

Energy-based procedures	–	representing the usage of different energy-based devices that emit different types of energy on skin surface
Minimally invasive procedures	–	representing injection treatments that is non-surgical treatments procedures with minimal penetration to body tissue and no surgical incisions
Traditional beauty services	–	representing treatments that are non-medical and non-invasive in nature

	Year ended 31 March	
	2017	2018
	HK\$'000	HK\$'000
Revenue from provision of treatment services		
– Non-surgical medical aesthetic services		
– Energy-based procedures	48,255	71,397
– Minimally invasive procedures	7,734	7,675
– Traditional beauty services	<u>4,909</u>	<u>5,313</u>
	60,898	84,385
Sale of skincare products	1,636	2,232
Revenue from expiry of prepaid treatments	<u>742</u>	<u>2,042</u>
	<u>63,276</u>	<u>88,659</u>
Timing of revenue recognition:		
Over time	53,752	78,416
A point in time	<u>9,524</u>	<u>10,243</u>
	<u>63,276</u>	<u>88,659</u>

### Segment information

The Historical Financial Information reported to the executive directors of the Company, being the chief operating decision maker (“CODM”) for the purpose of resources allocation and performance assessment, the CODM reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 4. Accordingly, the Group has only one single operating segment and no further discrete financial information nor analysis of this single segment is presented.

### Geographical information

No geographical segment information is presented as the Group’s revenue are all derived from Hong Kong based on the location of goods delivered and services provided and all of the Group’s non-current assets are located in Hong Kong by physical location of assets.

### Information about major customers

No individual customer accounted for over 10% of the Group’s total revenue during the Track Record Period.

## 7. OTHER INCOME

	Year ended 31 March	
	2017	2018
	HK\$'000	HK\$'000
Interest income from life insurance contracts	1,032	1,038
Others	<u>124</u>	<u>169</u>
	<u><u>1,156</u></u>	<u><u>1,207</u></u>

## 8. FINANCE COSTS

	Year ended 31 March	
	2017	2018
	HK\$'000	HK\$'000
Interests on:		
Bank borrowings	1,006	804
Obligations under finance leases	<u>54</u>	<u>65</u>
	<u><u>1,060</u></u>	<u><u>869</u></u>

## 9. PROFIT BEFORE TAXATION

	Year ended 31 March	
	2017	2018
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration ( <i>note 10</i> )	798	2,459
Salaries, wages, commission, bonuses and allowances	21,651	27,616
Retirement benefit scheme contributions	<u>839</u>	<u>1,025</u>
Total staff cost	<u>23,288</u>	<u>31,100</u>
Consultancy fee for doctors	1,588	4,727
Auditor's remuneration	40	100
Loss on written-off of property, plant and equipment	–	85
Operating leases payments in respect of tenancy agreement of rented premises entered into:		
– by the Group for minimum lease payments	6,707	7,861
– by ABJ Limited (“ABJ”) on behalf of the Group for minimum lease payment ( <i>Note 1</i> )	394	–
– contingent rents ( <i>Note 2</i> )	<u>1,093</u>	<u>582</u>
	<u><u>8,194</u></u>	<u><u>8,443</u></u>

Notes:

- (1) ABJ was controlled by Ms. Fu prior to 26 January 2017.
- (2) The operating lease rentals for retail shops and sales counters are determined as the higher of a fixed rental or a pre-determined percentage on revenue of the retail shops and sales counters pursuant to the terms and conditions that are set out in the relevant rental agreements.

## 10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

### (a) Directors' and chief executive's emoluments

Details of the emoluments paid or payable to the directors of the Company (including emoluments for services as directors of the group entities prior to becoming the directors of the Company) during the Track Record Period as follows:

	Fees <i>HK\$'000</i>	Salaries and allowances <i>HK\$'000</i>	Retirement benefit scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 31 March 2017</b>				
<i>Executive directors</i>				
Ms. Fu	–	780	18	798
Mr. Yip	–	–	–	–
	<u>–</u>	<u>780</u>	<u>18</u>	<u>798</u>
<b>Year ended 31 March 2018</b>				
<i>Executive directors</i>				
Ms. Fu	–	2,275	18	2,293
Mr. Yip	–	160	6	166
	<u>–</u>	<u>2,435</u>	<u>24</u>	<u>2,459</u>

Ms. Fu and Mr. Yip were appointed as directors of the Company on 2 March 2018.

Ms. Fu acts as the chief executive of the Company and her emoluments disclosed above include those for services rendered by her as the chief executive.

The executive directors' emoluments are for their services in connection with the management of the affairs of the Group.

None of the directors nor chief executive waived any emoluments during the Track Record Period.

**(b) Employees' emoluments**

Of the five individuals with the highest emoluments in the Group, one was director of the Company for the years ended 31 March 2017 and 2018, respectively, whose emoluments are included in the disclosures above. The emoluments of the remaining four individuals are as follows:

	<b>Year ended 31 March</b>	
	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Employees		
– salaries and allowances	3,515	4,726
– bonuses ( <i>Note</i> )	90	245
– retirement benefit schemes contributions	<u>72</u>	<u>72</u>
	<u><u>3,677</u></u>	<u><u>5,043</u></u>

*Note:* The discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

The number of the highest paid employees who are not the director of the Company whose remuneration fell within the following bands is as follows:

	<b>Number of employees</b>	
	<b>Year ended 31 March</b>	
	<b>2017</b>	<b>2018</b>
Nil to HK\$1,000,000	3	–
HK\$1,000,001 to HK\$1,500,000	1	3
HK\$1,500,001 to HK\$2,000,000	<u>–</u>	<u>1</u>
	<u><u>4</u></u>	<u><u>4</u></u>

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

**11. TAXATION**

	<b>Year ended 31 March</b>	
	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong Profits Tax:		
Current tax	2,544	3,166
Deferred tax (credit) charge ( <i>note 25</i> )	<u>(190)</u>	<u>380</u>
	<u><u>2,354</u></u>	<u><u>3,546</u></u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the Track Record Period.

The taxation for the Track Record Period can be reconciled to the profit before taxation per the combined statements of profit or loss and other comprehensive income as follows:

	<b>Year ended 31 March</b>	
	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	<u>15,953</u>	<u>19,395</u>
Tax at the Hong Kong Profits Tax rate of 16.5%	2,632	3,200
Tax effect of expenses not deductible for tax purpose	80	288
Utilisation of tax losses previously not recognised	(24)	–
Utilisation of temporary differences previously not recognised	(265)	–
Others	<u>(69)</u>	<u>58</u>
Taxation charge	<u><u>2,354</u></u>	<u><u>3,546</u></u>

**12. DIVIDENDS**

During the year ended 31 March 2018, Dermaglow and Worldwide Beauty declared and paid dividends of HK\$4,000,000 and HK\$9,000,000, respectively, to the then shareholders.

The rate of dividend and number of shares ranking for dividend are not presented as such information is not considered meaningful having regard to the purpose of this report.

No dividend was paid or declared by the Company since its incorporation during the Track Record Period.

**13. EARNINGS PER SHARE**

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the Reorganisation and the results of the Group for the Track Record Period that is prepared on a combined basis as set out in note 2.

## 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Treatment devices <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>COST</b>						
At 1 April 2016	–	7,003	1,355	10,938	1,145	20,441
Additions	–	2,718	10	2,414	–	5,142
Written-off	–	(2,677)	–	–	–	(2,677)
At 31 March 2017	–	7,044	1,365	13,352	1,145	22,906
Additions	28,505	3,404	1,143	3,267	972	37,291
Written-off	–	(2,311)	(90)	(275)	–	(2,676)
At 31 March 2018	28,505	8,137	2,418	16,344	2,117	57,521
<b>DEPRECIATION</b>						
At 1 April 2016	–	6,314	1,239	8,186	742	16,481
Provided for the year	–	609	58	1,359	115	2,141
Eliminated on written-off	–	(2,677)	–	–	–	(2,677)
At 31 March 2017	–	4,246	1,297	9,545	857	15,945
Provided for the year	380	834	90	1,492	293	3,089
Eliminated on written-off	–	(2,226)	(90)	(275)	–	(2,591)
At 31 March 2018	380	2,854	1,297	10,762	1,150	16,443
<b>CARRYING VALUES</b>						
At 31 March 2017	–	2,798	68	3,807	288	6,961
At 31 March 2018	28,125	5,283	1,121	5,582	967	41,078

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimate useful lives, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	Over the shorter of the terms of the lease or 50 years
Leasehold improvements	Over the shorter of the terms of the lease or 5 years
Furniture and fixtures	20%
Treatment devices	20%
Motor vehicles	20%

All the Group's leasehold land and buildings are situated in Hong Kong.

As at 31 March 2017 and 2018, the carrying amount of treatment devices included an amount of approximately HK\$2,091,000 and HK\$1,294,000 and motor vehicles included an amount of approximately HK\$288,000 and HK\$967,000, respectively in respect of assets held under finance leases.

### 15. INVENTORIES

	<b>As at 31 March</b>	
	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Skincare products and consumables	<u>2,301</u>	<u>2,864</u>

### 16. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<u>The Group</u>		<u>The Company</u>
	<b>As at 31 March</b>		<b>As at 31 March</b>
	<b>2017</b>	<b>2018</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	8,185	13,183	–
Rental, utilities and other deposits	2,968	3,178	–
Payment for life insurance contracts	18,874	18,453	–
Prepayments	271	497	–
Prepaid listing expenses	–	2,281	2,281
Deferred listing expenses	–	383	383
	<u>30,298</u>	<u>37,975</u>	<u>2,664</u>
Total trade receivables, deposits and prepayments			
Analysed for reporting purposes as:			
Non-current assets	19,824	20,993	–
Current assets	<u>10,474</u>	<u>16,982</u>	<u>2,664</u>
	<u>30,298</u>	<u>37,975</u>	<u>2,664</u>

The customers usually settle the prepaid packages by credit cards in monthly instalments and electronic payment system (“EPS”). For credit card payments, the banks will normally settle the amounts received, net of handling charges, within 90-180 days after trade date. Payment by EPS will normally be settled within one to two days. In addition, the trade receivables also include receivable from a department store for collecting customers’ receipt of the sales counters on behalf of the Group where the credit period is 30 days.

An ageing analysis of the trade receivables, based on the invoice date, is as follows:

	<b>As at 31 March</b>	
	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	3,387	4,704
31 – 90 days	3,453	4,572
Over 90 days	<u>1,345</u>	<u>3,907</u>
	<u><u>8,185</u></u>	<u><u>13,183</u></u>

As at 31 March 2017 and 2018, aggregate carrying amounts of approximately HK\$1,714,000 and HK\$3,374,000, respectively, were past due at the end of each reporting period for which the Group has not provided for impairment loss as there were settlements subsequent to the end of each reporting period or there were continuous settlements by respective customers. Moreover, the directors of the Company did not aware of any significant change in credit quality of the trade receivable. Thus, the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

An ageing analysis of trade receivables which are past due but not impaired based on the due date, is as follows:

	<b>As at 31 March</b>	
	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
1 – 30 days	1,581	1,192
31 – 90 days	65	192
Over 90 days	<u>68</u>	<u>1,990</u>
	<u><u>1,714</u></u>	<u><u>3,374</u></u>

No interest is charged on the trade receivables. The directors of the Company are of the opinion that the credit risks of these receivables are minimal as these are from creditworthy banks with no history of defaults. No impairment is made for trade receivables during the Track Record Period.

The Group does not hold any collateral over its trade receivable balances and they are non-interest bearing.

Before the Track Record Period, the Group entered into two life insurance policies with an insurance company to insure Ms. Fu and Mr. Yip. Under these policies, Dermaglow is the beneficiary and policy holder and the total insured sum is HK\$20,197,000. Dermaglow is required to pay a gross premium of these life insurance policies of HK\$17,129,000, including premium charge at inception to the insurance company and the bank. The Group can, at any time, withdraw cash based on the account value of the policy (“Account Value”) at the date of withdrawal, which is determined by the gross premium paid plus accumulated guaranteed interest earned and minus any charges made in accordance with the terms and conditions of the policy. If withdrawal is made between the first policy year to the end of surrender period stated in respective insurance contracts, there is a specified amount of surrender charge deducted from Account Value.

Also, the Group entered into a life insurance policy with a bank to insure Ms. Fu before Track Record Period. Under the policy, Dermaglow is the beneficiary and policy holder and the total insured sum is US\$1,000,000 (equivalent to approximately HK\$7,800,000). Dermaglow is required to pay a gross premium of US\$111,398 (equivalent to approximately HK\$863,000), including premium charge at inception to the bank. The Group can, at any time, withdraw cash based on the Account Value at the date of withdrawal, which is determined by the gross premium paid plus accumulated guaranteed interest earned and minus any charges made in accordance with the terms and conditions of the policy. If withdrawal is made between the first policy year to the end of surrender period stated in respective insurance contracts, there is a specified amount of surrender charge deducted from Account Value.

For the life insurance policies with the insurance company, the insurance company would pay the Group an variable interest rate of approximately 5.5% per annum during the effective period of the policies. For the life insurance policy with the bank, the bank would pay the Group a guaranteed interest rate of 4.8% per annum for the first year and a variable return per annum afterwards (with minimum guaranteed interest rate of 3% per annum) during the effective period of the policy.

At the inception date of these policies, the gross premiums paid included deposits and fixed premium charge. The policy premiums, expense and insurance charges charged by the insurance company and the bank, is amortised to profit or loss over the insured period and the deposits placed are carried at amortised cost using the effective interest method.

On 21 March 2018, the Group early terminated the life insurance policy with the bank and a surrender charge of approximately US\$10,000 (equivalent to approximately HK\$75,000) was recognised in profit or loss. As represented by the directors of the Company, the Group will not terminate the remaining policies nor withdraw cash prior to the end of the surrender period with the insurance company and the expected life of the policies remained unchanged since the initial recognition.

## 17. DEFERRED COSTS

	As at 31 March	
	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Costs to obtain contracts	1,929	2,677
Analysed for reporting purposes as:		
Non-current assets	514	753
Current assets	1,415	1,924
	1,929	2,677

The deferred costs primarily relating to the incremental costs of obtaining a contract with a customer, which represent sales commissions paid or payable to staff, are recognised as deferred costs in the combined statements of financial position and classified as current or non-current assets based on the estimated life of the relevant contract while such costs relate. Such costs are recognised in profit or loss in the period in which the deferred revenue to which they relate is recognised as revenue.

Management of the Group expects that incremental cost paid or payable to the staff as a result of obtaining prepaid packages are recoverable. The Group therefore capitalised them as deferred cost in the amount of HK\$1,929,000 and HK\$2,677,000 as at 31 March 2017 and 2018 respectively.

Capitalised incremental cost are amortised when the related revenue are recognised. The amount of amortisation was HK\$3,109,000 and HK\$4,550,000 during the year ended 31 March 2017 and 2018 respectively and there was no impairment loss in relation to the costs capitalised.

#### 18. AMOUNTS DUE FROM CONTROLLING SHAREHOLDERS/AMOUNTS DUE FROM RELATED COMPANIES/AMOUNT DUE TO A SUBSIDIARY

##### The Group

The amounts due from controlling shareholders are non-trade nature, unsecured, interest-free and repayable on demand.

Name	As at	As at 31 March		Maximum amount outstanding during	
	1 April	2017	2018	31 March	2018
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Ms. Fu	41,888	49,326	279	49,326	50,313
Mr. Yip	6,509	9,478	–	9,478	9,598
	<u>48,397</u>	<u>58,804</u>	<u>279</u>		

The amounts due from controlling shareholders are subsequently settled.

The amounts due from related companies are non-trade nature, unsecured interest-free and repayable on demand.

Name	As at	As at 31 March		Maximum amount outstanding during	
	1 April	2017	2018	31 March	2018
	2016	2017	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ABJ	–	–	–	16	–
Champ Centre Limited (note 1)	–	–	–	232	–
GPS Beauty Limited (note 2)	–	–	–	5	–
Prestigious Holdings Limited (“Prestigious”) (note 3)	–	–	–	386	–
Prime Colour Limited (note 4)	–	–	–	15	–
	<u>–</u>	<u>–</u>	<u>–</u>		

*Notes:*

- (1) Champ Centre Limited was controlled by Ms. Fu and Mr. Yip prior to 26 January 2017.
- (2) GPS Beauty Limited was controlled by Ms. Fu prior to 25 January 2017.
- (3) Prestigious was controlled by Ms. Fu and Mr. Yip prior to 16 June 2016.
- (4) Prime Colour Limited was controlled by Ms. Fu prior to 26 January 2017.

The advance to and full repayment from these related companies are made before Ms. Fu or/and Mr. Yip lost control of these companies.

**The Company**

The amount due to a subsidiary is non-trade nature, unsecured, interest-free and repayable on demand.

**19. BANK BALANCES AND CASH**

Bank balances carry interest at prevailing market rates ranging from 0.001% to 0.01% per annum as at 31 March 2017 and 2018.

**20. TRADE AND OTHER PAYABLES AND ACCRUALS**

	<b>As at 31 March</b>	
	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	227	221
Payables for salaries and consultancy fee for doctors	2,920	1,520
Payables for additions to property, plant and equipment	2,034	–
Accruals and other payables	<u>685</u>	<u>377</u>
	<u><u>5,866</u></u>	<u><u>2,118</u></u>

The credit period of trade payables is ranging from 0 to 30 days.

An ageing analysis of trade payables, based on invoice date, is as follows:

	<b>As at 31 March</b>	
	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	223	117
31 – 90 days	4	–
Over 90 days	<u>–</u>	<u>104</u>
	<u><u>227</u></u>	<u><u>221</u></u>

**21. DEFERRED REVENUE**

Deferred revenue represents the treatment package fees received in advance.

The movements in deferred revenue are as follows:

	<b>As at 31 March</b>	
	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of year	41,417	54,640
Sales contracts entered into during the year	74,863	94,599
Revenue recognised upon provision of services	(60,898)	(84,385)
Revenue recognised from expiry of prepaid treatments	<u>(742)</u>	<u>(2,042)</u>
At the end of year	<u>54,640</u>	<u>62,812</u>

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period.

	<b>As at 31 March</b>	
	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unsatisfied performance obligations relating to provision of treatment services	<u>54,640</u>	<u>62,812</u>

Management of the Group expects that the unsatisfied performance obligations will be recognised as revenue ranges from 1 – 2 years according to the contract period and the timing of the transfer of those goods or services is at the discretion of the customers.

## 22. BANK BORROWINGS

	<b>As at 31 March</b>	
	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unsecured and guaranteed bank borrowings	8,522	4,758
Secured and guaranteed bank borrowings	<u>18,050</u>	<u>16,886</u>
	<u>26,572</u>	<u>21,644</u>
Fixed-rate bank borrowings	932	628
Variable-rate bank borrowings	<u>25,640</u>	<u>21,016</u>
	<u>26,572</u>	<u>21,644</u>
The carrying amounts are repayable*:		
Within one year	3,922	3,043
Within a period of more than one year but not exceeding two years	3,673	3,123
Within a period of more than two years but not exceeding five years	<u>18,977</u>	<u>15,478</u>
	26,572	21,644
Less: Amounts due within one year or contain a repayable on demand clause shown under current liabilities	<u>(26,572)</u>	<u>(21,644)</u>
Amounts shown under non-current liabilities	<u>–</u>	<u>–</u>

\* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The fixed-rate bank borrowings bears interest at 4.56% per annum.

The variable-rate bank borrowings bear interest ranging from HK\$ Best Lending Rate minus/plus a spread per annum.

The ranges of interest rates (which are also equal to contracted interest rates) on the Group's variable-rate bank borrowings as at 31 March 2017 and 2018 are as follows:

	<b>As at 31 March</b>	
	<b>2017</b>	<b>2018</b>
Variable-rate borrowings	2.25% – <u>4.25%</u>	2.25% – <u>4.25%</u>

The secured bank borrowings are secured by the deposits for life insurance contracts as stated in note 16 as at 31 March 2017 and 2018.

The entire bank borrowings are guaranteed by the Controlling Shareholders as at 31 March 2017 and 2018.

Bank borrowings of HK\$7,589,000 and HK\$4,130,000 are guaranteed by The Hong Kong Mortgage Corporation Limited under the Small-Medium Enterprise Financing Guarantee Scheme as at 31 March 2017 and 2018, respectively.

The directors of the Company consider that the personal guarantee by the Controlling Shareholders will be released upon the Listing.

### 23. OBLIGATIONS UNDER FINANCE LEASES

As at 31 March 2017 and 2018, the Group leased certain of its treatment devices and motor vehicles under finance leases with lease terms ranging from 2 to 5 years. Interest rates underlying the obligations under these finance leases were fixed at respective contract dates ranging from 2.6% to 3.4% per annum as at 31 March 2017 and 2018. No arrangement has been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000
Amounts payable under finance leases:				
Within one year	1,494	747	1,464	701
Within a period of more than one year but not exceeding two years	343	481	330	460
Within a period of more than two years but not exceeding five years	<u>70</u>	<u>514</u>	<u>69</u>	<u>489</u>
	1,907	1,742	1,863	1,650
Less: Future finance charges	<u>(44)</u>	<u>(92)</u>	<u>-</u>	<u>-</u>
Present value of lease obligations	<u>1,863</u>	<u>1,650</u>	1,863	1,650
Less: Amounts due for settlement within one year (shown as current liabilities)			<u>(1,464)</u>	<u>(701)</u>
Amounts due for settlement after one year			<u>399</u>	<u>949</u>

The Group's obligations under finance leases were secured by the lessor's charge over the motor vehicles and machineries and guaranteed by the Controlling Shareholders.

The personal guarantee by the Controlling Shareholders was subsequently released.

### 24. PROVISIONS

	Provisions for reinstatement cost HK\$'000
As at 1 April 2016, 31 March 2017 and 2018	<u>715</u>

	As at 31 March	
	2017 HK\$'000	2018 HK\$'000
Analysed for reporting purposes as:		
Non-current liabilities	407	715
Current liabilities	<u>308</u>	<u>–</u>
	<u>715</u>	<u>715</u>

The provision of reinstatement cost for reinstating the rented premises to be carried out at the end of the lease periods had been estimated by the directors of the Company based on current rental contracts. These amounts have not been discounted for the purposes of measuring the provisions because the effect is not material.

## 25. DEFERRED TAXATION

The following is the deferred tax assets (liabilities) recognised and movements thereon during the Track Record Period.

	Accelerated accounting depreciation HK\$'000	Accelerated tax depreciation HK\$'000	Total HK\$'000
At 1 April 2016	286	–	286
Credit to profit or loss ( <i>note 11</i> )	<u>190</u>	<u>–</u>	<u>190</u>
At 31 March 2017	476	–	476
Charge to profit or loss ( <i>note 11</i> )	<u>(299)</u>	<u>(81)</u>	<u>(380)</u>
At 31 March 2018	<u>177</u>	<u>(81)</u>	<u>96</u>

For the purpose of presentation in the Historical Financial Information, the following is the analysis of the deferred taxation:

	As at 31 March	
	2017 HK\$'000	2018 HK\$'000
Deferred tax assets	476	177
Deferred tax liabilities	<u>–</u>	<u>(81)</u>
	<u>476</u>	<u>96</u>

**26. SHARE CAPITAL**

The share capital as at 1 April 2016 and 31 March 2017 represented the combined share capital of Dermaglow and Worldwide Beauty.

The share capital as at 31 March 2018 represented the combined share capital of the Company and Flourish Capital.

Details of the Company's shares are disclosed as follows:

	<b>Number of shares</b>	<b>Amount HK\$'000</b>
Authorised:		
At 2 March 2018 (date of incorporation) and 31 March 2018	<u>38,000,000</u>	<u>380</u>
Issued and fully paid:		
At 2 March 2018 (date of incorporation) and 31 March 2018	<u>1</u>	<u>–</u>

**27. OPERATING LEASE COMMITMENTS****The Group as lessee**

At the end of each reporting period, the Group has commitments for future minimum lease payments under non-cancellable operating leases with independent third party, which fall due as follows:

	<b>As at 31 March</b>	
	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	5,935	7,828
In the second to fifth year inclusive	<u>11,379</u>	<u>10,372</u>
	<u>17,314</u>	<u>18,200</u>

Operating lease payments represent rentals payable by the Group for office premises, medical centres, retail shop and sales counters. Leases and rentals are negotiated for a term of two to four years. Certain leases include contingent rentals calculated with reference to turnover of the retail shop and sales counters. Other leases are fixed for terms of two to four years.

**28. RETIREMENT BENEFITS SCHEMES**

The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are both required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. The cap of contribution amount was HK\$1,500 per employee per month.

The retirement benefits schemes contributions arising from the MPF Scheme charged to the combined statements of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The contributions paid and payable to the schemes by the Group are disclosed in note 9.

**29. NON-CASH TRANSACTION**

During the year ended 31 March 2017 and 2018, the Group acquired treatment devices and motor vehicle through finance lease at an aggregate consideration of HK\$2,160,000 and HK\$1,572,000 respectively.

**30. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of debt balance and equity balance, which includes bank borrowings (note 22) and obligations under finance leases (note 23). Equity balance consists of equity attributable to owners of the Company, comprising issued share capital, other reserve and accumulated profits.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risk associated with each class of capital, and will balance its overall capital structure through new share issue as well as the issue of new debts or the redemption of existing debts.

## 31. FINANCIAL INSTRUMENTS

## Categories of financial instruments

	<u>The Group</u>		<u>The Company</u>
	As at 31 March		As at 31 March
	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000
Financial assets			
Loans and receivables (including cash and cash equivalents)	<u>93,913</u>	<u>60,595</u>	<u>–</u>
Financial liabilities			
Amortised cost	<u>32,438</u>	<u>23,762</u>	<u>3,814</u>

**Financial risk management objectives and policies**

The Group's financial instruments include payment for life insurance contracts, trade receivables, amounts due from controlling shareholders, bank balances and cash, trade and other payables and accruals and bank borrowings. The Company's financial instruments include accruals and amount due to a subsidiary. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**Market risk***Currency risk*

As at 31 March 2017, the Group has payment for life insurance contracts of HK\$967,000 which is denominated in US\$, being a currency other than the functional currency of the group entities.

The Group currently does not have a foreign currency hedging policy. However, the directors of the Company monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

No sensitivity analysis is provided on deposits for life insurance contracts since the exchange rate of HK\$ is pegged with US\$, the Group does not expect any significant movements in the US\$/HK\$ exchange rates.

*Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to the Group's floating rate payment for life insurance contracts (note 16), variable-rate bank balances (note 19) and bank borrowings (note 22). The Group is also exposed to fair value interest rate risk in relation to the Group's interest-free amounts due from controlling shareholders (note 18), fixed-rate bank borrowings (note 22) and obligations under finance leases (note 23). The management of the Group considers that the Group's exposures of the bank balances are not significant as interest bearing bank balances are within short maturity period and thus they are not included in sensitivity analysis. The Group currently does not have a policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and payment for life insurance policies and HK\$ Best Lending Rate arising from the Group's variable-rate bank borrowings.

The Group currently does not have interest rate risk hedging policy. However, management closely monitors its exposure to future cash flow interest rate risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

*Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank borrowings. The analysis is prepared assuming the variable-rate bank borrowings at the end of the reporting period were outstanding for the whole period. No sensitivity analysis is provided on bank balances and payment for life insurance contracts as the management of the Group considers that the interest rate fluctuation on bank balances and payment for life insurance contracts is minimal and the impact from the exposure to interest rate risk sensitivity is considered insignificant.

A 50 basis points increase or decrease is used during the year, which represents management's assessment of the reasonably possible change in interest rates. A positive number below indicates a decrease in post-tax profit for the year where the interest rate had been 50 basis points higher and all other variables were held constant. For 50 basis points lower on interest rate, there would be an equal and opposite impact on the result for the year.

If interest rates have been 50 basis points higher/lower for variable-rate bank borrowings and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2017 and 2018 would decrease/increase by HK\$107,000 and HK\$88,000, respectively.

*Credit risk*

As at 31 March 2017 and 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

In order to minimise the credit risk, the directors of the Company have delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

In view of the business nature, management of the Group considers that the credit risks of trade receivables are insignificant after considering the credit quality and financial ability of the relevant financial institutions and there is no history of default in settlement by them.

The Group has significant concentration of credit risk on amounts due from controlling shareholders as at 31 March 2017 and 2018. The management of the Group considers the counterparties with good credit worthiness based on their past repayment history and subsequent settlement.

The Group has concentration of credit risk on payment for life insurance contracts with an insurance company and a bank as at 31 March 2017 and on insurance company as at 31 March 2018.

The credit risk on liquid funds and payment for life insurance contracts are limited as such amounts are placed in an insurance company and banks with good reputations.

### ***Liquidity risk***

As of 31 March 2017 and 2018, the Group recorded net current liabilities of HK\$8,128,000 and HK\$39,705,000, respectively. The net current liabilities arose mainly from the long-term bank borrowings (with maturity dates over one year) amounting to HK\$22,650,000 and HK\$18,601,000 being classified as current liabilities as at 31 March 2017 and 2018, respectively, due to the overriding right of demand clause as stipulated in the facility agreements of the bank borrowings. The directors of the Company believe that these loan facilities (including those unutilised bank facilities) will continue to be made available to the Group and will not be withdrawn by the banks within the next twelve months from the end of each of the reporting period. In addition, as at 31 March 2017 and 2018, included in the current liabilities of the Group were deferred revenue of HK\$54,640,000 and HK\$62,812,000 respectively, which represented services to be performed and shall not result in any cash outflow of the Group eventually.

Taking into account the above consideration and the Group's cash flow projection for the coming twelve months from the end of each reporting period, the directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the next twelve months from the end of each reporting period. Accordingly, the Historical Financial Information has been prepared on a going concern basis.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

	Weighted average effective interest rate %	On demand HK\$'000	Less than 1 year HK\$'000	1 – 2 years HK\$'000	2 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<b>The Group</b>							
<b>As at 31 March 2017</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables and accruals	N/A	–	5,866	–	–	5,866	5,866
Bank borrowings							
– fixed-rate	4.56	932	–	–	–	932	932
– variable-rate	2.98	25,640	–	–	–	25,640	25,640
Obligations under finance leases	2.59	–	1,494	343	70	1,907	1,863
		<u>26,572</u>	<u>7,360</u>	<u>343</u>	<u>70</u>	<u>34,345</u>	<u>34,301</u>
<b>As at 31 March 2018</b>							
<b>Non-derivative financial liabilities</b>							
Trade and other payables and accruals	N/A	–	2,118	–	–	2,118	2,118
Bank borrowings							
– fixed-rate	4.56	628	–	–	–	628	628
– variable-rate	2.82	21,016	–	–	–	21,016	21,016
Obligations under finance leases	2.19	–	747	481	514	1,742	1,650
		<u>21,644</u>	<u>2,865</u>	<u>481</u>	<u>514</u>	<u>25,504</u>	<u>25,412</u>
<b>The Company</b>							
<b>As at 31 March 2018</b>							
<b>Non-derivative financial liabilities</b>							
Amount due to a subsidiary	N/A	<u>3,814</u>	–	–	–	<u>3,814</u>	<u>3,814</u>

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Bank borrowings with a repayment on demand clause are included in the “On demand” time band in the above maturity analysis. As at 31 March 2017 and 2018, the aggregate carrying amounts of these bank borrowings were approximately HK\$26,572,000 and HK\$21,644,000, respectively. Taking into account the Group’s financial position, management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Management of the Group believes that such bank borrowings of the Group will be repaid after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreements.

For the purpose of managing liquidity risk, management of the Group reviews the expected cash flow information of the Group's bank borrowings based on the scheduled repayment dates set out in the bank borrowings agreements as set out in the table below:

	Weighted average effective interest rate %	Less than 1 year HK\$'000	1 - 2 years HK\$'000	2 - 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<b>Bank borrowings with a repayment on demand clause</b>						
As at 31 March 2017	3.04	<u>4,707</u>	<u>4,297</u>	<u>19,584</u>	<u>28,588</u>	<u>26,572</u>
As at 31 March 2018	2.87	<u>3,642</u>	<u>3,581</u>	<u>15,622</u>	<u>22,845</u>	<u>21,644</u>

### **Fair value**

Management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

## **32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's combined statement of cash flows as cash flows from financing activities.

	Accrued share issued costs HK\$'000	Obligations under finance leases HK\$'000	Bank borrowings HK\$'000	Total HK\$'000
At 1 April 2016	–	1,606	32,606	34,212
Financing cash flows ( <i>Note</i> )	–	(1,957)	(7,040)	(8,997)
Purchase of property, plant and equipment through finance lease ( <i>note 29</i> )	–	2,160	–	2,160
Finance costs	–	<u>54</u>	<u>1,006</u>	<u>1,060</u>
At 31 March 2017	–	1,863	26,572	28,435
Financing cash flows ( <i>Note</i> )	(383)	(1,850)	(5,732)	(7,965)
Issued cost accrued	383	–	–	383
Purchase of property, plant and equipment through finance lease ( <i>note 29</i> )	–	1,572	–	1,572
Finance costs	–	<u>65</u>	<u>804</u>	<u>869</u>
At 31 March 2018	<u>–</u>	<u>1,650</u>	<u>21,644</u>	<u>23,294</u>

*Note:* The cash flow in relation to payment for share issued cost, obligations under finance lease, bank borrowings and finance costs.

**33. RELATED PARTY TRANSACTIONS**

Save as disclosed elsewhere in the Historical Financial Information, the Group had the following transactions with its related parties during the Track Record Period:

	<b>Year ended 31 March</b>	
	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Purchase of skincare products from Prestigious from 1 April 2016 to 16 June 2016	33	–

***Compensation of key management personnel***

The remuneration of key management personnel during the years ended 31 March 2017 and 2018, respectively were as follows:

	<b>Year ended 31 March</b>	
	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short-term benefits	2,139	4,588
Post-employment benefits	54	60
	2,193	4,648

**34. PARTICULARS OF SUBSIDIARIES OF THE COMPANY**

Particulars of the Company's subsidiaries at the date of this report are as follows:

Name of subsidiary	Place and date of establishment	Place of operation	Issued and full paid share capital	Attributable equity interest of the Group as at			Principal activities
				31 March 2017	31 March 2018	date of this report	
Flourish Capital	BVI 30 November 2017	Hong Kong	US\$2	N/A	100%	100%	Investment holdings (Note a)
Dermaglow	Hong Kong 28 May 2008	Hong Kong	HK\$2	100%	100%	100%	Provision of treatment services and sale of skincare products (Note b)
Worldwide Beauty	Hong Kong 3 January 2011	Hong Kong	HK\$2,000,000	100%	100%	100%	Provision of treatment services and sale of skincare products (Note c)
Per Face Institute	Hong Kong 3 November 2017	Hong Kong	HK\$2	N/A	100%	100%	Inactive (Note d)
Fortune Marvel	Hong Kong 19 July 2017	Hong Kong	HK\$1	N/A	100%	100%	Property investment (Note e)

*Notes:*

- (a) No statutory audited financial statements have been prepared since its date of incorporation as it is incorporated in a jurisdiction where there is no statutory audit requirements.
- (b) The statutory financial statements of the entity for the year ended 31 March 2017, which are prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard issued by HKICPA, were audited by Leo Chan & Co. Certified Public Accountants, a firm of certified public accountants registered in Hong Kong. The statutory financial statements of the entity for the year ended 31 March 2018, which are prepared in accordance with the HKFRSs issued by HKICPA, were audited by us.
- (c) The statutory financial statements for the year ended 31 March 2017 and 2018, which are prepared in accordance with HKFRSs issued by HKICPA, were audited by LKY China, Certified Public Accountants, a firm of certified public accountants registered in Hong Kong, and by us respectively.
- (d) No statutory audited financial statements have been prepared for the year ended 31 March 2017 since it was incorporated on 3 November 2017. The first statutory financial statements of the entity for the period from its date of incorporation to 31 March 2018 are to be audited by us and not due for issuance.
- (e) Fortune Marvel is a wholly-owned subsidiary of Dermaglow. No statutory audited financial statements have been prepared for the year ended 31 March 2017 since it was incorporated on 19 July 2017. The first statutory financial statements of the entity for the period from its date of incorporation to 31 March 2018 are to be audited by us and not due for issuance.

**35. SUBSEQUENT EVENTS**

Save as disclosed elsewhere in the Historical Financial Information, subsequent events of the Group and detailed as below.

On 21 September 2018, written resolutions of the sole shareholder were passed to approve the matters as follows:

- (a) the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares to HK\$100,000,000 divided into 10,000,000,000 shares by the creation of 9,962,000,000 new shares of the Company;
- (b) conditionally adopted a share option scheme where eligible participants may be granted options entitling them to subscribe for the Company's shares. No share has been granted since the adoption of the scheme. The principal terms of the share option scheme are summarised in the section headed "Further information about our Directors, management and staff – 13. Share Option Scheme" in Appendix V to the Prospectus; and
- (c) conditional upon the share premium account of the Company being credited as a result of the offer of the Company's shares, the directors of the Company were authorised to capitalise the amount of HK\$5,999,999 from the amount standing to the credit of the share premium account of the Company and to apply such amount to pay up in full at par 599,999,900 new shares of the Company for allotment and issue to the persons whose name appeared on the register of members of the Company at the close of business on 21 September 2018.

**36. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the Company, any of its subsidiaries or the Group have been prepared in respect of any period subsequent to 31 March 2018.

The information set out in this Appendix does not form part of the accountants' report on the financial information of the Group for each of the two years ended 31 March 2018 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's reporting accountants, as set out in Appendix I to this prospectus (the "Accountants' Report"), and is included herein for information only. The unaudited pro forma financial information should be read in connection with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

**A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO THE OWNERS OF THE COMPANY**

The statement of unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Share Offer on the audited combined net tangible assets of the Group attributable to the owners of the Company as if the Share Offer had taken place on 31 March 2018.

The statement of unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to the owners of the Company as at 31 March 2018 or any future dates following the Share Offer.

The following statement of unaudited pro forma adjusted combined net tangible assets of the Group is based on the audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 March 2018 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 March 2018 HK\$'000 (Note 1)	Estimated net proceeds from the Share Offer HK\$'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 31 March 2018 HK\$'000	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 31 March 2018 per Share HK\$ (Note 3)
Based on Offer Price of HK\$0.44 per Share	21,868	66,718	88,586	0.11
Based on Offer Price of HK\$0.28 per Share	21,868	35,518	57,386	0.07

*Notes:*

- (1) The audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 March 2018 is extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Share Offer are based on 200,000,000 Offer Shares at the Offer Price of lower limit and upper limit of HK\$0.28 and HK\$0.44 per Share, respectively, after taking into account the estimated underwriting fees and other related expenses incurred or to be incurred by the Group, other than those expenses which had been recognised in profit or loss up to 31 March 2018.

The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares" in this prospectus.

- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 31 March 2018 per Share is calculated based on 800,000,000 Shares, assuming that the Reorganisation, the Share Offer and the Capitalisation Issue had been completed on 31 March 2018 and does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares" in this prospectus.
- (4) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2018.
- (5) Based on the property valuation report as of 30 June 2018 as set forth in "Appendix III – Property Valuation Report", the property interests of the Group attributable to the owners of the Company had a revaluation surplus up to 30 June 2018 of approximately HK\$3.8 million, representing the excess of the market value of these properties (including leasehold land and buildings) over their carrying amounts to the extent attributable to owners of the Company. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company has not taken into account the revaluation surplus of properties held for own use (including leasehold land and buildings), nor will the Group incorporate the revaluation surplus in its future financial statements. If the revaluation surplus up to 30 June 2018 is to be incorporated in the Group's future financial statements, additional annual depreciation of approximately HK\$0.1 million (excluding tax impact) would be charged as expenses.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.*

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Fameglow Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Fameglow Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the statement of unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 31 March 2018 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 28 September 2018 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offer of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "Share Offer") on the Group's financial position as at 31 March 2018 as if the Share Offer had taken place at 31 March 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the two years ended 31 March 2018, on which an accountants' report set out in Appendix I to the Prospectus has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgment, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

28 September 2018

*The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this prospectus received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation of the property interests as at 30 June 2018.*



23rd Floor, Siu On Centre, No. 188 Lockhart Road,  
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28 September 2018

The Board of Directors  
**Fameglow Holdings Limited**  
Unit 304, Global Gateway Tower,  
No. 63 Wing Hong Street,  
Cheung Sha Wan, Kowloon,  
Hong Kong

Dear Sirs/Madams,

#### **INSTRUCTIONS**

In accordance with the instructions for us to value the property interests held by Fameglow Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 30 June 2018 (the “**valuation date**”).

#### **PREMISES OF VALUE**

The valuation is our opinion of market value which is defined by the Hong Kong Institute of Surveyors as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

#### **BASIS OF VALUATION**

In valuing the property interests, we have complied with all the requirements set out in Chapter 8 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (“**GEM Listing Rules**”), the HKIS Valuation Standards (2017 Edition) published by the Hong Kong Institute of Surveyors and the International Valuation Standards published from time to time by the International Valuation Standards Council.

Our valuation exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

**VALUATION METHODOLOGY**

In the course of our valuation, unless otherwise stated, we have valued the property in their designated uses with the understanding that the property will be used as such (hereafter referred to as “**continued uses**”).

In valuing the property, we have valued such property by the market approach assuming sale with the benefit of vacant possession in their existing states by making reference to comparable sales transactions as available in the relevant markets.

**TITLE INVESTIGATION**

In preparing our valuation, we have carried out land searches at the Land Registry of Hong Kong. However, we have not searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We are not aware of any title defects, easements or right of way affecting the property and our valuation assume that none exists, except only where otherwise stated.

**SITE INVESTIGATION**

We have inspected the exterior and, where possible, the accessible portions of the interior of the property being appraised. The inspection was carried out by Sarah Lee (MRICS), at the date of 12 March 2018. However, we have not been commissioned to carry out structural survey nor to arrange for an inspection of the services. We are, therefore, not able to report whether the property is free of rot, infestation or any other structural defects. We formulate our view as to the overall conditions of the property taking into account the general appearance, the apparent standard and age of fixtures and fittings and the existence of utility services. Hence it must be stressed that we have had regard to you with a view as to whether the buildings are free from defects or as to the possibility of latent defects which might affect our valuation. In the course of our inspection, we did not note any serious defects. No tests were carried out on any of the services. We have assumed that utility services, such as electricity, telephone, water, etc., are available and free from defect.

We have not arranged for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or pulverized fly ash, or any other deleterious material has been used in the construction of the property. We are therefore unable to report that the property is free from risk in this respect. For the purpose of this valuation, we have assumed that deleterious material has not been used in the construction of the property.

We have not been commissioned to carry out detailed site measurements to verify the correctness of the land or building areas in respect of the property but have assumed that the areas provided to us are correct. Based on our experience of valuation of similar property, we consider the assumptions so made to be reasonable.

Moreover, we have not carried out any site investigation to determine the suitability of the ground conditions or the services for any property development erected or to be erected thereon. Nor did we undertake archaeological, ecological or environmental surveys for the property interests. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Should it be discovered that contamination, subsidence or other latent defects exists in the property or on adjoining or neighbouring land or that the property had been or are being put to contaminated use, we reserve right to revise our opinion of value.

**SOURCE OF INFORMATION**

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Company or the legal or other professional advisers on such matters as statutory notices, planning approval, zoning, easements, tenure, completion date of building, development proposal, identification of property, particulars of occupation, site areas, floor areas, matters relating to tenure, tenancies and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore approximations and for reference only. We have not searched original plans, developer brochures and the like to verify them.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

**VALUATION ASSUMPTIONS**

For the property which is held under long term land use rights, we have assumed that transferable land use rights in respect of the property interests at nominal land use fees has been granted and that any premium payable has already been fully settled. Unless stated as otherwise, we have assumed that the respective title owner of the property has an enforceable title of the property interests and have free and uninterrupted rights to occupy, use, sell, lease, charge, mortgage or otherwise dispose of the property without the need of seeking further approval from and paying additional premium to the Government for the unexpired land use term as granted. Unless noted in the report, vacant possession is assumed for the property concerned.

Moreover, we have assumed that the design and construction of the property is/will be in compliance with the local planning regulations and requirements and had been/would have been duly examined and approved by the relevant authorities.

Continued uses assumes the property will be used for the purposes for which the property is designed and built, or to which they are currently adapted. The valuation on the property in continued uses does not represent the amount that might be realised from piecemeal disposition of the property in the open market.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed. Moreover, it is assumed that all required licences, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organisation either have been or can be obtained or renewed for any use which the report covers.

It is also assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the valuation report. In addition, it is assumed that the utilisation of the land and improvements are within the boundaries of the property described and that no encroachment or trespass exists, unless noted in the report.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have further assumed that the property was not transferred or involved in any contentious or non-contentious dispute as at the valuation date. We have also assumed that there was not any material change of the property in between dates of our inspection and the valuation date.

**CURRENCY**

Unless otherwise stated, all amounts are denominated in Hong Kong Dollar (HKD). We enclose herewith our valuation certificate.

Yours faithfully,  
For and on behalf of  
**AVISTA Valuation Advisory Limited**  
**Sr Oswald W Y Au**  
*MHKIS(GP) AAPI MSc(RE)*  
*Registered Professional Surveyor (GP)*  
*Director*

*Note:* Mr. Oswald W Y Au holds a Master's Degree of Science in Real Estate from the University of Hong Kong. He is also a member of Hong Kong Institute of Surveyors (General Practice) and Associate Member of Australian Property Institute. In addition, he is a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. He has over 10 years of property valuation experience in Hong Kong, the PRC, the U.S., Canada, East and Southeast Asia including Singapore, Japan and Korea.

## VALUATION CERTIFICATE

## Property interest held by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2018 HKD
Unit 4 on 3rd Floor with Flat Roof, Global Gateway Tower, No. 63 Wing Hong Street, Kowloon	The property comprises a workshop on the 3rd floor of a 28-storey industrial building completed in about 2015.	The property was occupied by the Group for office purposes.	31,600,000
217/28510th shares of New Kowloon Island Lot No.2831, Sub-Section 1 of Section A of New Kowloon Inland Lot No. 3555, Sub-Section 2 of Section A of New Kowloon Inland Lot No. 3555 and The Remaining Portion of Section A of New Kowloon Inland Lot No. 3555 (the "Lots")	<p>The property has a gross floor area of approximately 3,088 sq.ft. (286.88 sq. m.), a saleable area of approximately 2,167 sq.ft. (201.31 sq.m.) with a flat roof area of approximately 1,759 sq.ft. (163.42 sq.m.)</p> <p>The property is held under government lease for a term of 75 years renewable for 24 years commencing from 1 July 1898.</p> <p>Under the New Territories Lease (Extension) Ordinance 1988 (Cap 150), the lease had already been extended to 30 June 2047 at a Government rent of 3 per cent per annum of the rateable value of the property for the time being.</p>		

## Notes:

- The registered owner of the property is Fortune Marvel Limited, registered via Memorial No. 17121300970038 dated 13 November 2017 for a consideration of HKD28,475,860.
- The property lies within an area zoned "Other Specified Uses (Business)" under Cheung Sha Wan Outline Zoning Plan No. S/K5/37.
- In our valuation, we have made reference to the transaction records of some industrial properties comparable to the property. We have adopted the range of unit rates of between HKD 13,500-15,000 per sq.ft. of the saleable area. The unit rates assumed by us are consistent with the said transaction record. Due adjustments to the unit rates of those transaction record have been made to reflect factors including but not limited to time, floor and size in arriving at the key assumptions.
- The permitted use as specified in government lease and occupation permit is for industrial purposes and as factories and ancillary accommodation for non-domestic use respectively.
- As advised by the Company, the property is now under temporary waiver application. According the waiver application submission letter dated 10 April 2018, a temporary waiver with an initial term of three (3) years is pending for relevant authority's approval.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 2 March 2018 under the Companies Law. The Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

## 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

## 2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 21 September 2018 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

### (a) Shares

#### (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

#### (ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

*(iii) Alteration of capital*

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

*(iv) Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

**(v) *Power of the Company to purchase its own shares***

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

**(vi) *Power of any subsidiary of the Company to own shares in the Company***

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

**(vii) *Calls on shares and forfeiture of shares***

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(b) Directors**

**(i) *Appointment, retirement and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re election or appointment but as between persons who became or were last re elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

***(ii) Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

***(iii) Power to dispose of the assets of the Company or any of its subsidiaries***

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

**(iv) Borrowing powers**

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

**(v) Remuneration**

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

***(vi) Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

***(vii) Loans and provision of security for loans to Directors***

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

***(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries***

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

**(c) Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

**(d) Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) **Meetings of members**

(i) ***Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) ***Voting rights and right to demand a poll***

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

***(iii) Annual general meetings and extraordinary general meetings***

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

***(iv) Notices of meetings and business to be conducted***

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
  - (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
  - (cc) the election of directors in place of those retiring;
  - (dd) the appointment of auditors and other officers;
  - (ee) the fixing of the remuneration of the directors and of the auditors;
  - (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
  - (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.
- (v) *Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

**(vi) *Proxies***

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(f) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditors at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

**(g) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro-rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(h) Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

**(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(j) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(k) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

**(a) Company operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Disposal of assets**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 14 March 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

**(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(o) Register of Directors and Officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

**(p) Beneficial Ownership Register**

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

**(q) Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

**(r) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

**(s) Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(t) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES****1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 2 March 2018. Our Company has established a place of business in Hong Kong at Unit 304, Global Gateway Tower, 63 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 24 May 2018. In connection with such registration, Ms. Fu has been appointed as the authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, our operations are subject to the Cayman Islands company law and our constitution, which comprises of the Memorandum of Association and the Articles of Association. A summary of certain provisions of its constitution and relevant aspects of the Cayman Islands company law is set out in Appendix IV to this prospectus.

**2. Changes in authorised and issued share capital of our Company**

Our Company was incorporated in the Cayman Islands on 2 March 2018. The Subscriber Share was allotted and issued nil paid to the initial subscriber and then transferred to Equal Joy on the same date. The authorised share capital of our Company as at the date of its incorporation was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each.

On 17 September 2018, Mr. Yip and Ms. Fu transferred their entire shareholding interest in Flourish Capital to our Company in consideration of (i) our Company allotting and issuing 99 Shares to Equal Joy credited as fully paid; and (ii) crediting as fully paid the Subscriber Share held by Equal Joy.

On 21 September 2018, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each by the creation of an additional 9,962,000,000 Shares of HK\$0.01 each which rank *pari passu* in all respects with the existing Shares.

Save as disclosed in this appendix and in the section headed “History, Reorganisation and Group Structure” in this prospectus, there has been no alteration in the share capital of our Company within two years immediately preceding the date of this prospectus.

**3. Resolutions in writing of the sole Shareholder passed on 21 September 2018**

Pursuant to the resolutions in writing passed by the sole Shareholder on 21 September 2018:

- (a) our Company adopted the new Memorandum with immediate effect and conditionally adopted the new Articles with effect from the Listing Date;
- (b) our Company increased its authorised share capital from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each;

- (c) conditional on (i) the Listing Division of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be allotted and issued as mentioned in this prospectus, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange; (ii) the Offer Price having been duly determined; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sole Bookrunner (for itself and on behalf of the Underwriters)) and the Underwriting Agreements not being terminated in accordance with its terms, in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus:
- (i) the Share Offer and the grant of the Offer Size Adjustment Option were approved and our Directors were authorised to (aa) allot and issue the Offer Shares, as the case may be, pursuant to the Share Offer and such number of Shares as may be required to be allotted and issued upon the exercise of the Offer Size Adjustment Option; (bb) implement the Share Offer and the listing of Shares on the Stock Exchange; and (cc) do all such things and execute all documents in connection with or incidental to the Share Offer and the Listing with such amendments or modifications (if any) as our Directors may consider necessary and/or appropriate;
  - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Further information about our Directors, management and staff – 13. Share Option Scheme” in this appendix below, were approved and adopted and our Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for the Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;
  - (iii) conditional on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise approximately HK\$5,999,999 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 599,999,900 Shares for allotment and issue to the Shareholder(s) whose name(s) appear on the register of members of our Company on 21 September 2018 in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to its/their then existing respective shareholding(s) in our Company so that the Shares allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Share(s) and the name(s) of the relevant Shareholder(s) be entered in the register of members of our Company as holder(s) of the relevant number of Shares allotted and issued to it/them, and our Directors were authorised to give effect to such capitalisation;
  - (iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles, or pursuant to the exercise of any options which have been or may be granted under the Share Option Scheme, or under the Share Offer or the Capitalisation Issue, Shares with an aggregate nominal value of not exceeding the sum of (aa) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option and upon the exercise of the options which may be granted under the Share Option Scheme); and (bb) the aggregate nominal value of the share capital of our Company which may

- be purchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors as set out in this sub-paragraph (iv), whichever occurs first;
- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to purchase the Shares on the Stock Exchange or other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirements of the GEM Listing Rules, with an aggregate nominal value of not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option and upon the exercise of the options which may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to our Directors as set out in this sub-paragraph (v), whichever occurs first; and
- (vi) the general unconditional mandate mentioned in sub-paragraph (iv) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the Repurchase Mandate as referred to in sub-paragraph (v) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding the Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option and upon the exercise of the options which may be granted under the Share Option Scheme.

#### **4. Group reorganisation**

The companies comprising our Group underwent a reorganisation to rationalise our Group’s structure in preparation for the Listing. For information relating to the Reorganisation, please refer to the section headed “History, Reorganisation and Group Structure – Reorganisation” in this prospectus.

#### **5. Changes in share capital of subsidiaries**

Our Company’s subsidiaries are referred to in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section headed “History, Reorganisation and Group Structure” in this prospectus, there are no changes in the share capital or registered capital of our subsidiaries during the two years preceding the date of this prospectus.

## 6. Repurchase by our Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

### (a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

#### (i) Shareholders' approval

All proposed repurchase of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate (*Note*) or by specific approval of a particular transaction.

*Note:* Pursuant to a resolution in writing passed by the sole Shareholder on 21 September 2018, the Repurchase Mandate was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option and upon the exercise of the options which may be granted under the Share Option Scheme). The Repurchase Mandate will expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

#### (ii) Source of funds

Repurchase by our Company must be paid out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Under Cayman Islands law, any repurchase by our Company may only be made out of profits of our Company, or from sums standing to the credit of our share premium account, or out of the proceeds of a fresh issue of share made for the purpose of the repurchase, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of profits of our Company or from sums standing to the credit of our Company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital.

#### (iii) Connected parties

A company is prohibited from knowingly repurchasing securities from a "core connected person", that is, a director, the chief executive or a substantial Shareholder of our Company or any of their respective close associates and a core connected person shall not knowingly sell his/her/its securities to our Company, on the Stock Exchange.

**(b) Reasons for Repurchase**

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchase will benefit our Company and the Shareholders.

**(c) Funding of repurchase**

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles of Association, the GEM Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding the Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option and upon the exercise of the options which may be granted under the Share Option Scheme), would result in up to 80,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

**(d) General**

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company or our subsidiaries if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.

No core connected person (as defined in the GEM Listing Rules) has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

## FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

### 7. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

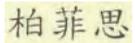
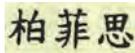
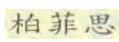
- (a) the sale and purchase agreement dated 14 March 2018 entered into between Mr. Yip and Ms. Fu (as vendors) and Flourish Capital (as purchaser) in respect of the transfer of the entire issued and paid-up share capital of Dermaglow, Worldwide Beauty and Per Face Institute, in consideration of the allotment and issue of an aggregate of three shares and three shares of Flourish Capital to Mr. Yip and Ms. Fu, respectively, all credited as fully paid;
- (b) the sale and purchase agreement dated 17 September 2018 entered into between Mr. Yip and Ms. Fu (as vendors) and our Company (as purchaser) in respect of the transfer of all the issued shares of Flourish Capital, in consideration of (i) the allotment and issue of 99 Shares, credited as fully paid, by our Company to Equal Joy (as Mr. Yip and Ms. Fu's nominee); and (ii) crediting the Subscriber Share held by Equal Joy as fully paid;
- (c) the Deed of Indemnity;
- (d) the Deed of Non-Competition; and
- (e) the Public Offer Underwriting Agreement.

### 8. Intellectual property rights of our Group

#### (a) Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks:

No.	Trademark	Registration number	Name of registered owner	Class	Place of registration	Date of registration	Expiry date
1.		302137978	Dermaglow	3, 44	Hong Kong	13 January 2012	12 January 2022
2.		301862587AA	Dermaglow	3, 5, 11, 21, 35	Hong Kong	18 March 2011	17 March 2021
3.		301862587AB	Dermaglow	44	Hong Kong	18 March 2011	17 March 2021

No.	Trademark	Registration number	Name of registered owner	Class	Place of registration	Date of registration	Expiry date
4.		302199367	Dermaglow	5, 11, 21, 35, 44	Hong Kong	23 March 2012	22 March 2022
5.	<b>la Pureté</b>	301153025	Dermaglow	3	Hong Kong	3 July 2008	2 July 2028
6.		303319001	Dermaglow	44	Hong Kong	5 March 2015	4 March 2025
7.		10410702 (Note)	Dermaglow	3	PRC	21 March 2013	20 March 2023
8.		10470959 (Note)	Dermaglow	35	PRC	7 April 2013	6 April 2023
9.		10410701 (Note)	Dermaglow	44	PRC	21 March 2013	20 March 2023
10.		10410699	Dermaglow	44	PRC	14 April 2014	13 April 2024
11.	<b>La Pureté</b>	11136553	Dermaglow	44	PRC	21 November 2013	20 November 2023
12.	<b>La Pureté</b>	11136554	Dermaglow	35	PRC	21 November 2013	20 November 2023
13.		N/095506	Dermaglow	3	Macau	27 July 2015	27 July 2022
14.		N/095507	Dermaglow	44	Macau	27 July 2015	27 July 2022

Note: As at the Latest Practicable Date, this trademark is in the process of being cancelled.

As at the Latest Practicable Date, our Group had filed the following trademark applications:

No.	Trademark	Application number	Name of applicant	Class	Place of application	Filing date
1.		304571208	Dermaglow	35, 41	Hong Kong	21 June 2018
2.		304571217	Dermaglow	35, 44	Hong Kong	21 June 2018

**(b) Domain name**

As at the Latest Practicable Date, our Group had registered the following domain names:

Domain name	Date of registration	Expiry date
www.dermaglow.com.hk	16 June 2008	17 June 2019
www.perface.com.hk	6 August 2010	13 August 2019
www.perface.hk	6 August 2010	6 August 2019
www.perface.com	1 December 2005	1 December 2018
www.perface.com.cn	6 June 2012	6 June 2023
www.perface.cn	25 February 2011	25 February 2019
www.nailandlashbyperface.com.hk	23 September 2015	23 September 2020
www.perfaceinstitute.com	22 November 2017	22 November 2018
www.fameglow.com	4 June 2018	4 June 2020

Information contained in the above websites does not form part of this prospectus.

Save as disclosed above, there are no other trade or service marks, patents, other intellectual or industrial property rights which are material to the business of our Group.

## FURTHER INFORMATION ABOUT OUR DIRECTORS, MANAGEMENT AND STAFF

## 9. Directors

*(a) Particulars of service contracts and letters of appointment*

Each of Mr. Yip and Ms. Fu, being all of our executive Directors, has entered into a service contract with our Company on 21 September 2018. Particulars of these contracts, except as indicated, are in all material respects identical and are set out below:

- (i) each service contract is for a term of three years commencing from the Listing Date and will continue thereafter until terminated in accordance with the terms of the service contract;
- (ii) the initial annual salary for each of Mr. Yip and Ms. Fu is set out below, such salary to be reviewed annually by our Board and the remuneration committee of our Company; and
- (iii) each of these executive Directors is entitled to such management bonus by reference to the consolidated net profits of our Group after taxation and minority interests but before extraordinary items as our Board and the remuneration committee of our Company may approve, provided that the relevant executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board approving the amount of annual salary, management bonus and other benefits payable to him/her.

The current basic annual salaries of the executive Directors are as follows:

<b>Name</b>	<b>Amount</b> <i>HK\$'000</i>
Mr. Yip	480
Ms. Fu	2,400

Each of Mr. Chan Sing Nun, Mr. Khoo Wun Fat William and Mr. Yu Chi Wing, being all the independent non-executive Directors, has entered into a letter of appointment with our Company on 21 September 2018. Each letter of appointment is for an initial term of one year commencing on the Listing Date, until terminated by either party giving at least one month's notice in writing. Each independent non-executive Director is entitled to an annual director's fee of HK\$144,000.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

*(b) Directors' remuneration*

For the two years ended 31 March 2018, the aggregate of the remuneration (including fees, salaries, allowance and other benefits in kind, discretionary bonuses and retirement benefit scheme contributions, if any) paid by our Group to our Directors was approximately HK\$0.8 million and HK\$2.5 million, respectively.

Under the arrangements currently in force, the aggregate emoluments (excluding any discretionary bonus, if any, payable to our Directors) payable by our Group to and benefits in kind receivable by our Directors for the year ending 31 March 2019 is estimated to be approximately HK\$3.1 million.

None of our Directors or any past directors of any member of our Group has been paid any sum of money during the Track Record Period (i) as an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors or chief executive has waived any emoluments during the Track Record Period.

**(c) *Interests and short positions of Directors in the Shares, underlying shares or debentures of our Company and our associated corporations***

Immediately following completion of the Share Offer and the Capitalisation Issue (but not taking into account of any Shares that may be allotted and issued pursuant to the Offer Size Adjustment Option and upon the exercise of any options which may be granted under the Share Option Scheme), the interests or short positions of our Directors and the chief executive of our Company in the Shares, underlying shares and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, in each case once the Shares are listed on the Stock Exchange, will be as follows:

<b>Name</b>	<b>Capacity/ Nature of interest</b>	<b>Number of Shares held after the Share Offer</b> <sup>(Note 1)</sup>	<b>Percentage of shareholding after the Share Offer</b>
Mr. Yip	Interest in controlled corporation <sup>(Note 2)</sup>	600,000,000 (L)	75%
Ms. Fu	Interest in controlled corporation <sup>(Note 2)</sup>	600,000,000 (L)	75%

Notes:

- (1) The letter "L" denotes the person's long position in the relevant Shares.
- (2) All the issued shares of Equal Joy are legally and beneficially owned as to 50% by each of Mr. Yip and Ms. Fu. Accordingly, they are deemed to be interested in the 600,000,000 Shares held by Equal Joy by virtue of the SFO. Mr. Yip, Ms. Fu and Equal Joy together are a group of Controlling Shareholders of our Company.

**10. Interest discloseable under the SFO and substantial Shareholders**

So far as our Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue and taking no account of any Shares which may be taken up under the Share Offer or any Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option and upon the exercise of any options which may be granted under the Share Option Scheme, the following persons/entities not being a Director or the chief executive of our Company will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to be kept under section 336 of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

Name	Capacity/ Nature of interest	Number of Shares held after the Share Offer <sup>(Note 1)</sup>	Percentage of shareholding after the Share Offer
Equal Joy	Beneficial owner <sup>(Note 2)</sup>	600,000,000(L)	75%

Notes:

- (1) The letter "L" denotes the person's long position in the relevant Shares.
- (2) All the issued shares of Equal Joy are legally and beneficially owned as to 50% by each of Mr. Yip and Ms. Fu. Mr. Yip, Ms. Fu and Equal Joy together are a group of Controlling Shareholders of our Company.

**11. Related party transactions**

During the two years immediately preceding the date of this prospectus, our Group engaged in the related party transactions as mentioned in note 33 of the Accountants' Report set out in Appendix I to this prospectus.

**12. Disclaimers**

- (a) Save as disclosed in this appendix and the section headed "Substantial Shareholders" in this prospectus, and taking no account of any Shares which may be taken up or acquired under the Share Offer or any Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option and upon the exercise of any options which may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following completion of the Share Offer and the Capitalisation Issue will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Company or any other members of our Group.

- (b) Save as disclosed in the paragraph headed “Further Information about our Directors, management and staff – 9. Directors – (c) Interests and short positions of Directors in the Shares, underlying Shares or debentures of our Company and our associated corporations” in this appendix above, none of our Directors or the chief executive of our Company has any interests and short positions in the Shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, in each case once the Shares are listed on the Stock Exchange.
- (c) None of our Directors nor the experts named in the paragraph headed “Other information – 20. Qualifications and consents of experts” in this appendix below has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of our Group nor will any Director apply for Offer Shares either in his/her own name or in the name of a nominee.
- (d) None of our Directors nor the experts named in the paragraph headed “Other information – 20. Qualification and consents of the experts” in this appendix below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole.
- (e) None of the experts named in the paragraph headed “Other information – 20. Qualifications and consents of experts” in this appendix below has any shareholding in any member in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member in our Group.
- (f) Save as disclosed in the paragraph headed “Further Information about our Directors, management and staff – 9. Directors – (a) Particulars of service contracts and letters of appointment” in this appendix above, none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

### 13. Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme, which was approved by written resolutions passed by the sole Shareholder on 21 September 2018. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

**(a) Purpose of the Share Option Scheme**

The purpose of the Share Option Scheme is to advance the interests of our Company and the Shareholders by enabling our Company to grant options to attract, retain and reward the eligible persons and to provide the eligible persons an incentive or reward for their contribution to our Group and by enabling such persons' contribution to further advance the interests of our Group.

**(b) Participants of the Share Option Scheme and eligibility criteria**

The eligible persons of the Share Option Scheme to whom options may be granted by the Board shall include (collectively "**Eligible Persons**"):

- (i) any directors (whether executive or non-executive and whether independent or not) and any employee (whether full time or part time) of any member of our Group (collectively "**Employee**");
- (ii) any consultants or advisers (in the areas of legal, technical, financial or corporate managerial) of our Group (whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid); any provider of goods and/or services to our Group; any customer of our Group; or any holder of securities issued by any member of our Group (collectively "**Business Associate**"); and
- (iii) any other person, who at the sole discretion of the Board, has contributed to our Group (the assessment criteria of which are (1) such person's contribution to the development and performance of our Group; (2) the quality of work performed by such person for our Group; (3) the initiative and commitment of such person in performing his duties; (4) the length of service or contribution of such person to our Group; and (5) such other factors as considered to be applicable by the Board).

The Board may in its absolute discretion specify such conditions as it thinks fit when granting an option to an Eligible Person (including, without limitation, as to any minimum period an option must have been held or the minimum period of service or relationship with any member of our Group to be achieved before an option can be exercised (or any part thereof), to the extent of the option which can be exercised at any material time, or any performance criteria which must be satisfied by the Eligible Person, our Company and our subsidiaries, before an option may be exercised), provided that such conditions shall not be inconsistent with any other terms and conditions of the Share Option Scheme and the GEM Listing Rules.

**(c) Life of the Share Option Scheme**

Our Company may, by ordinary resolution in general meeting, or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further option shall be offered or granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

Subject to the aforesaid, the Share Option Scheme shall be valid and effective for a period of 10 years commencing from the date of adoption, after which period no further options will be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects with respect to options granted during the life of the Share Option Scheme.

**(d) Subscription price**

The subscription price in respect of any option shall, subject to any adjustments made pursuant to the terms of the Share Option Scheme, be a price determined by the Board and notified to each grantee and shall be at least the highest of:

- (i) the closing price per Share as stated in the Stock Exchange's daily quotation sheet on the offer date which must be a business day;
- (ii) the average of the closing prices per Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; or
- (iii) the nominal value of the Share on the offer date.

**(e) Acceptance of offers**

An offer shall remain open for acceptance by the Eligible Person concerned for such period as determined by the Board, being a date not later than 10 business days after the offer date by which the Eligible Person must accept the offer or be deemed to have declined it, provided that no such offer shall be open for acceptance after the tenth anniversary of the date of adoption of the Share Option Scheme or after the Share Option Scheme has been terminated in accordance with the provisions of the Share Option Scheme.

The amount payable by the grantee to our Company on acceptance of the offer shall be a nominal amount of HK\$1.00.

**(f) Maximum number of Shares available for subscription**

- (i) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other Share Option Schemes shall not in aggregate exceed 10% of the total number of Shares in issue as at the effective date of the Share Option Scheme, i.e., as at the Listing Date, 80,000,000 Shares, on the basis of 800,000,000 Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be allotted and issued pursuant to the Offer Size Adjustment Option and assuming no options are granted under the Share Option Scheme), unless our Company obtains a fresh approval from the Shareholders pursuant to paragraph (f)(ii) below.

- (ii) Our Company may seek approval of Shareholders in general meeting to renew the 10% limit set out in paragraph (f)(i) above such that the total number of Shares in respect of which options may be granted by the Board under the Share Option Scheme and any other share option schemes of our Company in issue shall not exceed 10% of the total number of Shares in issue as at the date of approval of the renewed limit.
- (iii) Our Company may grant options to specified participant(s) beyond the 10% limit set out in paragraph (f)(i) above provided that the options granted in excess of such limit are specifically approved by the Shareholders in general meeting and the participants are specifically identified by our Company before such approval is sought. In seeking such approval, a circular must be sent to the Shareholders containing the required details in accordance with Chapter 23 of the GEM Listing Rules.
- (iv) Notwithstanding the foregoing and subject to paragraph (g) below, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme together with any options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company in issue shall not exceed 30% (or such higher percentage as may be allowed under the GEM Listing Rules) of the total number of Shares in issue from time to time.

**(g) *Maximum entitlement of each Eligible Person***

The total number of Shares issued and to be issued upon exercise of the options granted to each Eligible Person (including both exercised and outstanding options under the Share Option Scheme) in any twelve-month period must not exceed 1% of the issued share capital of our Company.

Where any further grant of options to an Eligible Person would result in excess of such limit shall be subject to the approval of the Shareholders at general meeting with such Eligible Person and his close associates (or his associates if the Eligible Person is a connected person) abstaining from voting.

In seeking such approval, a circular must be sent to the Shareholders containing the required details in accordance with Chapter 23 of the GEM Listing Rules.

**(h) *Grants of options to certain connected persons***

- (i) Any grant of options to a Director or the chief executive of our Company or any of their respective associates must be approved by all of the independent non-executive Directors (excluding any independent non-executive Director who is also the grantee).

- (ii) Where options are proposed to be granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates, and the proposed grant of options will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the twelve-month period up to and including the date of such grant representing in aggregate over 0.1% of the issued share capital of our Company and having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such grant of options must be subject to the approval of the Shareholders at general meeting. The grantee involved in such proposed grant of options, his associates and all core connected persons of our Company must abstain from voting in such general meeting (except that any such persons may vote against the proposed grant provided that his intention to do so has been stated in the relevant circular to the Shareholders).

In seeking such approval, a circular must be sent to the Shareholders containing the required details in accordance with Chapter 23 of the GEM Listing Rules.

Any change in the terms of the options granted to a substantial Shareholder or an independent non-executive Director, or any of their respective associates must also be approved by the Shareholders in general meeting.

**(i) Restrictions on the times of grant of options**

- (i) No offer for the grant of options may be made after any inside information has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the GEM Listing Rules and the SFO. No option may be granted during the period commencing one month immediately preceding the earlier of:
  - (a) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and
  - (b) the deadline for our Company to publish an announcement of the results for any year, half-year or quarterly period or any other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of the results announcement. No option may be granted during any period of delay in publishing a results announcement.

- (ii) Further to the restrictions in paragraph (i) above, no option may be granted to a Director on any day on which financial results of our Company are published and:
  - (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
  - (b) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

**(j) Time of exercise of option**

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to the grantee which the Board may in its absolute discretion determine, save that such period shall not be more than 10 years from the date of acceptance of the offer (subject to the provisions for early termination in accordance with the Share Option Scheme) (the “**Option Period**”).

**(k) Rights are personal to grantee**

An option shall be personal to the grantee and shall not be assignable nor transferable, and no grantee shall in any way sell, transfer, assign, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt to do so. Any breach of the foregoing shall entitle our Company to cancel any outstanding option or part thereof granted to such grantee.

**(l) Rights on ceasing employment**

In the case of the grantee being an employee or a director of our Group leaves the services of our Group by reason other than death or on one or more of the grounds specified in sub-paragraph (q)(v), or because his employing company ceases to be a member of our Group, the grantee may exercise the option up to his entitlement at the date of cessation (to the extent he is entitled to exercise at the date of cessation but not already exercised) within a period being the earlier of (i) three months (or such other period as the Board may determine) following the date of such cessation, which date shall be the last actual working day with our Group whether salary is paid in lieu of notice or not or the last date of appointment as director of our Group, as the case may be; or (ii) the expiration of the relevant Option Period. Any options not so exercised shall lapse and terminate at the end of the said period provided that in any such case, our Directors in their absolute discretion may otherwise determine subject to such conditions or limitations as our Directors may decide.

**(m) Rights on death**

In the case of the grantee ceases to be an Eligible Person by reason of death, he/she or (as the case may be) his/her personal representatives may exercise all or part of his/her options (to the extent he/she is entitled to exercise at the date of cessation but not already exercised) within a period being the earlier of (i) six months after he/she so ceases to be an Eligible Person; or (ii) the expiration of the relevant Option Period. Any options not so exercised shall lapse and terminate at the end of the said period provided that in any such case, our Directors in their absolute discretion may otherwise determine subject to such conditions or limitations as our Directors may decide.

**(n) Rights on a general offer**

- (i) If, in consequences of any general offer made to the holders of Shares (being an offer made in the first instance on a condition such that, if it is satisfied, the offeror will have control of our Company) or otherwise, any person shall have obtained control (as defined in the Takeovers Code) of our Company, then our Directors shall as soon as practicable thereafter notify every grantee accordingly and each grantee shall be entitled to exercise all or any of his/her options (to the extent he/she is entitled but not exercised) at any time before the earlier of (1) the expiry of the Option Period, or (2) the fourteenth day following the date on which the general offer becomes or is declared unconditional to exercise any option in whole or in part, and to the extent that it has not been so exercised, any options shall upon the expiry of such period cease and terminate provided that if, during such period, such person becomes entitled to exercise rights of compulsory acquisition of Shares and gives notice in writing to any holders of Shares that he/she intends to exercise such rights, options shall be and remain exercisable until the earlier of (1) the expiry of the Option Period, or (2) the fourteenth day from the date of such notice and, to the extent that any options which have not been exercised upon the expiry of such period, shall thereupon cease and terminate.
- (ii) If a general offer by way of a scheme of arrangement is made to all the Shareholders and the Share Option Scheme has been approved by the necessary number of Shareholders at the requisite meetings, our Company shall forthwith notify all the grantees and any grantee (or his/her personal representatives) may thereafter (but before such time as shall be notified by our Company) by notice in writing to our Company exercise the option (to the extent he/she is entitled but not exercised) to its full extent or to the extent specified in such notice. Any options which have not been exercised upon the expiry of such period as specified in the notice shall thereupon cease and terminate.

**(o) Rights on winding-up**

In the event that a notice is given by our Company to the Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees (together with a notice of the existence of the provisions of this paragraph) and thereupon, each grantee (or his personal representatives) shall be entitled to exercise all or any of his/her options at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue such number of Shares to the grantee credited as fully paid which falls to be issued on such exercise and register the grantee as holder thereof in the branch register of members of our Company maintained in Hong Kong.

**(p) Right on a compromise or scheme of arrangement**

If a compromise or arrangement between our Company and the Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to the grantee (together with a notice of the existence of the provisions of this paragraph) on the same date or soon after it despatches the notice to each member or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his/her personal representatives) may by notice in writing to our Company accompanied by the remittance for the aggregate subscription price in respect of the number of option exercised under such notice (such notice to be received by our Company not later than two business days prior to the proposed meeting) either to its full extent or to the extent specified in such notice, and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting referred to above, allot and issue such number of Shares credited as fully paid, to the grantee which falls to be issued on such exercise and register the grantee as holder thereof in the branch register of members of our Company maintained in Hong Kong.

**(q) Lapse of option**

The right to exercise an option shall lapse automatically (to the extent not already exercised) immediately upon the earliest of:

- (i) subject to sub-paragraphs (l)-(p), the expiry of the Option Period;
- (ii) the expiry of any of the periods referred to in sub-paragraphs (l)-(n);
- (iii) subject to sub-paragraph (o), the date of the commencement of the winding up of our Company;
- (iv) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in sub-paragraph (p);
- (v) in the event that the grantee is an employee or a director of our Group, the date on which the grantee ceases to be an Eligible Person by reason of summary dismissal for misconduct or other breach of the terms of his/her employment or directorship or other contract constituting him/her an Eligible Person, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his/her debts or has become insolvent or has made any arrangements or composition with his/her creditors generally or on which he/she has been convicted of any criminal offence involving his/her integrity or honesty or (if so determined by the Board) on any other ground on which an employer or a company would be entitled to terminate his/her employment or directorship at common law or pursuant to any applicable laws or under the grantee's service contract with our Company or the relevant subsidiary of our Company. A resolution of the Board or the board of directors of the relevant subsidiary of our Company to the effect that the employment or other relevant contract of a grantee has or has not been terminated on one or more of the grounds specified in this sub-paragraph (q)(v) shall be conclusive and binding on the grantee;

- (vi) the date on which the grantee ceases to be an Eligible Person by reason of termination of his/her relationship (whether by appointment or otherwise) with our Group or on any one or more of the following grounds (other than by reason of death or on one or more of the grounds specified in sub-paragraph (q)(v)) that he/she has become unable to pay his/her debts (within the meaning of the Bankruptcy Ordinance, Chapter 6 of the Laws of Hong Kong) or has become otherwise insolvent or has made any arrangement or composition with his/her creditors generally, or arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or (if so determined by the Board) has committed any act which is prejudicial to or not in the interests of our Company or any company in our Group. A resolution of the Board or the board of directors of the relevant subsidiary of our Company to the effect that the relationship with a grantee (other than an employee or a director of our Group) has or has not been terminated and as to the date of such termination shall be conclusive and binding on the grantee;
- (vii) the date on which the grantee commits a breach of sub-paragraph (k); or
- (viii) the date on which the option is cancelled by the Board as provided in sub-paragraph (u).

Our Company shall owe no liability to any grantee for the lapse of any option under this sub-paragraph (q).

**(r) Ranking of Shares**

The Shares to be allotted and issued upon the exercise of an option shall be subject to the Memorandum and Articles of Association and the laws of the Cayman Islands for the time being in force and shall rank *pari passu* in all respects with the fully-paid Shares in issue of our Company as at the date of allotment and will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the date of allotment, provided always that when the date of exercise of the option falls on a date upon which the register of members of our Company is closed then the exercise of the options shall become effective on the first business day on which the register of members of our Company is re-opened.

**(s) Reorganisation of capital structure**

In the event of any alteration to the capital structure of our Company whilst any option remains exercisable, arising from capitalisation of profits or reserves, rights issue, consolidation, re-classification or subdivision of Share or reduction of the share capital of our Company in accordance with the legal requirements or requirements of the Stock Exchange, other than any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in a transaction to which our Company is a party, adjustment (if any) shall be made to:

- (i) the number or nominal value of Shares subject to the option so far as unexercised; and/or
- (ii) the subscription price for the Shares subject to the option so far as unexercised; and/or
- (iii) the Shares to which the option relates; and/or

- (iv) any combination thereof as the auditors or the independent financial adviser to our Company (acting as expert not arbitrator) shall at the request of our Company certify in writing to the Board either generally or as regards any particular grantee that the adjustments are in compliance with Rule 23.03(13) of the GEM Listing Rules and the notes thereto.

Any such adjustments must give a grantee the same proportion of the equity capital of our Company as to which that grantee was previously entitled, and any adjustments so made shall be in compliance with the GEM Listing Rules and such applicable guidance and/or interpretation of the GEM Listing Rules from time to time issued by the Stock Exchange (including, without limitation, the “Supplemental Guidance on GEM Listing Rule 23.03(13) and the Note immediately after the Rule” attached to the letter of the Stock Exchange dated 5 September 2015 to all issuers relating to the Share Option Scheme) but no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The capacity of the auditors or the independent financial adviser to our Company in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the grantees. The costs of the auditors or the independent financial adviser to our Company shall be paid by our Company. Notice of such adjustment shall be given to the grantees by our Company.

***(t) Alteration to the Share Option Scheme and the terms of options granted under the Share Option Scheme***

The Board may from time to time in its absolute discretion waive or amend any terms of the Share Option Scheme at such time and in such manner as it deems desirable to the extent permissible under the provisions of the GEM Listing Rules in relation to the Share Option Scheme and all applicable laws in respect thereof.

For the avoidance of doubt, except with the prior approval of the Shareholders in general meeting (with the Eligible Persons and their associates abstaining from voting), the Board may not amend:

- (i) any of the provisions of the Share Option Scheme relating to matters contained in Rule 23.03 of the GEM Listing Rules to the advantage of the Eligible Persons or grantees;
- (ii) any terms and conditions of the Share Option Scheme which are of a material nature or any terms of options granted except where such alteration take effect automatically under the existing terms of the Share Option Scheme; and
- (iii) any provisions on the authority of the Board in relation to any alteration to the terms of the Share Option Scheme.

No such amendments shall be altered to the advantage of grantees except with the prior approval of the Shareholders in general meeting (with Eligible Persons and their respective associates abstained from voting). No such alterations shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alterations except with the consent or sanction in writing of such majority of the grantees as would be required of the Shareholders under the Articles for the time being for a variation of the rights attached to the Shares, provided that this restriction should not apply to any amendment made by the Board at the request of the Stock Exchange or other regulatory body for the purpose of ensuring that the Share Option Scheme complies with, among other applicable laws, the requirements of such exchange or other regulatory body on which the Shares are in the course of being listed or from time to time listed or which may have or exercise regulatory powers or jurisdiction in relation to our Company.

Any amended terms of the Share Option Scheme or options shall still comply with the relevant requirements of Chapter 23 of the GEM Listing Rules (subject to such waiver as may be granted by the Stock Exchange from time to time) and shall automatically take effect on all outstanding options.

**(u) Cancellation of options granted**

The Board may cancel an option granted but not exercised with the approval of the grantee of such option. No compensation shall be payable to the grantee for cancellation of the options granted but not exercised.

**(v) Termination**

Our Company, by ordinary resolution in general meeting, or the Board may at any time, terminate the operation of the Share Option Scheme and in such event, no further option will be offered. However, the provision of the Share Option Scheme shall remain in full force and effect in all other respects and all options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

As at the date of this prospectus, no Option has been granted or agreed to be granted by our Company under the Share Option Scheme.

## OTHER INFORMATION

### 14. Tax and other indemnity

Each of Mr. Yip, Ms. Fu and Equal Joy (collectively the “**Indemnifiers**”) has entered into the Deed of Indemnity with and in favour of our Company (for ourselves and as trustee for each of our subsidiaries), being one of the material contracts referred to in the paragraph headed “Further information about the business of our Group – 7. Summary of material contracts” in this appendix above, to provide indemnities on a joint and several basis in respect of, among other matters, the following:

- (a) any duty which is or hereafter becomes payable by any member of our Group by virtue of section 35 of the Estate Duty Ordinance and under the provisions of section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) (the “**Estate Duty Ordinance**”) by reason of the death of any person and by reason of the assets of our Group members;
- (b) any amount recovered against any member of our Group under provisions of section 43(7) of the Estate Duty Ordinance in respect of any duty payable under section 43(1)(c) or 43(6) of the Estate Duty Ordinance by reason of the death of any person and by reason of the assets of our Group members;
- (c) any amount of duty which any member of our Group is obliged to pay by virtue of section 43(1)(c) of the Estate Duty Ordinance;

- (d) any taxation which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or up to the Listing Date;
- (e) any amount of tax falling on any member of our Group anywhere in the world, whether arising prior to or after the Listing and resulting from any member of our Group conducting its business operations in such jurisdictions prior to Listing and shall include any costs, expenses, interests, penalties or other liabilities in connection therewith;
- (f) any and all expenses, payments, sums, outgoings, fees, demands, claims, actions, proceedings, judgments, damages, losses, costs (including but not limited to relocation costs and legal and other professional costs), charges, contributions, liabilities, fines, penalties (collectively the “**Costs**”) in connection with any breach or non-compliance of any applicable laws, rules or regulations (whether currently in force or repealed) in the Cayman Islands, the BVI and/or Hong Kong by any member of our Group on or before the date on which the Share Offer becomes unconditional (“**Effective Date**”); and
- (g) any and all Costs which any member of our Group may incur, suffer or accrue, directly or indirectly, from or on the basis of or in connection with any failure to obtain the necessary licences, consents or permits under the laws of the Cayman Islands, the BVI and/or Hong Kong for any Group member’s valid and legal establishment and/or operation on or before the Effective Date.

Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands, the BVI and Hong Kong, being jurisdictions in which the companies comprising our Group are incorporated.

The Deed of Indemnity does not cover any taxation claim and the Indemnifiers shall be under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that full provision or reserve has been made for such taxation in the combined audited accounts of our Group for each of the years ended 31 March 2017 and 2018 (the “**Accounts Date**”), as set out in Appendix I to this prospectus or the unaudited accounts of the relevant member of our Group for the same period and any previous audited accounts of any member of our Group;
- (b) to the extent that such taxation or liability would not have arisen but for some act or omission by any member of our Group voluntarily effected without the prior written consent or agreement of the Indemnifiers (such consent or agreement not to be unreasonably withheld or delayed), otherwise than in the ordinary course of business after the date of the Deed of Indemnity;
- (c) such taxation or liability for which any member of our Group is primarily liable as a result of transactions entered into in the ordinary course of business after the Accounts Date;
- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 31 March 2018 which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers’ liability (if any) in respect of taxation shall be reduced by an amount not exceeding such over-provision or excessive reserve;

- (e) to the extent that such taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or the interpretation or practice thereof by the relevant authority coming into force after the date of the Deed of Indemnity or to the extent that such taxation claim arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect; or
- (f) to the extent that such taxation or liability arises as a result of any member of our Group being in breach of any provision of the Deed of Indemnity.

### **15. Litigation**

Neither our Company nor any of our subsidiaries is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened against our Company or any of our subsidiaries.

### **16. Sole Sponsor**

The Sole Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, comprising the Offer Shares and any Shares which may fall to be allotted and issued pursuant to (a) the Capitalisation Issue; (b) the Offer Size Adjustment Option, representing not more than 15% of the Offer Shares; and (c) the exercise of options which may be granted under the Share Option Scheme, representing not more than 10% of the Shares in issue immediately following completion of the Share Offer and Capitalisation Issue on the Listing Date (excluding any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and assuming no options are granted under the Share Option Scheme).

The Sole Sponsor has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules.

The Sole Sponsor's fee in connection with the Share Offer is HK\$4.5 million.

### **17. Compliance adviser**

In accordance with the requirements of the GEM Listing Rules, our Company has appointed Innovax Capital as our compliance adviser the compliance adviser will have access to all relevant records and information relating to our Company that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in certain circumstances.

### **18. Preliminary expenses**

The preliminary expenses relating to the incorporation of our Company are approximately HK\$44,000 and are payable by our Company.

### **19. Promoters**

Our Company does not have any promoter (as defined in the GEM Listing Rules).

**20. Qualifications and consents of experts**

The qualifications of the experts who have given reports, letters or opinions (as the case may be) in this prospectus are as follows:

<b>Name</b>	<b>Qualification</b>
Innovax Capital Limited	Licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified public accountants
Conyers Dill & Pearman	Cayman Islands Attorneys-at-law
Frost & Sullivan Limited	Industry consultant
AVISTA Valuation Advisory Limited	Property valuer
Mr. Patrick K.C. Chong	Barrister-at-law in Hong Kong
Mr. Jeevan Hingorani	Barrister-at-law in Hong Kong
Mr. Lee Hoi Tat Nathan of Ample Surveyor Services Limited	Authorised person under the Buildings Ordinance (List of Surveyors)

Each of the experts named above has given and has not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they respectively appear.

None of the experts named above has any shareholding interest in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

**21. Binding Effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

**22. Taxation of holders of Shares****(a) Hong Kong***(i) Profits*

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Gains from sales of the Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

*(ii) Stamp duty*

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares.

*(iii) Estate duty*

Estate duty has been abolished in Hong Kong by the Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006.

**(b) The Cayman Islands**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(c) Consultation with professional advisers**

Intended holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of the Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares or exercising any rights attaching to them.

**23. Miscellaneous**

- (a) Within two years preceding the date of this prospectus:
  - (i) other than disclosed in this appendix and the section headed “History, Reorganisation and Group Structure” in this prospectus, no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (ii) no commissions, discounts, brokerages (other than under the Underwriting Agreements) or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
  - (iii) no commission has been paid or payable subscribing, agreeing to subscribe or procuring subscription or agreeing to procure subscription for any shares in our Company or any of our subsidiaries; and
  - (iv) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (b) No founders, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
- (c) Our Directors confirmed that, save for the estimated non-recurring Listing expenses as disclosed in the section headed “Financial Information – Listing expenses” in this prospectus, there has been no material adverse change in the financial or trading position or prospect of our Group since 1 April 2018 and up to the date of this prospectus;
- (d) None of the equity and debt securities of our Company is listed or dealt with on any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
- (e) None of our Directors nor any of the persons whose names are listed in the paragraph headed “Other information – 20. Qualifications and consents of experts” in this appendix above has received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any share or loan capital of any member of our Group;
- (f) There has not been any interruption in the business of our Company which may have or has had a significant effect on the financial position of our Company in the 24 months preceding the date of this prospectus;
- (g) Subject to the provisions of the Companies Law, the principal register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless the Directors otherwise agree, all transfers and other documents of title of the Shares must be lodged for registration with and registered by, our Company’s branch share registrar in Hong Kong and may not be lodged in the Cayman Islands;

- (h) All necessary arrangements have been made to enable the Shares to be admitted into CCASS;
- (i) There is no arrangement under which future dividends have been waived;
- (j) No company within our Group is presently listed on any stock exchange or traded on any trading system;
- (k) Neither our Company nor our subsidiaries have outstanding convertible debt securities or debentures; and
- (l) There is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

#### **24. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version of this prospectus, the English language version shall prevail.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE** Application Form, **YELLOW** Application Form and **GREEN** Application Form;
- (b) the written consents referred to in the paragraph headed “Other information – 20. Qualifications and consents of experts” in Appendix V to this prospectus;
- (c) a copy of each of the material contracts referred to in the paragraph headed “Further information about the business of our Group – 7. Summary of material contracts” in Appendix V to this prospectus; and
- (d) the statement of adjustments prepared by Deloitte Touche Tohmatsu in arriving at the figures set out in the Accountants’ Report of our Group dated 28 September 2018 set out in Appendix I to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Robertsons at 57<sup>th</sup> Floor, The Center, 99 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association;
- (b) the audited combined financial statements of our Group for the two years ended 31 March 2018;
- (c) the Accountants’ Report of our Group dated 28 September 2018 from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus, together with the related statement of adjustments in arriving at the figures set forth in the Accountants’ Report;
- (d) the report dated 28 September 2018 from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (e) the rules of our Share Option Scheme;
- (f) the letter prepared by Conyers Dill & Pearman, legal adviser to our Company as to Cayman Islands law, summarising certain aspects of Cayman Islands company law referred to in Appendix IV to this prospectus;
- (g) the Cayman Islands Companies Law;
- (h) the material contracts referred to in the paragraph headed “Further information about the business of our Group – 7. Summary of material contracts” in Appendix V to this prospectus;
- (i) the written consents referred to in the paragraph headed “Other information – 20. Qualifications and consents of experts” in Appendix V to this prospectus;

- (j) the service contracts and letters of appointment with each of our Directors referred to in the paragraph headed “Further information about our Directors, management and staff – 9. Directors – (a) Particulars of service contracts and letters of appointment” in Appendix V to this prospectus;
- (k) the industry report prepared by Frost & Sullivan referred to in the section headed “Industry Overview” in this prospectus;
- (l) the property valuation report prepared by AVISTA Valuation Advisory Limited, the text of which is set out in Appendix III to this prospectus;
- (m) the legal opinions issued by Mr. Patrick K.C. Chong, Barrister-at-law in Hong Kong;
- (n) the legal opinion issued by Mr. Jeevan Hingorani, Barrister-at-law in Hong Kong; and
- (o) the opinion issued by Mr. Lee Hoi Tat Nathan of Ample Surveyor Services Limited, an authorised person under the Buildings Ordinance (List of Surveyors).

