



MEDICSKIN HOLDINGS LIMITED
密迪斯肌控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8307

PLACING

Sole Sponsor



Shenyin Wanguo Capital (H.K.) Limited

Joint Bookrunners and Joint Lead Managers



Shenyin Wanguo Capital (H.K.) Limited



GREAT ROC
CAPITAL SECURITIES LIMITED
鴻鵬資本證券有限公司

IMPORTANT

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

MEDIC  **SKIN**
MEDICSKIN HOLDINGS LIMITED
密迪斯肌控股有限公司
(Incorporated in the Cayman Islands with limited liability)

**LISTING ON THE GROWTH ENTERPRISE MARKET OF
THE STOCK EXCHANGE OF HONG KONG LIMITED
BY WAY OF PLACING**

**Number of Placing Shares : 100,000,000 Placing Shares comprising
66,668,000 New Shares and 33,332,000 Sale
Shares**
**Placing Price : HK\$0.6 per Placing Share plus brokerage of
1%, SFC transaction levy of 0.0027% and
Stock Exchange trading fee of 0.005%
(payable in full on application)**
Nominal value : HK\$0.01 per Share
Stock code : 8307

Sole Sponsor



Shenyin Wanguo Capital (H.K.) Limited

Joint Bookrunners and Joint Lead Managers



Shenyin Wanguo Capital (H.K.) Limited



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CAPITAL SECURITIES LIMITED
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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 section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this prospectus, has been registered with the Registrar of Companies as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong and the Securities and Futures Commission of Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Placing Shares should note that the Sole Sponsor (for itself and on behalf of the Underwriters) is entitled to terminate the obligations of the Underwriters under the Underwriting Agreement by means of a notice in writing given by the Sole Sponsor (for itself and on behalf of the Underwriters) upon the 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 Sponsor (for itself and on behalf of the Underwriters) terminate the Underwriting Agreement, the Placing will not proceed and will lapse.

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate 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 the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to higher market volatility than securities traded on the Main Board 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 by publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website at www.hkexnews.hk in order to obtain up-to-date information on companies listed on GEM.

EXPECTED TIMETABLE

2014

(Note 1)

Announcement of the level of indication of interest in
the Placing to be published on

(i) the Stock Exchange's website

at *www.hkexnews.hk*; and

(ii) our Company's website

at *www.medicskin.com* on or before. Wednesday, 17 December

Allotment/transfer of Placing Shares to placees on or before Wednesday, 17 December

Deposit of share certificates for the Placing Shares

into CCASS on or before (Note 2) Wednesday, 17 December

Dealings in the Shares on GEM to commence

at 9:00 a.m. (Note 3) on Thursday, 18 December

(Note 4)

Notes:

1. All times and dates refer to Hong Kong local times and dates.
2. Share certificates for the Placing Shares allotted and issued/transferred to the placees are expected to be deposited directly into CCASS on or before Wednesday, 17 December 2014 for credit to the respective CCASS participants' or the CCASS investor participants' stock accounts designated by the Sole Sponsor (for itself and on behalf of the Underwriters), the placees or their agents (as the case may be). No temporary documents or evidence of title will be issued by our Company.
3. If there is any change to the above expected timetable, we will make an appropriate announcement on the Stock Exchange's website at *www.hkexnews.hk* and on our Company's website at *www.medicskin.com* to inform investors accordingly.
4. All share certificates for the Placing Shares will only become valid certificates of title when the Placing has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with its terms at any time prior to 8:00 a.m. on the Listing Date. If the Placing does not become unconditional or the Underwriting Agreement is terminated in accordance with its terms, we will make an announcement on the Stock Exchange's website at *www.hkexnews.hk* and on our Company's website at *www.medicskin.com* as soon as possible.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Placing and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Placing Shares offered by this prospectus. 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.

You should rely only on the information contained in this prospectus to make your investment decision. We, the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners and 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 contained in this prospectus must not be relied on by you as having been authorised by us, the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents or representatives, or any other person or party involved in the Placing.

	<i>Page</i>
Characteristics of GEM	i
Expected Timetable	ii
Contents	iii
Summary	1
Definitions	14
Glossary	24
Forward-looking Statements	26
Risk Factors	28
Waiver from Strict Compliance with the GEM Listing Rules	42
Information about this Prospectus and the Placing	43
Directors and Parties Involved in the Placing	47
Corporate Information	50
Industry Overview	52
Laws and Regulations	64
History, Reorganisation and Group Structure	80
Business	98
Directors and Senior Management	143
Relationship with Controlling Shareholders	154
Connected Transactions	158

CONTENTS

	<i>Page</i>
Substantial Shareholders	162
Share Capital	164
Financial Information	167
Statement of Business Objective and Use of Proceeds	212
Underwriting	219
Structure and Conditions of the Placing	224
Appendix I — Accountants' Report	I-1
Appendix II — Unaudited Pro Forma Financial Information	II-1
Appendix III — Summary of Constitution of Our Company and Cayman Islands Companies Law	III-1
Appendix IV — Statutory and General Information	IV-1
Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection	V-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Placing Shares. Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary” in this prospectus.

OUR BUSINESS

We are a medical skin care group operating two Medicskin Centres in Hong Kong that primarily focus on the treatment of skin diseases/problems and/or the improvement of appearance of our clients. Our Group has a history of about 14 years in Hong Kong and was founded in 2000 by Dr. Kong, our Controlling Shareholder, who has around 18 years of practising experience in the medical skin care services sector.

Through Medicskin Centres operated by us, we provide skin care services to our clients which target the treatment of a variety of skin diseases/problems including, *inter alia*, acne, pigmentation, rosacea, dermatitis, eczema and warts, as well as improvement of their appearance through, *inter alia*, skin rejuvenation, facial sculpturing and body contouring treatments, treatment of acne scars and enlarged pores, removal of undesirable naevi and hair removal. For each of the two years ended 31 March 2014, we served over 9,000 clients at our two Medicskin Centres.

We currently engage six Doctors who are Registered Medical Practitioners for carrying out our Services at our Medicskin Centres including, *inter alia*, (i) performance of medical examination and making a diagnosis of skin conditions of clients through private consultations; (ii) prescription of pharmaceutical products and/or medicines and making recommendations on the use of skincare products and/or non-invasive/minimally invasive Treatment Service based on clients’ specific needs, requirements and skin conditions; and (iii) carrying out recommended Treatment Service for our clients. Our Medicskin Centres also dispense pharmaceutical products, medicines and/or skincare products to our clients.

The following table sets forth the revenue contribution of each service category of Services provided at our Medicskin Centres:

	Year ended 31 March				Five months ended 31 August			
	2013		2014		2013		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Consultation Service ^(Note 1)	4,010	7.8	4,592	7.1	1,787	7.3	1,881	6.7
Prescription and Dispensing Service ^(Note 2)	29,499	57.1	32,126	49.4	12,981	52.8	13,038	46.6
Treatment Service ^(Note 3)	18,098	35.1	28,323	43.5	9,814	39.9	13,043	46.7
Total	<u>51,607</u>	<u>100.0</u>	<u>65,041</u>	<u>100.0</u>	<u>24,582</u>	<u>100.0</u>	<u>27,962</u>	<u>100.0</u>

SUMMARY

Notes:

1. Consultation Service: medical consultation services provided by our Doctors
2. Prescription and Dispensing Service: prescription or dispensing of pharmaceutical products and/or medicines and/or skincare products to clients
3. Treatment Service: treatments of skin diseases/problems and/or improvement of appearance of our clients

Other than pharmaceutical products, medicines and over-the-counter skincare products, we have our own line of skincare products (including cleansers, toners, lotions and creams) i.e. Medicskin Products which are made available exclusively at our Medicskin Centres. For each of the two years ended 31 March 2014 and the five months ended 31 August 2014, the prescription and dispensing of Medicskin Products attributed approximately 32.9%, 29.9% and 30.8% to our revenue derived from Prescription and Dispensing Service respectively.

Our two Medicskin Centres are located in the premier business district of Central and the popular shopping district of Tsim Sha Tsui, occupying a total gross floor area of over 9,000 square feet. We employ over 50 supporting staff including Doctors' Assistants, Client Relationship Officers and other administration staff to provide assistance to our Doctors and to ensure the seamless operations of the Medicskin Centres.

The size of our operations has grown since the inception of our business in 2000, from engaging one Doctor at the beginning to six Doctors as at the Latest Practicable Date, and we are keen to grow our Medicskin brand and business by further expanding our existing operations and/or establishing new Medicskin Centre(s) in Hong Kong.

The Government of Hong Kong has been considering to tighten up the regulation of the beauty industry and is currently reviewing the existing legislation with a view to enacting laws or amending the existing legislation to distinguish between medical treatment and beauty treatment and to implement regulatory controls over certain cosmetic procedures in order to protect the interests and safety of the public. Such review or amendment of the existing legislation may introduce a change in compliance standards in connection with delivery of treatments. We believe however that this is unlikely to materially affect the practice of our Group, as even before the commencement of the legislative review, we were already fully committed to ensuring the safety of Treatment Service provided and required most of the Treatment Service to be performed by our Doctors only.

Our Doctors

The Services provided at our Medicskin Centres are principally carried out by our Doctors, each of whom has entered into a Cooperation Agreement with us pursuant to which their provision of the Services is supported by, *inter alia*, management and administrative services provided by us.

Our Doctors are not registered specialists in dermatology under the specialist register (as defined under the Registration Ordinance). Nonetheless, all our Doctors are Registered Medical Practitioners and have obtained, among other qualifications, master degrees or postgraduate diplomas relating to dermatology as well as a Bachelor of Medicine and a Bachelor of Surgery from either The University of Hong Kong or The Chinese University of Hong Kong.

SUMMARY

We consider that it is imperative for us to retain talented Doctors to remain competitive in the medical skin care services industry. As such, the Cooperation Agreements entered into with our Doctors ensure that they derive professional fees comprising not only a monthly fixed fee, but also a monthly incentive fee which is calculated by reference to, and is commensurate with, the amount of revenue generated by Doctors directly at the Managed Practices. Further, we believe that the Listing may possibly raise the profile of our Group which may assist us in recruiting and retaining talented doctors.

The following table sets forth a breakdown of revenue contributed by our Doctors for the periods indicated.

	Year ended 31 March				Five months ended 31 August			
	2013		2014		2013		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					(unaudited)			
Dr. Kong, the Controlling								
Shareholder	14,651	28.4	17,676	27.2	6,557	26.7	8,361	29.9
Other Doctors:	23,694	45.9	33,562	51.6	12,681	51.6	14,174	50.7
- Dr. Lam	10,244	19.9	16,046	24.7	6,335	25.8	6,485	23.2
- Dr. Lau	4,581	8.9	6,700	10.3	2,235	9.1	2,731	9.8
- Dr. A	3,595	7.0	3,645	5.6	1,405	5.7	1,918	6.9
- Dr. B	3,882	7.5	4,568	7.0	1,781	7.2	1,844	6.6
- Dr. C	1,392	2.6	2,603	4.0	925	3.8	1,196	4.2
Dispensing Service	12,482	24.2	13,261	20.4	5,146	20.9	4,963	17.7
Others ^(Note)	780	1.5	542	0.8	198	0.8	464	1.7
Total revenue	<u>51,607</u>	<u>100.0</u>	<u>65,041</u>	<u>100.0</u>	<u>24,582</u>	<u>100.0</u>	<u>27,962</u>	<u>100.0</u>

Note: Others include the revenue from Treatment Service carried out by Doctors' Assistants and forfeited revenue.

Clients

Due to the nature of our business, we have a relatively broad client base comprising individual members of the public. Accordingly, we do not enter into long term contracts with our clients and no credit terms are normally offered, which our Directors believe is in line with customary practice in the industry. As we do not conduct active marketing or advertising, we believe that our clients are mostly introduced to us through client referrals and/or word-of-mouth.

The number of clients we served at the Medicskin Centres was 9,177, 9,172 and 6,222 for each of the two years ended 31 March 2014 and the five months ended 31 August 2014 respectively and the percentage of revenue derived from our five largest clients, who are all Independent Third Parties, in aggregate was less than 2% for each of the respective periods. Over 70% of our clients are aged between 26 to 55, while approximately 90% of our clients are female. Our Directors believe that, due to the nature of our business, we are not affected by seasonal factors.

SUMMARY

Suppliers

Our suppliers comprise suppliers of pharmaceutical products and/or medicines, skincare products (including Medicskin Products) and consumables for Treatment Service. We have not entered into any long term contract with our suppliers (or their distributors) and we are free to engage other suppliers for procurement. For each of the two years ended 31 March 2014 and the five months ended 31 August 2014, our five largest suppliers, who (except Beauty Tech) are Independent Third Parties, in aggregate accounted for approximately 68.3%, 66.1% and 60.1% of our total purchases respectively. Being entirely owned by our Controlling Shareholder, Beauty Tech purchased skincare products and on-sold them to us and Independent Third Parties including a department store in Hong Kong. For each of the two years ended 31 March 2014 and the five months ended 31 August 2014, Beauty Tech on-sold skincare products to us at cost which accounted for approximately 31.7%, 32.5% and 19.6% of our total purchases from the five largest suppliers respectively. Beauty Tech ceased business in November 2014 such that all our suppliers are now Independent Third Parties. Please refer to the section headed “Business — Purchases” in this prospectus for further details. As for the basis of selection of our suppliers and the quality control on the products (including Medicskin Products), please also refer to the sections headed “Business — Purchases” and “Business — Quality Control” in this prospectus for further details.

Pricing of our Services

We review the pricing of our Services on a periodical basis to remain competitive in the industry. The average fees charged at our Medicskin Centres for the two years ended 31 March 2014 and the five months ended 31 August 2014 were: (i) approximately HK\$254, HK\$269 and HK\$266 per visit for the provision of Consultation Service; (ii) approximately HK\$929, HK\$856 and HK\$793 per visit for the provision of Prescription and Dispensing Service; and (iii) approximately HK\$2,754, HK\$3,656 and HK\$3,417 per visit for the provision of Treatment Service, respectively.

COMPETITIVE LANDSCAPE AND MARKET POSITION

We operate in the medical skin care services industry in Hong Kong which is highly competitive. Similar to other medical skin care services providers, we also face competition from beauty salons commonly owned by beauty and slimming groups operated by therapists without medical staff, which provide skin care services and generally invest heavily on advertising their services to the public in broadening their client base. Medical skin care services providers generally have certain competitive strengths over beauty salons as customers often have higher confidence in medical skin care services provided by experienced and reputable Registered Medical Practitioners who have a better understanding of human anatomy. However, beauty salons also have some advantages over medical skin care services providers as they have greater flexibility to advertise their services and incur lower staff costs as their treatments are often performed by therapists without formal medical training.

According to the Ipsos Report, the total number of skin care services providers in Hong Kong was approximately 4,239 in 2013. In relation to the medical skin care services, there were approximately 310 medical skin care services providers (including medical skin care groups like us, as well as Registered Medical Practitioners, who engage in the provision of medical skin care services in their own name) in Hong Kong in 2013, of which 302 earned revenues below HK\$40 million and

SUMMARY

one earned a revenue exceeding HK\$80 million. We are among the seven services providers in Hong Kong with revenues of between HK\$40 million and HK\$80 million in 2013. We believe that key factors contributing to our market position include, *inter alia*, the scale of our operations, the number of experienced Doctors serving at our Medicskin Centres as well as the pricing, variety, quality and professionalism in the services we provide.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths allow us to achieve sustainable growth:

- (i) industry reputation as a trustworthy, reliable and quality services provider with a track record of business growth
- (ii) professionalism in the delivery of our Services
- (iii) use of reliable treatment devices which are evidence-based for Treatment Service offered to clients
- (iv) strategic locations of our Medicskin Centres
- (v) an experienced and dedicated medical and management team with in-depth knowledge of the industry and clients' needs

BUSINESS OBJECTIVE AND STRATEGIES

Our business objective is to grow the Medicskin brand and business. To this end, we plan to pursue the following business strategies:

- (i) expand and strengthen our presence in Hong Kong through the expansion of existing Medicskin Centres and establishing new Medicskin Centre(s) in suitable and strategic location(s)
- (ii) enhance the quality and variety of our services and products offering at our Medicskin Centres to maintain competitive
- (iii) maintain and enhance our competent team of Doctors and staff to build on the core strengths of our Medicskin Centres in offering professional and personalised services to clients

In terms of expansion of our business, we plan to establish a new Medicskin Centre in Causeway Bay, a popular shopping district in Hong Kong, in the second half of 2015. The budget for the initial set up cost is approximately HK\$7.3 million, which is expected to be financed by the net proceeds from the Placing of New Shares.

SUMMARY

SUMMARY OF FINANCIAL INFORMATION

Highlights of consolidated statements of profit or loss and other comprehensive income

	Year ended 31 March		Five months ended 31 August	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Revenue	51,607	65,041	24,582	27,962
Profit before tax	17,440	17,354	7,630	2,954
Profit for the year/period	14,532	13,737	6,301	1,757

Highlights of consolidated statements of financial position

	As at 31 March		As at 31 August
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Total non-current assets	7,030	6,804	5,496
Total current assets	15,749	32,909	31,578
Total current liabilities	15,884	28,975	27,490
Net current (liabilities) assets	(135)	3,934	4,088
Net assets	6,200	10,386	9,362

Highlights of consolidated statements of cash flows

	Year ended 31 March		Five months ended 31 August	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Net cash from operating activities	20,532	22,577	9,158	5,117
Net cash used in investing activities	(7,446)	(6,517)	(1,888)	(305)
Net cash (used in) from financing activities	(11,751)	4,528	(6,074)	(3,027)
Net increase in cash and cash equivalents	1,335	20,588	1,196	1,785

The increase in our revenue was primarily attributable to (i) our increased presence after the establishment of the TST Centre in December 2012; (ii) the lengthening of opening hours for both of our Medicskin Centres in October 2013, which provided better accessibility and convenience to our clients and in turn increased client flow as well as the frequency of client visits; and (iii) the continued introduction of advanced Treatment Service (with devices deploying Intense Focused Ultrasound and

SUMMARY

Intense Pulsed Light) with favourable client acceptance. The relatively higher revenue growth by 26.0% from the year ended 31 March 2013 to the year ended 31 March 2014 (as compared to that by 13.8% from the five months 31 August 2013 to the five months 31 August 2014) primarily arose from the establishment of the TST Centre in December 2012 as mentioned above.

While our revenue increased from approximately HK\$51.6 million for the year ended 31 March 2013 to approximately HK\$65.0 million for the year ended 31 March 2014, our net profit decreased from HK\$14.5 million to HK\$13.7 million in the respective periods primarily as a result of (i) the listing expenses of approximately HK\$3.6 million recorded for the year ended 31 March 2014; (ii) an increase in staff costs primarily attributable to the increased compensation to our Doctors resulting from the increase in performance bonus, the increased headcount, and the full year effect of staff costs of our new TST Centre; and (iii) an increase in operating expenses due to, *inter alia*, the opening of the TST Centre in December 2012. While our revenue increased from approximately HK\$24.6 million for the five months ended 31 August 2013 to approximately HK\$28.0 million for the five months ended 31 August 2014, our net profit decreased from HK\$6.3 million to HK\$1.8 million for the respective periods primarily as a result of (i) the listing expenses of approximately HK\$4.1 million recorded for the five months ended 31 August 2014; and (ii) the professional fees paid to Dr. Kong of approximately HK\$2.2 million since 1 April 2014 under the Cooperation Agreement.

Staff costs, rental expenses and inventories used represented our major operating expenses during the Track Record Period. Our staff costs amounted to approximately HK\$18.0 million for the year ended 31 March 2013, HK\$24.2 million for the year ended 31 March 2014 and HK\$12.6 million for the five months ended 31 August 2014, respectively, representing approximately 34.9%, 37.2% and 45.0% of revenue for the respective periods; our cost of inventories used amounted to approximately HK\$6.6 million for the year ended 31 March 2013, HK\$8.3 million for the year ended 31 March 2014 and HK\$3.4 million for the five months ended 31 August 2014, representing approximately 12.8%, 12.8% and 12.1% of the revenue for the respective periods; whereas our rental expenses amounted to approximately HK\$3.5 million for the year ended 31 March 2013, HK\$4.4 million for the year ended 31 March 2014 and HK\$1.9 million for the five months ended 31 August 2014, representing approximately 6.8%, 6.8% and 6.8% of the revenue for the respective periods.

For illustration purpose only, below is a sensitivity analysis which demonstrates the impact of increase or decrease in the average staff salary, rental and price of inventories on our net profit for the year/period, while all other factors (except for taxation) remain unchanged. The sensitivity factor of 10% was used for the sensitivity analysis of each of the above, which is either higher than or approximately equal to the respective historical fluctuation during the Track Record Period.

	Increase/decrease of 10% in average staff salary	Increase/decrease of 10% in rental	Increase/decrease of 10% in price of inventories
	HK\$'000	HK\$'000	HK\$'000
Decrease/Increase in our net profit for:			
Year ended 31 March 2013	1,508	296	554
Year ended 31 March 2014	2,023	367	690
Five months ended 31 August 2014	1,062	161	282

SUMMARY

Major financial ratios

	Year ended 31 March		Five months
	2013	2014	ended 31 August
			2014
Net profit margin	28.2%	21.1%	6.3%
Current ratio	0.99 time	1.14 times	1.15 times
Quick ratio	0.82 time	1.06 times	1.08 times
Return on equity	234.4%	132.3%	18.8%
Return on total assets.	63.8%	34.6%	4.7%
Interest coverage ratio	55.3 times	66.7 times	12.8 times
Net debt to equity	69.5%	N/A	N/A
Gearing ratio	148.2%	174.8%	166.6%

Note: Please refer to the notes to the section headed “Financial Information — Financial Ratios” in this prospectus for further information on the above ratios.

Please refer to the Accountants’ Report for full details of the financial information of our Group and the section headed “Financial Information” in this prospectus for a more detailed discussion and analysis on the financial performance of our Group.

SELLING SHAREHOLDER

The Placing consists of 100,000,000 Shares, of which 33,332,000 Shares are being sold by Topline, the Selling Shareholder. We estimate that the net proceeds to the Selling Shareholder from the sale of the Sale Shares (after deduction of proportional underwriting commission and estimated expenses and fees payable by our Selling Shareholder in relation to the Placing) will be approximately HK\$17.9 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

SHAREHOLDER INFORMATION

Topline is a company incorporated in the BVI with limited liability on 18 January 2000. After completion of the Placing and the Capitalisation Issue, Topline will be interested in approximately 72.50% of the issued share capital of our Company. Topline is wholly-owned by Dr. Kong who is the founder of our Group.

Dr. Kong is interested in non-exempt continuing connected transactions with our Company in respect of his Cooperation Agreement pursuant to which, *inter alia*, Dr. Kong will carry out his Managed Practice at our Medicskin Centres. Please refer to the section headed “Connected Transactions” in this prospectus for further details.

SUMMARY

PLACING STATISTICS

Market capitalisation ^(Note 1)	HK\$240,000,000
Unaudited pro forma adjusted consolidated net tangible asset value per Share ^(Note 2)	HK\$0.10

Notes :

1. The calculation of the market capitalisation of our Shares is based on 400,000,000 Shares in issue immediately after completion of the Placing and the Capitalisation Issue and the Placing Price of HK\$0.6 per Share.
2. The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company per Share is arrived at on the basis that 400,000,000 Shares were in issue assuming that the Placing and the Capitalisation Issue had been completed on 31 August 2014.

When considering our net profits, the relevant financial ratios (including, *inter alia*, net profit margin, return on equity and return on total assets), and the unaudited pro forma adjusted consolidated net tangible asset value per Share as described above, prospective investors should note that no professional fees were paid or payable to Dr. Kong for the two years ended 31 March 2014, while a professional fee of HK\$2.2 million was paid to Dr. Kong for the five months ended 31 August 2014 pursuant to his Cooperation Agreement. For details, please refer to the section headed “Summary — Recent Developments — Incurrence of professional fees payable to Dr. Kong effective from 1 April 2014” in this prospectus.

USE OF PROCEEDS

We believe that the Listing will enhance our profile, enable us to expand and capture opportunities, strengthen our competitiveness and financial position, and provide us with additional working capital to implement our future plans, as more fully described in the sections headed “Business — Our Business Objective and Strategies” and “Statement of Business Objective and Use of Proceeds” in this prospectus.

The net proceeds from the Placing of New Shares (after deducting estimated expenses payable by our Group in connection with the Listing) are estimated to be approximately HK\$23.5 million.

It is intended that the net proceeds will be applied as follows:

<u>Plan</u>	<u>Approximate amount of net proceeds or %</u>
Expand and strengthen our presence in Hong Kong . . .	HK\$ 12.1 million or 51.5%
Enhance quality and variety of services	HK\$ 4.2 million or 17.9%
Repay debts	HK\$ 4.9 million or 21.0%
Working capital	HK\$ 2.3 million or 9.6%

SUMMARY

LISTING EXPENSES

We estimate the total amount of expenses that will be incurred in connection with the Listing to be approximately HK\$18.6 million, including the underwriting commission of HK\$2.4 million and other listing expenses and fees (including SFC transaction levy and Stock Exchange trading fee) of approximately HK\$16.2 million. The Selling Shareholder shall bear the underwriting commission in the amount of HK\$0.8 million which represents the underwriting commission attributable to the sale of the Sale Shares in the Placing and shall bear other listing expenses and fees of approximately HK\$1.3 million, determined with reference to the amount of Sale Shares vis-à-vis the total number of Shares in issue upon Listing. The remaining listing expenses, fees and underwriting commission of approximately HK\$16.5 million shall be borne by our Company, of which HK\$4.3 million is to be capitalised (i.e. accounted for as deduction from equity) while the remaining HK\$12.2 million in fees and expenses has been or is expected to be charged to the consolidated statements of profit or loss and other comprehensive income, of which HK\$3.6 million and HK\$4.1 million were charged for the year ended 31 March 2014 and the five months ended 31 August 2014 respectively, and HK\$4.5 million will be recognised as expenses during the remaining period of the year ending 31 March 2015. The actual amounts 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 2015 will be affected by the estimated listed expenses described above.**

DIVIDENDS

The declaration and payment of dividends and the amount of dividends in future will be at the discretion of our Directors and will depend on, *inter alia*, our earnings, financial condition, capital requirements and surplus and any other factors that our Directors may consider relevant.

Any declaration of dividends will be subject to the approval of the Board, having considered the above factors as well as the approval of Shareholders. Subject to the factors described above, our Board intends to recommend at the relevant shareholders' meetings an annual dividend of no less than 25% of our net profit available for distribution to the Shareholders in the foreseeable future.

During the Track Record Period, Medicskin declared dividends of HK\$3.0 million for the year ended 31 March 2013 to its then shareholders. Multiple Profit declared dividends of HK\$9.0 million, HK\$10.6 million and HK\$3.2 million for each of the two years ended 31 March 2014 and the five months ended 31 August 2014, respectively, to its then shareholder.

SUMMARY

PRINCIPAL RISK FACTORS

Our Group believes that there are certain risks and uncertainties involved in our operations, some of which are beyond our Group's control. We have categorised these risks and uncertainties into: (i) risks relating to business and operations of our Group; (ii) risks relating to the contractual arrangements with the Managed Practices; (iii) risks relating to the industry; and (iv) other risk factors. The following highlights some of the risks which are considered to be particularly material by our Directors:

- Our reliance on reputation in the industry as a reliable services provider

Any dissatisfaction from our clients in connection with the results of treatments provided or the quality of products made available to them at our Medicskin Centres or any allegation of professional negligence or misconduct by our Doctors may result in potential lawsuits, complaints being lodged and/or negative publicity against our Group. These would adversely affect the image and reputation of our Group on which we depend to a significant extent for the success of our Group.

- We rely on Dr. Kong for his expertise and experience as well as his Managed Practice in terms of revenues

We attribute the success and performance as well as implementation of our business plan to a significant extent to Dr. Kong's expertise, experience, reputation and network in the medical skin care services industry as well as his business vision, management skills and working relationships with employees, clients and suppliers. Further, approximately 28.4%, 27.2% and 29.9% of our Group's revenue for each of the two years ended 31 March 2014 and the five months ended 31 August 2014 respectively was directly generated from the Services provided by Dr. Kong. Any change in our relationship with Dr. Kong or the discontinuance of Dr. Kong's service with our Group may materially and adversely affect the business and growth prospects as well as the profitability of our Group.

- We may not be able to retain suitable Registered Medical Practitioners

We heavily rely on our six Doctors to provide Services at our Medicskin Centres and the majority of our revenue is generated through the Cooperation Agreements entered with them and their Managed Practices. Nonetheless, we may not be able to recruit and retain suitable Registered Medical Practitioners to keep pace with our growth while maintaining consistent service quality across our Medicskin Centres.

- Our growth depends on the implementation of our future plans in connection with our business

It is intended that the proceeds from the Placing will be used for, *inter alia*, the establishment of new Medicskin Centre(s) in prime location(s) in Hong Kong, such as Causeway Bay. Whether our future plans can be implemented successfully may be affected

SUMMARY

by various factors which are beyond our control, such as increase in costs related to establishment, furnishing and other capital outlays for our new Medicskin Centre(s). There is no assurance or guarantee that such expansion plans may be implemented successfully.

- Our past financial performance did not fully account for Dr. Kong's compensation for his medical services provided at our Medicskin Centres and is not necessarily indicative of future results

The financial performance of our Group over the Track Record Period is not necessarily indicative of future results and is likely to deteriorate after Listing since Dr. Kong only commenced receiving remuneration for his services to the Medicskin Centres through his Managed Practice from 1 April 2014 (when the Cooperation Agreement entered into between our Group with Dr. Kong became effective). If Dr. Kong's Cooperation Agreement had been in effect during the two years ended 31 March 2014, the amount of professional fees that would have been payable by our Group to Dr. Kong would be approximately HK\$4.0 million and HK\$4.7 million for each of the two years ended 31 March 2014 respectively. For the five months ended 31 August 2014, the professional fee paid to Dr. Kong pursuant to the Cooperation Agreement amounted to approximately HK\$2.2 million.

The above risk factors are not intended to be exhaustive. A detailed discussion of the aforesaid and other risk factors is set out in the section headed "Risk Factors" in this prospectus.

RECENT DEVELOPMENTS

Entering into of the Cooperation Agreements effective from 1 April 2014

As part of the Reorganisation, Medicskin entered into six Cooperation Agreements effective from 1 April 2014 with our Doctors and Managed Practices set up by them in the form of sole proprietorships pursuant to which, *inter alia*, Medicskin shall provide a variety of management and administrative services and grant the Managed Practices licences to use, *inter alia*, the name "Medicskin" in consideration of the Managed Practices paying Medicskin the Fees during the term of the Cooperation Agreements. The Fees shall be equivalent to all fees for the Services received by the Managed Practices from clients at our Medicskin Centres. On the other hand, our Doctors through their Managed Practices shall be entitled to receive professional fees for the provision of the Services at the Medicskin Centres. The Cooperation Agreements were structured such that the status of our Doctors was merely changed from an "employee" to a "cooperative partner" of our Group, but we consider that there would be no change in the substantive right and power of our Group to operate its business or any material impact on the business process or economics of our operations. For further information regarding the Cooperation Agreements, please refer to the section headed "History, Reorganisation and Group Structure — Reorganisation — Cooperation Agreements" in this prospectus.

SUMMARY

Incurrence of professional fees payable to Dr. Kong effective from 1 April 2014

For the two years ended 31 March 2014, Dr. Kong, the founder of our Group, did not receive any salary or remuneration in connection with his provision of services to the Medicskin Centres. Rather, he received dividends from his ownership of Medicskin as a form of compensation for his services.

A Cooperation Agreement was entered into between Medicskin and Dr. Kong and his Managed Practice effective from 1 April 2014 pursuant to which Dr. Kong became entitled to professional fees through his Managed Practice providing the Services at the Medicskin Centres, which comprises a monthly fixed fee as well as a monthly incentive fee calculated with reference to the amount of revenue generated directly by Dr. Kong and/or his Managed Practice. **Prospective investors should note that our financial results for the year ending 31 March 2015 will be affected by the professional fees paid and payable to Dr. Kong effective from 1 April 2014 described above.** If Dr. Kong's Cooperation Agreement had been in effect during the two years ended 31 March 2014, our Group would have incurred professional fees payable to Dr. Kong of approximately HK\$4.0 million and HK\$4.7 million for each of the two years ended 31 March 2014 respectively. The professional fees paid to Dr. Kong amounted to approximately HK\$2.2 million for the five months ended 31 August 2014.

MATERIAL ADVERSE CHANGE

Our Directors confirm that, save as disclosed, in particular, in the sections headed "Summary — Summary of Financial Information", "Summary — Listing Expenses" and "Summary — Recent Developments — Incurrence of professional fees payable to Dr. Kong effective from 1 April 2014" in this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 August 2014, being the date to which the latest audited financial statements of our Group were made up, and up to the date of this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

“Accountants’ Report”	the accountants’ report set out in Appendix I to this prospectus
“Acne Treatment Centre”	Hong Kong Acne Treatment Centre Limited, a company incorporated in Hong Kong with limited liability on 27 April 2009, which is wholly-owned by Honest Achieve and is ultimately wholly-owned by Dr. Kong, and which does not carry on any business
“Articles”	the articles of association of our Company adopted on 3 December 2014 and effective on the Listing Date, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning as defined in the GEM Listing Rules
“Attractive Beauty”	Attractive Beauty Limited, a company incorporated in the BVI with limited liability on 1 June 2012, which, as at the Latest Practicable Date, held 3% interest in the issued share capital of the Company and is directly wholly-owned by Dr. Lam
“Beauty Tech”	Beauty Tech Investment Limited, a company incorporated in Hong Kong with limited liability on 21 February 2008, which is wholly-owned by Beauty Wallflower and is ultimately wholly-owned by Dr. Kong, and ceased to carry on any business in November 2014
“Beauty Wallflower”	Beauty Wallflower Limited, a company incorporated in the BVI with limited liability on 3 October 2011, which owns a 100% interest in Beauty Tech and is ultimately wholly-owned by Dr. Kong
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate, the year-on-year growth rate over a specified period of time
“Capitalisation Issue”	the issue of 333,331,900 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the section headed “Statutory and General Information — Further Information about Our Company — Resolutions in writing of the Shareholders of our Company passed on 3 December 2014” in Appendix IV to this prospectus

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Central Centre”	our medical skin care centre at Tak Shing House, Central, which expanded from time to time and now occupying rooms 209, 1001, 1204, 1205, 1206, 1207, and 1208 of Tak Shing House, details of which are set out in the section headed “Statutory and General Information — Further Information about Our Business — Properties” in Appendix IV to this prospectus
“Client Relationship Officer”	a Medicskin staff member responsible for providing clients with treatment-related information (such as treatment theory, procedure and associated costs) as well as answering any enquiry or concerns a client may have
“Clinics Ordinance”	the Medical Clinics Ordinance (Chapter 343 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“ClinicSolution™”	an application system which supports the operations of our Medicskin Centres with functions including the storage and retrieval of client records and images and management of client appointments and prescriptions
“close associate”	has the same meaning as defined in the GEM Listing Rules
“Code of Professional Conduct”	the Code of Professional Conduct for the Guidance of Registered Medical Practitioners of the Medical Council, as amended from time to time
“Companies Law”	the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which came into effect on 3 March 2014, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance (Miscellaneous Provisions)”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) which came into effect on 3 March 2014 as amended, supplemented or otherwise modified from time to time
“Company”	Medicskin Holdings Limited (密迪斯肌控股有限公司), a company incorporated in the Cayman Islands on 20 June 2014 as an exempted company with limited liability under the Companies Law
“connected person(s)”	has the same meaning as defined in the GEM Listing Rules

DEFINITIONS

“Consultation Service”	medical consultation services provided by our Doctors
“Controlling Shareholder(s)”	has the same meaning as defined in the GEM Listing Rules and, in the context of our Company, means each of Dr. Kong and Topline. Details of their shareholdings are set forth in the section headed “Relationship with Controlling Shareholders” in this prospectus and the section headed “Statutory and General Information — Further Information about Directors, Management, Staff and Experts — Disclosure of interests” in Appendix IV to this prospectus
“Cooperation Agreement”	the cooperation agreement entered into between Medicskin and each of our Doctors and each of their relevant Managed Practices in connection with the operations of our Medicskin Centres, including any amendments thereto, details of which are set forth in section headed “History, Reorganisation and Group Structure — Reorganisation — Cooperation Agreements” in this prospectus
“core connected person(s)”	has the same meaning as defined in the GEM Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 11 December 2014 entered into between Dr. Kong and Topline and our Company (for ourselves and as trustee for each of our subsidiaries), pursuant to which Dr. Kong and Topline agreed to provide the Company (for itself and as trustee for each of its subsidiaries) certain indemnities, further details of which are set out in the section headed “Statutory and General Information — Other Information — Indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 11 December 2014 entered into between Dr. Kong and Topline and our Company (for ourselves and on behalf of our subsidiaries), pursuant to which Dr. Kong and Topline agree to provide certain non-competition undertakings to the Company (for itself and on behalf of its subsidiaries), further details of which are set out in the section headed “Relationship with Controlling Shareholders — Non-competition Undertaking” in this prospectus
“Director(s)”	the director(s) of our Company
“Dispensing Service”	dispensing of Medication and/or skincare products to clients at our Medicskin Centres who are required to have received Consultation Service provided by any of our Doctors in prior visit(s) at our Medicskin Centres

DEFINITIONS

“Doctor”	each of the six Registered Medical Practitioners employed by our Group (except Dr. Kong who, as our founder, did not have an employment relationship with us) prior to 1 April 2014 and who have been providing the Services at our Medicskin Centres pursuant to the Cooperation Agreements since 1 April 2014, namely Dr. Kong, Dr. Lam, Dr. Seto, Dr. Lau, Dr. Choi and Dr. Ng
“Doctors’ Assistant”	a Medicskin staff member who is responsible for, <i>inter alia</i> , assisting our Doctors in their provision of treatments to clients and performing other general administrative duties at our Medicskin Centres including handling clients’ enquiries, maintaining medical records, collecting service fees and managing daily cash receipts
“Dr. Choi	Dr. Choi Kwok Kam, a Registered Medical Practitioner who joined our Group in February 2011
“Dr. Kong” or “Chairman”	Dr. Kong Kwok Leung, our founder, a Registered Medical Practitioner who is also (i) a Controlling Shareholder, executive Director and chairman of our Company; and (ii) the director and ultimate Controlling Shareholder of Topline
“Dr. Lam”	Dr. Lam Yee Ming, Alice, a Registered Medical Practitioner who joined our Group in December 2005
“Dr. Lau”	Dr. Lau Hang Kwok, a Registered Medical Practitioner who joined our Group in October 2009
“Dr. Ng”	Dr. Ng Ka Yam, Stephen, a Registered Medical Practitioner who joined our Group in June 2011
“Dr. Seto”	Dr. Seto Jacinth Theo, a Registered Medical Practitioner who joined our Group in July 2009
“EPS”	an electronic payment system widely used in Hong Kong
“ERP”	Enterprise Resource Planning System, a business process management software system of integrated applications which assists our management of the business and automate our back office functions such as, <i>inter alia</i> , accounting, management of invoices, payment receipts and settlements, orders processing and inventory control

DEFINITIONS

“Facematter”	Facematter (The Medical Skincare Centre) Limited, a company incorporated in Hong Kong with limited liability on 1 February 1999, which is wholly-owned by Famous Greatest and is ultimately wholly-owned by Dr. Kong, and which has ceased to carry on any business since 30 November 2013
“Famous Greatest”	Famous Greatest Global Limited, a company incorporated in the BVI with limited liability on 2 April 2012, which holds a 100% interest in Facematter and is ultimately wholly-owned by Dr. Kong
“Fees”	the fees payable by the Managed Practices to Medicskin in consideration of Medicskin performing its obligations under the Cooperation Agreements (including, <i>inter alia</i> , the provision of management and administrative services and the grant of licences to use the name “Medicskin”)
“GDP”	gross domestic product, the total market value of all the goods and services produced within the borders of a nation during a specified period of time
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM as amended from time to time
“General Register”	the register of Registered Medical Practitioners kept in accordance with the Registration Ordinance
“Great Roc”	Great Roc Capital Securities Limited, a corporation licensed to carry on Type 1 (dealing in securities) regulated activities under the SFO, being one of the Joint Bookrunners and one of the Joint Lead Managers of the Placing
“Group”	our Company and our subsidiaries or, where the context requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were our Company’s subsidiaries at the relevant time
“HK” or “Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited

DEFINITIONS

“Honest Achieve”	Honest Achieve Global Investments Limited, a company incorporated in the BVI with limited liability on 2 April 2012, which holds a 100% interest in the issued share capital of Acne Treatment Centre and is ultimately wholly-owned by Dr. Kong
“Independent Third Party(ies)”	third party(ies) independent of our Company and its connected persons (as defined under the GEM Listing Rules)
“Ipsos”	Ipsos Hong Kong Limited, a professional market research company and is an Independent Third Party
“Ipsos Report”	an industry report prepared by Ipsos which was commissioned by us in relation to, <i>inter alia</i> , the medical skin care services industry in Hong Kong
“IT”	information technology
“Joint Bookrunners” or “Joint Lead Managers”	Shenyin Wanguo and Great Roc acting as joint bookrunners and joint lead managers
“Jordan Centre”	a consultation room situated at 19/F, Sino Cheer Plaza, 23-29 Jordan Road, Kowloon, Hong Kong, which was rented by Medicskin from around July 2011 to July 2012
“Latest Practicable Date”	3 December 2014, being the latest practicable date prior to the publication of this prospectus for ascertaining certain information in this prospectus
“Listing”	the proposed listing of the Shares on GEM by the Placing
“Listing Date”	the date on which dealings in the Shares first commence on GEM
“Listing Department”	the Listing Department of the Stock Exchange
“Managed Practice”	either (i) the medical practice of each of our Doctors for carrying out the Services to which our Group provides a variety of management and administrative services and grants licences to use, <i>inter alia</i> , the name “Medicskin” pursuant to each of the Cooperation Agreements; and/or (ii) as the context requires, the sole proprietorship, being the legal entity, established by each of our Doctors for such purpose
“Medical Council”	The Medical Council of Hong Kong established under section 3 of the Registration Ordinance

DEFINITIONS

“Medication”	means pharmaceutical products and medicines (as the terms are defined under the Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong))
“Medicskin”	Medicskin Laboratories Limited, a company incorporated in Hong Kong with limited liability on 12 July 2000 and an indirect wholly-owned subsidiary of our Company
“Medicskin Centres”	our medical skin care centres at which our Doctors carry out the Services from time to time, and as at the Latest Practicable Date, included our Central Centre and TST Centre, and each of them, a Medicskin Centre
“Medicskin Products”	a line of skincare products available exclusively at our Medicskin Centres
“Memorandum”	the memorandum of association of our Company
“Multiple Profit”	Multiple Profit Enterprise Limited, a company incorporated in the BVI with limited liability on 1 February 2012 and a direct wholly-owned subsidiary of our Company
“New Shares”	66,668,000 new Shares being offered by us for subscription under the Placing
“Over-the-counter Skincare Products”	means over-the-counter skincare products other than Medication and Medicskin Products
“Placing”	the conditional placing by the Underwriters on behalf of our Company and the Selling Shareholder of the Placing Shares for cash at the Placing Price, as further described under the section headed “Structure and Conditions of the Placing” in this prospectus
“Placing Price”	the placing price of each Placing Share (excluding brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of HK\$0.6 per Placing Share
“Placing Shares”	100,000,000 Shares comprising 66,668,000 New Shares offered by our Company for subscription and 33,332,000 Sale Shares offered by the Selling Shareholder for purchase under the Placing as described under the section headed “Structure and Conditions of the Placing” in this prospectus
“PRC” or “China”	the People’s Republic of China which, for the purposes of this prospectus (unless otherwise indicated), excludes Hong Kong, Macau and Taiwan

DEFINITIONS

“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and the Companies Ordinance (Miscellaneous Provisions)
“Prescription and Dispensing Service”	a collective term for Prescription Service and Dispensing Service
“Prescription Service”	prescription of Medication and/or skincare products to clients at our Medicskin Centres immediately following Consultation Service provided by any of our Doctors
“Proprietary Names”	the Trademarks and any other name or names introduced by us for or in connection with the Managed Practices and all business values generally associated with those names
“Proprietary Rights”	all proprietary rights in the management of the Managed Practices, and related know-how, and all improvements, modifications or replacement thereof
“Registered Medical Practitioner(s)”	medical practitioner(s) who is (are) qualified to practise medicine, surgery and midwifery in Hong Kong and is (are) registered as registered medical practitioner(s) under the General Register
“Registration Ordinance”	the Medical Registration Ordinance (Chapter 161 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing, as set out in the section headed “History, Reorganisation and Group Structure — Reorganisation” in this prospectus
“Sale Shares”	33,332,000 Shares being offered for sale by Topline, the Selling Shareholder, at the Placing Price under the Placing
“Selling Shareholder”	Topline, particulars of which are set out in the section headed “Other information — Particulars of the Selling Shareholder” in Appendix IV to this prospectus
“Senior Counsel”	Dr. William M.F. Wong, Senior Counsel, barrister-at-law in Hong Kong
“Services”	a collective term for (i) Consultation Service; (ii) Prescription and Dispensing Service; and (iii) Treatment Service
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	share(s) of HK\$0.01 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 3 December 2014, the principal terms of which are summarised in the section headed “Statutory and General Information — Further Information about Directors, Management, Staff and Experts — Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of the Shares
“Shatin Centre”	our medical skin care centre at Shop 48, Commercial Centre, Mei Lam Estate, Shatin, New Territories, which was closed in the first quarter of 2014
“Shenyin Wanguo” or “Sole Sponsor”	Shenyin Wanguo Capital (H.K.) Limited, a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor, one of the Joint Bookrunners, and one of the Joint Lead Managers of the Placing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the same meaning as defined in the GEM Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers, as amended from time to time
“Tally Scholar”	Tally Scholar Limited, a company incorporated in the BVI with limited liability on 3 October 2011 and which is ultimately wholly-owned by Dr. Kong
“Topline”	Topline Worldwide Limited, a company incorporated in the BVI with limited liability on 18 January 2000, our corporate Controlling Shareholder and its issued share capital is directly wholly-owned by Dr. Kong
“Track Record Period”	the two years ended 31 March 2014 and the five months ended 31 August 2014
“Trade Marks Registry”	Trade Marks Registry of the Intellectual Property Department of Hong Kong

DEFINITIONS

“Trademark Office”	Trademark Office of the State Administration for Industry & Commerce of the PRC
“Trademarks”	the trade marks as set out in the section headed “Statutory and General Information — Further Information about Our Business — Intellectual property rights of our Group” in Appendix IV to this prospectus and include any other trade marks registered under the name of Medicskin of which we agree to grant a non-exclusive licence to the Managed Practices under the terms and conditions of the Cooperation Agreements
“Treatment Service”	non-invasive/minimally invasive treatments of skin diseases/problems and/or the improvement of appearance of our clients performed at our Medicskin Centres
“TST Centre”	our medical skin care centre at Suite 1201, Ocean Centre, Tsim Sha Tsui, details of which are set out in the section headed “Statutory and General Information — Further Information about Our Business — Properties” in Appendix IV to this prospectus
“Underwriters”	the Underwriters of the Placing named in the section headed “Underwriting — Underwriters” in this prospectus
“Underwriting Agreement”	the underwriting agreement dated 11 December 2014 relating to the Placing and entered into by, among others, our Company, Dr. Kong, Topline, the Selling Shareholder, the executive Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, details of which are set out in the section headed “Underwriting” in this prospectus
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“US” or “U.S.” or “USA”	the United States of America
“US\$” or “US dollars”	US dollars, the lawful currency of the US
“p.a.”	per annum
“%”	per cent.

GLOSSARY

This glossary contains explanations of certain terms used in this prospectus in connection with the business of our Group. The terms and their meanings may not correspond to the standard industry meanings or usage of these terms.

“Botulinum Toxin Type A”	a natural protein produced by the bacterium — clostridium botulinum. Botulinum toxin results in less wrinkling of the skin in the areas treated by blocking the signals from nerves to muscles, ensuring weaker muscle contraction or complete cessation of muscle movement
“cauterisation”	a medical procedure to burn, sear, destroy tissue or stop bleeding
“CE”	Communauté Européenne (European Community), a mark affixed on products which have been assessed before being placed on the EU market denoting that such products meet EU safety, health and environmental protection requirements
“evidence-based”	the use of medicines, treatments, products or devices which (or the effectiveness or ingredients or technology of which) are supported by independent medical journal(s) or approved by accreditation bodies such as the FDA or MFDS or bearing a CE mark
“FDA”	Food and Drug Administration of the US, an agency of the US Department of Health and Human Services responsible for protecting and promoting public health through the regulation and supervision of food safety, medical devices, etc.
“hyaluronic acid injection”	a non-animal origin stabilised viscous glycosaminoglycan injection used to fill in facial lines and creases, resulting in the correction of contour defects or depressions, restoration of volume loss from aging and the plumping of lips or cheeks, etc.
“Intense Focused Ultrasound”	a technology that focuses the acoustic energy of ultrasound to heat up a target tissue, achieving results such as stimulating collagen production, uplifting sagging skin and tightening loose skin
“Intense Pulsed Light”	a technology making use of intense pulses of non-coherent light distributed over a range of wavelengths to treat pigmentation and easy flushing, etc.
“Laser”	Light Amplification by Stimulated Emission of Radiation use to treat various skin diseases/problems

GLOSSARY

“medical skin care services”	means medical skin care services focused on the treatment of skin diseases/problems or the improvement of appearance of customers through either non-invasive or minimally invasive procedures supervised by Registered Medical Practitioners and trained assistants
“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.
“minimally invasive”	description of a procedure which produces minimal damage of body tissue and does not involve entering the body through cutting surgical incisions into the skin with an operative procedure and the closure with sutures
“Monopolar Radiofrequency with CPT”	a treatment device using Radiofrequency (monopolar capacitively coupled non-ablative Radiofrequency) with comfort pulse technology for rejuvenation
“Nd:YAG Laser”	Neodymium-doped Yttrium Aluminium Garnet Laser
“non-invasive”	description of a procedure that does not involve entering the body through cutting surgical incisions into the skin with an operative procedure and the closure with sutures
“Poly-L-lactic Acid Injection”	a facial injectable made from poly-L-lactic acid, which helps to correct shallow to deep facial wrinkles and folds that appear with aging by replacing lost collagen. This treatment is used for skin rejuvenation or facial sculpturing
“Radiofrequency”	the oscillation of alternating currents at a frequency of around 3 kHz to 300 GHz, which can be used for rejuvenation

FORWARD-LOOKING STATEMENTS

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS MAY NOT MATERIALISE

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or those include the words “believe”, “expect”, “aim”, “intend”, “project”, “will”, “may”, “plan”, “consider”, “anticipate”, “seek”, “should”, “would” or similar expressions or the negative thereof, are forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- Future development, trends and conditions in the industry and markets in which we operate
- Expansion, consolidation or other trends in the industry in which we operate
- Regulations and restrictions
- General political and economic conditions in Hong Kong and internationally
- Macroeconomic measures taken by the Hong Kong and/or the PRC government(s) to manage economic growth
- Our business prospects
- The competition for our business activities and the actions and development of our competitors
- Financial condition and performance of our Group
- Our dividend policy
- Changes to our expansion plans and use of capital expenditures
- Realisation of the benefits of our business plan and strategies

FORWARD-LOOKING STATEMENTS

We believe that the sources of information and assumptions contained in such forward-looking statements are appropriate sources for such statements and 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, the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any other party involved in the Placing 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.

These forward-looking statements are based on current plans and estimates, and apply only as of the date they are made. We undertake no obligation to update or revise any forward-looking statements in light 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 factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement.

RISK FACTORS

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Placing Shares. You should pay particular attention to the fact that the legal and regulatory environment in Hong Kong may differ in some respects from that which prevails in other countries. The business, financial condition or results of operations of our Group could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment.

RISKS RELATING TO BUSINESS AND OPERATIONS OF OUR GROUP

We rely on our reputation in the industry that may be adversely affected by negative publicity

Our Directors consider that our Group's success depends to a significant extent on the recognition of our brand and reputation in the medical skin care services industry as a reliable services provider. Any litigation claims or complaints from our clients in relation to the quality of services or products provided by our Medicskin Centres may adversely affect the reputation and image of our Group, and may in turn, materially and adversely affect the demand for our Services.

In relation to our Prescription and Dispensing Service, our Doctors may prescribe Medication and/or recommend skincare products to our clients. We cannot guarantee the quality of the Medication and skincare products as they are not manufactured by us.

In relation to our Treatment Service, we cannot guarantee the results of the treatments available at our Medicskin Centres as results may vary depending on factors including, *inter alia*, clients' medical background and skin type, their adherence to pre-treatment and post-treatment instructions and distinct response to treatments.

Where undesirable complications or harm are caused by our Services and products or where the relevant treatment or product does not fully meet the expectation of a client, the client may express negative sentiments on the Internet, to the media and/or lodge complaints with the Hong Kong Consumer Council and the Medical Council or pursue a claim against our Group or our Doctors. These complaints may result in reviews, investigations or disciplinary actions by regulatory and professional bodies and may affect the reputation of the relevant Doctor and our Group.

Should the provision of our Services produce an undesirable outcome for a client or if we receive a complaint from a client, we may need to divert a significant amount of resources and incur extra expenses to handle such outcome or complaint which could affect our corporate image and reputation in the industry if it is widely published by the media. In the event that any complaint results in disciplinary actions or legal proceedings against our Group and/or our Doctors, there may be an adverse effect on our reputation and hence financial performance. Please refer to the sections headed "Business — Client Feedback Management — Unfavourable client feedback we have received" and "Business — Regulatory Compliance and Legal Proceedings — Legal claim against our Group" in this prospectus for further details.

RISK FACTORS

We rely on certain key executives and we may not be able to retain them

The future success of our Group is dependent upon the continued service of key executives including the executive Directors and, in particular, our founder and Chairman, Dr. Kong.

Dr. Kong has around 18 years' relevant medical experience in the provision of the Services. Our Group's success and performance, and the implementation of our Group's business plan is, to a significant extent, attributable to Dr. Kong's expertise and extensive experience, reputation and network in the industry, as well as his business vision, management skills and working relationships with employees, clients and suppliers. Income generated by the Services provided by Dr. Kong contributed approximately 28.4%, 27.2% and 29.9% to our Group's revenue for each of the two years ended 31 March 2014 and the five months ended 31 August 2014 respectively.

Our continued performance and success is, to a significant extent, attributable to contributions of Dr. Kong and other key executives and our ability to retain our key executives who have extensive experience in management and the medical skin care services industry, all of whom have been instrumental in spearheading our growth, corporate development and overall business strategies. Competition for competent candidates in the industry is intense and the pool of competent candidates is limited. Hence, we may not be able to retain the services of Dr. Kong, and other key executives, or attract and retain high-quality personnel in the future. Should Dr. Kong, or other key executives cease to be involved in our Group's management and operations, and if we fail to find suitable and timely replacements, our business and growth prospects may be severely disrupted and our Group's profitability may be materially and adversely affected.

Our Doctors could become the subject of claims, regulatory or professional investigations and litigations regarding any medical dispute brought by clients, which may harm our reputation and business

Our clients who are unsatisfied with the services of our Doctors may express negative sentiments through the media and/or lodge complaints with consumer protection or professional bodies in Hong Kong. Such complaints may substantiate into claims against our Doctors. In the event that a claim is made against our Group, we may claim an indemnity against the Doctor concerned.

The Medical Council has issued ethical guidelines to the Registered Medical Practitioners in Hong Kong. Under the Registration Ordinance, the Medical Council may investigate complaints made against a Registered Medical Practitioner in relation to any alleged professional misconduct and may impose sanctions including, *inter alia*, issuing a warning notice, issuing a reprimand and/or removing him/her from the General Register for a certain period of time or indefinitely if he/she is found guilty of professional misconduct.

Where our Doctors are involved in medical disputes and/or are subject to complaints or professional investigations, they may have to allocate their resources in handling such disputes, complaints or investigations which may affect their operations at the Medicskin Centre(s). In addition, should any of these Doctors be convicted of professional misconduct, it is possible that he/she may be restricted from practising in our Medicskin Centres. This may have a material adverse effect on our operations and/or profitability if we are not able to find substitute practitioners promptly.

RISK FACTORS

We may be liable for the professional misconduct or negligence of our Doctors

The Cooperation Agreements with our Doctors (and their Managed Practices) require our Doctors to maintain their own professional indemnity insurance. However, as our Doctors are nevertheless practising in our Medicskin Centres under our Group's brand, we may also be subject to claims for professional misconduct or negligence arising from the acts or conducts of our Doctors. Such claim would typically be brought against the relevant Doctor and may also seek to include our Group as a defendant since the diagnosis or treatment would be conducted at our Medicskin Centres. Legal actions against us or our Doctors may have a material adverse impact on our financial position due to the resources involved in dealing with these legal actions and any possible judgement made against us. Furthermore, even if our Group is not involved in such professional misconduct investigation or litigation, our reputation may nevertheless be adversely affected by our association with the relevant Doctor.

We are dependent on skilled and competent skin care professionals and we may not be able to attract suitable Registered Medical Practitioners to join our Group as the supply of medical practitioners is limited

Our business is dependent on our ability to attract and retain skilled Registered Medical Practitioners and other competent skin care professionals. Our ability to provide our Services is reliant on the services of these professionals. The ability to attract and retain them is dependent on several factors such as our continued reputation, financial remuneration and job satisfaction. As our industry is service-related, in the event that we are unable to find suitable and timely replacements should a significant number of them resign, our financial position and results, business operations as well as future growth and prospects may be adversely affected.

The number of Registered Medical Practitioners with necessary experience and qualifications is limited in the market and we are competing for suitable candidates with other medical skin care services providers. We may need to provide competitive terms to attract and retain Registered Medical Practitioners to practise at our Medicskin Centres through entering into Cooperation Agreements with Medicskin. We may not be able to attract and retain sufficient suitable Registered Medical Practitioners to enter into or maintain Cooperation Agreements with Medicskin to keep pace with our growth while maintaining consistent service quality across our Medicskin Centres. Our business, financial condition and results of operations could accordingly be materially and adversely affected.

We have limitations in promoting/marketing our business

Our Doctors and their Managed Practices have to comply with the Code of Professional Conduct which sets out (i) restrictions on the promotion or dissemination of information about the professional services and practice carried out by Registered Medical Practitioners or their group practice (with certain exceptions, such as publication of service information on the website of a bona fide medical practice group or in doctors directories); and (ii) restrictions on publication or marketing efforts for the predominant purpose of promoting the products or services of doctors to clients or potential clients. The restriction in promoting the business of our Group may affect our ability to further enhance our brand recognition or secure new business opportunities in the future. Moreover, there is no guarantee that our existing practices of monitoring our information dissemination process and

RISK FACTORS

publication can continue to be effective. Should there be any change in the guidance, or change of interpretation thereof, our Doctors may be regarded as breaching the relevant codes and may be subject to relevant disciplinary actions. Should there be any disciplinary actions against our Doctors, our reputation, business and results of operations could be materially and adversely affected.

An inability to keep abreast of advances in technology will affect our competitive edge and hence adversely affect our financial performance

We need to continually keep up with advances in technology in relation to the treatment of skin diseases/problems and/or the improvement of appearance of our clients. Changes in the medical skin care services industry require sourcing for and investing in new treatment devices and technology as well as the development of more effective products. From time to time, we also need to upgrade existing treatment devices and facilities. This may require significant capital expenditure. For further details on our estimated capital expenditure, please refer to the section headed “Statement of Business Objective and Use of Proceeds” in this prospectus.

If we are unable to adapt to and/or to acquire such advances in technology, demand for our Services may decline. There is also no assurance that we will be able to recover the financial outlay for these treatment devices and technology should clients’ expectations for these services not be met. As a result, our operations and financial performance may be adversely affected.

Future expansion plans are subject to uncertainties and risks

Our growth depends on the implementation of our future plans in connection with our business. It is intended that the proceeds from the Placing of New Shares will be used for the establishment of new Medicskin Centre(s) in prime location(s) in Hong Kong, such as Causeway Bay. The new Medicskin Centre(s) will adopt our business philosophy and operating model as well as the proven and scalable infrastructure developed by our Group. Please refer to the section headed “Statement of Business Objective and Use of Proceeds” in this prospectus for further information of our future plans.

The continued expansion of our business may place significant strain on our managerial, operational and financial resources. We may not be able to successfully manage the growth of our business despite adopting various measures and strategies to do so including, *inter alia*, the need to raise working capital, to identify, recruit, train and integrate additional Registered Medical Practitioners and employees and to oversee the coordination and cooperation with the Managed Practices. Therefore, there is no assurance that the intended growth of our business can be achieved or will become profitable.

Whether our future plans can be implemented successfully may be affected by various factors which are beyond our control, such as increase in costs related to establishment, furnishing and other capital outlays for our new Medicskin Centre(s) as well as our ability to employ sufficient Registered Medical Practitioners and other competent skin care professionals to staff these new Medicskin Centre(s).

RISK FACTORS

There is no assurance or guarantee that such expansion plans may be implemented successfully. If we fail to project accurately the time, labour and costs required for implementing our expansion plans, or if we fail to secure sufficient new businesses or recruit and retain Registered Medical Practitioners and other competent skin care professionals following the establishment of our new Medicskin Centre(s), our business and results of operations may be adversely affected.

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

As we operate all of our Medicskin Centres on leased properties, we are exposed to fluctuations in the retail rental market. During the Track Record Period, rental expenses amounted to approximately HK\$3.5 million, HK\$4.4 million and HK\$1.9 million, representing approximately 6.8%, 6.8% and 6.8% of our revenue for each of the two years ended 31 March 2014 and the five months ended 31 August 2014 respectively. Upon the expiry of each of the leases of our existing Medicskin Centres, we have to negotiate terms of renewal with our respective lessors in relation to our existing Medicskin Centres. As there has been an increase in rentals for commercial properties in Hong Kong generally in recent years, and as all of our existing Medicskin Centres are located on premises leased from Independent Third Parties, there is no assurance that the leases of our Medicskin Centres would be renewed on similar or favourable terms (including, without limitation, on similar tenure and on similar rental charges). There is also no guarantee that the leases of our existing Medicskin Centres will not be terminated early by the lessors before the expiry of the relevant term.

In the event that we are required to relocate our Medicskin Centres to other locations, there is no guarantee that we will be able to secure comparable locations with a lease based on comparable terms. We may also incur substantial expenses in renovation costs if we have to move our existing Medicskin Centres to new locations. This may have an adverse impact upon our business, financial position and our future potential growth.

Professional responsibilities of our Doctors to clients may override the interest of our Shareholders

Our Doctors, being Registered Medical Practitioners, are required to comply with the Code of Professional Conduct, failing which the Medical Council may commence disciplinary action against them. The Code of Professional Conduct sets out the duties of a Registered Medical Practitioner including, *inter alia*:

- not allowing his/her judgement to be influenced by personal profit;
- being dedicated to providing competent medical service in full professional and moral independence;
- acting in the patient's best interest when providing medical care; and
- owing his/her patients complete loyalty and all the scientific resources available to him/her.

RISK FACTORS

Such professional duties and obligations of our Doctors may not at all times be in line with our Shareholders' commercial interest, which is primarily to maximise the profit of our Group. As a result, our Group's ability to maximise its profit may be limited by the professional duties and obligations of our Doctors owed to our clients.

Our insurance coverage may not completely cover the risks related to our business and operations

Each of our Doctors maintains professional indemnity protection cover which provides advice and representation services in relation to litigation, claims and complaints arising out of or in connection with medical practices. The relevant Doctors are indemnified for legal costs and compensation payments involved in clinical negligence claims, subject to certain limitations including criminal proceedings and fraud allegations which are excluded from the scope of such indemnity. In addition, our Group has purchased insurance including, *inter alia*, medical malpractice insurance, insurance for potential business interruption, and insurance for public liability for any one event.

Our Group's financial position may be adversely affected in the event that the claim from our clients exceeds the coverage or the scope of the insurance does not cover such claim. Further, we may have difficulty in claiming compensation from insurance companies in full or at all, and sometimes there may be delays in receiving such compensation. If we suffer losses which are not covered by our insurance policies or the amount of compensation we receive from our insurers for our losses is significantly less than the actual losses suffered by us, our financial position and our operations may be materially and adversely affected.

We rely on a single geographical market and any adverse economic, social and/or political conditions affecting the market may adversely affect our business

Currently, the business operations of our Group are based in Hong Kong. Our business operations and the demand for our Services are therefore exposed to any deterioration in the economic, social and/or political conditions as well as any incidence of social unrest, strike, riot, civil disturbance or disobedience in Hong Kong (in particular where any such activity causes inconvenience to clients who visit, and our staff who attend, our Medicskin Centres). The aforesaid circumstances may disrupt and materially and adversely affect the operations of our Medicskin Centres, and consequently, our results of operations.

Risks of complaint and claims in relation to expired prepaid treatment packages

Our Medicskin Centres offer prepaid treatment packages to our clients in connection with treatments which may require multiple sessions to achieve desired results, taking into account protocols recommended by suppliers of treatment devices in respect of the number of optimal sessions which should be taken to achieve those results. Please refer to the section headed "Business — Prepaid Treatment Packages" for more details in this regard. Clients of expired prepaid treatment packages will not be entitled to enjoy our services even though they have paid for the services and this may lead to complaints and claims against us and may in turn, adversely affect our image and reputation and hence our business.

RISK FACTORS

We have not entered into any long term supply agreements with our suppliers

We have not entered into any long term supply agreements with our suppliers and there is no assurance that our suppliers will continue to supply the products to us on commercially reasonable terms, or at all, which could affect our ability to secure future supply. Further, we may not be able to find suitable alternative suppliers within a short period of time, and as such, any shortage of or delay in the supply of the products to us may materially and adversely affect the operations of our Medicskin Centres. As a result, our financial condition and results of operations could be materially and adversely affected.

We face possible infringement of our intellectual property rights, which could weaken our competitive position and affect our operations

Our principal intellectual property rights are our Trademarks, and our know-how in our business operations and provision of personalised services. We are susceptible to infringement of our intellectual property rights by third parties. There is no assurance that third parties will not copy or otherwise obtain and use our intellectual property rights without our prior authorisation. Infringement of our intellectual property rights could adversely affect the perception that our clients have of us as to our credibility, creditworthiness and abilities, which in turn may have a material adverse effect on our business, financial condition, results of operations and prospects. If we were to enforce our intellectual property rights through litigation, such litigation whether successful or unsuccessful, could result in the incurrence of substantial costs and the diversion of resources. In the event that we are unable to adequately protect or safeguard our intellectual property rights, our reputation, business, financial condition and results of operations and prospects may be materially and adversely affected.

As at the Latest Practicable Date, our Group had five registered trademarks in Hong Kong, three registered trademarks in the PRC, and two and 18 trademark applications pending in Hong Kong and the PRC respectively, details of all of which are set out in the section headed “Statutory and General Information — Further Information about Our Business — Intellectual property rights of our Group” in Appendix IV to this prospectus. It is possible that we may be unable to register trademarks in future markets in which we operate or to renew the registrations of our Trademarks. Further, there is no guarantee that the registrations of our Trademarks can completely protect us against any infringement or keep us away from any potential challenges raised by our competitors or other third parties.

Past performance is not necessarily indicative of future results

Although our revenue has increased during the Track Record Period, such financial data only reflect our past performance. Past performance is not necessarily indicative of future results. The effects of the changing regulatory, economic and other unpredictable factors may have a material effect on our business and hence affecting our future financial performance.

Moreover, our financial and operating results may not meet the expectations of public market analysts or investors, which could cause the future price of the Shares to decline. Our revenue, expenses and operating results may vary from period to period in response to a variety of factors beyond our control. You should not rely on our historical results to predict the future performance of our Shares.

RISK FACTORS

We may not be able to protect our clients' information from leakage or improper use, which could expose our Group and/or Doctors to claims or litigation

We understand that a client's right to privacy is particularly essential in the medical service context and our clients expect us to keep their information strictly confidential. Our Doctors are required by the Code of Professional Conduct not to disclose medical information of clients to any third party without the client's consent except in certain specific circumstances. We are also subject to the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) which restricts the use of personal data of clients collected by us to such purposes for which they were collected or for a directly related purpose. However, we cannot guarantee that our confidentiality policies and measures can completely prevent our clients' information from leakage or being used for an improper purpose. Any breach of our confidentiality obligations towards our clients could expose our Group and/or our Doctors to potential liabilities, such as claims or litigation, which may have an adverse impact on our Group's reputation.

RISKS RELATING TO THE CONTRACTUAL ARRANGEMENTS WITH THE MANAGED PRACTICES

Our business model relies on contractual arrangements with the Managed Practices which may not be as effective as direct employment of Doctors

Prior to 1 April 2014, our Medicskin Centres were operated by Medicskin which employed our Doctors directly (except Dr. Kong who is our founder). For the reason set out in the section headed "History, Reorganisation and Group Structure — Reorganisation — Cooperation Agreements — Reason for entering into the Cooperation Agreements" in this prospectus, Medicskin has entered into six Cooperation Agreements with our Doctors and the Managed Practices under which, effective from 1 April 2014, the Services shall be provided by the Managed Practices to our clients.

Currently, we generate the majority of our revenue from the Managed Practices pursuant to the Cooperation Agreements with the Doctors and the Managed Practices. The Cooperation Agreements may not be as effective in providing our Group with control over different Managed Practices as direct employment of Doctors.

The Cooperation Agreements are governed by the laws of Hong Kong. Accordingly, the Cooperation Agreements would be interpreted in accordance with the Hong Kong laws and any disputes would be finally resolved by negotiation between the parties and/or legal proceedings. If any of the Managed Practices fails to perform its obligations under the Cooperation Agreement, our Group may have to rely on legal remedies under Hong Kong laws, including seeking specific performance or injunctive relief, and claiming damages, which may be costly and time consuming. The results of the legal proceedings, if any, are also subject to uncertainty which could limit the ability of our Group to enforce the Cooperation Agreement. Any inability to enforce the Cooperation Agreement or limitation thereon could disrupt the business of our Group and have a material adverse impact on our Group's business, prospects and results of operations.

RISK FACTORS

We rely on revenue passed from the Managed Practice of Dr. Kong and any failure to renew the Cooperation Agreement with Dr. Kong may adversely affect our business

Dr. Kong has been providing the Services at our Medicskin Centres through his Managed Practice pursuant to Dr. Kong's Cooperation Agreement since 1 April 2014. The profitability and financial position of our Group may be adversely affected by any changes in our relationship with Dr. Kong. Other factors including the performance of Dr. Kong's Managed Practice may also adversely affect the profitability and financial position of our Group.

Dr. Kong's Cooperation Agreement constitutes a continuing connected transaction under the GEM Listing Rules. Accordingly, income generated by Dr. Kong's Managed Practice under Dr. Kong's Cooperation Agreement after Listing will be limited by annual caps, details of which are set out in the section headed "Connected Transactions" in this prospectus. Further, Dr. Kong's Cooperation Agreement will be subject to the review of the independent non-executive Directors and the reporting of the auditors of the Company on an annual basis and will be subject to the obtaining of the approval of independent Shareholders in accordance with the GEM Listing Rules when there is a material change to the terms of his Cooperation Agreement or when his Cooperation Agreement is being renewed. There is a risk that such independent Shareholders' approval would not be obtained and in such circumstances our business and operations may be materially adversely affected.

Increased staff cost due to the entering into of the Cooperation Agreement with Dr. Kong

Prior to 1 April 2014, Dr. Kong did not receive any salary for his medical services to Medicskin but rather he was remunerated through the payment of dividends derived from his ownership of Medicskin. A Cooperation Agreement has since then been entered into between our Group and Dr. Kong and his Managed Practice effective from 1 April 2014 pursuant to which Dr. Kong's Managed Practice shall be entitled to professional fees which comprises a monthly fixed fee as well as a monthly incentive fee calculated with reference to the amount of revenue generated directly by Dr. Kong's Managed Practice. The payment of such professional fees to Dr. Kong by our Group under the Cooperation Agreement is expected to considerably increase our staff costs which will affect the results of our operations. For details of the arrangement, please refer to the sections headed "History, Reorganisation and Group Structure — Reorganisation — Cooperation Agreements" and "Connected Transactions — Non-exempt Continuing Connected Transactions — Material terms of Dr. Kong's Cooperation Agreement" in this prospectus.

Our past financial performance did not fully account for Dr. Kong's compensation for his medical services provided at our Medicskin Centres and is not necessarily indicative of future results

The financial performance of our Group over the Track Record Period as disclosed in this prospectus is not necessarily indicative of future results since Dr. Kong only commenced receiving remuneration for his services to the Medicskin Centres through his Managed Practice from 1 April 2014 (when the Cooperation Agreement entered into by our Group with him became effective). The revenue contributed by Dr. Kong was HK\$14.7 million and HK\$17.7 million for each of the two years ended 31 March 2014 respectively. If Dr. Kong's Cooperation Agreement had been in effect during the two years ended 31 March 2014, our Group would have incurred professional fees payable to Dr. Kong

RISK FACTORS

of approximately HK\$4.0 million (or HK\$3.3 million after tax) and HK\$4.7 million (or HK\$3.9 million after tax) for each of the two years ended 31 March 2014 respectively. For the five months ended 31 August 2014, the professional fee paid to Dr. Kong pursuant to the Cooperation Agreement amounted to approximately HK\$2.2 million. Our past financial performance is not necessarily indicative of future results and our financial performance is likely to deteriorate after Listing. You should not rely on our historical results to predict the future performance of our Shares.

Our business may be affected by the introduction of new laws and regulations regulating the provision of management services to medical practices

We grant a licence to use our brand names and provide management and administrative services to our Doctors under the Cooperation Agreements. Our Directors are of the view that, although currently there are no relevant medical rules and regulations restricting the current business operation model of our Group, new laws and regulations may be introduced in the future which prohibit or restrict the granting of licences and/or the provision of management and administrative services to medical practices. Any introduction of such new laws, regulations or arrangements may adversely affect our Group's existing business operation model, business and profitability.

RISKS RELATING TO THE INDUSTRY

Our business may be adversely affected by an unfavourable market perception of the overall medical skin care services industry

We consider that both existing and potential clients of the medical skin care services industry are cautious about the risks inherent in skin care procedures and are therefore very sensitive to any negative review, comment or allegation in relation to the industry. Any allegation or negative news surfacing in the media or in social media forums of any accident, ineffectiveness of treatment or poor service standard by any medical skin care service provider, regardless of merits may lead to material deterioration in the client confidence and market perception of medical skin care treatments and lead to lesser demand for medical skin care services. The entire medical skin care services industry and its participants including our Group could consequently be exposed to reputational harm and our business, financial performance, results of operations and prospects may in turn, be materially and adversely affected.

We may not be able to compete successfully with our competitors

The industry in which we operate is characterised by intense competition and rapidly changing market trends throughout the world. With the development of new technology and equipment and the growing importance of consumer preferences in favour of innovative and high performance medical skin care services and products, our Group is in constant competition with other medical skin care products and services providers and even beauty parlours which are commonly owned by beauty and slimming groups and operated by therapists without medical staff. Any of our competitors may foresee more accurately the course of market developments, or adapt more quickly to new technologies or evolving customer requirements. As a result, our products or services may not be able to compete successfully with their products, which may materially and adversely affect the sales and profitability of our products, as well as our business, results of operations and financial condition.

RISK FACTORS

In addition, some of our competitors are companies, or divisions or operating units of companies, that have greater financial and other resources than we do. They may have the ability to provide similar products or services at a lower cost. Intense competition could result in reduction in service fees which may lead to a reduction in profit margins and loss of market share, and may then result in adverse impact on our operating results.

We may face more intense competition in the future from existing competitors and new entrants into the market. If we fail to compete effectively, maintain or grow our market share, our financial performance and prospects will be adversely affected.

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

The continued growth in revenue from our operations is highly dependent on the sustainable growth of consumer spending on medical skin care services and products. However, there is no assurance that the local economy can sustain a stable growth in consumer spending. Moreover, if the local economy slows down, it is highly likely that consumer demand and spending on medical skin care services and products may be reduced. Any continued economic slowdown or recession may result in a decrease in consumer spending in relation to medical skin care services and products, and may lead to a material adverse effect upon our business and results of operations.

We may not be able to identify and respond to changing trends

We believe our success in the medical skin care services industry depends, in part, on our ability to identify and respond in a timely manner to changing consumer demand, which is affected by general trends in skin care and health awareness of the public, and by enhancing our knowledge and skills in using innovative technology and equipment, so that we are able to offer medical skin care services to our clients based on the latest technologies. However, it is possible that the competitors of our Group may be more responsive to emerging innovative technology and equipment, and/or more sensitive to changes in consumer spending habits, have the ability to devote more resources or offer new solutions to their clients in a timely manner in response to these changes. Accordingly, if we fail to identify or react appropriately and in a timely manner to changes in demands and trends, our market share may be affected and consequently, the profitability of our Group may be affected.

Uncertainty as to future development on regulations and introduction of new laws on medical procedures and beauty services may adversely affect our operations

Following certain adverse incidents in relation to the beauty industry in recent years, the Government of Hong Kong has been considering to tighten up the regulation of the beauty industry and is currently reviewing existing legislation with a view to enacting laws or amending existing legislation to distinguish between medical treatment and beauty treatment and to implement regulatory controls over certain cosmetic procedures in order to protect the interests and safety of the public. There is a great degree of uncertainty with respect to what new regulations will be applicable to our business. Please refer to the section headed “Laws and Regulations — Recent Development in relation to Regulation of Medical Procedures and Beauty Services” in this prospectus for further details.

RISK FACTORS

The Government of Hong Kong may impose more stringent compliance standards or regulations in connection with the beauty industry. Any change in compliance standards, or any new laws or regulations may render it more restrictive for us to conduct our business. In this connection, we cannot assure you that we will be able to adapt to such changes within a short period of time, and the failure to sufficiently and promptly respond to such changes may materially and adversely affect our business, financial condition and results of operations.

Further, compliance with new rules, laws and regulations may increase our operating costs and in turn, lower our profit margins and may have a material adverse effect on the results of our operations.

Any severe communicable and uncontrollable disease in Hong Kong or the PRC may adversely affect our financial performance

As a substantial part of our revenue is derived from clients in Hong Kong which is in close proximity to the PRC, any outbreak of severe communicable disease in Hong Kong or the PRC may have an adverse effect on the economic conditions and consumer environment in Hong Kong and our future growth and overall financial position will be adversely affected.

Moreover, if any of our Doctors or employees is infected by any severe communicable disease, our Group may have to temporarily shut down our Medicskin Centres which may result in the suspension of business operations.

RISKS RELATING TO THE LISTING

There has been no prior public market for our Shares and an active trading market may not develop after the Listing

Prior to the Listing, there has been no public market for the Shares. There is no guarantee that an active trading market for the Shares will develop or be sustained upon completion of the Listing. A listing on the Stock Exchange does not guarantee that an active and liquid trading market for the Shares will develop, or if it does develop, that it will be sustained following the Listing, or that the market price of the Shares will not decline following the Listing.

The trading volume and market price of our Shares may be volatile, which could result in substantial losses for Shareholders

The market price and trading volume of the Shares may be highly volatile. There are a number of factors which may affect the market price of the Shares, and these factors include, but are not limited to, changes in our income or cash flows, new investments and strategic alliances. Any such developments may result in large and sudden changes in the volume and market price at which the Shares will be trading. There is no guarantee that these developments will or will not occur in the future and it is difficult to quantify the impact on our Group and on the trading volume and market price of the Shares. Further, changes in the market price of our Shares may also be due to factors which may not be directly related to our financial or business performance.

RISK FACTORS

Shareholders' equity interests may be diluted as a result of additional equity fund-raising

In the future, we may need to raise additional funds to finance acquisitions, expansion or new developments of our business. If funds are raised through the issue of new equity and equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the percentage ownership of the Shareholders in our Company may be reduced accordingly as a result of which Shareholders may experience dilution in their percentage shareholdings in our Company. Furthermore, it is also possible that such new securities may have preferred rights, options or pre-emptive rights that render them more valuable than or senior to the Shares.

The exercise of options granted under the Share Option Scheme may result in dilution to the Shareholders

Our Company has conditionally adopted the Share Option Scheme although no options had been granted thereunder as at the Latest Practicable Date. Any exercise of the options to be granted under the Share Option Scheme in the future and issue of Shares thereunder would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and the net asset value per Share, as a result of the increase in the number of Shares outstanding after such issue.

Our financial results are expected to be affected by the expenses in relation to the Listing

The expenses in relation to the Listing are expected to be approximately HK\$16.5 million, of which HK\$4.3 million are to be accounted for as a deduction from equity while the remaining HK\$12.2 million have been or are expected to be charged to the consolidated statements of profit or loss and other comprehensive income, of which HK\$3.6 million and HK\$4.1 million were charged for the year ended 31 March 2014 and the five months ended 31 August 2014 respectively, and HK\$4.5 million will be recognised as expenses during the remaining period of the year ending 31 March 2015. These amounts are current estimates for reference only, and the actual amounts are subject to adjustments based on audit and changes in variables and assumptions. Therefore, we expect that the expenses in relation to the Listing will have a material adverse effect on our results of operations and financial condition for the year ending 31 March 2015.

Dividends declared in the past may not be indicative of our dividend policy in the future

Dividends paid in prior periods may not be indicative of future dividend payments. We cannot guarantee when, if and in what form dividends will be paid in the future. The declaration of dividend is proposed by our Board and is based on, and limited by, various factors, including, without limitation, our business and financial performance, capital and regulatory requirements and general business conditioners. We may not have sufficient profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

RISK FACTORS

Future sale of a substantial amount of Shares by existing Shareholders may adversely affect the market price of our Shares and our ability to raise equity capital

Any future sale of a substantial amount of our Shares by our existing Shareholders, or the possibility of such sale, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

There is no guarantee that our Substantial Shareholders or Controlling Shareholders will not dispose of the Shares held by them after the lock-up period, and the effect of which, if any, on the market price of the Shares cannot be predicted. The Shares held by our Controlling Shareholders, are subject to certain lock-up periods beginning on the Listing Date, details of which are set out in the section headed “Underwriting — Underwriting Agreements and Expenses — Undertakings” in this prospectus.

It is also possible that there may be a sale of a substantial amount of Shares by any of our Substantial Shareholders or Controlling Shareholders or the perception that such sale may occur, which may materially and adversely affect the prevailing market price of the Shares.

RISKS RELATING TO THIS PROSPECTUS

Statistics and industry information may come from various sources which may not be reliable

This prospectus contains certain statistics and facts that have been extracted from government official sources and publications or other sources. We believe that the sources of these statistics and facts are appropriate for such statistics and facts and have taken reasonable care in extracting and reproducing such statistics and facts. We have no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. However, these statistics and facts have not yet been independently verified by us, the Selling Shareholder, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters, any of their respective directors or any other party involved in the Listing and therefore, we make no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.

Investors should read the entire prospectus carefully and should not consider any particular statements in this prospectus or in published media reports without carefully considering the risks and other information contained in this prospectus

There may have been coverage in the media regarding the Listing and our operations. We do not accept any responsibility for the accuracy or completeness of the information and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. To the extent that any of the information in the media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any of the information in press articles or other media coverage.

WAIVER FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES

In preparation for the Listing, we have sought the following waiver from strict compliance with the relevant provisions of the GEM Listing Rules:

CONNECTED TRANSACTIONS

We have entered into certain transactions which would constitute continuing connected transactions for our Company under the GEM Listings Rules upon Listing.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement, circular and independent Shareholders' approval requirements set out in Chapter 20 of the GEM Listing Rules for certain continuing connected transactions.

Further details of such continuing connected transactions and the waiver are set out in the section headed "Connected Transactions" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

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 Ordinance (Miscellaneous Provisions), 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 with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and is not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

Copies of this prospectus are available, for information purposes only, at the principal place of business of each of **Shenyin Wanguo** at Level 19, 28 Hennessy Road, Hong Kong and **Great Roc** at Suite 3712, 37/F West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong during normal office hours from 9:00 a.m. to 5:00 p.m. on Friday, 12 December 2014.

PLACING SHARES ARE FULLY UNDERWRITTEN

This prospectus sets out the terms and conditions of the Placing.

This prospectus is published solely in connection with the Placing, which is sponsored by the Sole Sponsor and managed by the Joint Lead Managers and is fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreement). Further information about the Underwriters and the underwriting arrangements is contained in the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON SALE OF THE PLACING SHARES

Each person acquiring the Placing Shares will be required to confirm, or be deemed by his/her acquisition of the Placing Shares to have confirmed that he/she is aware of the restrictions on offers and sales of the Placing Shares described in this prospectus.

As at the Latest Practicable Date, no action had been taken in any jurisdiction other than Hong Kong to permit the offering of the Placing Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation 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 an unauthorised offer or invitation. No invitation may be made to the public in the Cayman Islands to subscribe for or purchase any of the Placing Shares.

The Placing Shares are offered solely on the basis of the information contained, and the representations made in this prospectus. No person is authorised in connection with the Placing to give any information, or to make any representation, not contained in this prospectus, and any information

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

or representation not contained herein must not be relied upon as having been authorised by our Company, the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or employees or any other persons involved in the Placing.

Prospective applicants for the Placing 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 applicants for the Placing Shares should inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

SELLING SHAREHOLDER

The Placing consists of 100,000,000 Shares, of which 33,332,000 Shares are being sold by Topline, the Selling Shareholder. We estimate that the net proceeds to the Selling Shareholder from the sale of the Sale Shares (after deduction of proportional underwriting commission and estimated expenses and fees payable by our Selling Shareholder in relation to the Placing) will be approximately HK\$17.9 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

Details of the Selling Shareholder are set out in the section headed “Statutory and General Information — Other Information — Particulars of the Selling Shareholder” in Appendix IV to this prospectus.

APPLICATION FOR LISTING ON GEM

Our Company satisfies the requirements relating to continuity of ownership and control throughout the full financial year immediately preceding the Latest Practicable Date and up until the Listing Date under Rule 11.12A(2) of the GEM Listing Rules.

Our Company has applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Placing and the Capitalisation Issue and any new Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme and as otherwise described herein. Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of the Company must at all times be held by the public. A total of 100,000,000 Placing Shares representing 25% of the enlarged issued share capital of our Company will be in the hands of the public immediately following completion of the Placing and the Capitalisation Issue, and upon Listing (without taking into account any new Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme).

No part of our Company’s share or loan capital is listed or dealt in on any other stock exchange. As at the Latest Practicable Date, our Company was not seeking or proposing to seek a listing of, or permission to deal in, any part of its share or loan capital on any other stock exchange other than the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

The Shares are freely transferable. Under Section 44B(1) of the Companies Ordinance (Miscellaneous Provisions), any allotment or transfer made in respect of any placing of the Placing Shares will be void if permission for the listing of, and dealing in, the Shares on GEM has been refused before the expiration of three weeks from the date of closing of the Placing or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors for the Placing Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder.

It is emphasised that none of our Company, our Directors, the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters and their respective directors or employees or any other persons involved in the Placing accepts responsibility for any tax effects on, or liability of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Shares.

REGISTER OF MEMBERS AND STAMP DUTY

All the Placing Shares will be registered on our Company's branch share register to be maintained in Hong Kong by Tricor Investor Services Limited. Our principal register of members will be maintained in the Cayman Islands by Maples Fund Services (Cayman) Limited. Dealings in the Shares will be subject to Hong Kong stamp duty. For further details about Hong Kong stamp duty, please refer to the section headed "Statutory and General Information — Other Information — Taxation of holders of Shares" in Appendix IV to this prospectus. Dealings in the Shares will not be subject to the Cayman Islands stamp duty.

STRUCTURE AND CONDITIONS OF THE PLACING

Further details of the structure and conditions of the Placing are set out in the section headed "Structure and Conditions of the Placing" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval 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 may be 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 activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence on or about Thursday, 18 December 2014. Shares will be traded in board lots of 4,000 Shares each.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Name	Address	Nationality
<i>Executive Directors</i>		
Dr. KONG Kwok Leung	H5, Belleview Place 93 Repulse Bay Road Repulse Bay Hong Kong	Chinese
Mr. LO Kwok Bun	1A, House 108, JC Castle 18 Shan Tong Road Taipo New Territories Hong Kong	Chinese
Ms. KONG Chung Wai	Flat 507, Block 37 Heng Fa Chuen Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. CHAN Cheong Tat	Flat 7A, Block 3 City Garden North Point Hong Kong	Chinese
Mr. LEE Ka Lun	Flat C, 19/F Block 1 Illumination Terrace 5-7 Tai Hang Road Hong Kong	British
Mr. LEUNG Siu Cheung	Flat E, 13th Floor Block 6 Pokfulam Gardens 180 Pok Fu Lam Road Hong Kong	Chinese

For further information, please refer to the section headed "Directors and Senior Management" in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Sole Sponsor	Shenyin Wanguo Capital (H.K.) Limited Level 19 28 Hennessy Road Hong Kong
Joint Bookrunners and Joint Lead Managers	Shenyin Wanguo Capital (H.K.) Limited Level 19 28 Hennessy Road Hong Kong Great Roc Capital Securities Limited Suite 3712 37/F West Tower, Shun Tak Centre 168-200 Connaught Road Central Hong Kong
Underwriters	Shenyin Wanguo Capital (H.K.) Limited Level 19 28 Hennessy Road Hong Kong Great Roc Capital Securities Limited Suite 3712 37/F West Tower, Shun Tak Centre 168-200 Connaught Road Central Hong Kong
Legal adviser to our Company as to Hong Kong law	Charltons 12th Floor, Dominion Centre 43-59 Queen's Road East Hong Kong
Legal adviser to our Company as to Cayman Islands law	Maples and Calder 53rd Floor, The Center 99 Queen's Road Central Hong Kong
Legal adviser to the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters as to Hong Kong law	Howse Williams Bowers 27th Floor, Alexandra House 18 Chater Road Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

**Auditors and reporting
accountants**

Deloitte Touche Tohmatsu
35th Floor, One Pacific Place
88 Queensway
Hong Kong

Compliance adviser

Shenyin Wanguo Capital (H.K.) Limited
Level 19
28 Hennessy Road
Hong Kong

CORPORATE INFORMATION

Registered office	PO Box 309 Ugland House Grand Cayman Cayman Islands KY 1-1104
Headquarters and principal place of business in Hong Kong	Room 1206, Tak Shing House 20 Des Voeux Road Central Hong Kong
Compliance officer	Ms. KONG Chung Wai Flat 507, Block 37 Heng Fa Chuen Hong Kong
Company secretary	Ms. SIN Chui Pik Christine <i>CPA, FCCA</i> Flat B, 29/F, Block 2 Marina Habitat, Ap Lei Chau Hong Kong
Audit committee	Mr. CHAN Cheong Tat (<i>chairman</i>) Mr. LEE Ka Lun Mr. LEUNG Siu Cheung
Remuneration committee	Mr. LEUNG Siu Cheung (<i>chairman</i>) Dr. KONG Kwok Leung Mr. LO Kwok Bun Mr. CHAN Cheong Tat Mr. LEE Ka Lun
Nomination committee	Dr. KONG Kwok Leung (<i>chairman</i>) Ms. KONG Chung Wai Mr. CHAN Cheong Tat Mr. LEE Ka Lun Mr. LEUNG Siu Cheung
Authorised representatives	Mr. LO Kwok Bun 1A, House 108, JC Castle 18 Shan Tong Road Taipo New Territories Hong Kong Ms. SIN Chui Pik Christine Flat B, 29/F, Block 2 Marina Habitat, Ap Lei Chau Hong Kong

CORPORATE INFORMATION

Principal share registrar and transfer office	Maples Fund Services (Cayman) Limited PO Box 1093, Boundary Hall Cricket Square Grand Cayman, KY1-1102 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 bankers	Nanyang Commercial Bank, Ltd. 151 Des Voeux Road Central Hong Kong The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
Company website ^(Note)	www.medicskin.com

Note: The information on the website of our Company does not form part of this prospectus

INDUSTRY OVERVIEW

The information and statistics set out in this section are derived from official or government publications and industry sources as well as the Ipsos Report. The information extracted from the Ipsos Report reflects estimates and projections of market conditions based on samples, and is prepared primarily as a market research tool. References to Ipsos should not be considered as the opinion of Ipsos as to the value of any security or the advisability of investing in our Group. Our Group and our Directors believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Our Group and our Directors have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by our Group, the Selling Shareholder, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Placing and no representation is given as to its accuracy.

OVERVIEW OF HONG KONG ECONOMY

GDP, disposable income and consumption expenditure

GDP per capita in Hong Kong grew at a CAGR of about 2.0% from about HK\$254,800 in 2008 to about HK\$281,700 in 2013. The economy of Hong Kong is expected to expand modestly by about 4.0% annually between 2014 and 2018. GDP per capita over the same period is forecast to grow at a CAGR of about 2.4%.

The average annual household disposable income in Hong Kong grew at a CAGR of about 2.8%, from about HK\$536,300 in 2008 to about HK\$615,000 in 2013. Average annual household consumption expenditure grew at a CAGR of about 3.0%, from about HK\$418,900 in 2008 to about HK\$486,300 in 2013. Driven by Hong Kong's economic growth, it is anticipated that the average annual household disposable income in Hong Kong will grow modestly during the period from 2014 to 2018 at a CAGR of about 3.6%. Further, the average annual household consumption expenditure in Hong Kong is expected to grow at a CAGR of about 1.4% from 2014 to 2018. It is expected that the rising consumption expenditure and disposable income in Hong Kong will drive demand for consumer goods and services.

Growth in female population and aging population

As of 2013, the female population outnumbered the male population in Hong Kong. The male population grew at a CAGR of about 0.3% from about 3,289,000 in 2008 to about 3,341,000 in 2013 while the female population grew at a CAGR of about 1.1% over the same period from about 3,675,000 to about 3,879,000. The higher growth rate of female population was believed to be the result of female immigrants from the PRC married to Hong Kong citizens and the longer life expectancy of the female population.

Hong Kong also has an aging population. The population aged 60 or above increased by 23.8% from 2008 to 2013, suggesting a continuous aging trend in the population of Hong Kong. It is anticipated that an aging population will lead to consumption for more medical skin care services.

INDUSTRY OVERVIEW

Moreover, the population aged 30 to 39 is expected to rise in the next five years. An increase in the population of this age group, especially females in their thirties who highly regard the importance of beauty and have a relatively greater purchasing power, will support further growth of the medical skin care services industry in Hong Kong.

OVERVIEW OF THE PROVISION OF SKIN CARE SERVICES IN HONG KONG

In 2013, there were a total of approximately 4,239 skin care services providers in Hong Kong serving approximately two million customers, where total revenues from skin care services generated by these skin care services providers in the year was approximately HK\$6.0 billion. Skin care services are provided by either medical skin care services providers or beauty salons in Hong Kong.

Medical skin care services providers

Medical skin care services providers provide medical skin care services which focus on the treatment of skin diseases/problems or the improvement of appearance of customers through either non-invasive or minimally invasive procedures supervised by Registered Medical Practitioners and trained assistants. Medical skin care services are based on medical and scientific principles to improve one's appearance. Registered Medical Practitioners, who have a better understanding of the human anatomy, offer medical skin care services to customers through the use of professional equipment and materials. For details about policies and regulations relating to medical skin care services in Hong Kong, please refer to the section headed "Laws and Regulations" in this prospectus.

As of 2013, there were approximately 310 medical skin care services providers in Hong Kong, which can generally be categorised as (i) services providers operating under a doctor's name (which tend to have only one Registered Medical Practitioner); and (ii) services providers operating under the name of a business group (which tend to have one or more Registered Medical Practitioners and provide a greater variety of medical skin care services in comparison to those services providers operating under a doctor's name).

Medical skin care services providers in Hong Kong served approximately 733,600 customers in 2013 and generated revenues of approximately HK\$1.8 billion in total from medical skin care services.

Beauty salons

Beauty salons, on the other hand, provide services relating to facial and body skin care as well as making recommendations to customers on skin care routines and skincare products which may be sold by the salons. Such services are typically carried out by therapists and trained staff who are not Registered Medical Practitioners. Services that may be provided include some treatment services similar to those provided by medical skin care services providers, and/or other skin care treatments such as peels, masks or scrubs to remove dead skin cells and improve the appearance of skin.

INDUSTRY OVERVIEW

There were approximately 3,929 beauty salons in Hong Kong which served approximately 1,262,100 customers in 2013. Total revenues from skin care services generated by beauty salons in 2013 was approximately HK\$4.2 billion.

Key differences between medical skin care service providers and beauty salons

Medical skin care services providers may be differentiated from beauty salons as follows:

- ***assessment of clients' skin conditions:*** medical skin care services providers engage Registered Medical Practitioners who will perform medical examination and make a diagnosis of skin condition of clients through private consultation prior to the performance of treatments whereas beauty salons would typically engage therapists to provide recommendations on treatments;
- ***qualification of persons providing treatment:*** Registered Medical Practitioners of medical skin care services providers are qualified to treat skin diseases and problems and prescribe medication to clients whereas therapists at beauty salons are not;
- ***marketing and sales:*** beauty salons have greater flexibility to conduct marketing and sales activities for their skin care services whereas Registered Medical Practitioners of medical skin care services providers are restricted from actively marketing and promoting their medical practices;
- ***types of available treatment services:*** treatment services available at beauty salons may consist of those similar to the skin care treatments provided by medical skin care services providers which are typically more sophisticated, and/or other skin care treatments such as peels, masks or scrubs to remove dead skin cells and improve the appearance of skin; and
- ***average price of the treatment services:*** the price range of treatment services available at medical skin care services providers is generally higher than similar treatment services available at beauty salons mainly due to higher cost in the engagement of Registered Medical Practitioners by medical skin care services providers who have a better understanding of human anatomy and are believed to be more professional in providing the treatment services.

THE MEDICAL SKIN CARE SERVICES INDUSTRY IN HONG KONG

Our Group is one of the medical skin care services providers in Hong Kong.

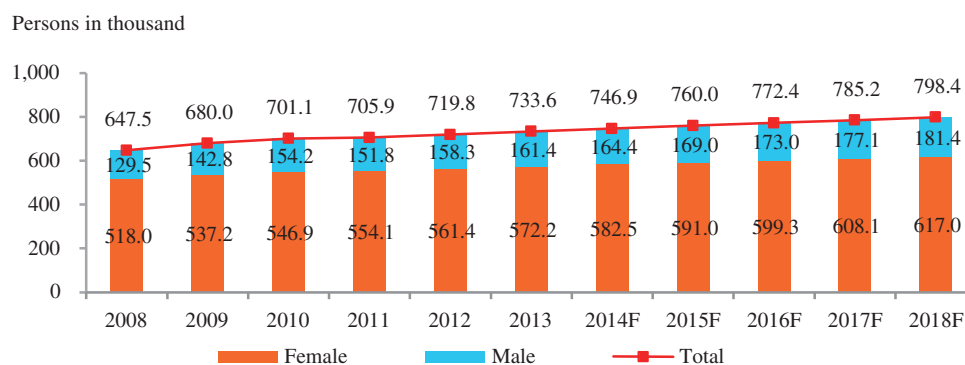
INDUSTRY OVERVIEW

Segments of medical skin care services

Medical skin care services comprise two segments, namely (i) treatment services; and (ii) non-treatment services. The non-treatment services segment mainly comprises consultation service; and prescription and/or sales of medication and/or skincare products. **Treatment services** provided by medical skin care services providers typically involve the injection of substances or the use of devices, which do not involve surgeries. Similar to Treatment Service provided by our Group, medical skin care services providers offer treatment services including, but not limited to, the injection of Botulinum Toxin Type A (e.g. Botox® and Dysport) and hyaluronic acid (e.g. Restylane, Juvéderm® and Voluma), and treatments with the use of devices deploying technologies such as Laser, Radiofrequency and Intense Focused Ultrasound. There are also treatment services such as chemical peel, which do not involve injection or the use of devices. Facial and body treatments are also part of treatment services. In relation to **non-treatment services**, consultation service refers to consultation provided by Registered Medical Practitioners who give advice and guidance to customers on treatments, procedures and use of medication and skincare products. Prescription and/or sale of suitable medication and/or skincare products is usually provided to customers after such consultation. The medication and/or skincare products prescribed or sold can be either used for post-treatment purpose or general skin enhancement of face or body. Consultation Service and Prescription and Dispensing Service provided by our Group generally correspond to the non-treatment services as described above.

Number of customers for medical skin care services

The number of customers for medical skin care services in Hong Kong grew from about 647,500 in 2008 to about 733,600 in 2013, representing a CAGR of about 2.5%. The number of female customers grew from about 518,000 in 2008 to about 572,200 in 2013, representing a CAGR of about 2.0%. The number of male customers had increased from about 129,500 in 2008 to about 161,400 in 2013, representing a CAGR of about 4.5%. A larger female population had led to a stronger demand for medical skin care services during the said period. The chart below illustrates the historical and estimated numbers of customers for medical skin care services in Hong Kong from 2008 to 2018.



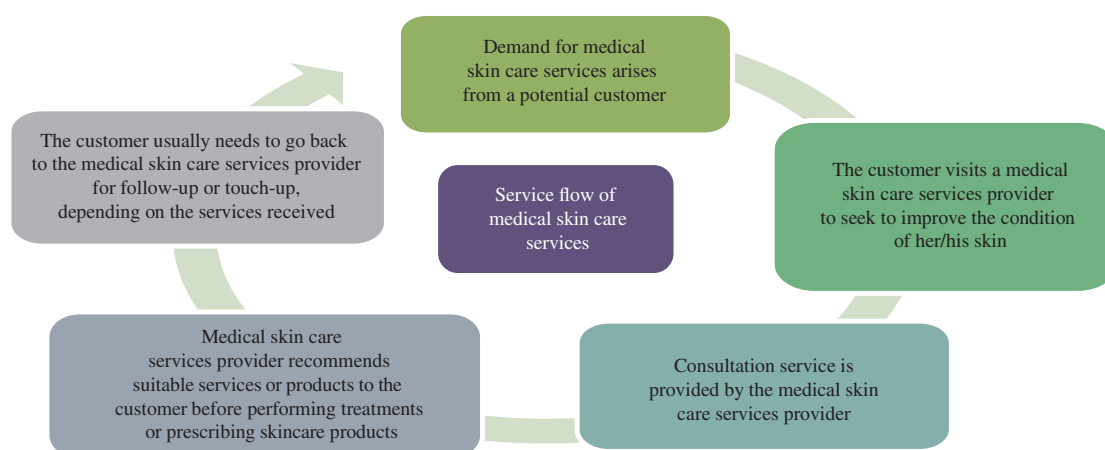
Source: Ipsos Report

INDUSTRY OVERVIEW

Prevailing technologies and devices

Treatments with the use of devices and injection treatments are two major types of treatment services. **Treatments with the use of devices** are mainly for, *inter alia*, skin pigmentation problems and/or skin rejuvenation by reversing aging signs such as deep or fine lines and wrinkles on the face, hands, neck or chest. Tattoo removal, hair removal, birthmark reduction and spider vein reduction are also common treatments. These treatments are performed by applying a range of wavelength of light and pulse duration emitted by a device to a particular area on one's face or body. The devices used in the medical skin care services industry are mostly manufactured in the US, Europe and Israel. Major types of treatment devices include Laser devices, Intense Pulsed Light devices, Radiofrequency devices and Intense Focused Ultrasound devices. **Injection treatments** involve the injection of Botulinum Toxin Type A (e.g. Botox® and Dysport) and hyaluronic acid (e.g. Restylane, Juvéderm® and Voluma), which are mainly applied to facial areas.

Service flow — 5 steps



In relation to the practice of prescription and/or sale of skincare products under non-treatment services, customers may also purchase skincare products directly from the service providers without going through consultation with Registered Medical Practitioners. As for treatment services, it is the industry practice for medical skin care services providers to sell prepaid treatment packages.

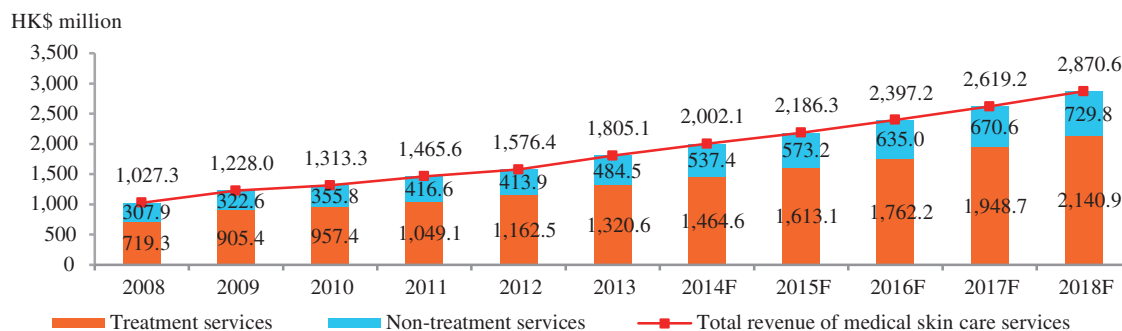
Revenue trend and analysis of medical skin care services industry

Overall medical skin care services industry

The total revenue of the medical skin care services industry in Hong Kong had increased from about HK\$1,027.3 million in 2008 to about HK\$1,805.1 million in 2013, representing a CAGR of about 11.9%. The growth of medical skin care services industry in Hong Kong was supported by technological advancement of medical skin care services. For instance, the safety and efficacy of light therapy such as Laser and Intense Pulsed Light have improved over the past decade. The benefits of shorter recovery time and less invasive procedure have attracted more customers.

INDUSTRY OVERVIEW

The total revenue of medical skin care services industry in Hong Kong is forecast to increase from about HK\$2,002.1 million in 2014 to about HK\$2,870.6 million in 2018. Consumers, especially females, are increasingly influenced by the popular culture of Japan, South Korea, the US and Western Europe and it is expected that more people will undergo medical skin care treatments in the pursuit of beauty and to improve their self-esteem. The following chart illustrates the historical and estimated revenue of medical skin care services in Hong Kong (including breakdown of treatment services and non-treatment services) for the period from 2008 to 2018.



Source: Ipsos Report

Treatment services segment

The total revenue from treatment services under the medical skin care services industry in Hong Kong had increased from about HK\$719.3 million in 2008 to about HK\$1,320.6 million in 2013, and is forecast to increase from about HK\$1,464.6 million in 2014 to about HK\$2,140.9 million in 2018. The table below summarises the pricing of the major types of treatment services.

Treatment service using following

device/injection

Price range

Laser device	HK\$800 to HK\$5,000 per targeted area per visit
Intense Pulsed Light device	HK\$500 to HK\$7,000 per targeted area per visit
Radiofrequency device	HK\$3,000 to HK\$70,000 per targeted area per visit
Intense Focused Ultrasound device	HK\$10,000 to HK\$60,000 per targeted area per visit
Botulinum Toxin Type A (e.g. Botox® and Dysport)	HK\$1,000 to HK\$24,000 per injection (depending on the area)
Hyaluronic acid (e.g. Restylane, Juvéderm® and Voluma)	HK\$2,000 to HK\$11,000 per injection (depending on the area)

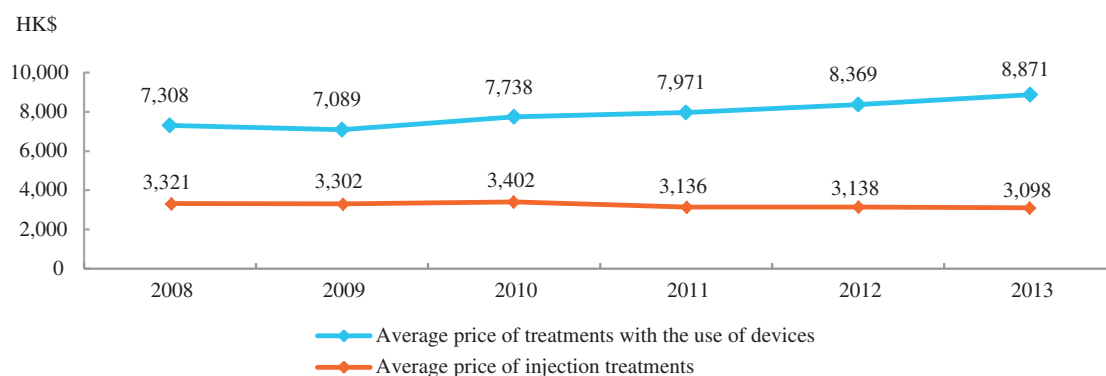
Source: Ipsos Report

INDUSTRY OVERVIEW

Treatments with the use of devices have witnessed a gradual increase in pricing in the past several years. Based on the Ipsos Report, the average price for major types of treatments with the use of devices rose from approximately HK\$7,308 per treatment in 2008 to approximately HK\$8,871 per treatment in 2013, representing a CAGR of around 4.0%. Such upward pricing trend was mainly due to the launch of treatments deploying more advanced technologies, namely Radiofrequency and Intense Focused Ultrasound, which are believed to be more efficient in producing better treatment results and typically require clients to pay a higher treatment fee.

As regards injection treatments, a slightly declining pricing trend was seen in the past several years. Based on the Ipsos Report, the average price for Botulinum Toxin Type A and hyaluronic acid injections decreased from approximately HK\$3,321 per injection in 2008 to approximately HK\$3,098 per injection in 2013, representing a CAGR of about -1.4%. The slight decrease in pricing was mainly attributable to the growing maturity of such products in the market and the intense market competition among the services providers.

The chart below illustrates the pricing trend of treatments with the use of devices and injection treatments in Hong Kong from 2008 to 2013.



Note: Pricing trends of treatments with the use of devices include Laser, Intense Pulsed Light, Radiofrequency and Intense Focused Ultrasound treatments. Pricing trends of injection treatments include injection of Botox® and hyaluronic acid.

Source: Ipsos Report

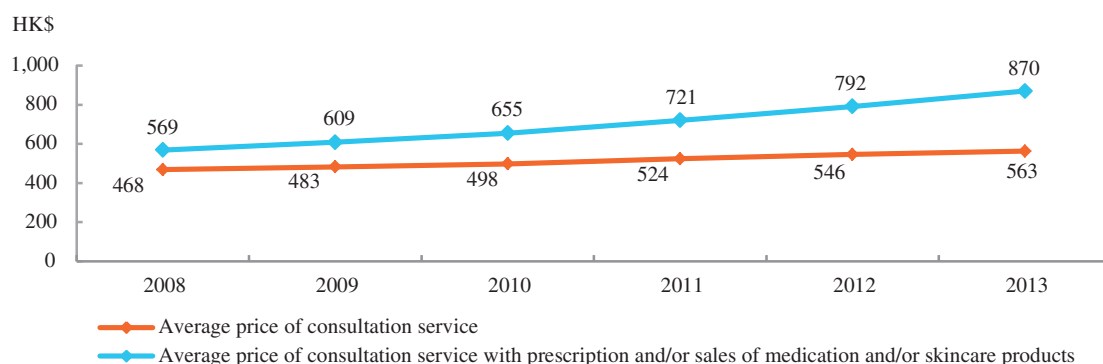
Due to continuous technological advancements, treatment device manufacturers have been able to regularly turn out new products with increasing capabilities and efficiency in producing better treatment results. The cost of purchasing more advanced versions of treatment devices is typically higher than that of purchasing their predecessor versions. Nowadays, the price for a top-of-the-line Laser device for treating skin pigmentation can exceed HK\$2 million, as compared to less than HK\$1 million some years ago. Nevertheless, as more players are joining the device manufacturing market, medical skin care services providers will have more choices when choosing treatment devices for their operations within their respective capital expenditure budget.

INDUSTRY OVERVIEW

In the injection treatment segment, the cost of Botox®, being the most popular option for the injection of Botulinum Toxin Type A in the market, has been very stable since this product is exclusively manufactured by one pharmaceutical company, whilst the cost for hyaluronic acid has been steadily declining due to the market competition among manufacturers and the growing maturity of this product.

Non-treatment services segment

The total revenue from non-treatment services under the medical skin care services industry in Hong Kong had increased from about HK\$307.9 million in 2008 to about HK\$484.5 million in 2013, and is forecast to increase from about HK\$537.4 million in 2014 to about HK\$729.8 million in 2018. The average price of consultation service with prescription and/or sale of medication and/or skincare products had increased from about HK\$569 in 2008 to about HK\$870 in 2013, representing a CAGR of about 8.9%. The average price of consultation service had increased from about HK\$468 per session in 2008 to about HK\$563 per session in 2013, representing a CAGR of about 3.7%. It is a general industry practice to charge reduced fees for consultation service if the consultation is followed immediately by the purchases of medication and/or skincare products. The chart below illustrates the price trend of consultation service (per session) in Hong Kong from 2008 to 2013.



Notes:

1. Consultation service refers to consultation provided by Registered Medical Practitioners to give advice and guidance to customers on treatments, procedures and the use of medication and skincare products.
2. Consultation service with prescription and/or sales of medication and/or skincare products refers to the prescription of suitable medication and/or skincare products to customers after consultation with Registered Medical Practitioners. They can be used for post-treatment or general skin enhancement purposes.

Source: Ipsos Report

INDUSTRY OVERVIEW

COMPETITIVE ANALYSIS

Competitive landscape

We believe that competition among the skin care services providers in Hong Kong is intense. The approximate number of skin care services providers in Hong Kong grew from about 3,348 in 2008 to about 4,239 in 2013, representing a CAGR of about 4.8%. Of all the services providers, the top 10 skin care services providers in Hong Kong had a combined market share of about 13.7% as of 2013. In relation to the medical skin care services, the approximate number of services providers in Hong Kong grew from about 268 in 2008 to about 310 in 2013, representing a CAGR of about 3.0%. Medical skin care services providers face competition from beauty salons commonly owned by beauty and slimming groups and operated by therapists without medical staff, which provide skin care services and generally invest heavily on advertising their services to the public to broaden their client base.

Medical skin care services providers generally have certain competitive strengths over beauty salons as customers often have higher confidence in medical skin care services provided by experienced and reputable Registered Medical Practitioners, who have a better understanding of human anatomy. However, beauty salons also have some advantages over medical skin care services providers as they have the flexibility to advertise their services and incur lower staff costs as their treatments are often performed by therapists without formal medical training.

Customers generally prefer medical skin care services providers who have more years of experience in their practice. The more skilful the services providers are, the higher confidence the customers have. Some of the top 10 medical skin care services providers in Hong Kong have been established for over 10 years. They are more well-known to customers comparing to other players with a shorter history, and are therefore more competitive in the market. However, as customers often derive their confidence in the medical skin care services providers from the Registered Medical Practitioners engaged by such services providers, it is essential for them to retain good and experienced Registered Medical Practitioners. It is sometimes hard to retain good and experienced Registered Medical Practitioners in the industry, as the supply of those Registered Medical Practitioners is limited and they are highly sought after in the market.

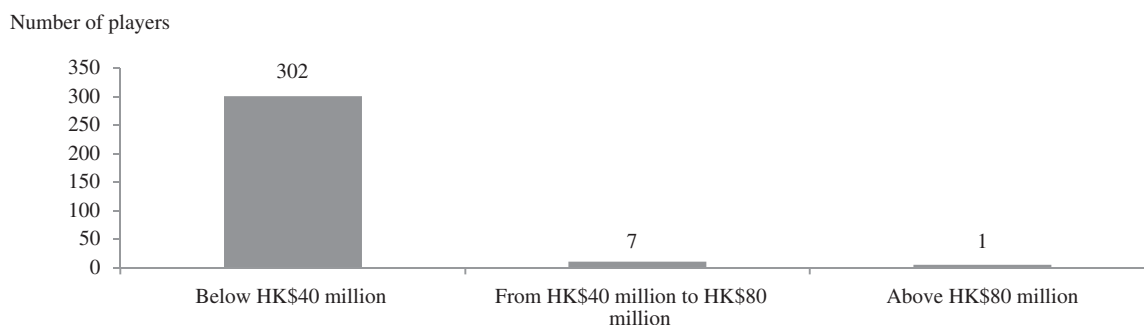
For medical skin care services providers, their reputation is an important asset for their business. As Registered Medical Practitioners practising medical skin care services are prohibited from advertising or promoting their services to the public, the common way for medical skin care services providers to attract publicity is to be made known through the word-of-mouth passed on by satisfied customers. Accordingly, having a large customer base plays a key role for the revenue growth for the medical skin care services providers in Hong Kong.

INDUSTRY OVERVIEW

Analysis of medical skin care services industry in Hong Kong

The total number of skin care services providers in Hong Kong was approximately 4,239 in 2013. In relation to medical skin care services providers, the total number was approximately 310 in 2013, of which about 302 had earned revenues below HK\$40 million; seven had earned revenues between HK\$40 million and HK\$80 million; and one had earned a revenue exceeding HK\$80 million, from providing medical skin care services. There were about 199 general practitioners with relevant qualifications, such as master degree or postgraduate diploma relating to dermatology, who actively engaged in providing medical skin care services in 2013.

Our Group is among the seven medical skin care services providers with revenues within the range of HK\$40 million and HK\$80 million in 2013. The chart below illustrates the number of players of medical skin care services industry categorised by revenue (reflecting only the portion for medical skin care services) in Hong Kong in 2013.



Source: Ipsos Report

Our Group, together with the other seven medical skin care services providers who earned revenues exceeding HK\$40 million in 2013, are mainly medical skin care services providers operating under the name of a business group having at least one or more than one Registered Medical Practitioner. Among the 302 services providers who earned revenues lower than HK\$40 million in 2013, a great majority of them are operating as a general practice under a doctor's name which generally offers a limited range of medical skin care services.

Our Directors consider that the scale of our operations, the number of Doctors employed, pricing and the variety, quality and professionalism of the services we provide are some of the key factors contributing to the revenue of our Group. Further, we take the safety of our clients seriously and we ensure that our customers receive personalised care based on their skin conditions and skin care needs.

Driving factors

Technological advance is one of the key driving factors for the growth of the skin care services industry in Hong Kong. New products with new technology often have a significant impact on the variety of services which may be provided and thus create growth opportunities for skin care services provider. For instance, the use of biotechnology to break down the different molecular structures of hyaluronic acid has resulted in the production of fillers for various purposes.

INDUSTRY OVERVIEW

The increase in disposable income in Hong Kong continues to drive the demand for medical skin care services. Moreover, Hong Kong consumers are increasingly influenced by the prevailing advertisements on skin care services made by beauty parlours and the popular culture of Japan, South Korea, the US and Western Europe, which incentivise more people to undergo medical skin care treatments in the pursuit of beauty and to improve their self-esteem.

The continued growth of the service industry in Hong Kong will attract more people to join the industry. An essential aspect of the service industry is that the front-line working staff are often required to have face-to-face interaction with customers and a good facial appearance is important in such a competitive environment. This would likely prompt some participants in the service industry to seek skin care services for treatment of skin diseases/problems and/or the improvement of their appearance, thereby creating demands for the growth of the medical skin care services industry in Hong Kong.

Entry barriers

There is no significant initial entry barrier for skin care services providers. In relation to beauty services, any individual may set up a beauty salon with minimal capital expenditure, and it is relatively easy to assemble a team of therapists to perform skin care services. In relation to medical skin care services, a Registered Medical Practitioner can also easily set up his/her general practice to provide some basic medical skin care services with minimal capital expenditure.

However, in order to remain competitive and maintain a prominent position in the industry, skin care services providers have to incur substantial capital outlays to equip themselves with a great variety of advanced treatment devices to enable them to provide a wider spectrum of sophisticated skin care services, particularly treatment services, to customers. While it is relatively easy for beauty salons to assemble or expand a team of therapists, it is more difficult for medical skin care services providers to assemble a team of experienced and competent Registered Medical Practitioners who are qualified to treat skin diseases and problems and possess the medical knowledge for treating skin conditions with the use of the treatment devices due to the limited supply of suitable Registered Medical Practitioners. The ability to assemble a competent team is of vital importance to the business scalability and the long term success of skin care services providers.

Opportunities and threats

The continuous rise of spending power in the PRC and technological advances in various scientific fields have created enormous growth opportunities for skin care services.

The development of the medical skin care services industry in the PRC is still at its infant stage, whilst the demand for medical skin care services is expected to continue to grow in the PRC as a result of its rising GDP. This provides excellent business opportunities for experienced and well established medical skin care services providers in Hong Kong to establish a presence in the PRC to meet such demands. Besides, the long history and the high standard of the medical skin care services industry in Hong Kong has continued to attract PRC consumers to seek medical skin care services in Hong

INDUSTRY OVERVIEW

Kong. On the technological front, treatment device manufacturers continue to launch revolutionary devices which are increasingly capable of, and/or efficient in, improving the skin conditions of customers. This would certainly lead to an increase in demand and growth opportunities for the industry.

The Government of Hong Kong has been reviewing the existing legislations with a view to laying down specific regulations to differentiate medical treatments and procedures from beauty services and therapies, and to require certain cosmetic procedures to be undertaken by Registered Medical Practitioners in order to protect the safety of the public. It is believed that without a well-established regulatory framework over the medical skin care services industry, it is difficult to increase the confidence of the general public towards the industry and to restrict those who are not qualified to provide medical skin care services to customers.

COMMISSIONED REPORT FROM IPSOS

Our Company commissioned Ipsos, an independent market research company, to conduct an analysis of and to produce a report on the skin care services industry in Hong Kong. Ipsos received a total fee of HK\$328,000 for research and preparation of the Ipsos Report. The information contained in the Ipsos Report is derived by means of data and intelligence gathering methodology which includes: (i) desk research; (ii) client consultation; and (iii) primary research by interviewing key stakeholders and industry experts in Hong Kong. Intelligence gathered has been analysed, assessed and validated using Ipsos' in-house analysis models and techniques. Ipsos has given its consent to quote from the Ipsos Report and to include information contained in the Ipsos Report in this prospectus. Our Directors confirm that Ipsos, including all of its subsidiaries, divisions and units, are Independent Third Parties.

Founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, Ipsos is one of the largest research companies in the world employing over 15,000 personnel worldwide across 87 countries. Ipsos conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence.

RELIABILITY OF INFORMATION AND FUTURE FORECAST IN THE IPSOS REPORT

We are of the view that sources of information used in this section, which are extracted from the Ipsos Report, are reliable and not misleading as Ipsos is an independent professional research agency with extensive experience. Some of the analytical conclusions extracted from the Ipsos Report cover future forecasts. We and the Sole Sponsor consider such information to be reliable, accurate and not misleading after taking into account that (i) Ipsos is an independent research agency with extensive experience; and (ii) although the Ipsos Report includes forecast of the development of the skin care services industry in Hong Kong, they do not contain performance forecast of our Company. Our Directors confirm that, to the best of their knowledge and after taking reasonable care, there is no material adverse change in market information contained in this section since the finalisation of the Ipsos Report which may qualify, contradict or have an impact on the information in this section.

LAWS AND REGULATIONS

There is presently no specific legislation exclusively governing the provision of medical skin care services in Hong Kong. However, our operations in Hong Kong are subject to certain general rules and regulations in relation to medical practitioners, trade description and safety of consumer goods, medical advertisement and importation, exportation, dealing in and sale of pharmaceutical products and drugs. This section sets out a summary of the major laws and regulations relevant to our operations in Hong Kong.

REGULATION OF MEDICAL PRACTITIONERS AND CLINICS

Registration Ordinance

All practising medical practitioners in Hong Kong are required to be registered with the Medical Council.

Section 20A(1) of the 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 Medical Council, a medical practitioner should, *inter alia*:

- have specific professional qualifications (e.g. MB ChB (CUHK), MB BS (HKU) or passed the licensing examination conducted by the Medical Council);
- have completed internship;
- not have been convicted of any criminal offence punishable with imprisonment;
- not been found guilty of professional misconduct; and
- be of good character.

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

Medical practitioners registered with the Medical Council will generally be issued with a practicing certificate which will be valid for one year. Medical practitioners are required to renew their practising certificates annually or their names may be subject to removal from the register maintained by the Medical Council.

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

LAWS AND REGULATIONS

The Medical Council also keeps a Specialist Register (as defined in the Registration Ordinance) which shall include details of qualifications and experience and such other particulars necessary of those persons who have been approved by the Medical Council to have their names included in that register. To become registered in the Specialist Register, a medical practitioner must have either:

- completed at least 6 years of supervised post-registration and postgraduate medical training (including passing examinations accredited by the Hong Kong Academy of Medicine (“HKAM”)) for the relevant specialty and satisfied the continuing medical education requirements for the relevant specialty, and has become a Fellow of the HKAM (“FHKAM”), or
- been certified by the HKAM that he/she has achieved a professional standard comparable to that recognized by HKAM for the award to be a FHKAM, has completed postgraduate medical training comparable to those recommended by HKAM for the relevant specialty, and has satisfied the continuing medical education requirements comparable to those recommended by HKAM for the relevant specialty.

The Education and Accreditation Committee of the HKAM will, in considering whether to approve a registration application, consult with the appropriate specialty College and seek the formal endorsement of the HKAM’s Council before making a recommendation to the Medical Council for registration.

A medical practitioner is entitled to only hold himself out as a specialist and use a specialist title in one of the 56 specialties in the Specialist Register, and is required to undergo continuing medical education determined by the HKAM for his specialty.

None of our Doctors are included in the Specialist Register under the specialty of dermatology and venereology.

Code of Professional Conduct

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

- 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;
- communication in medical practitioners’ professional practice, including restriction on practice promotion from being carried out by medical practitioners;
- requirements in relation to prescription and labelling of medicine/drugs to be dispensed;

LAWS AND REGULATIONS

- regulations in relation to relationship among medical practitioners and other practitioners and/or organizations;
- criminal conviction and disciplinary proceedings of medical practitioners;
- medical practitioners' financial arrangements;
- regulations in relation to new medical procedures, clinical research and alternative medicine;
- regulations against abuse of professional position; and
- regulations governing serious infectious disease and other special areas.

Contravention of this Code of Professional Conduct may render a Registered Medical Practitioner liable to disciplinary action.

All our Doctors are Registered Medical Practitioners and are therefore required to comply with the Code of Professional Conduct.

Each of our Doctors has confirmed that he/she has not, since commencing practice as a Registered Medical Practitioner, (a) been subject to any disciplinary actions, investigations or other similar actions by the Medical Council or other professional and regulatory bodies in Hong Kong; or (b) been involved in any actual, pending or threatened litigation or claims against or associated with his/her medical practice, other than as disclosed in the section headed "Business — Regulatory Compliance and Legal Proceedings — Legal claim against our Group" in this prospectus. Our Directors also confirm, with the support of the legal opinion of legal counsel, James Y.K. Tze, Esq. that our Doctors were in compliance with the Code of Professional Conduct during the Track Record Period.

Clinics Ordinance

The Clinics Ordinance provides for the registration, control and inspection of medical clinics. In particular, the Clinics Ordinance requires the registration of medical clinics in which medical treatments are provided otherwise than by Registered Medical Practitioners.

While none of the Medicskin Centres were registered under the Clinics Ordinance, we have sought the confirmation from Senior Counsel and the Senior Counsel has confirmed that the Medicskin Centres were not in contravention of the Clinics Ordinance, having considered, *inter alia*, the following:

- (i) the medical treatments and services at the Medicskin Centres are carried out in private consulting rooms by Doctors who are Registered Medical Practitioners, and as such, the Medicskin Centres may fall within one of the statutory exemptions under the Clinics Ordinance which exempts from the registration requirement the provision of medical service in "private consulting rooms used exclusively by registered medical practitioners in the course of their practice on their own account"; and

LAWS AND REGULATIONS

- (ii) the Clinics Ordinance was not intended to regulate the Medicskin Centres which employed Doctors who are Registered Medical Practitioners. Rather, the legislative intent of the Clinics Ordinance was to address a very specific social issue when the Clinics Ordinance was enacted in 1963, namely the maintenance of low-cost medical services by *unregistered* medical practitioners in specific *non-profit-making* clinics, with the intention to provide an exception to the need for practitioners to be registered under the Registration Ordinance so long as they were providing cheap and affordable medical services.

Senior Counsel has noted that there is a possible argument that Doctors employed by Medicskin, a limited liability company (rather than practising as a sole proprietor or in a partnership) may not be considered to be practising “on their own account” and therefore the Medicskin Centres may not fall clearly within the statutory exception described in sub-paragraph (i) above. Such uncertainty may have resulted from the fact that, at the time of enactment of the Clinics Ordinance, it simply never occurred to the legislature that there would be a third kind of medical provider structure (consisting of Registered Medical Practitioners only) which is neither a sole proprietorship nor a partnership (both such cases would fall clearly within the statutory exception described in sub-paragraph (i) above).

Our Directors, having considered the legal opinions of Senior Counsel relating to the said ambiguity in the Clinics Ordinance, consider that it would be prudent for the medical practices of our Medicskin Centres to be conducted through Managed Practices which are owned and controlled by our Doctors in the form of sole proprietorships (i.e. the structure of our Group following the Reorganisation). This would remove any possible uncertainty which may arise from the interpretation of our Group’s compliance with the Clinics Ordinance.

In respect of the previous structure of our Group over the two years ended 31 March 2014 (where the medical practice at the Medicskin Centres was carried out by Doctors (except Dr. Kong) as employees of Medicskin, a limited liability company), taking into account the above factors as well as the fact that there is currently no provision in the Clinics Ordinance or any other relevant laws, regulations or codes in Hong Kong which (i) directly addresses the issue as to whether medical clinics in Hong Kong may be indirectly owned or controlled otherwise than by Registered Medical Practitioners in the form of sole proprietorships or entities in the form of partnerships; or (ii) expressly prohibits a structure whereby Registered Medical Practitioners are employed by a corporation in the form of a limited liability company to carry out medical services, Senior Counsel has confirmed that such structure was in compliance with the Clinics Ordinance and other applicable laws, regulations or codes in Hong Kong. Senior Counsel has further confirmed that the structure of our Group following the Reorganisation would continue to comply with all applicable laws, regulations or codes in Hong Kong.

LAWS AND REGULATIONS

REGULATIONS ON THE SUPPLY OF GOODS AND SERVICES

Registration Ordinance

Under section 28 of the 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 Service, Prescription Service and certain Treatment Service (such as injection of Botulinum Toxin Type A) at our Medicskin Centres constitute the practice of medicine and therefore must be carried out by our Doctors.

Trade Descriptions Ordinance

The Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) (“**TDO**”) 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 TDO 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; restates the law relating to forgery of trade marks; 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.

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:

- (a) quantity, size or gauge;
- (b) method of manufacture, production, processing or reconditioning;
- (c) composition;
- (d) fitness for purpose, strength, performance, behaviour or accuracy;
- (e) availability;

LAWS AND REGULATIONS

- (f) compliance with a standard specified or recognised by any person;
- (g) price, how price is calculated or the existence of any price advantage or discount;
- (h) liability to pay duty on them under the laws of Hong Kong, generally or in specified circumstances;
- (i) testing by any person and results thereof,
- (j) approval by any person or conformity with a type approved by any person;
- (k) a person by whom they have been acquired, or who has agreed to acquire them;
- (l) their being of the same kind as goods supplied to a person;
- (m) place or date of manufacture, production, processing or reconditioning;
- (n) person by whom manufactured, produced, processed or reconditioned;
- (o) other history, including previous ownership or use;
- (p) availability in a particular place of (i) a service for the inspection, repair or maintenance of the goods; or (ii) spare parts for the goods;
- (q) warranty given in respect of the service or spare parts;
- (r) the person by whom the service or spare parts are provided;
- (s) the scope of the service; and
- (t) the period for which (and the price at which) the service or spare parts 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.

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:

- (a) 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;

LAWS AND REGULATIONS

- (b) fitness for purpose, strength, performance, effectiveness, benefits or risks;
- (c) method and procedure by which, manner in which, and location at which, the service is supplied or to be supplied;
- (d) availability;
- (e) testing by any person and the results of the testing;
- (f) approval by any person or conformity with a type approved by any person;
- (g) a person by whom it has been acquired, or who has agreed to acquire it;
- (h) the person by whom the service is supplied or to be supplied;
- (i) after-sale service assistance concerning the service; and
- (j) 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 TDO 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, 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.

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 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.

LAWS AND REGULATIONS

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 with the intention of promoting a different product and 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 TDO includes, among others, a Registered Medical Practitioner under the Registration Ordinance.

Under item 8 of Schedule 3, medical services provided by our Doctors who are Registered Medical Practitioners under the Registration Ordinance are exempted from the regulations applicable to traders under the TDO. However, our Group is still subject to the regulations under the TDO as skincare products are made available for clients at our Medicskin Centres.

During the Track Record Period and up to the Latest Practicable Date, 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, the TDO.

LAWS AND REGULATIONS

Consumer Goods Safety Ordinance and its sub-legislation

The Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong) (“**CGSO**”) 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 CGSO, 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 CGSO. 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) (“**CGSR**”) 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 themselves, on any package containing the consumer goods, or be a label securely affixed to the package, or be a document enclosed within the package.

Skincare products available at our Medicskin Centres which are not pharmaceutical products are subject to the CGSO and CGSR.

During the Track Record Period and up to the Latest Practicable Date, 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, the CGSO or CGSR.

REGULATIONS ON ADVERTISEMENTS

Undesirable Medical Advertisements Ordinance

The Undesirable Medical Advertisements Ordinance (Chapter 231 of the Laws of Hong Kong) (“**UMAO**”) aims to protect public health through prohibiting or restricting advertisements which may induce the seeking of improper management of certain health conditions.

LAWS AND REGULATIONS

Among other restrictions, according to the UMAO, 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 UMAO which include, among others, any disease of the skin, hair or scalp except for a purpose specified in the UMAO 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 UMAO which include, among others, the restoration of lost youth and the correction of deformity or the surgical alteration of a person's appearance.

As defined in the UMAO, "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 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.

Our Medicskin Centres provide medical skin care services and as such the restrictions imposed by UMAO are relevant to the business of our Group.

During the Track Record Period and up to the Latest Practicable Date, 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, the UMAO.

REGULATIONS ON PHARMACEUTICAL PRODUCTS AND DRUGS

Pharmacy and Poisons Ordinance and its sub-legislations

The Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong) ("PPO") 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) ("PPR"), "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.

LAWS AND REGULATIONS

Under the PPO, “pharmaceutical product” or “medicine” means any substance or mixture of substances manufactured, sold, supplied or offered for sale or supply for use in:

- the diagnosis, treatment, mitigation, alleviation or prevention of disease or any symptom thereof;
- the diagnosis, treatment, mitigation, alleviation of any abnormal physical or physiological state or any symptom thereof;
- altering, modifying, correcting or restoring any organic function,

in human beings or animals.

Ingredients that are classified as poisons are listed in the Poisons List under the Poisons List Regulations (Chapter 138B of the Laws of Hong Kong) (“**PLR**”). 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 PPR. 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 PLR 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 PLR can only be sold by authorised sellers of poisons in the presence and under the supervision of registered pharmacists.

Some Part I Poisons as set out in the PLR are further classified into the “First Schedule” and the “Third Schedule” of the PPR with additional restrictions on their sale by retailers. The sale of pharmaceutical products containing Part I First Schedule Poisons as set out in the PPR further requires keeping sale records which include the date of sale, the name, number of identity card, address and signature of the purchaser, the name and quantity of the medicine as well as the purpose for which it is required. The sale of pharmaceutical products containing prescription only medicines (Part I Third Schedule Poisons as set out in the PPR) 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 Registered Medical Practitioner 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 PLR imposed by the PPO.

As Medication available at our Medicskin Centres may include Part I or Part II poisons, in order to be exempted from the above conditions and limitations imposed by PPO, the supply and dispensing of Medication in the provision of Dispensing Service at our Medicskin Centres are carried out by or conducted under the supervision of our Doctors who are Registered Medical Practitioners. On the

LAWS AND REGULATIONS

other hand, based on searches of public government databases and to the best of our Directors' knowledge, Medicskin Products and Over-the-counter Skincare Products supplied at the Medicskin Centres do not contain any Medication or poisons and are therefore not regulated under the PPO or PLR.

During the Track Record Period and up to the Latest Practicable Date, 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, the PPO and its sub-legislation.

Dangerous Drugs Ordinance

The Dangerous Drugs Ordinance (Chapter 134 of the Laws of Hong Kong) (“**DDO**”) 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 DDO.

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 DDO. However, the DDO provides that the administration of a dangerous drug by or under the direct personal supervision of, and in the presence of, a Registered Medical Practitioner is exempted. A Registered Medical Practitioner is also authorised by the DDO, so far as may be necessary for the practice or exercise of his profession and in his capacity as such, to be in possession of and to supply a dangerous drug as well as to have in his possession equipment or apparatus fit and intended for the injection of a dangerous drug.

As Medication available at our Medicskin Centres may involve the use of dangerous drugs as defined under the DDO, the supply and dispensing of Medication in the provision of Dispensing Service of dangerous drug at our Medicskin Centres are carried out by or conducted under the supervision of our Doctors who are Registered Medical Practitioners.

Furthermore, the Dangerous Drugs Regulations (Chapter 134A of the Laws of Hong Kong) regulates the prescriptions, labelling and record keeping of dangerous drugs and monitors the sale of such drugs.

During the Track Record Period and up to the Latest Practicable Date, 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, the DDO and its sub-legislation.

REGULATIONS ON CLINICAL WASTE DISPOSAL

Waste Disposal Ordinance

The Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) (“**WDO**”) and the Waste Disposal (Clinical Waste) (General) Regulation (Chapter 354O of the Laws of Hong Kong) (the “**WDR**”) provide for, among others, the control and regulation of the production, storage, collection and disposal of clinical waste.

LAWS AND REGULATIONS

Under the WDO, 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,

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 WDR 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 or arrange for the waste to be delivered to a collection point or licensed clinical waste disposal facility according to the requirements specified in the WDR. The WDR 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 WDO to provide guidance to major clinical waste producers and small clinical waste producers to assist them to comply with the legal requirements of the WDO and the WDR. Private medical clinics or practices are classified as small clinical waste producers under the Code of Practice.

Given the medical skin care treatments provided by our Medicskin Centres may produce used or contaminated sharps such as syringes and needles as well as dressings, our Group is subject to WDO, WDR and the Code of Practice.

LAWS AND REGULATIONS

During the Track Record Period and up to the Latest Practicable Date, none of the members of our Group and our Doctors had been subject to any proceedings brought under, or received any written complaints or warnings in relation to, the WDO and its sub-legislation.

RECENT DEVELOPMENT IN RELATION TO REGULATION OF MEDICAL PROCEDURES AND BEAUTY SERVICES

Background

In recent times, 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 therapies from medical treatments/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. 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, *inter alia*, make recommendations on procedures that should be performed by Registered Medical Practitioners.

Recommendations made by the Working Group

There were fundamental differences in opinions among the members in the Working Group regarding the meaning of “medical treatment”. Nevertheless, based on members’ views, the Working Group had made seven recommendations (the “**Recommendations**”) in its report which was endorsed by the Steering Committee:

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 aware of the inherent risks involved and make informed decisions.
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.

LAWS AND REGULATIONS

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 regulate medical devices.
7. It recommends the setting up of an expert panel under future legislation to advise on the risk and appropriate controls over new cosmetic procedures based on innovative technology.

Advisory note and letters issued by the Department of Health

The 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 Registration Ordinance or the Dentists Registration Ordinance (Chapter 156 of the Laws of Hong Kong).

Letters were also sent by the Department of Health to all medical practitioners reminding them to strictly observe the Code of Professional Conduct issued by the Medical Council when they provide cosmetic procedures in their medical practice, including providing formal medical consultation and keeping proper medical records.

Impacts 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. Nevertheless, our Directors consider that the Recommendations and the letters to Registered Medical Practitioners do not have any material impact on our Medicskin Centres because, before the commencement of the legislative review by the Government of Hong Kong and the increased public awareness on treatment safety, we were already committed to ensuring the safety of all treatments provided by our Medicskin Centres and adhered to the stringent policy that all injections, all procedures involving mechanical exfoliation of skin below the epidermis (such as cauterisation) and most Laser, Radiofrequency, Intense Focused Ultrasound and Intense Pulsed Light treatments (even hair-removal treatments) are performed by our Doctors only. Further, treatments involving the use of chemical exfoliation of skin below the epidermis (such as chemical peel) have been performed only by our Doctors, following the issuance of the Recommendations.

We consider that our policy (which ensures the full compliance with the requirements of the Department of Health of Hong Kong at all times), together with elaborate operational procedures which are expected to be followed for each type of treatment offered at our Medicskin Centres, are premeditated to ensure that the safety of clients is not compromised in any way.

LAWS AND REGULATIONS

REGULATORY AUTHORITIES

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

Medical Council

The Medical Council is established under the Registration Ordinance. The 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 Medical Council maintains a register of eligible medical practitioners, administers relevant licensing examinations, issues guidelines and the Code of Professional Conduct, and exercises regulatory and disciplinary powers over the medical profession.

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

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 Council also assists consumers in cases of false claims made by companies with respect to a specific service offered by them.

APPROVAL FOR THE LISTING

Save for the approval from the Stock Exchange, no other regulatory approval is required for the Listing. For shareholder's approval, please refer to the section headed "Statutory and General Information — Further Information about Our Company — Resolutions in writing of the Shareholders of our Company passed on 3 December 2014" in Appendix IV to this prospectus.

HISTORY, REORGANISATION AND GROUP STRUCTURE

HISTORY AND DEVELOPMENT

Our business development

Our Company was incorporated in the Cayman Islands on 20 June 2014 and, as part of the Reorganisation, became the holding company of our subsidiaries. Our Company was registered in Hong Kong under Part 16 of the Companies Ordinance as a non-Hong Kong company on 9 July 2014.

The following table sets forth a summary of the important developments in our Group's business development history since its establishment:

- | | |
|------|---|
| 2000 | <ul style="list-style-type: none">• Medicskin, our principal operating subsidiary, was established and our Central Centre (on the twelfth floor of Tak Shing House) commenced the provision of services covering the treatments of skin diseases/problems and the improvement of appearance of our clients• Medicskin's own line of skincare products (Medicskin Products) including items such as cleansers, toners, whitening cream was launched |
| 2001 | <ul style="list-style-type: none">• our Central Centre was expanded from 1,690 square feet to over 2,000 square feet in gross floor area with the lease of a new unit located on the twelfth floor of Tak Shing House• the product line of Medicskin Products was expanded to include cleansers and toners for oily skins, eye creams, night creams and sun blocks |
| 2004 | <ul style="list-style-type: none">• our Central Centre was expanded from over 2,000 square feet to over 2,800 square feet in gross floor area with the lease of a new unit located on the twelfth floor of Tak Shing House |
| 2005 | <ul style="list-style-type: none">• Dr. Lam joined our Group• the product line of Medicskin Products was further expanded by the introduction of three different night creams |
| 2007 | <ul style="list-style-type: none">• our Central Centre was further expanded from over 2,800 square feet to over 3,300 square feet in gross floor area with the lease of a new unit located on the twelfth floor of Tak Shing House |
| 2009 | <ul style="list-style-type: none">• Dr. Lau and Dr. Seto joined our Group• Medicskin leased premises from an Independent Third Party for operation of our Shatin Centre in New Territories |
| 2010 | <ul style="list-style-type: none">• our Central Centre was further expanded to cover over 4,500 square feet in gross floor area with the lease of a new unit located on the second floor of Tak Shing House, including area for warehousing and back office operations of our Group |

HISTORY, REORGANISATION AND GROUP STRUCTURE

- 2011
- Dr. Choi and Dr. Ng joined our Group
 - Medicskin leased a consultation room with facilities from an Independent Third Party for around one year for operation of our Jordan Centre in Kowloon
- 2012
- our Jordan Centre was closed and our TST Centre was established at the Ocean Centre in Tsim Sha Tsui with a gross floor area of approximately 3,624 square feet
 - our Medicskin Centres in aggregate occupied over 8,000 square feet in gross floor area
- 2013
- the opening hours of our Medicskin Centres were extended from around 43 hours a week to around 50 hours (Central Centre) and 57 hours (TST Centre) a week
- 2014
- our Shatin Centre was closed with the aim to consolidate our business at prime locations in Hong Kong and for better allocation of manpower and other resources
 - the total gross floor area of our Medicskin Centres was expanded from over 8,000 square feet to over 9,000 square feet in gross floor area with the lease of a new unit located on the tenth Floor of Tak Shing House in Central

As at the Latest Practicable Date, the total gross floor area of our Medicskin Centres (including our back office) amounted to over 9,000 square feet and our Group's clients are served by our six Doctors with a team of over 50 supporting staff (including Doctors' Assistants and Client Relationship Officers). We have over 50 treatment devices and the product line of Medicskin Products now includes approximately 20 different products.

Our corporate history

Medicskin as our principal operating subsidiary

Medicskin, the principal operating subsidiary of our Company, was established by Dr. Kong under the name of "Skin-Medic.com Limited" on 12 July 2000 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each and an issued share capital of HK\$2.00 divided into two shares of HK\$1.00 each, with 50% of the issued share capital of Medicskin directly owned by Dr. Kong and the remaining 50% held by Topline on trust for Dr. Kong.

On 30 January 2002, pursuant to a special resolution of Medicskin dated 18 January 2002, its name was changed to "Medicskin Laboratories Limited".

On 8 June 2012, 9,998 shares of Medicskin were allotted to Multiple Profit at the consideration of HK\$9,998. On the same day, one share of Medicskin held by Topline and one share of Medicskin held by Dr. Kong were transferred to Multiple Profit, each at a consideration of HK\$1.00. As a result, Medicskin became directly and entirely owned by Multiple Profit which was then ultimately wholly-owned by Dr. Kong.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Incentive Arrangement for Dr. Lam

On 20 August 2012, Dr. Kong, Dr. Lam, Topline (the wholly-owned subsidiary of Dr. Kong) and Attractive Beauty (the wholly-owned subsidiary of Dr. Lam) entered into an incentive arrangement (the “**Incentive Arrangement**”), which was amended and restated on 28 June 2014. According to our Directors, the purpose of the Incentive Arrangement is to reward Dr. Lam for her contribution to Medicskin and to retain her to provide the Services at our Medicskin Centres for the benefit of our business and for further enhancing the growth and development of our Group.

Pursuant to the terms of the Incentive Arrangement:

- (i) in consideration of the satisfactory service by Dr. Lam and/or her Managed Practice to Medicskin during the five-year term from 1 September 2012 to 31 August 2017 (the “**Five-year Term**”), Dr. Lam shall be entitled to purchase up to 5% of the existing issued share capital of Tally Scholar (prior to the incorporation of the Company) or the Shares (after the incorporation of the Company) (the “**5% Share Entitlement**”, calculated on a time proportion basis over the Five-year Term) from Dr. Kong and/or Topline;
- (ii) Dr. Kong shall provide full financing without recourse (the “**Financing**”) to Dr. Lam for the acquisition of the 5% Share Entitlement at an agreed price determined on an arm’s length basis in accordance with the following time frame:
 - (a) 2% of the existing issued share capital of Tally Scholar shall be transferred to Dr. Lam, while the relating Financing shall become without recourse on a time-proportional basis for the period up to the end of the first two years of the Five-year Term (the “**First Two-year Term**”, that is, on 31 August 2014);
 - (b) the next 1% of the existing issued share capital of Tally Scholar or equivalent percent of share capital of the Company shall be transferred to Dr. Lam upon Listing or completion of First Two-year Term, whichever is earlier, while the relating Financing shall become without recourse on a time-proportional basis for the period up to the end of the anniversary of the First Two-year Term (that is, on 31 August 2015); and
 - (c) the remaining 2% of the existing issued share capital of Tally Scholar or equivalent percent of share capital of the Company shall be transferred to Dr. Lam at the completion of the Five-year Term and relating Financing shall become without recourse on a time-proportional basis for the period up to the end of the Five-year Term (that is, on 31 August 2017),

where “agreed price” shall mean (i) HK\$800,000 for each 1% of the share capital of Tally Scholar or the Company if the purchase is made prior to Listing; and (ii) the closing price of the shares of the Company as quoted by the Stock Exchange on the relevant date of purchase if the purchase is made on or after Listing; and

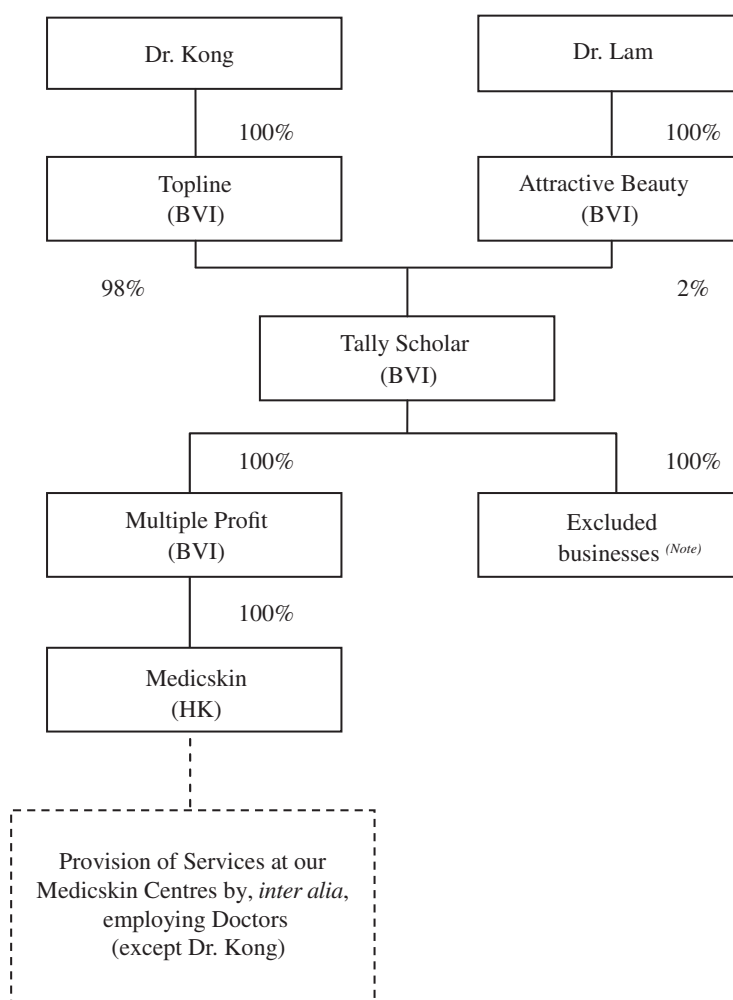
HISTORY, REORGANISATION AND GROUP STRUCTURE

- (iii) on the occurrence of the early cessation of provision of service by Dr. Lam and/or her Managed Practice to Medicskin for whatever reason during the Five-year Term, the proportion of shares transferred to Dr. Lam or Attractive Beauty in advance which Dr. Lam is not entitled to receive as a result of such cessation of service shall be transferred back to Dr. Kong or Topline at the original consideration (i.e. the “agreed price”) and the relating Financing (amount equivalent to the consideration for the shares transferred back to Dr. Kong or Topline) will also be returned to Dr. Kong.

Pursuant to the Incentive Arrangement, 3% of the existing issued share capital of the Company had been issued or transferred to Attractive Beauty as at the Latest Practicable Date and a further 2% of the existing issued share capital of the Company may be transferred to Attractive Beauty by Topline during the remainder of the Five-year Term subject to the continuance of the Cooperation Agreement of Dr. Lam during such period.

REORGANISATION

The following diagram shows the shareholding and corporate structure of the Group immediately before the Reorganisation.



HISTORY, REORGANISATION AND GROUP STRUCTURE

Note:

The excluded businesses include:

1. Beauty Wallflower, which is principally engaged in investment holding and holds 100% of the issued share capital of Beauty Tech;
2. Beauty Tech, which was principally engaged in the business of trading of skincare products (including products bearing its trademarks such as “Facematter” or “FACEMATTER Switzerland”), and ceased to carry on any business in November 2014, i.e. prior to Listing. As at the Latest Practicable Date, the above trademarks were registered in the name of Beauty Tech. Our Directors are given to understand that such trademarks will continue to be registered in the name of Beauty Tech notwithstanding that Beauty Tech ceased to carry on any business prior to Listing;
3. Famous Greatest, which is principally engaged in investment holding and holds 100% of the issued share capital of Facematter;
4. Facematter, which was principally engaged in the provision of beauty services and has ceased to carry on any business since 30 November 2013;
5. Honest Achieve, which is principally engaged in investment holding and holds 100% of the issued share capital of Acne Treatment Centre; and
6. Acne Treatment Centre, which does not carry on any business.

Set out below is a summary of financial information of the excluded businesses during the two years ended 31 March 2014 based on their respective audited/management accounts.

	Revenue		Profit (loss)		Operating cash flow before changes in working capital and taxes paid		Cash flow	
	Year ended 31 March		Year ended 31 March		Year ended 31 March		Year ended 31 March	
	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000
Beauty Wallflower	—	—	(6)	(6)	(6)	(6)	—	—
Beauty Tech	1,965	1,794	(173)	(786)	(173)	(786)	(236)	40
Famous Greatest	—	—	(15)	(6)	(15)	(6)	—	—
Facematter	3,466	2,215	534	53	850	350	73	332
Honest Achieve	—	—	(14)	(8)	(14)	(8)	—	—
Acne Treatment Centre . . .	—	—	(6)	(4)	(6)	(4)	—	—
Total	5,431	4,009	320	(757)	636	(460)	(163)	372

HISTORY, REORGANISATION AND GROUP STRUCTURE

In order to prepare for the Listing, our Group underwent the Reorganisation and the major steps are summarised as follows:

1. Establishment of the Managed Practices and signing the Cooperation Agreements

- (a) Each of our Doctors terminated their employment agreements with Medicskin with effect from 1 April 2014 (except Dr. Kong who did not enter into any employment agreement with Medicskin before 1 April 2014).
- (b) On 1 April 2014, each of our Doctors (other than Dr. Kong who had a Managed Practice prior to 1 April 2014) set up his or her sole proprietorship for the purpose of carrying out the Managed Practice and commenced to provide the Services at our Medicskin Centres through the Managed Practice.
- (c) Medicskin entered into a Cooperation Agreement with each of our Doctors and their Managed Practices and all the Cooperation Agreements came into effect on 1 April 2014. For further details regarding the reasons and major terms of the Cooperation Agreements, please refer to the section headed “History, Reorganisation and Group Structure — Reorganisation — Cooperation Agreements” in this prospectus.

2. Incorporation of the Company

On 20 June 2014, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. As at the date of its incorporation, the Company had an authorised share capital of HK\$380,000.00 divided into 38,000,000 shares of HK\$0.01 each of which one share of the Company was issued and allotted to Mapcal Limited being the subscriber to the Memorandum of the Company. Such one share was transferred to Topline on 20 June 2014.

3. Swapping Dr. Lam’s interest in Tally Scholar for interest in the Company

- (a) On 12 July 2014, Attractive Beauty (which is wholly-owned by Dr. Lam) transferred its entire shareholding in Tally Scholar (being 2% interest of Tally Scholar) to Topline at a consideration of HK\$1.00.
- (b) On 12 July 2014, the Company issued and allotted a further 99 shares of which 97 of such shares were issued and allotted to Topline and two of such shares were issued and allotted to Attractive Beauty.
- (c) The above swap of Attractive Beauty’s shares in Tally Scholar for interest of the Company was made pursuant to the terms of the Incentive Arrangement entered into between Dr. Kong, Topline, Dr. Lam and Attractive Beauty.

HISTORY, REORGANISATION AND GROUP STRUCTURE

4. Transfer of the entire equity interest of Multiple Profit from Tally Scholar to the Company

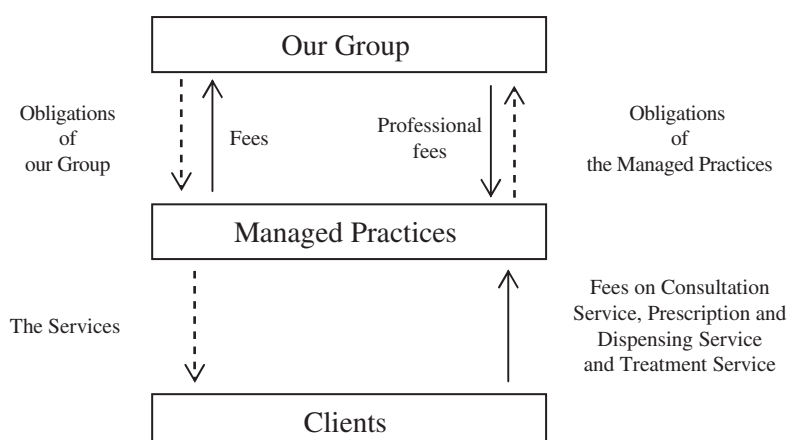
- (a) On 12 July 2014, Tally Scholar transferred the entire issued shareholding in Multiple Profit to the Company at a consideration of HK\$1.00.
- (b) Upon completion of the transfer set out above, Multiple Profit and its wholly-owned subsidiary, Medicskin became wholly-owned by the Company which is in turn owned by Topline as to 98% and Attractive Beauty as to 2%.

The Reorganisation described above has been properly and legally completed. Upon completion of the Reorganisation, the Company became the holding company of our Group. Further, Tally Scholar, Beauty Wallflower, Famous Greatest, Honest Achieve, Beauty Tech, Facematter and Acne Treatment Centre have been excluded from our Group as our Group believes that such businesses would diverge our Group's focus, which is the provision of medical skin care services by Registered Medical Practitioners.

Cooperation Agreements

Prior to 1 April 2014, our Medicskin Centres were operated by Medicskin which employed the services of our Doctors directly (except Dr. Kong who is our founder and was not an employee of Medicskin). Medicskin has entered into six Cooperation Agreements with our Doctors and their Managed Practices. Under the Cooperation Agreements, effective from 1 April 2014, Medicskin shall provide a variety of management and administrative services and shall grant the Managed Practices licences to use, *inter alia*, the name "Medicskin" in consideration of the Managed Practices paying Medicskin the Fees during the term of the Cooperation Agreements. On the other hand, our Doctors (through their Managed Practices) shall be entitled to professional fees for the provision of Services at the Medicskin Centres.

The diagram below sets out the flow of economic benefits between our Group, the Managed Practices and the clients:



HISTORY, REORGANISATION AND GROUP STRUCTURE

Effective from 1 April 2014, our Doctors have ceased to be employees of our Group (except Dr. Kong who was not an employee of our Group) and have become “cooperative partners” of our Group, and commenced to provide Services to clients at our Medicskin Centres through their respective Managed Practices pursuant to the Cooperation Agreements.

Accordingly, our Doctors have ceased to receive salary from us but commenced to receive professional fees from us (through their Managed Practices). The professional fees are equivalent to their previous entitlements under their original employment agreements with Medicskin (except Dr. Kong who did not enter into any employment agreement with Medicskin before 1 April 2014). In return, the Doctors (through their Managed Practices) have to perform their obligations under the Cooperation Agreements at the Medicskin Centres (including, *inter alia*, continuing to provide Services during service hours exclusively at our Medicskin Centres prior to entering into the Cooperation Agreements, details of which are set out in the section headed “History, Reorganisation and Group Structure — Reorganisation — Cooperation Agreements — Summary of the major terms of the Cooperation Agreements — (5) Obligations of the Doctors of the Managed Practices” in this section).

On the other hand, in consideration of Medicskin performing its obligations under the Cooperation Agreements (including, *inter alia*, the grant of licenses and the management and administrative services, details of which are set out in the sections headed “History, Reorganisation and Group Structure — Reorganisation — Cooperation Agreements — Summary of the major terms of the Cooperation Agreements — (1) Grant of licences” and “History Reorganisation and Group Structure — Reorganisation — Cooperation Agreements — Summary of the major terms of the Cooperation Agreements — (2) Provision of services” in this section), the Managed Practices of our Doctors shall pay Medicskin the Fees, the amount of which represents all revenue of the Managed Practices received from clients at our Medicskin Centres. Under such arrangement, Medicskin shall be entitled to all the revenue of the Managed Practices on Consultation Service, Prescription and Dispensing Service and Treatment Service received from clients at our Medicskin Centres, as if we were providing the Services directly through the Doctors under their previous employment agreements with us (except Dr. Kong) prior to the entering into of the Cooperation Agreements. As set out in the section headed “History, Reorganisation and Group Structure — Reorganisation — Cooperation Agreements — Summary of the major terms of the Cooperation Agreements — (4) Professional fees to our Doctors and our Fees” in this section, Medicskin also manages the cash receipt of all revenue received by the Managed Practices from clients at our Medicskin Centres pursuant to the Cooperation Agreements, which is to ensure the Managed Practices will honour the payment of the Fees.

The entering into of the Cooperation Agreements was step 1 of the Reorganisation.

Reason for entering into the Cooperation Agreements

The registration, control and inspection of medical clinics in Hong Kong are regulated by the Clinics Ordinance.

During the two years ended 31 March 2014, the medical practice at the Medicskin Centres was carried out by Doctors who were employees of Medicskin, a limited liability company.

HISTORY, REORGANISATION AND GROUP STRUCTURE

As set out in the section headed “Laws and Regulations — Regulation of Medical Practitioners and Clinics — Clinics Ordinance” in this prospectus, Senior Counsel has formed the view (taking into account, *inter alia*, such factors as the legislative intent of the Clinics Ordinance) that the Medicskin Centres did not fall within the scope of registration requirements of the Clinics Ordinance and that the structure of our Group prior to the Reorganisation (whereby medical practice was carried out at the Medicskin Centres in the form of a limited liability company) was in compliance with all applicable laws, regulations and codes in Hong Kong.

One of the factors considered by Senior Counsel in forming the view that our Group was in compliance with the Clinics Ordinance (despite the fact that none of the Medicskin Centres were registered) is that the medical treatments and services at the Medicskin Centres are carried out by Doctors who are Registered Medical Practitioners in private consulting rooms, and as such, the Medicskin Centres may fall within one of the statutory exemptions under the Clinics Ordinance which exempts from the registration requirement the provision of medical service in “private consulting rooms used exclusively by registered medical practitioners in the course of their practice on their own account”.

Senior Counsel has however noted that there is a possible argument that Doctors employed by Medicskin, a limited liability company (rather than practising as a sole proprietor or in a partnership) may not be considered to be practising “on their own account” and therefore the Medicskin Centres may not fall clearly within the statutory exception. Such uncertainty may have resulted from the fact that, at the time of enactment of the Clinics Ordinance, it simply never occurred to the legislature that there would be a third kind of medical provider structure (consisting of Registered Medical Practitioners only) which is neither a sole proprietorship nor a partnership (both such cases would fall clearly within the statutory exception).

Our Directors, having considered the legal opinions of Senior Counsel relating to the said ambiguity in the Clinics Ordinance, consider that it would be prudent for the medical practices of our Medicskin Centres to be conducted through Managed Practices which are owned and controlled by our Doctors in the form of sole proprietorships (i.e. the structure of our Group following the Reorganisation). This would be achieved by way of entering into the Cooperation Agreements whereby Services at our Medicskin Centres would be provided by Doctors through the Managed Practices which are owned and controlled by our Doctors. As a result, the possible uncertainty discussed above regarding the use of a corporate entity other than sole proprietorship or partnership could be removed. Senior Counsel has confirmed that the structure of our Group following the Reorganisation would continue to comply with all applicable laws, regulations or codes in Hong Kong. Further, the entering into of the Cooperation Agreements confers on our Group substantially the same right over its business as if there had been no substantive change to the substance of our Group’s business process and the economic aspects of our Group’s operations because our Group’s risk and rewards of, and control over, the running of business remain substantially unchanged after entering into the Cooperation Agreements. Details of the Cooperation Agreements are set out below.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Summary of the major terms of the Cooperation Agreements

Under the Cooperation Agreements, effective from 1 April 2014, our Doctors (through their Managed Practices) shall provide Services to our clients at our Medicskin Centres and Medicskin shall provide a variety of management and administrative services and shall grant the Managed Practices licences to use, *inter alia*, the name “Medicskin” in consideration of the Managed Practices paying Medicskin the Fees during the term of the Cooperation Agreements.

(1) *Grant of licences*

Under the Cooperation Agreements, Medicskin grants the Managed Practices non-exclusive licences to use the Proprietary Names (including Trademarks) and the Proprietary Rights for the sole purpose of carrying out the business of the Managed Practices at our Medicskin Centres. Further, the Managed Practices undertake, *inter alia*, that they shall not do any act or pursue any course of conduct which might tend to bring our Trademarks into disrepute or use our Trademarks in any way so as to damage the goodwill and reputation attaching to our Trademarks.

(2) *Provision of services*

Under the Cooperation Agreements, Medicskin provides a variety of management and administrative services to the Managed Practices for the purpose of providing the Services, which, *inter alia*, include:

- (i) providing renovated premises for the Medicskin Centres with necessary maintenance and upkeep;
- (ii) making available at all times necessary medical equipment, fixtures and furniture and other leasehold improvement and maintaining proper maintenance of such medical equipment;
- (iii) procuring sufficient supply of appropriate Medication and skincare products and any other relevant products and consumables and maintaining relevant records of stocks;
- (iv) making available medical and para-medical staff (excluding Registered Medical Practitioners) for providing assistance for the purpose of providing the Services;
- (v) providing cash management services, including collecting the fees derived from the Services and depositing them into banks on a regular basis and arranging for settlement of bills for the Managed Practices;
- (vi) providing general accounting and administrative services including preparing books and accounts and providing general information technology services and technical support;
- (vii) maintaining ongoing research and review of potential development and requirements and level of general medical fees and related charges in relation to the Services; and
- (viii) making arrangements for our Doctors to attend relevant conferences and training.

HISTORY, REORGANISATION AND GROUP STRUCTURE

(3) *Term*

Since the Cooperation Agreement of Dr. Kong will constitute continuing connected transactions within the meaning of the GEM Listing Rules upon Listing, the term of Dr. Kong's Cooperation Agreement is restricted to three years by the GEM Listing Rules. As our Directors consider that our Doctors' medical practice at the Medicskin Centres are in essence similar to that in an employer/employee relationship, the terms of the Cooperation Agreements of the other five Doctors are equivalent to the outstanding term of their respective original employment agreements as at 1 April 2014. The full term of the original employment agreement of each of the other Doctors was five years, subject to the rights of the parties to terminate the relevant employment agreement. Our Group considers that an intended service term of five years is considered to be reasonable and appropriate for the stable and continuous operations of our business. Either Medicskin or the relevant Doctor can terminate the relevant Cooperation Agreement by giving a prior notice of not less than three calendar months to the other party. There are no provisions which provide for, or otherwise restrict, the renewal of the Cooperation Agreements. Our Directors consider that the length of the term of the Cooperation Agreements (taking into consideration the term of the original employment agreements of the relevant Doctors) and the rights of the parties to terminate the Cooperation Agreements with prior notice are consistent with normal commercial terms and market practice.

Subject to the termination clauses as set out in the section headed "History, Reorganisation and Group Structure — Reorganisation — Cooperation Agreements — Summary of the major terms of the Cooperation Agreements — (7) Termination" in this prospectus, the terms of the Cooperation Agreements entered into between the respective Doctors, their Managed Practices and our Group are as follows:

Counterparties	Term	Remaining term (equivalent to the outstanding term of their respective original employment agreements (except Dr. Kong) as at 1 April 2014)
Dr. Kong and his Managed Practice	1 April 2014 to 31 March 2017 (both dates inclusive)	3 years
Dr. Lam and her Managed Practice	1 April 2014 to 31 August 2017 (both dates inclusive)	3 years and 5 months
Dr. Lau and his Managed Practice	1 April 2014 to 31 March 2015 (both dates inclusive)	1 year
Dr. A and his/her Managed Practice	1 April 2014 to 31 July 2016 (both dates inclusive)	2 years and 4 months
Dr. B and his/her Managed Practice	1 April 2014 to 14 May 2016 (both dates inclusive)	2 years and 1.5 months
Dr. C and his/her Managed Practice	1 April 2014 to 30 April 2015 (both dates inclusive)	1 year and 1 month

HISTORY, REORGANISATION AND GROUP STRUCTURE

(4) *Professional fees to our Doctors and our Fees*

Prior to 1 April 2014, each of our Doctors (except Dr. Kong) entered into an employment agreement with Medicskin pursuant to which our Doctors (except Dr. Kong) were paid fixed salaries on a monthly basis as well as a monthly bonus. The monthly bonus was calculated with reference to the amount of revenue generated directly by a Doctor (which includes revenue recognised from sales of prepaid treatment packages upon provision of Treatment Service). When the revenue generated directly by a Doctor exceeded a certain threshold, the excess amount, after deducting the cost of associated consumables used in the treatments, was multiplied by a certain percentage to arrive at the monthly bonus. Such percentage was determined with reference to, *inter alia*, typical remuneration package of other Doctors and the financial performance and conditions of our Group. Further to such remuneration, our Doctors were also entitled to year-end bonuses paid at the discretion of our senior management.

As of 1 April 2014, the Cooperation Agreements became effective and the employment agreements of our Doctors were terminated. Since that date, our Doctors (except Dr. Kong) through their Managed Practices shall be entitled to receive professional fees for the provision of Services at our Medicskin Centres in an amount equivalent to their previous entitlements under their original employment agreements, while Dr. Kong through his Managed Practice shall be entitled to receive monthly professional fees (on the basis of a monthly fixed fee of HK\$130,000.00 as well as a monthly incentive fee calculated with reference to the amount of revenue received from clients at our Medicskin Centres generated directly by Dr. Kong through his Managed Practice). Details of Dr. Kong's Cooperation Agreement are also disclosed in the section headed "Connected Transactions" in this prospectus. Our Doctors may also be entitled to year-end incentive fees payable at our discretion.

The Fees charged by us are equivalent to all fees received by the Managed Practices on Consultation Service, Prescription and Dispensing Service and Treatment Service from clients at our Medicskin Centres. Medicskin shall be entitled to all such fees forthwith upon such fees have been received by the Managed Practices from clients. Our Directors believe that such arrangement would enable our Group to receive all fees from clients at our Medicskin Centres as if our Group were carrying on the medical practices and our Doctors to receive their entitlement to fees from their provision of services at the Managed Practices as if their original employment agreements were not terminated.

(5) *Obligations of the Doctors of the Managed Practices*

During the term of the Cooperation Agreements, our Doctors and their Managed Practices shall not engage in the provision of any Services at any place other than at our Medicskin Centres, except with the prior written consent of Medicskin. Further, our Doctors and their Managed Practices shall not accept any services of any third party in respect of any service provided by Medicskin under the Cooperation Agreements. Our Doctors and/or their Managed Practices shall, *inter alia*:

- (i) provide Services during such service hours and at such Medicskin Centres as determined by Medicskin from time to time (or, in the case of Dr. Kong and Dr. Lam, during the service hours as set out in their respective Cooperation Agreements or as they may each agree with Medicskin from time to time);

HISTORY, REORGANISATION AND GROUP STRUCTURE

- (ii) at all times act in good faith towards the Managed Practices and maintain the highest possible professional standards and reputation of the Managed Practices;
- (iii) use their best endeavours and make every effort to advance the Managed Practices and to protect the goodwill of the Managed Practices by exercising professional medical expertise and skills diligently in order to provide high quality Services to clients;
- (iv) co-operate with Medicskin and other parties involved in the running of the Managed Practices in order to provide high quality and cost effective health care to the clients;
- (v) maintain at his/her own costs and expenses adequate professional indemnity insurance to cover his/her own acts of professional negligence; and
- (vi) not incur any debts, or create any encumbrances over the assets of their respective Managed Practices, provided that the restriction on the creation of encumbrances shall not extend to the professional fees received by the Managed Practices in accordance with the Cooperation Agreements.

(6) *Exclusive appointment of Medicskin*

During the term of the Cooperation Agreements, each of our Doctors and the Managed Practices shall not appoint any entity/person other than Medicskin to provide the management and administrative services.

(7) *Termination*

During the term of the Cooperation Agreements, Medicskin is entitled to terminate the relevant Cooperation Agreements unilaterally without notice upon the occurrence of certain events or under certain circumstances including, *inter alia*, (i) where the Doctors have breached any material obligations under the Cooperation Agreement; (ii) any impropriety in relation to the Doctors (such as, *inter alia*, being found guilty of fraud, dishonesty or any grave misconduct or wilful neglect of their duties); and (iii) where the Doctors have been suspended or disqualified from practicing, or cease to practice, as Registered Medical Practitioners for any reason.

Dr. Kong and Dr. Lam are entitled to terminate their respective Cooperation Agreements unilaterally without notice upon the occurrence of certain events or under certain circumstances including, *inter alia*, where Medicskin commits any serious or persistent breach of the terms of the Cooperation Agreement (including, *inter alia*, any failure to provide management and administrative services in accordance with its terms, or to pay professional fees payable to them thereunder). Dr. Lam is further entitled to terminate her Cooperation Agreement where Dr. Kong ceases to be a member of the key management team of Medicskin or ceases to own 50% or more of the issued share capital of Medicskin directly or indirectly.

HISTORY, REORGANISATION AND GROUP STRUCTURE

(8) *Restrictive covenants and confidentiality*

Subject to the terms and conditions of the Cooperation Agreements, our Doctors and their Managed Practices are restricted from carrying out certain conducts following the termination of the Cooperation Agreements including, *inter alia*: (i) for a period ranging from six months to one year from such termination, to solicit or entice away or attempt to solicit or entice away from Medicskin any officer, manager or employee of Medicskin; (ii) for a period of six months from the date of such termination, carry out or be engaged in, or be interested in, directly or indirectly, medical services that are in competition with Medicskin and/or Medicskin Centres; and (iii) for a period ranging from six to eighteen months, to professionally advise, attend, prescribe for or treat any person who has been a client of Medicskin and/or the Medicskin Centres.

Subject to the terms and conditions of the Cooperation Agreements, our Doctors and their respective Managed Practices shall during the term of the Cooperation Agreements and at any time after the termination of the Cooperation Agreements, keep confidential and shall not disclose to any third party our trade secrets and clients' information.

(9) *Other undertakings by Medicskin*

Since the termination of the original employment agreements of the relevant Doctors and the entering into of the Cooperation Agreements pursuant to the Reorganisation, Medicskin undertakes to pay and reimburse the Managed Practices of our Doctors, on demand, any costs or expenses properly incurred by the Managed Practices in connection with, *inter alia*:

- (i) any additional tax liability incurred by our Doctors throughout the terms of the Cooperation Agreements due to the change of status from an employee of Medicskin to a sole proprietorship;
- (ii) maintenance of proper accounting books and records of the Managed Practices;
- (iii) procurement of general company secretarial and other administrative services for the Managed Practices;
- (iv) preparation of tax filings and tax reporting for the Managed Practices;
- (v) any liability arising, directly or indirectly, from any negligence or default by Medicskin or any of its agents, employees in relation to any non-medical aspects of the operation of the Managed Practices; and
- (vi) any penalty, fine or other liability of the Managed Practices which has arisen from any delay by Medicskin in payment of any of the foregoing amounts, or directly or indirectly incurred as a result of its contesting any related claims.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Effects to our Group after the Reorganisation

Our Directors believe that the entering into of the Cooperation Agreements has merely changed the status of our Doctors (except Dr. Kong) from each being an “employee” to being a “cooperative partner” of our Group and would not affect the ability of our Group to conduct (or the generation of returns from) its business, and therefore, it would not involve any significant change to our revenue and cost structure nor have any material financial impact on our Group.

Furthermore, our Directors believe that the entering into of the Cooperation Agreements would have no change on the substantive right and power that have given our Group the ability to operate its business of providing the Services to the clients on the basis that:

(1) *No substantive change to the substance of our Group’s business process*

The power to control the substance of our Group’s business process remains vested in Medicskin because the provisions of the Cooperation Agreements in connection with the following aspects generally reflect the provisions in the original employment agreements of all our Doctors (except Dr. Kong who did not have an employment agreement with our Group prior to the Reorganisation):

- (i) the obligations of our Doctors (e.g. Medicskin continues to have the discretion to determine the service hours during which and the Medicskin Centres at which all Doctors and their respective Managed Practices shall operate from time to time), the summary of which is set out in the section headed “History, Reorganisation and Group Structure — Reorganisation — Cooperation Agreements — Summary of the major terms of the Cooperation Agreements — (5) Obligations of the Doctors of the Managed Practices” in this prospectus;
- (ii) the rights of Medicskin to terminate the Cooperation Agreements, the summary of which is set out in the section headed “History, Reorganisation and Group Structure — Reorganisation — Cooperation Agreements — Summary of the major terms of the Cooperation Agreements — (7) Termination” in this prospectus; and
- (iii) restrictive covenants given by and confidentiality obligations of our Doctors and their Managed Practices, the summary of which is set out in the section headed “History, Reorganisation and Group Structure — Reorganisation — Cooperation Agreements — Summary of the major terms of the Cooperation Agreements — (8) Restrictive covenants and confidentiality” in this prospectus.

Such provisions in the Cooperation Agreements are structured to ensure that the Cooperation Agreements will confer on our Group substantially the same degree of control over our Doctors as well as the business process of the Medicskin Centres as under the original employment agreements of our Doctors (except Dr. Kong). The Cooperation Agreements also ensure that our Doctors, during the terms of the Cooperation Agreements, can only engage in the medical skin care services industry through cooperation with Medicskin. Further, all medical equipment, Medication, skincare products

HISTORY, REORGANISATION AND GROUP STRUCTURE

and other staff necessary for the purpose of providing the Services continue to be owned/employed and managed by Medicskin. Accordingly, the entering into of the Cooperation Agreements would not have any significant impact on the substance of our business process in respect of our Doctors carrying out the Services.

(2) *No substantive change in the economic aspects of our Group's operations*

The economic aspects of our Group's operations are not materially affected by the entering into of the Cooperation Agreements as:

- (i) under the Cooperation Agreements, Medicskin shall continue to be entitled to all fees received from clients at our Medicskin Centres for the Services, as the Fees payable by the Managed Practices to Medicskin shall be equivalent to all such fees received by the Managed Practices from clients;
- (ii) the control and management of the revenue of the Medicskin Centres shall remain vested in Medicskin through Medicskin's cash management service under the Cooperation Agreements; and
- (iii) except Dr. Kong who was never an employee of Medicskin, the formula for calculating the professional fees which Doctors are entitled to receive under the Cooperation Agreements is fixed and is generally similar to their previous entitlements under their original employment agreements with Medicskin.

As such, the presentation of the financial information of our Group after the effective date of the Cooperation Agreements (i.e. 1 April 2014) does not have any material change as compared with that in the two years ended 31 March 2014 notwithstanding that the results of the Managed Practices are not directly "consolidated" into our Group's financial statements as the Managed Practices are not subsidiaries of our Group. Our Group continues to carry out the business as usual.

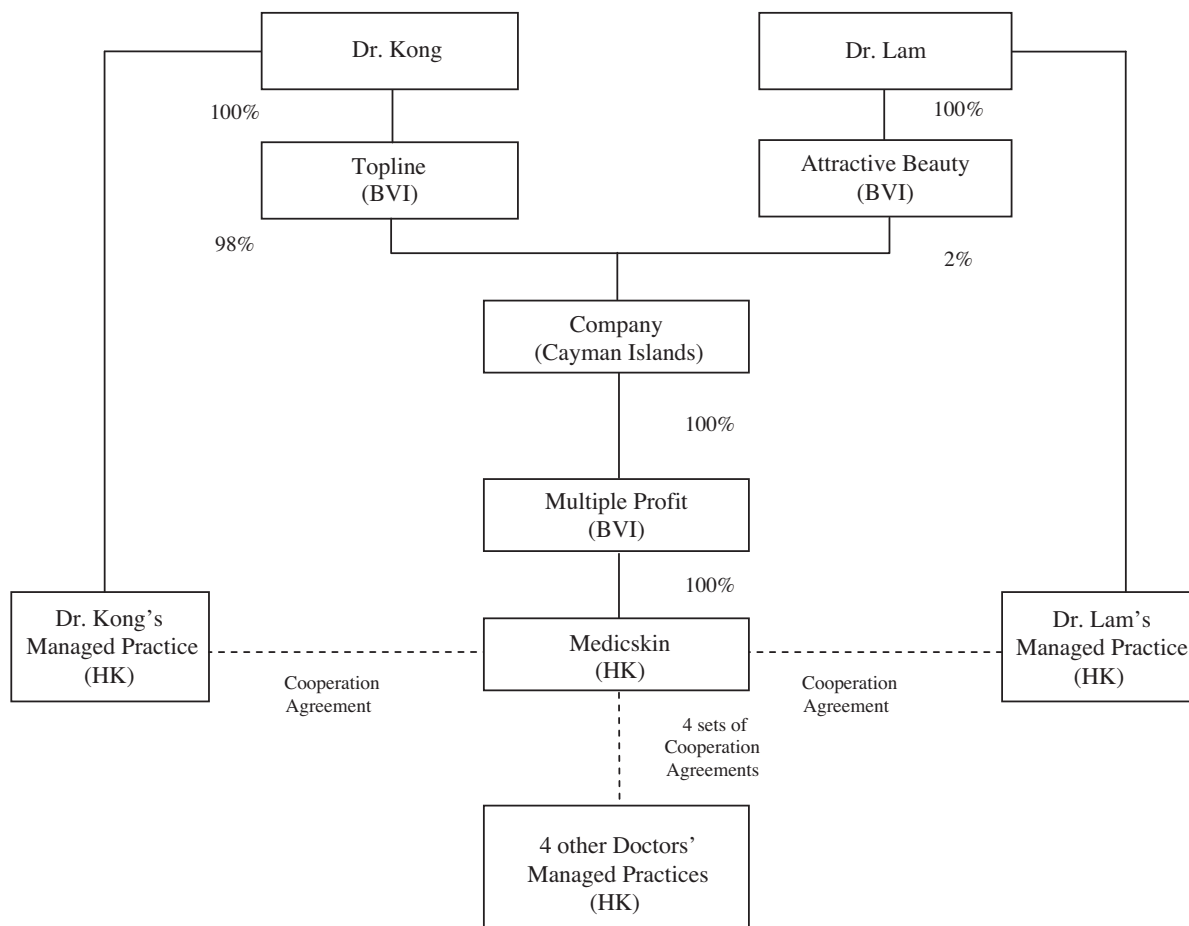
Since 1 April 2014, we have provided services to the Managed Practices including licensing the use of our brand names, procurement of necessary pharmaceutical and medical supplies, providing supporting staff such as Doctors' Assistants and other administrative staff and providing the premises and devices for operations, etc. by entering into the Cooperation Agreements with them. Our Doctors in turn provide Services to the clients.

However, pursuant to the arrangement under the Cooperation Agreements, we are able to receive fees paid by the clients as if we are carrying on the Managed Practices directly, and our Directors consider the clients who have received the Services from our Doctors through operation of the Managed Practices at our Medicskin Centres as our ultimate customers.

HISTORY, REORGANISATION AND GROUP STRUCTURE

CORPORATE STRUCTURE OF OUR GROUP IMMEDIATELY AFTER THE REORGANISATION

The following diagram shows the shareholding and corporate structure of our Group immediately after the Reorganisation:



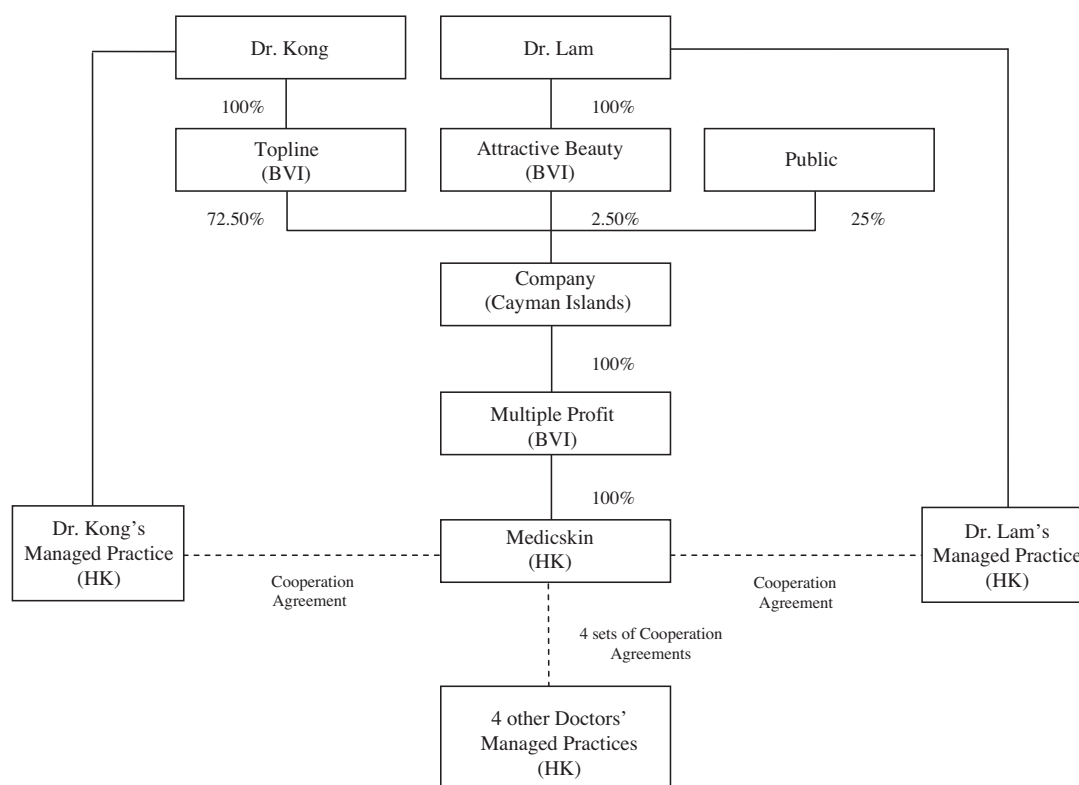
HISTORY, REORGANISATION AND GROUP STRUCTURE

CORPORATE STRUCTURE OF OUR GROUP AFTER THE REORGANISATION AND UPON LISTING

In accordance with the Incentive Arrangement, Topline (which is wholly-owned by Dr. Kong) transferred 1% of its interest in the issued share capital of the Company to Attractive Beauty (which is wholly-owned by Dr. Lam) on 31 August 2014. Immediately following such transfer, the Company became owned by Topline and Attractive Beauty in the proportion of 97% and 3% respectively.

Following the above transfer of 1% of Topline's interest in the issued share capital of the Company to Attractive Beauty and after the Placing and the Capitalisation Issue but before the Listing, the public will hold 25% of the issued share capital of the Company and the equity interest in the Company of Dr. Kong and Dr. Lam will be diluted to 72.50% and 2.50% respectively.

The shareholding and corporate structure of the Group upon Listing (without taking into account any shares of the Company which may be issued upon exercise of the options under the Share Option Scheme) is set out in the below diagram:



BUSINESS

OVERVIEW

Founded by Dr. Kong in 2000, we are a medical skin care group operating two Medicskin Centres in Hong Kong that primarily focus on the treatment of skin diseases/problems and/or the improvement of appearance of our clients.

We provide Services to our clients for the treatment of, *inter alia*, skin diseases/problems such as acne, pigmentation, rosacea, dermatitis, eczema and warts, as well as for the improvement of appearance through, *inter alia*, skin rejuvenation, facial sculpturing and body contouring treatments, treatments of acne scars and enlarged pores, removal of undesirable naevi, and hair removal. These are achieved through the provision of:

- **Consultation Service:** our first-time clients are required to attend medical consultation with our Doctors at our Medicskin Centres. Follow up medical consultations will also be provided where appropriate so as to keep track of our clients' condition.
- **Prescription and Dispensing Service:** based on our clients' specific needs, requirements and skin conditions, our Doctors may prescribe Medication and/or recommend skincare products to our clients which may be dispensed at our Medicskin Centres.
- **Treatment Service:** all treatments provided at our Medicskin Centres are non-invasive/minimally invasive in nature which do not require our clients to be put under general anesthesia.

We believe our Group has successfully established a reputation for being a trustworthy, reliable and quality provider of the Services. We attribute our success to our professionalism in the delivery of our Services, which includes making safety and well-being of our clients a priority.

We have a total of six Doctors providing Services at our two Medicskin Centres located in the premier business district of Central and the popular shopping district of Tsim Sha Tsui. While our Services are principally carried out by our Doctors, over 50 staff (including Doctors' Assistants, Client Relationship Officers and other administrative staff) are employed by us to provide assistance to our Doctors and to ensure the seamless operations of our Medicskin Centres. Treatment devices used to perform treatments on our clients are evaluated and assessed by our Doctors to ensure that they are safe and deliver desired outcomes and results for our clients.

We believe we have an industry reputation which took years to build and a track record of business growth, and we are poised to expand our business by opening additional Medicskin Centres in Hong Kong. Currently, we plan to open a new Medicskin Centre in Causeway Bay in the second half of 2015.

Our total revenue for each of the two years ended 31 March 2014 was approximately HK\$51.6 million and HK\$65.0 million respectively, which represented an approximately 26.0% increase on a year-on-year basis. For each of the respective years, approximately 7.8% and 7.1% of our total revenue was generated from Consultation Service; approximately 57.1% and 49.4% of our total revenue was generated from Prescription and Dispensing Service; and approximately 35.1% and

BUSINESS

43.5% of our total revenue was generated from Treatment Service. Our total revenue for each of the five months ended 31 August 2013 and 2014 was approximately HK\$24.6 million and HK\$28.0 million respectively, which represented an approximately 13.8% increase on a period-on-period basis. For each of the respective periods, approximately 7.3% and 6.7% of our total revenue was generated from Consultation Service; approximately 52.8% and 46.6% of our total revenue was generated from Prescription and Dispensing Service; and approximately 39.9% and 46.7% of our total revenue was generated from Treatment Service.

OUR COMPETITIVE STRENGTHS

We attribute the success of our business to our principal competitive strengths as follows:

Industry reputation which took years to build and a track record of business growth

With a philosophy of providing each client who walks through our doors with the Services delivered in the most professional manner based on their specific needs, requirements and skin conditions, we believe our Group has successfully established a reputation for being a trustworthy, reliable and quality provider of the Services.

The success of our business can be measured by:

- the stable level of number of clients who have visited our Medicskin Centres — for each of the two years ended 31 March 2014, 9,177 and 9,172 clients visited our Medicskin Centres; for each of the five months ended 31 August 2013 and 2014, 6,166 and 6,222 clients visited our Medicskin Centres;
- increase in our total revenue — our total revenue for each of the two years ended 31 March 2014 was approximately HK\$51.6 million and HK\$65.0 million respectively, which represented an approximately 26.0% increase on a year-on-year basis; our total revenue for each of the five months ended 31 August 2013 and 2014 was approximately HK\$24.6 million and HK\$28.0 million respectively, which represented an approximately 13.8% increase on a period-on-period basis; and
- increase in average spending of each client — the average annual spending of each client at our Medicskin Centres was approximately HK\$5,600 and HK\$7,100 for each of the two years ended 31 March 2014 respectively, which represented an approximately 26.8% increase on a year-on-year basis; the average spending of each client at our Medicskin Centres was approximately HK\$4,000 and HK\$4,500 for each of the five months ended 31 August 2013 and 2014 respectively, which represented an approximately 12.5% increase on a period-on-period basis.

BUSINESS

Provision of professional Services

We believe that the success of our business is also attributable to our professionalism in the delivery of our Services. In particular:

- most treatments at our Medicskin Centres are performed by our Doctors. For each of the two years ended 31 March 2014 and the five months ended 31 August 2014, 95.7%, 98.1% and 96.4% of our revenue from Treatment Service was generated from treatments performed by our Doctors at our Medicskin Centres;
- before recommending appropriate treatments and/or prescriptions to our first-time clients, they are required to attend medical consultation provided by our Doctors. During the consultation, our Doctors would ask about the medical history and perform examination in order to make a diagnosis on clients based on their specific conditions, needs and concerns. In case of certain skin diseases/problems and/or services relating to any improvement of appearance which cannot be dealt with or provided at our Medicskin Centres, the clients will be referred by our Doctors to qualified specialists including plastic surgeons and dermatologists;
- in providing treatments to our clients, our Doctors are expected to adhere to detailed procedures when using treatment devices which are established with reference to protocols provided by suppliers of those devices; and
- our Doctors attend internal meetings of our Group from time to time to share their experience in dealing with clients, discuss clients' feedback and exchange ideas on treatments (including treatment devices and technique) and products; such knowledge and experience sharing is intended to mitigate the risk of accidents and the incidence of client complaints.

Use of reliable devices to deliver treatments

All treatment devices used to perform treatments on our clients are evaluated and assessed by our Doctors over their use, with reference to our Doctors' clinical knowledge and experience as well as by certain selection criteria including whether the devices are evidence-based, i.e. whether the use, effectiveness or technology of the devices are approved by national government agencies such as the FDA or MFDS, supported by independent medical journals and/or whether such devices bear CE mark(s) when placed on the EU market, to ensure that they are reliable and are capable of delivering desired outcomes and results for our clients.

We are strategically located in prime locations in Hong Kong

Our Medicskin Centres are strategically located in the premier business district of Central and the popular shopping district of Tsim Sha Tsui. These locations are convenient and easily accessible by our clients as both are close to most forms of public transport.

BUSINESS

Experienced and dedicated team

The growth of our business may be attributable to the efforts of our experienced and dedicated team in the industry. Our Group is led by our Chairman, Dr. Kong, who has around 18 years' relevant medical experience in the provision of the Services and has been instrumental to the development of our Group since its inception. The day-to-day management and administration of our Group is led by our chief executive officer, Mr. Lo Kwok Bun, who, prior to joining our Group, had many years of experience in the technology and financial services sector for working at several multi-national banks. Our executive Directors are actively involved in the day-to-day operations of our Medicskin Centres, which enable us to respond to our clients and to make key management decisions in a timely manner. We believe that the diversified experience of our medical and management team and their in-depth knowledge of the industry and clients' needs are essential to our success and future development.

OUR BUSINESS OBJECTIVE AND STRATEGIES

Our business objective is to grow the Medicskin brand and business. To this end, we set out in the section headed "Statement of Business Objective and Use of Proceeds" in this prospectus, *inter alia*, details of our implementation plan. In pursuing our business objective, we adopt the following business strategies:

Strategically expand and strengthen our presence in Hong Kong

As at the Latest Practicable Date, we had two Medicskin Centres located in Central and Tsim Sha Tsui which are conveniently located in the premier business district and the popular shopping district of Hong Kong. In order to capitalise business opportunities arising from the continued demand for our Services in Hong Kong, we are constantly seeking suitable and strategic locations, such as Causeway Bay, for opening further Medicskin Centres. For servicing such Medicskin Centres, we may procure additional equipment and employ further Registered Medical Practitioners and competent skin care professionals as necessary. Whilst the focus of our business operations was and will continue to be in Hong Kong, we are open to opportunities relating to the provision of our Services as they may arise from time to time outside Hong Kong. Save as disclosed in "Statement of Business Objective and Use of Proceeds" of this prospectus, we have no definitive plan nor have we identified any specific target for expanding our business presence within or outside Hong Kong.

Continue to enhance the quality and variety of our Services and products offering

In order to maintain the standard and competitiveness of our Services and products in the industry, we are keen to ensure that we are kept abreast of, and have access to, the most suitable skincare products as well as the latest treatment technology and equipment. Our Doctors constantly explore suitable skincare products and technology, and source suitable equipment for our clients from time to time to maintain the standard of our Services. To this end, internal meetings are organised from time to time among our Doctors and our other staff members including Doctors' Assistants to discuss and share information about the latest skin care technology, treatment methods, effectiveness of various treatments, clients' feedback and reaction to treatments as well as the feasibility and suitability of introducing such new technology for the use of our clients.

BUSINESS

To strengthen the capability of our Group on enhancing the quality and variety of our Services and products offering, we have employed Dr. Wong Siu Tak, Ben, an experienced researcher in the biochemistry field who has been carrying out biochemistry research for over seven years, to assist in, among other things, exploring suitable skincare products and technology both locally and abroad, and researching suitable equipment for our clients to identify areas with potential for future development.

Going forward, our Group will continue to explore effective skincare products, identify suitable treatment devices as well as treatment methodologies and technology, and review the feasibility of offering the same at our Medicskin Centres which target particular demographics or needs of clients.

Maintain and enhance our professional expertise

The key to the success of our Group as a medical skin care group is the expertise of our professional staff. All of our Doctors have obtained, among other qualifications, master degrees or postgraduate diplomas relating to dermatology and have a number of years of practising experience in the medical sector. We also believe that the professional knowledge and expertise of our front-line staff is crucial to the provision of quality services and have ensured that they are provided with relevant in-house trainings in relation to, *inter alia*, services-related knowledge, operational safety and handling of emergency and/or accident and administrative matters. We believe that our staff are very important assets of our Group and will continue to build on the core strengths of our Medicskin Centres in offering professional and personalised Services to clients and continue to enhance the quality of our Services. We have therefore invested, and intend to continue to invest in recruiting, training and retaining a competent team for our business.

SERVICES PROVIDED AT OUR MEDICSKIN CENTRES

At our Medicskin Centres, we provide the following Services:

- Consultation Service;
- Prescription and Dispensing Service; and
- Treatment Service.

The following table sets forth the revenue contribution of each of our Services:

	Year ended 31 March				Five months ended 31 August			
	2013		2014		2013		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	%	HK\$'000	%
Consultation Service	4,010	7.8	4,592	7.1	1,787	7.3	1,881	6.7
Prescription and Dispensing Service	29,499	57.1	32,126	49.4	12,981	52.8	13,038	46.6
Treatment Service	18,098	35.1	28,323	43.5	9,814	39.9	13,043	46.7
Total	<u>51,607</u>	<u>100.0</u>	<u>65,041</u>	<u>100.0</u>	<u>24,582</u>	<u>100.0</u>	<u>27,962</u>	<u>100.0</u>

Consultation Service

Our first-time clients are required to attend medical consultation with our Doctors at our Medicskin Centres who would recommend what they believe to be the most appropriate treatment and/or prescription for the clients. Follow up medical consultations will also be provided where appropriate so as to keep track of our clients' condition.

During consultations, our Doctors will perform an examination as well as assess and/or make a diagnosis of clients' skin conditions with reference to their medical history and background. Such diagnosis will have regard to the clients' specific condition, needs and concerns. Following such diagnosis, our Doctors may recommend appropriate Services to the clients, be it Prescription and Dispensing Service and/or Treatment Service to address clients' specific needs and concerns. Our Doctors, who have a professional understanding of the features and results of each treatment offered at our Medicskin Centres, can provide advice to clients in using appropriate treatments, Medication and/or skincare products.

A client may be referred by a Doctor to qualified specialists including plastic surgeons and dermatologists if, in the view of the Doctor, the treatment required by the client in connection with his or her skin disease, problem or condition is beyond the capacity of the Doctor. When referring a client to specialists, the Doctor would take into account, *inter alia*, the following considerations:

- whether, based on the Doctors' clinical judgment, the referral is for the benefit of the client;
- the competence and ability of the referred specialists to perform the services needed by the client; and
- confidence that the services provided on referral will be performed competently.

Over the Track Record Period, our Doctors referred a small number of our clients to specialists. To the best of our Directors' knowledge, information and belief, our Doctors referred less than 60, 70 and 30 clients to plastic surgeons, dermatologists and other specialists for each of the two years ended 31 March 2014 and the five months ended 31 August 2014 as compared to the 9,177, 9,172 and 6,222 clients we served for the respective periods. The specialists we refer our clients to may change over time due to, *inter alia*, their availability and the individual needs of our clients. To the best of our Directors' knowledge, information and belief, over 70% of the referral cases related to plastic surgery, which were usually referred to two plastic surgeons based on the above criteria, while most of the rest were dermatology cases which were usually referred to one dermatologist due to the infrequency of cases. The plastic surgeons and dermatologist that our Doctors usually refer our clients to operate their own private practices in Hong Kong and have been registered as specialists on the specialist register (as defined under the Registration Ordinance) for over 15 years. In our Directors' and Doctors' view, all the specialists to whom referrals are made are experienced, reliable and professional in their respective fields of specialty.

None of our Doctors has any financial relationship with the specialists to whom any of our clients has been referred to. Further, neither our Group or any of our Doctors has received any fee or commission for referral of clients to specialists during the Track Record Period.

BUSINESS

Prescription and Dispensing Service

Based on our clients' specific needs, requirements and skin condition following consultations, our Doctors may prescribe Medication and/or recommend skincare products to our clients which may be dispensed at our Medicskin Centres.

We consider that our Doctors' professional advice to clients is crucial to our success in the business segment of Prescription and Dispensing Service. The professional advice provided by our Doctors differentiates our Group from skincare products outlets in the following ways:

- our Doctors can assist clients in choosing and using what they believe to be the right type of Medication and/or skincare products based on diagnosis performed on the clients to treat the clients' specific skin diseases/problems and meet their specific needs and concerns;
- our Doctors can provide ongoing monitoring of the skin conditions of clients and the efficacy of Medication and skincare products; and
- our Doctors, as required by the Code of Professional Conduct, are obliged to act in their clients' best interest when providing the Services and are not allowed to let their judgment (including the choice of Medication and/or skincare products to be dispensed to their clients) be influenced by personal profit.

In some cases, clients who have previously consulted our Doctors at the Medicskin Centres may seek to purchase a refill of Medication and/or skincare products without further consultation with our Doctors. In such circumstances, our clients will be able to obtain the required Medication and/or skincare products from our dispensary unit.

In respect of the dispensation of any Medication and skincare products (including the Medicskin Products), it is our policy that the following procedures are adhered to:

- only one single prescription should be handled at any one time;
- checking the labels against the prescription (such as in terms of client name, product name, dosage, frequency, intake and precautions), and whether it is the correct product and quantity;
- selecting appropriate containers;
- ensuring that the product to be dispensed will not expire within the period of treatment;
- when dispensing capsules or tablets, counting out the correct number of capsules or tablets; and
- verifying the identity of the client upon dispensation.

BUSINESS

Treatment Service

Consultations with our Doctors are required before the provision of any Treatment Service. All treatments provided at our Medicskin Centres are non-invasive/minimally invasive in nature which do not require our clients to be put under general anesthesia. For each of the two years ended 31 March 2014 and the five months ended 31 August 2014, 95.7%, 98.1% and 96.4% of our revenue from Treatment Service was generated from treatments performed by our Doctors at our Medicskin Centres.

Our Medicskin Centres provide a large variety of treatments to target different skin diseases/problems of our clients including acne, hyperpigmentation due to acne, pigmentation problems, rosacea and warts etc., as well as for the improvement of the appearance of clients through, *inter alia*, skin rejuvenation, facial sculpturing and body contouring treatments, treatment of acne scars and enlarged pores, removal of undesired naevi and hair removal. Further details of treatments available at our Medicskin Centres are set out in the section headed “Business — Our Treatments” in this prospectus.

While several different treatments may achieve similar results, our Doctors may recommend one or several treatments based on consideration of a variety of factors including, *inter alia*, client’s particular skin conditions and sensitivity, the treatment process involved, effectiveness of treatment, risks and/or possible side-effects of treatment, and client preference (in terms of such matters as budget, pain tolerance or duration and frequency of treatments).

Set out below is a table summarising the types of Services which our Doctors may recommend to our clients at our Medicskin Centres to address the following skin diseases/problems and/or for the improvement of appearance:

	Prescription and Dispensing Service		Treatment Service provided through use of		
	Medication	Skincare products	treatment devices	injection	chemical peel

For skin diseases/problems:

Acne, hyperpigmentation due to					
acne	●	●	●	●	●
Pigmentation	●	●	●		●
Rosacea	●	●	●		
Dermatitis	●	●			
Eczema	●	●			
Warts	●		●		
Others (scars, keloid, syringoma, sebaceous hyperplasia, elevated lesions, hyperhidrosis, stretch marks etc.)	●	●	●	●	

BUSINESS

	Prescription and Dispensing Service		Treatment Service provided through use of		
	Medication	Skincare products	treatment devices	injection	chemical peel
<i>For improvement of appearance:</i>					
Skin rejuvenation	●	●	●	●	●
Facial sculpturing				●	
Acne scar and enlarged pores . . .	●	●	●		●
Removal of undesirable naevi . . .			●		
Body contouring			●		
Hair removal			●		

OUR MEDICATION AND SKINCARE PRODUCTS

Products available at our Medicskin Centres can be divided into three categories, namely, Medication, Medicskin Products and Over-the-counter Skincare Products.

Medication

After prescription provided by our Doctors, we provide Medication (including oral medication and topical drugs) sourced from licensed drug dealers in Hong Kong (qualified pharmaceutical or medical manufacturers and/or distributors). Our Doctors may prescribe such Medication for the use of clients depending on their specific requirements and skin diseases/problems such as acne, pigmentation, rosacea, dermatitis, eczema and warts.

For each of the two years ended 31 March 2014 and the five months ended 31 August 2014, revenue attributed to the prescription of Medication was approximately HK\$7.1 million, HK\$8.4 million and HK\$3.4 million, which represented approximately 24.0%, 26.2% and 26.2% of our total revenue derived from Prescription and Dispensing Service for the respective periods.

Medicskin Products

As at the Latest Practicable Date, there were approximately 20 Medicskin Products (including cleansers, toners, lotions and creams) which are designed to target a range of skin conditions and are dispensed exclusively at our Medicskin Centres.

Our Directors believe that these products are different from the Over-the-counter Skincare Products in the following ways:

- the Medicskin Products may contain ingredients chosen by our Doctors or a formulation to achieve certain desired effects;

BUSINESS

- the composition of ingredients in Medicskin Products is adjusted from time to time based on the clinical experience of our Doctors and client response and feedback; and
- over the years, the Medicskin Products have been calibrated by our Doctors who have gained insight as to which ingredients and what dosage of Medicskin Products are best suited to our clients.

For each of the two years ended 31 March 2014 and the five months ended 31 August 2014, approximately HK\$9.7 million, HK\$9.6 million and HK\$4.0 million in revenue was attributed to dispensing of Medicskin Products, which represented approximately 32.9%, 29.9% and 30.8% of our total revenue derived from Prescription and Dispensing Service for the respective periods. The profit margin of Medicskin Products was 90.1%, 90.3% and 89.4% for each of the two years ended 31 March 2014 and the five months ended 31 August 2014 respectively.



Our Medicskin Products

According to searches of public government databases and to the best of our Directors' knowledge, information and belief, none of the Medicskin Products are pharmaceutical products or medicines as defined under the PPO. Therefore, none of the Medicskin Products are regulated or are required to be registered.

Over-the-counter Skincare Products

Other than Medicskin Products, our Doctors may also recommend the use of Over-the-counter Skincare Products at our Medicskin Centres to meet the individual needs of clients by:

- supplementing the Medicskin Products by making available masks and serums that are not covered by the Medicskin Products to achieve desired results; and
- providing more choices of skincare products to our clients.

Products are carefully chosen and sourced by our Doctors based on factors such as the suppliers' reputation, product quality and cost of products.

BUSINESS

Revenue attributed to the Over-the-counter Skincare Products was approximately HK\$12.7 million, HK\$14.1 million and HK\$5.6 million for each of the two years ended 31 March 2014 and the five months ended 31 August 2014, which represented approximately 43.1%, 43.9% and 43.0% of our total revenue derived from Prescription and Dispensing Service for the respective periods.

OUR TREATMENTS

Below is a summary of treatments which our Doctors may recommend to our clients at our Medicskin Centres to treat the following skin diseases/problems and for improvement of appearance:

For skin diseases/problems relating to:	Number of treatments available at our Medicskin Centres through use of		
	treatment devices	injection	chemical peel
Acne, hyperpigmentation due to acne	⑤ (including those using devices deploying Nd:YAG Laser)	①	③
Pigmentation	⑤ (including those using devices deploying Nd:YAG Laser and Intense Pulsed Light)	N/A	③
Rosacea	② (including those using devices deploying Intense Pulsed Light)	N/A	N/A
Warts	④ (including those using devices deploying cauterisation)	N/A	N/A
Others (scars, keloid, syringoma, sebaceous hyperplasia, elevated lesions, hyperhidrosis, stretch marks, etc.)	⑨ (including those using devices deploying cauterisation)	② (including Botulinum Toxin Type A injection)	N/A

BUSINESS

For improvement of appearance relating to:	Number of treatments available at our Medicskin Centres through use of		
	treatment devices	injection	chemical peel
Skin rejuvenation (skin laxity, wrinkles)	12 (including those using devices deploying Intense Focused Ultrasound and Monopolar Radiofrequency with CPT)	4 (including Botulinum Toxin Type A injection and Poly-L-lactic Acid Injection)	3
Facial sculpturing	N/A	5 (including Botulinum Toxin Type A injection and Poly-L-lactic Acid Injection)	N/A
Body contouring	1 (using a device deploying Monopolar Radiofrequency with CPT)	N/A	N/A
Acne scar, enlarged pores	6	N/A	3
Removal of undesirable naevi	4 (including those using devices deploying Nd: YAG Laser)	N/A	N/A
Hair removal	2 (including those using devices deploying Intense Pulse Light)	N/A	N/A

All the above treatments provided at our Medicskin Centres are performed by our Doctors.

We also offer to our clients a small portion of supplementary non-invasive treatments which are performed by our Doctors' Assistants, revenue of which accounted for less than 3% of our revenue from Treatment Service during the Track Record Period. These treatments include hydrating, deep cleansing, whitening or exfoliating facials, application of facial serum and masks, treatments for firming and improving skin texture and body treatments. Our Doctors' Assistants are provided with relevant trainings at our Medicskin Centres.

BUSINESS

For each of the two years ended 31 March 2014 and the five months ended 31 August 2014, 95.7%, 98.1% and 96.4% of our revenue was generated from Treatment Service performed by our Doctors at our Medicskin Centres. Some of the treatments which generated the most revenue at our Medicskin Centres over the Track Record Period are set out below and all such treatments were performed by our Doctors:

Treatment technology	Main target problems	Year ended 31 March				Five months ended 31 August	
		2013		2014		2014	
		% of total revenue of Treatment Service		% of total revenue of Treatment Service		% of total revenue of Treatment Service	
		Revenue	Service	Revenue	Service	Revenue	Service
		HK\$ million	%	HK\$ million	%	HK\$ million	%
Intense Focused Ultrasound	laxity of skin (face, neck, eyebrow, eyelids), eye bags, double chin	1.8	9.9	8.1	28.6	3.6	27.7
Nd:YAG Laser	pigmentation problems	3.1	17.1	3.8	13.4	2.0	15.4
Botulinum Toxin Type A injection	expression lines, eye bags, square face, calves muscles, hyperhydrosis	2.5	13.8	3.3	11.7	1.3	10.0
Intense Pulsed Light	pigmentation problems, rosacea, telangiectasia	0.8	4.5	2.9	10.2	1.4	10.8
Monopolar Radiofrequency with CPT	laxity of skin (face, neck, eyelids, body), eye bags, saggy tummy, double chin	1.4	7.7	1.6	5.7	0.3	2.2
Cauterisation	plane warts	1.1	6.1	1.5	5.3	0.7	5.4
Poly-L-lactic Acid Injection	shallow to deep facial wrinkles and folds	0.7	3.9	1.0	3.5	0.7	5.4
Total		11.4	63.0	22.2	78.4	10.0	76.9

The following table sets forth the average price of these treatments per visit during the Track Record Period.

	Year ended 31 March		Five months ended 31 August
	2013	2014	2014
	HK\$	HK\$	HK\$
Intense Focused Ultrasound	25,570	21,590	26,348
Nd:YAG Laser	1,730	1,690	1,932
Botulinum Toxin Type A injection	2,770	3,020	3,024
Intense Pulsed Light	2,150	2,360	3,003
Monopolar Radiofrequency with CPT	18,020	18,790	18,990
Cauterisation	2,070	2,520	2,845
Poly-L-lactic Acid Injection	8,802	9,254	8,439

BUSINESS

Purchase of treatment devices

All the treatment devices at our Medicskin Centres are purchased from treatment device manufacturers which, to the best knowledge, information and belief of our Directors, are Independent Third Parties. The following key treatment devices were purchased over the Track Record Period:

Treatment technology	Main target problems	Number of devices	Cost of purchase	Accreditation body
			HK\$'000	
Intense Pulse Light	pigmentation problems, rosacea, telangiectasia	1	540	FDA
Intense Focused Ultrasound	laxity of skin (face, neck, eyebrow, eyelids), eye bags, double chin	2	930	FDA/KFDA
Radiofrequency	acne scar, enlarged pores, skin rejuvenation	1	440	KFDA

We plan to use part of the net proceeds from the Placing of New Shares for the acquisition of treatment devices as part of our implementation plan to enhance the quality and variety of Services offered at our Medicskin Centres. For further information on our implementation plan and use of proceeds drawn up by our Directors for the period up to 31 March 2017, please refer to the section headed “Statement of Business Objective and Use of Proceeds” in this prospectus.

NON-INVASIVE/MINIMALLY INVASIVE NATURE OF OUR TREATMENT SERVICE

To avoid incidents during the provision of our Treatment Service, we restrict the treatments available at our Medicskin Centres to non-invasive/minimally invasive treatments which do not require our clients to be put under general anesthesia. Our Medicskin Centres do not perform treatments such as liposuction, intravenous therapy and plastic surgery. In respect of certain skin diseases/problems and/or services relating to improvement of appearance which cannot be dealt with or provided at the Medicskin Centres, our clients will be referred by our Doctors to qualified specialists including plastic surgeons and dermatologists for further consultation or treatment.

In November 2013, the Working Group of the Steering Committee established by the Government of Hong Kong made certain recommendations on cosmetic procedures that should be performed by Registered Medical Practitioners. The procedures undertaken at our Group fully comply with the Recommendations and our Doctors have strictly observed the Code of Professional Conduct when they provide Treatment Service. Further information in relation to the recommendations is set out in the section headed “Laws and Regulations — Recent Development in relation to Regulation of Medical Procedures and Beauty Services — Recommendations made by the Working Group” in this prospectus.

BUSINESS

Thorough and comprehensive medical consultation by our Doctors

All of our first-time clients are required to attend medical consultation with our Doctors so that our Doctors can assess and/or make a diagnosis of their skin conditions with reference to their medical history and background prior to recommending appropriate treatments and/or prescriptions. Our Doctors are also required to perform examination and to make a diagnosis based on the clients' skin conditions and/or health conditions prior to the performance of each treatment.

Most of our treatments are performed by our Doctors who have ongoing training

Over 95% of our revenue from Treatment Service during the Track Record Period was generated from treatments performed by our Doctors at our Medicskin Centres. Only limited treatments which are non-invasive in nature and one treatment which is minimally invasive in nature were performed by our Doctors' Assistants (who had been provided with relevant trainings at our Medicskin Centres). Revenue generated from treatments performed by our Doctors' Assistants accounted for less than 3% of our revenue from Treatment Service during the Track Record Period. From November 2013 onwards, it is our policy that any minimally invasive treatments at our Medicskin Centres should only be performed by our Doctors. Further, our Medicskin Centres do not engage freelance Registered Medical Practitioners (i.e. those who are not committed to long term employment but provide services only when such demand for services arises) to perform a diagnosis and/or treatments so as to ensure that the Registered Medical Practitioners at our Medicskin Centres are closely monitored and trained by our Group.

Our Doctors must adhere to procedures, subject to professional judgment exercised, when using treatment devices which are established with reference to protocols provided by suppliers of those devices. Based on the review of the independent internal control consultant, RSM Nelson Wheeler Consulting Limited, our Doctors generally adhered to the protocols provided by suppliers of treatment devices during the Track Record Period. Further, our Doctors are required to attend internal meetings from time to time to share with one another treatment experience and knowledge. Our Doctors also receive in-house and/or external trainings from time to time.

Stringent criteria for selecting treatment devices

All treatment devices used to perform treatments on our clients are evaluated and assessed by our Doctors over their use, with reference to our Doctors' clinical knowledge and experience as well as selection criteria including whether the particular device is evidence-based, i.e. whether the use, effectiveness or technology of the device are approved by national government agencies such as the FDA or MFDS, supported by independent medical journals and/or whether such devices bear CE mark(s) when placed on the EU market, to ensure that they are reliable and are capable of delivering desired outcomes and results for our clients.

Detailed policies and procedures for the introduction of treatments at our Medicskin Centres

We are keen on keeping ourselves abreast of the latest developments and trends in the industry relating to treatments and treatment devices. As such, from time to time we would examine and evaluate the possibility of introducing treatments and treatment devices which may complement our existing range of Treatment Service offered at our Medicskin Centres.

BUSINESS

As described in the section headed “Business — Our Competitive Strengths” in this prospectus, we attribute the success of our business to the delivery of reliable Services to our clients. To this end, we have policies and procedures in place to ensure that treatment devices to be introduced for use in our Medicskin Centres are capable of delivering desired outcomes and results for our clients. Below is a brief summary of some of the key policies and procedures that are adhered to at our Medicskin Centres:

- treatments to be introduced will be evaluated, assessed and internally discussed by our Doctors based on their clinical knowledge and experience and stringent selection criteria which would consider, *inter alia*, (a) whether the treatments and/or treatment devices are evidence-based and/or supported by independent medical journals; (b) the characteristics and possible side-effects of the treatments; (c) suitability of the treatments for use of our clients; (d) the prevalence and availability of treatments on the market; and (e) any publicly available information and peer review on the products;
- our Doctors as well as Doctors’ Assistants who will be assisting in administering the relevant treatments are required to attend requisite training sessions and workshops provided by suppliers in connection with the use of the relevant treatment devices;
- prior to including a treatment as part of the Treatment Service offered at our Medicskin Centres:
 - (i) clients who are interested in using the treatment will, *inter alia*, (a) be provided with relevant information regarding the treatment (including, *inter alia*, characteristics and possible side-effects of the treatment and such further information as may be provided by the supplier of relevant treatment device or deemed appropriate to be provided by our Doctors); (b) be required to study and sign a treatment consent form; and (c) be given sufficient opportunities to raise questions regarding the treatment to our Doctors or to the relevant supplier (as applicable);
 - (ii) our Doctors will administer treatment on the clients, adhering to detailed procedures which are established with reference to protocols provided by suppliers;
 - (iii) our Doctors will closely monitor the effect of the treatment on the relevant clients following the administration of the treatment as well as over an appropriate period of time and will schedule follow-up appointment(s) with the client (if applicable);
 - (iv) our Doctors will consider client feedback received from the relevant clients in connection with the relevant treatment administered and where necessary, consult and/or discuss with the relevant supplier; and
 - (v) our Doctors will attend internal meetings to share their experience in administering the treatment on the relevant clients and further assess the appropriateness of introducing the treatment at our Medicskin Centres. Where necessary, the relevant supplier will be consulted.

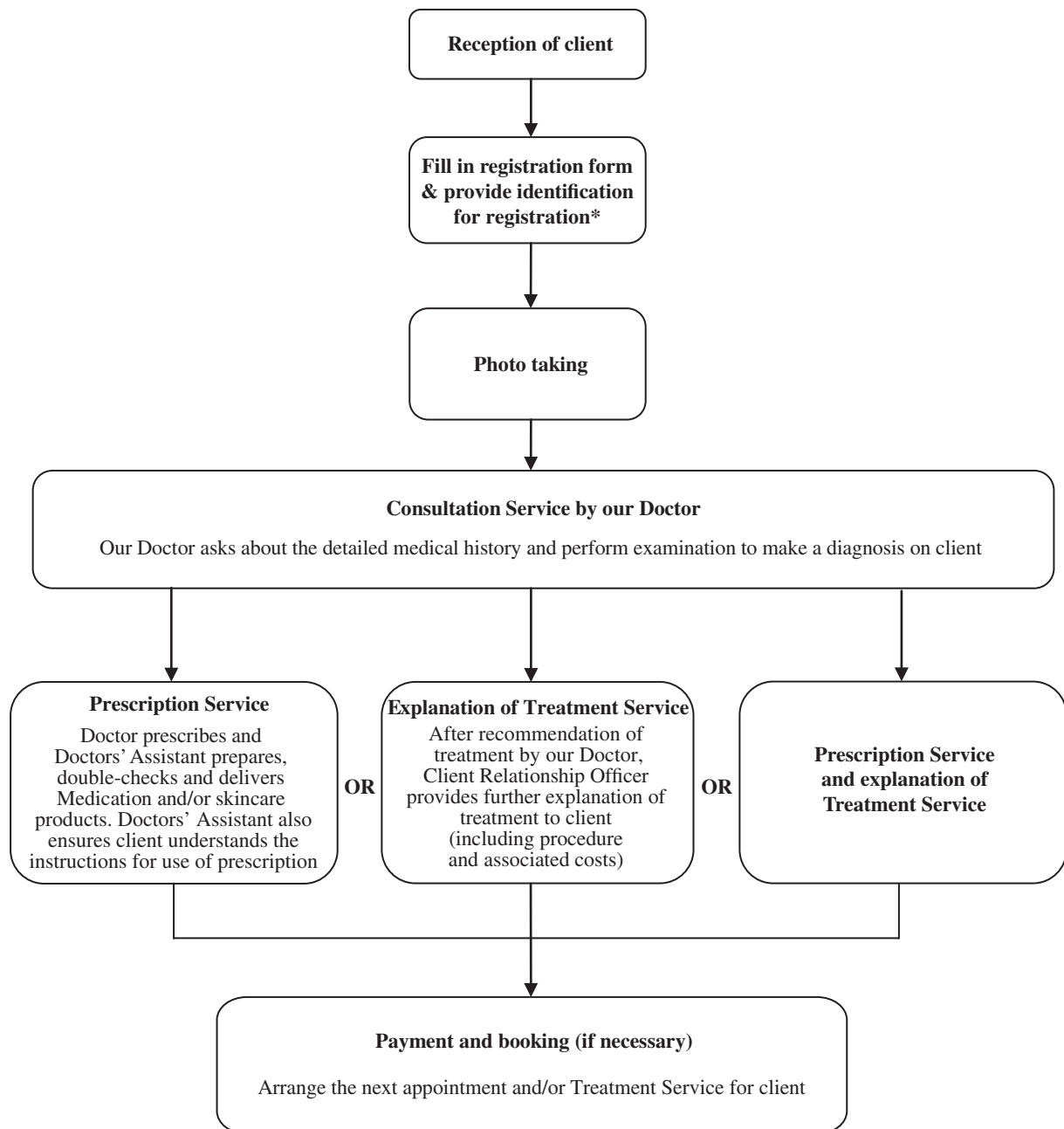
BUSINESS

BUSINESS PROCESS

Our Services mainly comprise the processes of Consultation Service, Prescription and Dispensing Service and Treatment Service.

Process of Consultation Service and Prescription and Dispensing Service

The following flowchart illustrates the different stages of the process of Consultation Service and Prescription and Dispensing Service for a client.

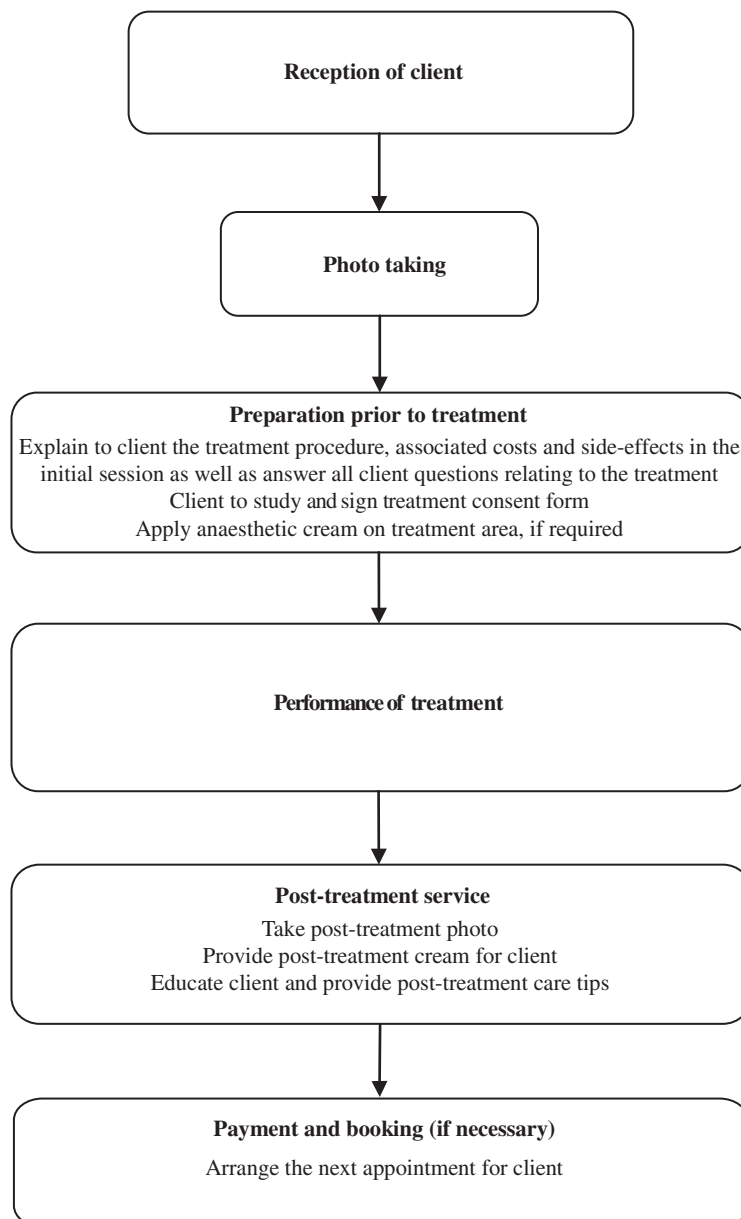


BUSINESS

* *Remark:* A client who has undergone Consultation Service may seek to purchase a refill of Medication and/or skincare products without further Consultation Service. Under such circumstances, our client will be able to obtain the required Medication and/or skincare products from our dispensary unit directly without passing through the steps from filling in registration form to Consultation Service.

Process of Treatment Service

The following flowchart illustrates the different stages of the process of Treatment Service at our Medicskin Centres:



BUSINESS

Our client is required to consult at least one of our Doctors prior to receiving any Treatment Service at our Medicskin Centres.

After consultation with our Doctors, our client may, at his or her discretion, undergo a further discussion with our Client Relationship Officer who will further explain the treatment theory, procedure and cost of recommended treatment as well as answering any questions or concerns a client may have.

Immediately prior to performance of the actual treatment, the treating Doctor is expected to explain the proposed treatment to the client (including treatment objectives and procedure, risks and possible side-effects) and answer any questions the client may have related to the proposed treatment and the client will be requested to study and sign a treatment consent form which, among other things, explains and requires the client to acknowledge his/her understanding of any potential side-effect of the treatment and requires the client to consent to voluntarily undertake the proposed treatment. Different treatment consent forms will be used depending on the proposed treatment to be performed on the client based on his/her specific needs and Doctor's advice.

DOCTORS AT OUR MEDICSKIN CENTRES

We have a total of six Doctors providing the Services at our two Medicskin Centres, namely Dr. Kong (our founder, Chairman, an executive Director and our Controlling Shareholder), Dr. Lam (a Shareholder), Dr. Seto, Dr. Lau, Dr. Choi and Dr. Ng who are all Registered Medical Practitioners. Our Doctors are not registered specialists in dermatology under the specialist register (as defined under the Registration Ordinance). This means that our Doctors have not undergone further formal accredited or supervised post-registration training in dermatology required for registration as a specialist under the specialist register. Nonetheless, our Doctors are permitted to practise medicine, surgery and midwifery in Hong Kong including the provision of Services at our Medicskin Centres under the Registration Ordinance for so long as they act in the interest of clients (including in circumstances when an examination or treatment is beyond their capacity, to consult with or refer to another Registered Medical Practitioner who has the necessary ability) and do not hold themselves out as specialists in dermatology in compliance with the Code of Professional Conduct.

Dr. Kong, an executive Director, Chairman as well as the founder of our Group, is one of our six Doctors, whose profile is set out in the section headed "Directors and Senior Management" in this prospectus.

To the best of our Directors' knowledge, information and belief:

- Dr. Lam undertook her internship training and was a resident in public hospitals in Hong Kong from 2001 to 2005 prior to joining Medicskin in December 2005;
- Dr. Seto undertook her internship training and was a medical officer and family physician trainee in public hospitals in Hong Kong from 2007 to 2009 before joining Medicskin in July 2009;

BUSINESS

- Dr. Lau undertook his internship training in a public hospital in Hong Kong from 2004 to 2005 prior to moving into private practice to work as a general practitioner or medical consultant from 2005 to 2009. Dr. Lau joined Medicskin in October 2009;
- Dr. Choi undertook his internship training and was a resident in public hospitals in Hong Kong from 2003 to 2010 prior to joining Medicskin in February 2011; and
- Dr. Ng undertook his internship training and was a medical officer in public hospitals in Hong Kong from 1999 to 2003 and from 2009 to 2010. From 2005 to 2008, he worked in private practice as a general practitioner or medical consultant. In June 2011, Dr. Ng joined Medicskin.

All of our Doctors have obtained, among other qualifications, master degrees or postgraduate diplomas relating to dermatology as well as a Bachelor of Medicine and a Bachelor of Surgery from either The University of Hong Kong or The Chinese University of Hong Kong. The qualifications of our Doctors can be viewed at a website developed and maintained by the Hong Kong Medical Association at www.hkdoctor.org/english/ and our Company's website. Our Doctors are required under the Code of Professional Conduct to act in the interest of clients and, whenever an examination or treatment is beyond their capacity, to consult with or refer to another Registered Medical Practitioner who has the necessary ability. Please refer to the section headed "Business — Services Provided at our Medicskin Centres — Consultation Service" in this prospectus for details on referral of clients to qualified specialists by our Doctors.

Dr. Lam joined us in December 2005 followed by Dr. Seto and Dr. Lau in July and October 2009 and Dr. Choi and Dr. Ng in February and June 2011, respectively. Therefore, they have the number of years of experience in the medical skin care services industry equivalent to at least the number of years since they joined us. As part of the Reorganisation, each of them became a Doctor who carries on a Managed Practice following the entering into of a Cooperation Agreement with Medicskin. To cope with our business growth, we plan for new doctor(s) to join us through the entering into of new Cooperation Agreement(s). Further details of our implementation plan are set out in the section headed "Statement of Business Objective and Use of Proceeds" in this prospectus.

BUSINESS

The following table sets forth a breakdown of revenue contributed by our Doctors (which includes revenue recognised from sales of prepaid treatment packages upon provision of Treatment Service) for the periods indicated.

	Year ended 31 March				Five months ended 31 August			
	2013		2014		2013		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Dr. Kong, the Controlling								
Shareholder	14,651	28.4	17,676	27.2	6,557	26.7	8,361	29.9
Other Doctors:	23,694	45.9	33,562	51.6	12,681	51.6	14,174	50.7
- Dr. Lam.	10,244	19.9	16,046	24.7	6,335	25.8	6,485	23.2
- Dr. Lau	4,581	8.9	6,700	10.3	2,235	9.1	2,731	9.8
- Dr. A	3,595	7.0	3,645	5.6	1,405	5.7	1,918	6.9
- Dr. B	3,882	7.5	4,568	7.0	1,781	7.2	1,844	6.6
- Dr. C	1,392	2.6	2,603	4.0	925	3.8	1,196	4.2
Dispensing Service.	12,482	24.2	13,261	20.4	5,146	20.9	4,963	17.7
Others ^(Note)	780	1.5	542	0.8	198	0.8	464	1.7
Total revenue	<u>51,607</u>	<u>100.0</u>	<u>65,041</u>	<u>100.0</u>	<u>24,582</u>	<u>100.0</u>	<u>27,962</u>	<u>100.0</u>

Note: Others include the revenue from Treatment Service carried out by Doctors' Assistants and forfeited revenue.

As shown in the table above, the majority of our Group's revenue during the Track Record Period was generated through the services provided by Dr. Kong and Dr. Lam. In order to incentivise and increase revenue contribution from other Doctors or any new doctors joining our Group, our Group has put in place the following measures:

- Dr. Kong and Dr. Lam will continue to provide necessary training and assistance to other Doctors to develop their management, leadership, administration and/or medical skills which we believe are important to the continuation of the business should Dr. Kong or Dr. Lam determine to cease his or her engagement with our Group;
- our Group will continue to review the remuneration packages of our Doctors and provide necessary incentive and rewards to retain our Doctors, such incentive and rewards may include monthly incentive, discretionary bonus or share options; and
- our Group will provide competitive remuneration packages to recruit talented doctors according to the needs of our Group.

Further, it is intended that the proceeds from the Placing will be used for the establishment of new Medicskin Centre(s) in Hong Kong. Our Group will recruit new doctor(s) for our expansion and such new doctor(s) will increase the number of contributors of revenue and accordingly reduce the proportion of revenue contributed by Dr. Kong and Dr. Lam.

BUSINESS

In selecting new Doctors to join us, we will assess, *inter alia*, their academic and professional qualifications (including post-graduate qualifications relevant to the Services such as a diploma of dermatology), years of experience and good standing in the provision of Services, as well as their character, integrity and eagerness to learn.

As described in the section headed “History, Reorganisation and Group Structure — Reorganisation — Cooperation Agreements” in this prospectus, the remaining terms of the Cooperation Agreements between the Doctors and our Group ranged from one year to three years and five months as at 1 April 2014. We generally begin the negotiation with a Doctor for renewal of his/her Cooperation Agreement around three months prior to its expiry. Our Directors confirm that we have not experienced material difficulties in the renewal of employment contracts with our Doctors in the past and there was no material interruption to our operations in this regard. Moreover, based on our current understanding and communication with our Doctors as regards the existing cooperation arrangement, our Directors do not anticipate significant impediment in the renewal of Cooperation Agreements with our Doctors upon their expiry. Nevertheless, should a Doctor decide not to renew his/her Cooperation Agreement or to terminate his/her Cooperation Agreement with us (which normally requires a prior notice of not less than three calendar months), we will endeavor to recruit and train a Registered Medical Practitioner as appropriate to replace the relevant Doctor to ensure that our business and operations will not be materially affected.

As discussed in the sections headed “Laws and Regulations — Regulations on the Supply of Goods and Services — Registration Ordinance”, “Laws and Regulations — Regulations on Pharmaceutical Products and Drugs — Pharmacy and Poisons Ordinance and its sub-legislations” and “Laws and Regulations — Regulations on Pharmaceutical Products and Drugs — Dangerous Drugs Ordinance” in this prospectus, Consultation Service, Prescription Service, certain Treatment Service constituting the practice of medicine such as injection of Botulinum Toxin Type A as well as dispensing of Medication under the Dispensing Service must be carried out by or conducted under the supervision of Registered Medical Practitioners. In addition, pursuant to the recommendations made by the Working Group Steering Committee established by the Government of Hong Kong, procedures involving injection such as hyaluronic acid and procedures involving mechanical/chemical exfoliation of skin below the epidermis, such as chemical peel and cauterisation, should be performed by Registered Medical Practitioners, details of which are set out in the section headed “Laws and Regulations — Recent Development in relation to Regulation of Medical Procedures and Beauty Services” in this prospectus. Revenue recorded for those Treatment Service which should be performed by Registered Medical Practitioners under applicable rules and regulations as well as the aforementioned governmental recommendations represented approximately 44.2%, 31.2% and 29.9% of the revenue of Treatment Service for each of the two years ended 31 March 2014 and the five months ended 31 August 2014.

Accordingly, revenue from all Services which should be performed by or conducted under the supervision of Registered Medical Practitioners under applicable rules and regulations as well as the aforementioned governmental recommendations, including Consultation Service, Prescription Service and part of Dispensing Service and Treatment Service as described above, amounted to approximately HK\$31.1 million, HK\$34.5 million and HK\$14.7 million respectively, representing approximately 60.3%, 53.1% and 52.5% of the total revenue of our Group for the two years ended 31 March 2014 and the five months ended 31 August 2014.

BUSINESS

Our Directors believe we generally have certain competitive strengths as compared to beauty salons in Hong Kong, where their treatment services are often performed by therapists who are non-Registered Medical Practitioners. According to the Ipsos Report, customers often derive greater confidence in medical skin care services providers with more experience and skill, such as Registered Medical Practitioners due to their better understanding of human anatomy when providing treatment services. Our Directors believe that Registered Medical Practitioners have the professional knowledge and can induce customers' confidence in our Group that we are able to make a diagnosis of skin diseases/problems, prescribe appropriate medicine and/or skincare products, and perform treatments as well as evaluation and follow-up procedures. In comparison, therapists performing treatments at beauty salons generally do not possess any medical qualification and did not receive formal medical training. Some beauty salons might engage Registered Medical Practitioners on a case-by-case basis for certain treatments and hence the quality control of service by the beauty salons may not be sufficient.

However, as pointed out in the Ipsos Report, our Group faces competition from these beauty salons as they generally invest heavily on advertising their services to the public to broaden their customer base and incur lower staff costs as their treatments are often performed by therapists without formal medical training. In addition, we believe that the competition for competent candidates, especially from reputable and experienced Registered Medical Practitioners, in the medical skin care services industry is intense. Comparatively, assembling a team of experienced and competent Registered Medical Practitioners would be more challenging for medical skin care service providers like our Group who focus on providing their services through Registered Medical Practitioners.

Doctors' liabilities

As our Doctors are Registered Medical Practitioners, they are required to adhere to the Code of Professional Conduct as well as remain fit and proper (as considered by the Medical Council) throughout the period of their practice and they must not be subject to any reprimand, suspension, removal from the General Register or other actions or proceedings which may affect their propriety or registration to act as Registered Medical Practitioners. As any failure of our Doctors to adhere to these requirements may have an adverse impact on the reputation and operations of their Managed Practices, we have well established guidance and procedures in place at our Medicskin Centres which are aimed at minimising any claims and/or incidences of medical malpractice associated with our Doctors.

As the performance of Treatment Service and/or the use of Medication may carry inherent health risks, 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. As treatments and/or Medication may have varying effects on different persons based on their medical and skin conditions, and clients may have subjective views on the level of satisfaction of services provided, it is not uncommon for clients to become agitated and

BUSINESS

possibly litigious when desired results are not achieved or if they suffer certain side-effects or injuries. Where our Doctors may be negligent or reckless in respect of any treatment and/or prescription of Medication, claims of medical negligence and malpractice may also be brought. As such, as with any other Registered Medical Practitioners, our Doctors are exposed to, *inter alia*:

- complaints brought against them informally or formally through our Medicskin Centres 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 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 Medical Council following any complaints and/or information supplied by clients;
- disciplinary orders made by the Medical Council following due inquiry, including an order of removal from the general or specialist registrars;
- 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.

Please refer to the section below headed “Business — Insurance — Insurance policies” in this prospectus on the professional indemnity protection cover maintained by our Doctors.

Each of our Doctors has confirmed that he/she has not, since commencing practice as a Registered Medical Practitioner, (a) been subject to any disciplinary actions, investigations or other similar actions by the Medical Council or other professional and regulatory bodies in Hong Kong; or (b) been involved in any actual, pending or threatened litigation or claims against or associated with his/her medical practice, other than as disclosed in the section headed “Business — Regulatory Compliance and Legal Proceedings — Legal claim against our Group” in this prospectus.

OUR MEDICSKIN CENTRES

Currently, we provide our Services at two Medicskin Centres which are located in Central and Tsim Sha Tsui. Over the years, our Central Centre which was established in 2000 has continued to expand in terms of having more floor space in Central and our TST Centre was opened in December 2012. For each of our Central Centre and TST Centre, the breakeven period (the time it takes for the monthly gross profit of one Medicskin Centre being at least equal to its monthly expenses incurred) was one month and two months respectively while the investment payback period (the time it takes for the accumulated profits of one Medicskin Centre to cover its accumulated expenses and initial set-up costs) was seven months and ten months respectively. To streamline our operations, our Jordan Centre and Shatin Centre were closed down in around the third quarter of 2012 and in the first quarter of 2014, respectively. No compensation was paid to the employees concerned since those employees were transferred to other Medicskin Centres after the closure of the two Medicskin Centres, other than

BUSINESS

one who resigned on her own accord. For the year ended 31 March 2013 (i.e. the year of closure of our Jordan Centre), our Jordan Centre served approximately 146 clients, which represented 1.6% of the total clients our Group served, and generated 0.4% of the total revenue of our Group, for the year. For the year ended 31 March 2014 (i.e. the year of closure of our Shatin Centre), our Shatin Centre served approximately 236 clients, which represented 2.6% of the total clients our Group served, and generated 0.5% of the total revenue of our Group, for the year. Our Directors consider that there was no loss of customers upon the closure of the two Medicskin Centres that would have had material impact on our business, financial condition or results of operations.

For reference only, the following tables set forth the revenue, profit and cash flow contribution from our Medicskin Centres during the Track Record Period:

	Year ended 31 March				Five months ended 31 August	
	2013		2014		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Revenue						
Central Centre.	45,105	87.4	38,561	59.3	15,958	57.1
TST Centre.	4,810	9.3	26,121	40.2	12,004	42.9
Other Medicskin Centres	1,692	3.3	359	0.5	—	—
Total	<u>51,607</u>	<u>100.0</u>	<u>65,041</u>	<u>100.0</u>	<u>27,962</u>	<u>100.0</u>
Profit (loss)^(Note 1)						
Central Centre.	13,794	94.9	8,254	N/A ^(Note 2)	782	N/A ^(Note 2)
TST Centre.	500	3.4	5,740	N/A ^(Note 2)	994	N/A ^(Note 2)
Other Medicskin Centres	238	1.7	(257)	N/A ^(Note 2)	(20) ^(Note 3)	N/A ^(Note 2)
Total	<u>14,532</u>	<u>100.0</u>	<u>13,737</u>	<u>N/A^(Note 2)</u>	<u>1,756</u>	<u>100.0</u>
Operating cash flow before changes in working capital and taxes paid^(Note 1)						
Central Centre.	18,754	92.0	12,449	N/A ^(Note 2)	2,395	N/A ^(Note 2)
TST Centre.	1,300	6.4	9,008	N/A ^(Note 2)	2,424	N/A ^(Note 2)
Other Medicskin Centres	321	1.6	(283)	N/A ^(Note 2)	(23) ^(Note 3)	N/A ^(Note 2)
Total	<u>20,375</u>	<u>100.0</u>	<u>21,174</u>	<u>N/A^(Note 2)</u>	<u>4,796</u>	<u>100.0</u>

Notes:

1. Other than income/expenses directly attributable to the individual Medicskin Centres, income/expenses of our Group were allocated to the Medicskin Centres by apportionment with reference to the respective revenues of the Medicskin Centres.
2. Other Medicskin Centres collectively recorded losses and negative operating cash flow before changes in working capital and taxes paid for the year ended 31 March 2014, hence, the respective calculations of percentage contribution by each Medicskin Centre were not applicable.
3. The amount was attributable to the expense incurred for the restoration of premises after the closure of our Shatin Centre in the first quarter of 2014, pursuant to the tenancy agreement.

BUSINESS

The following are the key factors our Directors take into account in expanding our Medicskin Centres or setting up new Medicskin Centres:

- convenience of location for target clients;
- quality of premises and facility (including the management of the facilities);
- concentration of similar services providers nearby; and
- terms of the lease (including expected rental expense) of premises.

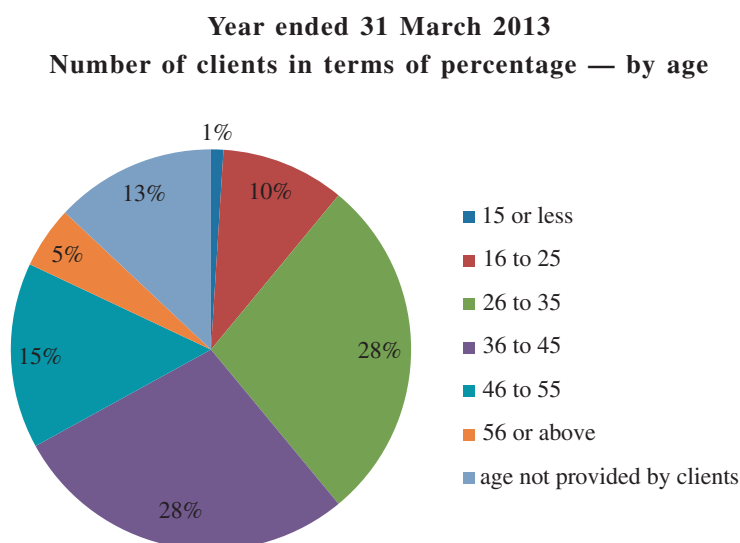
For details of our future plans in respect of expanding our presence (including estimated breakeven period and investment payback period), please refer to the section headed “Statement of Business Objective and Use of Proceeds” in this prospectus.

CUSTOMERS

Our Services are provided through our Medicskin Centres in Hong Kong. Rather than conducting any active marketing or advertising, our clients are mostly introduced to us through client referrals and/or word-of-mouth. In this connection, we believe our clients are those who prioritise reputation and quality over the marketing profile of services providers. While the number of clients we served at our Medicskin Centres maintained at approximately 9,177 and 9,172 for each of the two years ended 31 March 2014 respectively, our client flow (in terms of number of visits) had increased by 15.3% from 54,117 to 62,371 for the respective years. While the number of clients we served at our Medicskin Centres maintained at approximately 6,166 and 6,222 for each of the five months ended 31 August 2013 and 2014, our client flow had increased by 9.2% from 25,019 to 27,318 for the respective periods.

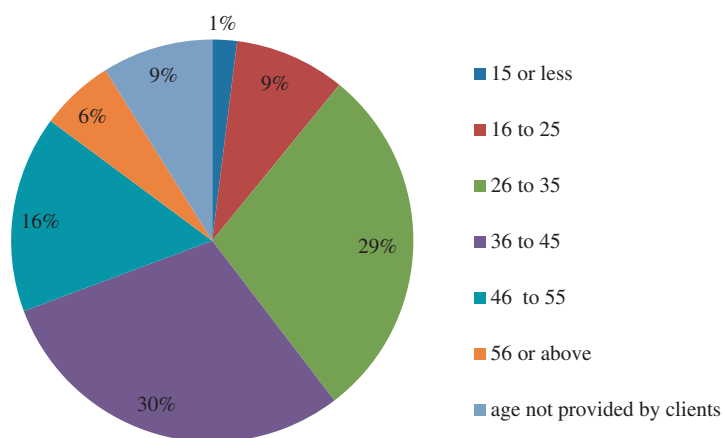
Our Medicskin Centres have served a mix of clients in different age groups and of both genders. The following charts summarise the profile of our clients by age and gender for the two years ended 31 March 2013 and 2014 and the five months ended 31 August 2014:

Breakdown of client numbers in terms of percentage (by age)

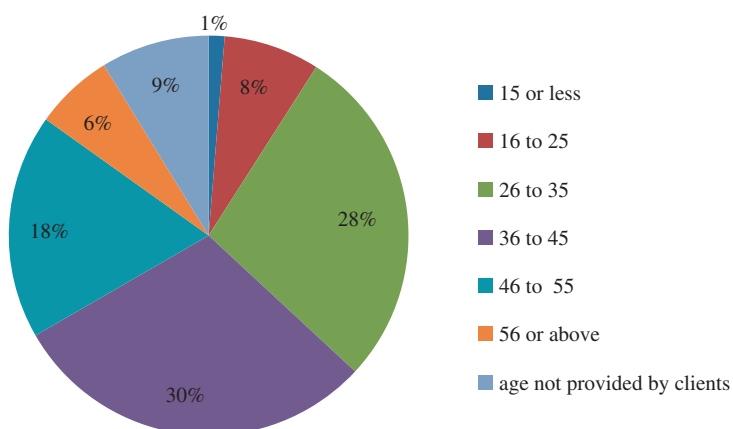


BUSINESS

Year ended 31 March 2014
Number of clients in terms of percentage — by age



Five months ended 31 August 2014
Number of clients in terms of percentage — by age



Breakdown of client numbers in terms of percentage (by gender)

Gender	Year ended 31 March		Five months ended 31 August
	2013	2014	2014
Female	88.9%	89.0%	91.0%
Male	11.1%	11.0%	9.0%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

BUSINESS

Due to our business nature, our clients are individual members of the public. Accordingly, no credit terms are normally offered to our clients. For each of the two years ended 31 March 2014 and the five months ended 31 August 2014, the percentage of revenue derived from our Group's five largest clients in aggregate was less than 2%. All of our five largest clients are Independent Third Parties.

The following table sets out the length of relationship with our clients who had visited our Medicskin Centres during the five months ended 31 August 2014:

<u>Length of relationship</u>	<u>Number of clients</u>	<u>Percentage</u>
Less than 1 year	2,142	34%
1 to 3 years	1,276	21%
3 to 5 years	883	14%
5 years or above	<u>1,921</u>	<u>31%</u>
Total	<u>6,222</u>	<u>100%</u>

PRICING POLICY

The pricing of our Services is determined as follows:

Consultation Service — fees are charged at a fixed rate per visit.

Prescription and Dispensing Service — price is determined on a cost-plus basis (i.e. with a margin over the cost of purchase of the relevant Medication and/or skincare products) and with reference to the price of similar product in the market.

Treatment Service — price is determined based on several factors including, *inter alia*, (i) supplier's recommended market reference price; (ii) price of similar treatment on the market; (iii) cost of treatment consumable; (iv) time typically required for the performance of the treatment; and (v) number of sessions recommended by our Doctors.

The pricing of our Services is further adjusted as follows:

- with reference to the seniority and experience of the relevant Doctor providing the Consultation Service and Treatment Service whereby the price is charged on a three-tier scale; and/or
- fees charged for Consultation Service will be reduced if it is followed immediately by the Prescription and Dispensing Service and/or Treatment Service.

BUSINESS

The pricing of our Services is reviewed by our management semi-annually. In addition, our pricing policy may also be reviewed in between the semi-annual reviews under the following circumstances:

- new treatment or product being introduced at our Medicskin Centres (the pricing of existing similar service/product would also be reviewed simultaneously);
- change in demand for our existing Services;
- increase in purchase cost of product/treatment consumable charged by our suppliers; and
- change in market price of similar service/product.

SALES RECEIPT CONTROL AND MANAGEMENT POLICY

Cash receipts at our Medicskin Centres generally arise from income from the Consultation Service, Prescription and Dispensing Service and Treatment Service. Clients normally pay by cash, credit cards or EPS, and on a less frequent basis, by use of medical cards. All popular types of credit cards as well as certain medical cards are accepted at our Medicskin Centres.

We have implemented a check and balance system at our Medicskin Centres to ensure that our sales receipts are accurately received and recorded. Our staff are expected to check our daily sales records in our ERP against all credit card slips and EPS slips generated from credit card machines and EPS terminals, medical card payment forms and actual cash receipts, and rectify any discrepancies noted, on a daily basis. 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 ERP. Upon receiving bank statements, monthly bank reconciliation will be conducted to ensure the accuracy of proceeds received. Any reconciliation reports will be reviewed and approved by the chief financial officer 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.

PREPAID TREATMENT PACKAGES

Our Medicskin Centres offer prepaid treatment packages to our clients in connection with treatments which may require multiple sessions to achieve desired results, and takes into account the protocols recommended by suppliers of treatment devices in respect of the number of optimal sessions which should be taken to achieve those results. Since the prepaid treatment packages we offer are treatment-specific instead of prepaid value-redemption for a range of choices of treatments, we can easily record revenue when services are provided, recognise forfeited revenue when prepaid package expire and calculate deferred revenue with the use of our ERP. Our ERP records the origination, utilisation, expiration and change of prepaid package sold to clients. As our prepaid treatment package offered are treatment-specific, we can monitor the utilisation of our treatment devices and consumables from time to time to ensure that our operations are not affected by the volume of prepaid

BUSINESS

packages purchased. Our Doctors may also recommend one-off treatments to our clients, based on the protocols recommended by suppliers of treatment devices and/or our clients' specific requirements. If the clients consider the recommended treatments are desirable, they may prepay for the treatment after the consultation and/or make an appointment. Neither our Doctors nor our staff receive commission for selling of treatment packages to clients. According to the Ipsos Report, it is the industry practice for medical skin care services providers to sell prepaid treatment packages.

Contract terms

Each client will enter into a formal contract with us when purchasing a prepaid treatment package. The contract clearly sets out the terms and conditions of the prepaid package including, *inter alia*, the valid period for the use of the treatment, the number of sessions the client shall be entitled to under the contract, the name of the treating Doctor as well as the restriction that the treatment package cannot be used for other treatment not specified in the contract. Prepaid treatment packages are normally settled by cash, EPS or credit cards in one lump sum. Normally, the valid period of each prepaid treatment package is from a few months to two years from the date of purchase. Pursuant to the terms of the standard contracts, clients are not entitled to a refund of the prepaid treatment packages after the valid period.

Expiry, extension and refund

Our Directors confirm that some clients may not use the prepaid treatment package fully before it expires as they consider that they have already obtained desired results or for other personal reasons. However, upon the request of the client, the prepaid treatment package may be extended for up to two years following its expiry at the discretion of our Medicskin Centres, taking into consideration reasons provided by the client on a case-by-case basis. Examples of valid reasons include changes of skin/health condition of a client such as pregnancy or that the client will need to be away from Hong Kong temporarily.

In circumstances where a client has experienced side-effects or developed an allergy to a particular treatment, the client may request a refund or re-treatment, subject to our case-by-case investigation. During the Track Record Period, we did not receive any complaint from our clients in connection with the use of prepaid treatment package that would have had material impact on our business, financial condition or results of operations. For further information on our client feedback management, please refer to the section headed "Business — Client Feedback Management" in this prospectus.

BUSINESS

Accounting treatment

Prepaid treatment packages are recorded as deferred revenue in the consolidated statements of financial position at the point of sales and are recognised as revenue in the consolidated statements of profit or loss and other comprehensive income based on the effective selling price when relevant treatments are delivered to clients from time to time. For those clients who have not enjoyed services under the prepaid treatment packages after two years from the contractual expiry date, for financial reporting purpose, the unused prepaid treatment packages will be fully recognised as forfeited revenue forming part of the revenue in the consolidated statements of profit or loss and other comprehensive income. Such forfeited revenue is regarded as revenue generated in the ordinary course of our business.

The following table provides a breakdown of deferred revenue as at 31 March 2013 and 2014 respectively:

	Year ended 31 March		Five months ended 31 August
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Deferred revenue			
At the beginning of the year/period	2,964	3,989	6,389
Receipts from sales of prepaid treatment packages	7,560	15,575	6,628
Revenue recognised upon provision of Treatment Service	(6,224)	(12,995)	(6,357)
Forfeited revenue	(311)	(180)	(123)
At the end of the year/period	<u>3,989</u>	<u>6,389</u>	<u>6,537</u>

For each of the two years ended 31 March 2014 and the five months ended 31 August 2014, approximately HK\$0.3 million, HK\$0.2 million and HK\$0.1 million was attributed to forfeited revenue, representing 0.6%, 0.3% and 0.4% of the total revenue of our Group for the respective periods.

MARKETING

Rather than conducting any active marketing or advertising, we rely on, *inter alia*, the following to maintain our clientele:

- building and sustaining the reputation of our Medicskin Centres in the industry as providers of professional and reliable services;
- increasing operational efficiency and service excellence to enhance client experience; and
- client referrals and word-of-mouth.

BUSINESS

PURCHASES

Our major purchases are Medication and skincare products as well as treatment consumables. For each of the two years ended 31 March 2014 and the five months ended 31 August 2014, our purchase of Medication and skincare products amounted to approximately HK\$5.2 million, HK\$4.8 million and HK\$1.8 million, and our purchase of treatment consumables amounted to approximately HK\$2.2 million, HK\$2.8 million and HK\$1.3 million, respectively.

We have policies and procedures for selecting suitable Medication, skincare products and treatment consumables, as well as selecting reliable and quality suppliers. Our Doctors will recommend the types of Medication, skincare products and treatment consumables to procure, and our Group's purchasing manager is responsible for negotiating and placing orders with our suppliers. With the list of Medication, skincare products and treatment consumables recommended by our Doctors, our Group's purchasing manager will then conduct research and appraisal on suppliers (based on various factors including suppliers' reputation, quality of goods supplied, competitiveness of price compared to other suppliers, punctuality of delivery, past performance and relationship with our Group), and negotiate the procurement of the Medication and skincare products and treatment consumables. Any purchase order with a value of over HK\$100,000 will require the review and approval of the chief executive officer or chief financial officer of our Group.

Although we place our purchasing orders directly with the suppliers, a number of suppliers (typically pharmaceutical manufacturers) with whom we place purchasing orders use distributors to arrange for the delivery of products to us. Instead of paying these suppliers directly, settlements are made in respect of invoices issued directly by the distributors to us. Our Directors confirm that such practice is common among suppliers of pharmaceutical and skincare products.

As regards the purchase of Medicskin Products, an independent skincare product manufacturer has been manufacturing Medicskin Products for our Group since 2000. During the two years ended 31 March 2014, the purchase of Medicskin Products had been made directly from the independent skincare product manufacturer and indirectly through Beauty Tech (a company entirely owned by our Controlling Shareholder). For details and the background of the arrangement, please refer to the section headed "Business — Purchases — Background to historical purchases from Beauty Tech" in this prospectus. The independent skincare product manufacturer is restricted from disclosing the formula of Medicskin Products to any third party and/or manufacturing skincare products using the formula of Medicskin Products for any third party.

Major suppliers

We have not entered into any long term contract with our suppliers and we are free to engage other suppliers for procurement. Save for Beauty Tech (a company entirely owned by our Controlling Shareholder), we have over 10 years business relationship with our top five suppliers for each of the two years ended 31 March 2014 and the five months ended 31 August 2014. Our Directors believe that we have maintained good business relationships with our suppliers and, during the Track Record Period, we did not encounter any material problem in sourcing Medication, skincare products or treatment consumables based on the needs of our Medicskin Centres. Generally, we have the right to

BUSINESS

reject goods, to require replacement and the payment of damages from our suppliers if the goods are defective or non-conforming. Our Directors also confirm that during the Track Record Period, we did not encounter any quality issue on our purchases or did not receive any defective products that would have had material impact on our business, financial condition or results of operations.

The average credit period on purchase of goods is 30 days. Settlements with suppliers are mainly in Hong Kong dollars by way of payment of cheques for purchases in Hong Kong or by way of telegraphic transfer in the currency of the principal place of business for purchases outside of Hong Kong.

For each of the two years ended 31 March 2014, our largest supplier, which was Beauty Tech, accounted for approximately 21.6% and 21.5% of our total purchases respectively. For the five months ended 31 August 2014, our largest supplier accounted for approximately 17.0% of our total purchases. For each of the two years ended 31 March 2014 and the five months ended 31 August 2014, our five largest suppliers in aggregate accounted for approximately 68.3%, 66.1% and 60.1% of our total purchases.

To our Directors' best knowledge, information and belief, except for Beauty Tech, none of our Directors, their respective close associates or any Shareholders owning more than 5% of our issued Shares as at the Latest Practicable Date had any interest in any of our five largest suppliers during the Track Record Period.

Background to historical purchases from Beauty Tech

Beauty Tech was principally engaged in the business of trading of skincare products prior to November 2014, and had ceased to carry on any business. Being entirely owned by our Controlling Shareholder, Beauty Tech purchased skincare products and on-sold them to us and Independent Third Parties including a department store in Hong Kong.

During the Track Record Period, certain skincare products of our Group were purchased through Beauty Tech, including:

- (i) the purchase of approximately HK\$1.1 million, HK\$0.8 million and nil of Medicskin Products that were sourced from an independent skincare product manufacturer through Beauty Tech for each of the two years ended 31 March 2014 and the five months ended 31 August 2014 respectively; and
- (ii) the purchase of approximately HK\$0.5 million, HK\$0.8 million and HK\$0.4 million of certain Over-the-counter Skincare Products for each of the two years ended 31 March 2014 and the five months ended 31 August 2014 respectively.

The skincare products were on-sold to us at cost by Beauty Tech under these arrangements. In other words, our Group would be financially indifferent if the purchases were made by our Group directly from relevant suppliers.

BUSINESS

Since January 2014, we have ceased sourcing Medicskin Products through Beauty Tech. Further, Beauty Tech ceased business in November 2014 such that we now directly source all Over-the-counter Skincare Products from independent suppliers and no longer source any of them through Beauty Tech.

The independent skincare product manufacturer of our Medicskin Products

Background of the independent skincare product manufacturer

The independent skincare product manufacturer of our Medicskin Products has over 25 years' experience in the field of skin and body care products manufacturing, which has a factory evaluated by GMPC Intertek (a testing, inspecting and certifying products company) to be in compliance with Good Manufacturing Practices for Cosmetics with reference to:

- (i) Cosmetic Good Manufacturing Practice Guidelines (2008) published by the FDA (scope of compliance: manufacturing of Facial Care Products, Body Care Products and Hair Care Products); and
- (ii) Guidelines on Good Manufacturing Practices of Cosmetic Products (1995) under ISO22716:2007 (scope of compliance: manufacturing of Facial Care Products, Body Care Products and Hair Care Products).

The independent skincare product manufacturer confirms that it possesses all the necessary licences, permits, certificates or approvals to manufacture Medicskin Products.

Major terms of the manufacturing arrangement for Medicskin Products

Medicskin and the independent skincare product manufacturer agreed on trade terms pursuant to the parties' purchase orders. Major terms agreed between the parties include, *inter alia*:

- (i) the independent skincare product manufacturer shall be responsible for and shall bear any and all risk of loss or damage to the Medicskin Products until actual delivery to and acceptance of the goods by Medicskin;
- (ii) the independent skincare product manufacturer shall bear any loss or damage, whenever occurring, which results directly or indirectly from inadequate packaging or inferior quality of the Medicskin Products;
- (iii) Medicskin shall have the right to inspect Medicskin Products and to reject any or all of the Medicskin Products which are in Medicskin's judgment defective or non-conforming. In the event that defects or non-conformity of the Medicskin Products manufactured are not apparent on examination, Medicskin reserves the right to require replacement as well as payment of damages;

BUSINESS

- (iv) the independent skincare product manufacturer expressly warrants that all Medicskin Products furnished under the agreement shall conform to all specification and appropriate standards and shall be safe and appropriate for the purpose for which Medicskin Products are normally used; and
- (v) Medicskin may terminate the order in the event of any default by the independent skincare product manufacturer.

In selecting the skincare product manufacturer for our Medicskin Products, our Directors considered, *inter alia*, its years of experience and credentials in the field of skin and body care products manufacturing as referred to above in this section. Pursuant to our agreed terms with the independent skincare product manufacturer, Medicskin has the right to inspect Medicskin Products and to reject any or all of the Medicskin Products which are in Medicskin's judgment defective or non-conforming. Upon receipt of the Medicskin Products, our staff will conduct sample checking of the products and review such matters as expiration date, quantity, packaging and labeling. We do not operate our own laboratory at our Medicskin Centres or appoint any external agent to test the Medicskin Products manufactured by the independent skincare product manufacturer, having considered (i) the industry experience and credentials of such manufacturer; and (ii) that our Group did not encounter any quality issue on our purchases or did not receive any defective Medicskin Products that would have had material impact on our business, financial condition or results of operations during the Track Record Period.

INVENTORY CONTROL

Inventory of our Group at our Medicskin Centres mainly comprises of Medication, skincare products, injectables and consumables used in treatments. Inventory at our Medicskin Centres as at 31 March 2013 and 2014 and 31 August 2014 were approximately HK\$2.8 million, HK\$2.1 million and HK\$1.9 million, respectively.

We closely monitor our inventory, including the inventory level, composition and age. With the assistance of the ERP, we are able to assess the level of our inventory at each location in a timely manner. The ERP can also provide useful information such as turnover statistics of products, which facilitates decisions on minimising storage costs and risk of obsolete inventory.

All products at our Medicskin Centres are used/sold on a first-in-first-out basis and obsolete or expired items are written off upon expiration dates in our books and the ERP. The total inventories written off for each of the two years ended 31 March 2014 and the five months ended 31 August 2014 was approximately HK\$48,000, HK\$0.2 million and HK\$0.1 million respectively.

A stock take on treatment consumables at our warehouse is carried out on a monthly basis, while a stock take on Medication and skincare products inventories is performed on a rotational basis. Nevertheless, a full stock take on all inventories at the Medicskin Centres is carried out on an annual basis.

RESEARCH AND DEVELOPMENT

To ensure clients are provided with access to some of the latest skin care treatments and skincare products, we are keen on keeping ourselves abreast of the latest developments and trends in the industry.

BUSINESS

In the past, we relied on our Doctors with the assistance of the head of business and product development to engage in the research and development process for our Services and skincare products. Therefore, no research and development expense was recorded during the Track Record Period. Recently, our Group has increased effort and resource in this area by employing Dr. Wong Siu Tak, Ben, an experienced researcher in the biochemistry field who has been doing biochemistry research for over seven years, to assist in, among other things, exploring suitable skincare products and technology both locally and abroad, and researching suitable equipment for our clients to identify areas with potential for future development.

QUALITY CONTROL

We believe our Group has successfully established a reputation for being a trustworthy, reliable and quality provider of the Services. We attribute our success to our professionalism in the delivery of Services, which includes making safety and well-being of our clients as priority.

We have a total of six Doctors providing the Services at our two Medicskin Centres who are all Registered Medical Practitioners and have a number of years of practising experience in the medical sector. In selecting new Doctor(s) to join us, we will assess, *inter alia*, his or her academic and professional qualifications (including post-graduate qualification relevant to the Services such as a diploma of dermatology), years of experience and good standing in the provision of Services, as well as his or her character, integrity and eagerness to learn.

Our Directors believe that professional knowledge and expertise of front-line staff is crucial to the provision of quality services. As such, we ensure that they are provided with in-house trainings in relation to, *inter alia*:

- services-related knowledge: such as skincare products available at our Medicskin Centres. Training courses in relation to skin, treatment theories, functions, operations, safety precautions of medical equipment are provided by suppliers of devices from time to time. In-house trainings are also provided by Dr. Wong Siu Tak, Ben, a researcher in the biochemistry field who conducts medical research in relation to new technology in the medical skin care field;
- operational safety and handling of emergency and/or accident: such as procedures and guidelines in relation to handling equipment, needlesticks, sharp objects and medical waste; and
- administration matters: such as client handling skills, complaint management skills as well as established policies and procedures at our Medicskin Centres.

We have policies and procedures for selecting suitable Medication, skincare products and treatment consumables, as well as selecting reliable and quality suppliers. Our Doctors are responsible for recommending the selection of the types of Medication, skincare products and treatment consumables to procure. For further details of the selection criteria of suppliers, please refer to the

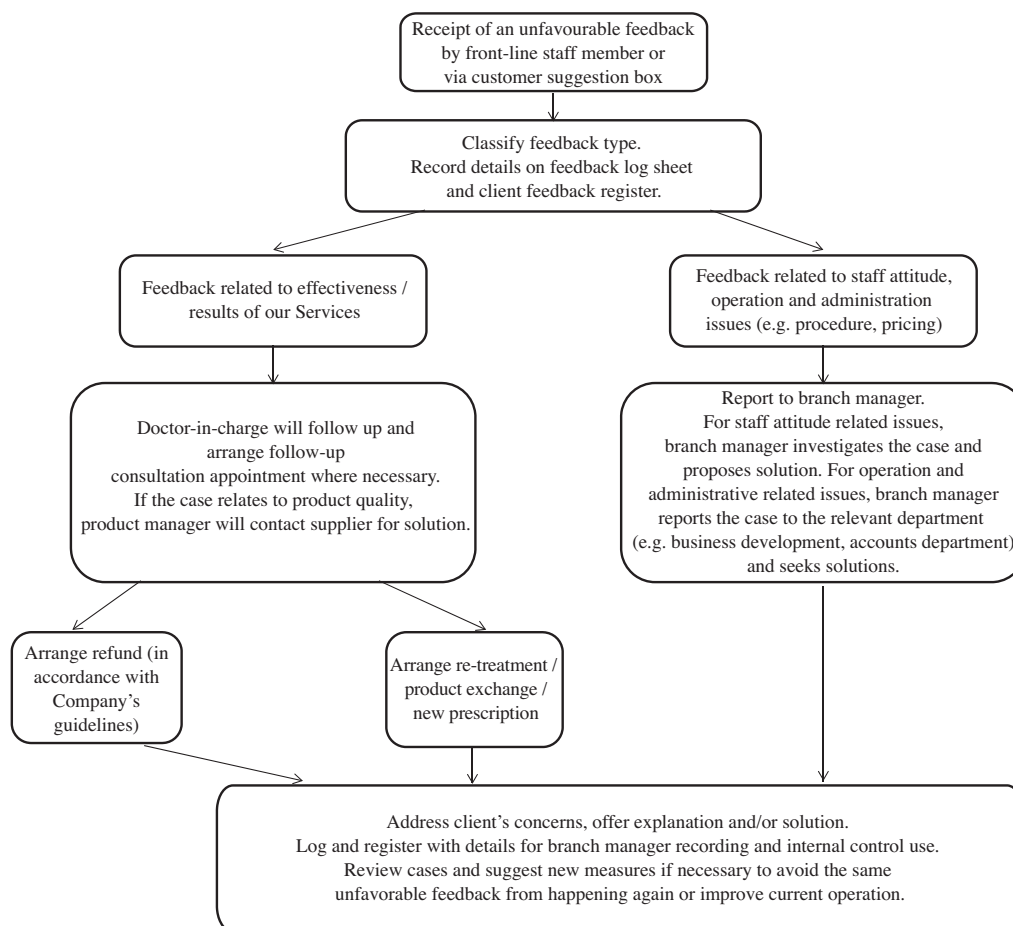
BUSINESS

section headed “Business — Purchases” in this prospectus. Our Directors confirm that during the Track Record Period, we did not encounter any quality issue on our purchases or did not receive any defective products that would have had material impact on our business, financial condition or results of operations.

CLIENT FEEDBACK MANAGEMENT

Due to the service nature of our business, we consider the receiving and consideration of client feedback critical for the improvement of our Services. Clients are encouraged to provide feedback through front-line staff and customer suggestion boxes are placed at prominent areas at our Medicskin Centres.

Where a client has provided unfavourable feedback, staff at the relevant Medicskin Centres are required to follow the procedures below.



Under our client feedback handling policy, unfavourable feedback is received from our clients either in person by our front-line staff members or via our customer suggestion boxes. The feedback will be recorded and referred to the relevant person-in-charge (who is usually the branch manager, product manager, or the treating Doctor depending on the nature of the feedback) for further action and reply. If considered appropriate, we will take follow-up action(s) or timely remedial action(s) after

BUSINESS

our investigation, including offering refund, re-treatment or exchange of product. For our follow-up policy, please refer to the section headed “Business — Client Feedback Management — Follow-up policy” in this prospectus. Our Doctors will discuss the feedback during regular Doctors’ meetings and we will also promptly review the feedback and make necessary amendments to our existing policies, improvement on our Services, and provision of suitable employee training, if desirable.

Unfavourable client feedback we have received

For each of the two years ended 31 March 2014 and the five months ended 31 August 2014, 10, 21 and 1 unfavourable feedbacks have been lodged at the client feedback register and feedback log sheet (constituting approximately 0.02%, 0.03% and 0.004% of the total number of services performed at our Medicskin Centres for the respective periods). The following table illustrates the categories and number of unfavourable client feedback during the Track Record Period:

Categories	Number of unfavourable client feedback		
	Year ended 31 March		Five months ended 31 August
	2013	2014	2014
Dissatisfaction with appointment schedule with a particular Doctor	1	0	0
Higher price being paid for similar treatments due to our three-tier pricing policy or due to revisions to our pricing from time to time . . .	0	2	0
Miscommunication between our staff and the client	0	1	0
Unsatisfactory results from the use of services and/or products provided	1	8	0
Side-effects arising from, or the development of allergy following treatment or after application of skincare products	8	10	1

During the Track Record Period, no unfavourable feedback had been lodged in the form of a complaint with the Hong Kong Consumer Council or the Medical Council. Save for the claim disclosed in the section headed “Business — Regulatory Compliance and Legal Proceedings — Legal claim against our Group” in this prospectus, our Directors confirm that our Group and the Managed Practices did not receive any other pending or threatened claims or proceedings during the Track Record Period up to the Latest Practicable Date. Our Directors further confirm that there were no accidents arising from the Services provided at the Medicskin Centres during the Track Record Period which would have had material impact on our business, financial condition or results of operations.

BUSINESS

Follow-up policy

As we are principally engaged in the treatment of skin diseases/problems and/or the improvement of appearance of our clients, our Directors understand that clients may have a high level of expectation on the effectiveness of the products and services provided. In some circumstances, for example, where a client has experienced side-effects or developed an allergy to a particular treatment and/or skincare product, where the relevant treatment and/or skincare product did not fully meet the client's expectation, or where the skincare product we offered was of unsatisfactory quality due to the fault of our Group or our suppliers, the client may request a refund, product return for exchange of other skincare product(s), where applicable. Prior to any payment to a client, the relevant case must be reviewed by the Doctor-in-charge of the particular case and approved by our Chairman or chief executive officer. For each of the two years ended 31 March 2014 and the five months ended 31 August 2014, the amount of product return/exchange was approximately HK\$119,000, HK\$178,000 and HK\$59,000, respectively.

Our Group paid approximately HK\$66,000, HK\$65,000 and HK\$16,000 (representing approximately 0.1%, 0.1% and 0.1% of our revenue) to clients as refund for each of the two years ended 31 March 2014 and the five months ended 31 August 2014 respectively. Among such payments, payments to clients in relation to the unfavourable feedback amounted to approximately HK\$48,000, HK\$41,000 and HK\$5,000 (representing approximately 0.1%, 0.1% and 0.02% of our revenue) for each of the two years ended 31 March 2014 and the five months ended 31 August 2014 respectively. The remaining sums were payments made to clients mostly due to their personal reasons, for example, the client had to leave Hong Kong for good, and the client no longer wished to receive skin care treatments after the discovering of critical illness.

REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS

Regulatory compliance

The operations of our Medicskin Centres in Hong Kong are subject to certain laws and regulations such as the Registration Ordinance, the Trade Descriptions Ordinance, the Consumer Goods Safety Ordinance and its sub-legislation, the Undesirable Medical Advertisements Ordinance, the Pharmacy and Poisons Ordinance, the Dangerous Drugs Ordinance, the Waste Disposal Ordinance and the Waste Disposal (Clinical Waste) (General) Regulation. Further details of the relevant laws and regulations are set out in the section headed "Laws and Regulations" in this prospectus.

Our Directors confirm that our Medicskin Centres had at all times complied with the relevant legislations and regulations during the Track Record Period and up to the Latest Practicable Date.

Our Doctors are also required to comply with the Code of Professional Conduct which embodies high ethical values, protect patients' interests and upholds professional integrity. The Code of Professional Conduct is intended to maintain high standards of proper conduct and good practice for doctors to fulfill their moral duty of care. Failure to comply with the Code of Professional Conduct may subject the relevant doctor to disciplinary action by the Medical Council.

BUSINESS

Our Directors also confirm, with the support of the legal opinion of legal counsel, James Y.K. Tze, Esq. that our Doctors were in compliance with the Code of Professional Conduct during the Track Record Period.

Licenses

As with any other businesses carrying on any form of trade, commerce, profession or other activities carried on for the purpose of gain in Hong Kong, we and the Managed Practices are required to obtain business registration with the Inland Revenue Department of Hong Kong pursuant to the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong).

As at the Latest Practicable Date, our Group and the Managed Practices had obtained all the requisite business registrations and had been issued with all requisite business registration certificates for the operations of both of our Medicskin Centres in Hong Kong.

Our Directors consider that, in so far as Hong Kong law in respect of the operations of our Medicskin Centres for providing Services is concerned, our Group is not required to obtain other licenses and permits from any regulatory body in Hong Kong. Our Directors confirm that our Group has complied with all the relevant regulatory requirements in Hong Kong for the operations of its business as set out in this prospectus.

Legal claim against our Group

Our Group has not been subject to any actions, material claims or proceedings during the Track Record Period save that a writ of summons was issued, which had never been served, on 28 May 2014 in the Court of First Instance of the High Court of Hong Kong against Dr. Lau and Medicskin in connection with a claim for personal injuries, loss and damages sustained as a result of and/or resulting out of alleged medical negligence of Dr. Lau. It is alleged in the claim that the claimant developed skin problems following the administration of hyaluronic acid injection into the nose of the claimant by Dr. Lau between May and November 2012. Subsequent to the Track Record Period, a settlement was reached and a consent order was granted by the Court of First Instance of the High Court of Hong Kong on 30 October 2014. As Dr. Lau is indemnified under the indemnity provided by his professional indemnity provider, Medicskin is not required to contribute towards the settlement sum. Hence, there is no liability on the part of Medicskin in connection with the claim. During the Track Record Period and up to the Latest Practicable Date, none of our Doctors including Dr. Lau had been subject to any disciplinary action or investigation brought by the Medical Council. For the revenue contribution from Dr. Lau, please refer to the sections headed “Business — Doctors at our Medicskin Centres” and “Financial Information — Summary of Results of Operations — Revenue — (II) Revenue from our Doctors” in this prospectus.

As at the Latest Practicable Date, neither our Company nor any of our subsidiaries was engaged in any litigation or claims of material importance and no litigation or claims of material importance was known to our Directors to be pending or threatened against our Company or any of our subsidiaries.

BUSINESS

RISK MANAGEMENT AND CORPORATE GOVERNANCE

We believe that corporate governance and risk management are crucial to the development and success of our business. Therefore, we have adopted corporate governance measures and risk management measures in various aspects of our business operations such as financial reporting, legal compliance, information system and premises safety and human resources management.

Risk management

We recognise the need for risk management in our strategic and operational planning, day-to-day management and decision making process and are committed to managing and minimising risks by identifying, analysing, evaluating and mitigating risk exposures that may impact the continued efficiency and effectiveness of our operations or prevent it from achieving its business objectives.

The risks which are identified by our Company are broadly categorised into business risks, financial risks, compliance risks and operation and other risks. All such risks may arise from time to time in connection with the operations of our Group.

The risk management process of our Group is coordinated and facilitated by our legal and compliance officer and is overseen by our chief executive officer. The objectives of risk management are to, *inter alia*, enhance our Company's governance and corporate management processes as well as to safeguard our Group against unacceptable levels of risks and losses.

The risk management process of our Group will involve, *inter alia*, (i) an annual risk identification exercise which involves assessment of the consequence and likelihood of risks (including documenting those of potentially high impact) and the development and/or review of risk management plans for mitigating such risks; (ii) testing of documented risk management procedures at approval intervals; and (iii) ensuring that our staff and other stakeholders have access to appropriate information and training in the area of risk management.

Corporate governance

In terms of corporate governance, and as such our Group has, *inter alia*, (i) designated our legal and compliance officer to assist our Board to oversee and monitor due compliance with laws, rules and regulations applicable to our Group; (ii) appointed three independent non-executive Directors to ensure the effective exercise of independent judgment on its decision-making process and provide independent advice to the Board and the Shareholders; (iii) an audit committee to assist our Board by providing independent view of the effectiveness of our financial reporting process and internal control and risk management systems, and overseeing the audit process; (iv) appointed Shenyin Wanguo as our compliance adviser in compliance with the applicable GEM Listing Rules; and (v) provided (and will continue to provide) our Directors and senior management with training, development programs on applicable legal and regulatory requirements from time to time.

Based on the above, our Directors are of the view that our Company has adequate corporate governance measures and risk management procedures in place for the business operations of our Group.

BUSINESS

INSURANCE

Insurance policies

According to our Group's policy, all our Doctors are required to and do maintain professional indemnity protection cover which provides advice and representation services in relation to litigation, claims and complaints arising out of or in connection with their medical practices. They are indemnified for legal costs and compensation payments involved in clinical negligence claims, subject to certain limitations including criminal proceedings and fraud allegations which are excluded from the scope of such indemnity.

In addition, our Group also maintains (i) medical malpractice insurance (subject to the exclusion of indemnity against any claim arising out of incident including but not limited to the manufacture of any product, or treating of any product sold or failure of any product to fulfil the purpose for which it was designed or directly or indirectly caused by any act in violation of any law or ordinance); (ii) insurance on shop content and equipment, business interruption, money and assault and public liability; (iii) accidental damage property insurance on certain equipment of our Group; (iv) employees' compensation insurance; and (v) car insurance.

Insurance claims

The claim against Dr. Lau as disclosed in the section headed "Business — Regulatory Compliance and Legal Proceedings — Legal claim against our Group" in this prospectus has been covered by the indemnity provided by Dr. Lau's professional indemnity provider. Save as disclosed, during the Track Record Period and up to the Latest Practicable Date, no material insurance claim was filed by our Group.

INFORMATION TECHNOLOGY AND SYSTEMS

Our Group places emphasis on information technology and system in order to ensure business managed by it is transacted in an efficient and effective manner.

There are two major application systems employed to support the front-line operation at our Medicskin Centres and back-end accounting, financial reporting and management planning, namely ClinicSolution™ and the ERP.

- ClinicSolution™ stores a centralised repository to provide functions such as client appointment, medical history including historical client images consultation and prescription record.
- The ERP provides functions on, *inter alia*, front desk sales, payment receipt, inventory maintenance and month-end and year-end financial reporting.

The Reveal Imager image system is used to produce high-quality photo-images of clients for side-by-side image comparison (before and after treatment) with a special function showing brown spots or red area of skin feature.

BUSINESS

The computer infrastructure is established at our Medicskin Centres for online real-time processing by staff at both locations. Server rooms are built at both locations for mutual backup, equipped with UPS (uninterruptible power-supply system) and Firewall to ensure a stable and secured environment that business data are back-up from the production server, kept onsite and offsite as contingency. Business continuity is achieved such that the application and production data can be restored at backup machine, either on a second server at main site at our Central Centre or the server at our TST Centre, to resume normal operation within a short period of time after a disastrous event occurrence. Our Group is committed to providing system support for a high-quality, stable and expandable environment to business by investing in technology. Recently, computer hardware, system software and affiliate items have been acquired by us and put in operation. Our Group has invested approximately HK\$1.3 million in total in the improvement of our information technology and system during the Track Record Period.

INTELLECTUAL PROPERTY

Our Directors consider that it is important to protect our Group against infringement of its intellectual property rights and have taken appropriate steps to do so, including the registration of Trademarks. Our Group will take appropriate legal action to protect its intellectual property rights if its management discovers any infringement of those rights.

As at the Latest Practicable Date, our Group had five registered trademarks in Hong Kong and three registered trademarks in the PRC, and had two and 18 trademark applications pending in Hong Kong and the PRC respectively. We have also registered the following domain names:

- medicskin.com
- medicskin.com.cn
- medicskin.cn

Other than as described above, our Group is not materially dependent on any intellectual property right. Further details of intellectual property owned or registered by our Group are set out in the section headed “Statutory and General Information — Further Information about Our Business — Intellectual property rights of our Group” in Appendix IV to this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any intellectual property infringement claim which would have had material impact on our business, financial condition or results of operations.

BUSINESS

HUMAN RESOURCES

We procure the services of six Doctors through their Managed Practices. In addition, as at the Latest Practicable Date, we employed 51 staff to support the operations of our Medicskin Centres.

The following table illustrates the number of Doctors and our staff as at 31 March 2013 and 2014, 31 August 2014 and the Latest Practicable Date:

	As at 31 March		As at	As at the
	2013	2014	31 August 2014	Latest Practicable Date
Doctors	6	6	6	6
Management officers	1	3	3	3
Medical research	—	1	1	1
Medicskin Centres operation team:				
- Doctors' Assistants	25	31	27	27
- Client Relationship Officers	2	2	2	2
- Other supporting staff	5	4	5	5
Corporate communication and business development	3	3	2	2
Human resources and administration	6	5	3	3
Other supporting team ^(Note)	7	8	8	8
Total	55	63	57	57

Note: Including accounting, purchasing, stock control, information technology, etc.

The employment of our staff is determined based on, *inter alia*, our current and future human resources requirements, the remuneration and compensation package of each staff member, the working hours and attendance of each staff member, and administration policies and procedures applicable to all staff.

We assess and review the performance of our staff at our Medicskin Centres through our performance appraisal system, which involves assessing the service skill and knowledge possessed by the staff. We also invite clients to provide feedback on quality of services provided, which forms an important criterion for the assessment process.

OCCUPATIONAL SAFETY

We believe health and safety of our staff are very important. We have implemented internal policies including procedures and guidelines in relation to handling equipment, needlesticks, sharp objects and medical waste. Our Group also arranges regular staff training on operational safety and handling of emergency and accidents to enhance their safety awareness. We also keep a record of all workplace accidents.

BUSINESS

Our Directors confirm that during the Track Record Period, none of our staff has been involved in any material accident in the course their employment and we have not been subject to any disciplinary actions with respect to occupational safety.

PROPERTIES

As at the Latest Practicable Date, we had leased properties for the operations of our two Medicskin Centres, namely (i) a 5,816 square feet centre in Tak Shing House, Central which has been gradually expanded from 1,690 square feet in 2000; and (ii) a 3,624 square feet centre at Ocean Centre, Tsim Sha Tsui which was opened in December 2012. Please refer to the section headed “Statutory and General Information — Further Information about Our Business — Properties” in Appendix IV to this prospectus for further details.

We take into consideration revised terms of the contract, the new rental fee and our budget before we decide to renew the lease agreements and to occupy the same premises for our operations. During the Track Record Period, we did not experience any material difficulty in renewing our lease agreements or exploring new premises for our Medicskin Centres.

COMPETITION

We operate in the medical skin care services industry in Hong Kong which is highly competitive. Due to regulatory restrictions on advertising or promotion of services by doctors, we believe the success of service providers in the industry is reliant on their reputation, track record and word-of-mouth passed on by satisfied clients (which may be supported by a large client base).

According to the Ipsos Report, there were approximately 310 medical skin care services providers (including medical skin care groups like us, as well as Registered Medical Practitioners, who engage in the provision of medical skin care services in their own name) in Hong Kong in 2013, of which 302 earned revenues below HK\$40 million and one earned a revenue exceeding HK\$80 million. We are among the seven services providers in Hong Kong with revenues of between HK\$40 million and HK\$80 million in 2013. We believe that key factors contributing to our market position include, *inter alia*, the scale of our operations, the number of experienced Doctors serving at our Medicskin Centres as well as the pricing, variety, quality and professionalism in the services we provide.

NO COMPETING INTERESTS OF OUR DIRECTORS AND CONTROLLING SHAREHOLDER

Each of our Directors and Controlling Shareholder confirms that, as at the Latest Practicable Date, none of them and their respective close associates had any interest in a business apart from our Group’s business which competes or is likely to compete with our Group.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board has the ultimate responsibility for the management of our Company's affairs. Our Board currently consists of six (6) Directors, namely, three (3) executive Directors and three (3) independent non-executive Directors.

Name	Age	Position	Date of appointment as Director	Date of joining our Group	Major roles and responsibilities	Relationship with any Director/senior management
Dr. KONG Kwok Leung (江覺亮)	61	Chairman and executive Director	20 June 2014	July 2000	overseeing the overall operation of our Group and leading and directing our Group's overall business and development strategies; chairman of the nomination committee of the Company; member of the remuneration committee of our Company	Uncle of Ms. Kong Chung Wai
Mr. LO Kwok Bun (盧國斌)	61	Chief executive officer and executive Director	12 July 2014	May 2013	day-to-day management and operation overseeing risk management; corporate communication and marketing; product development; information technology and accounting matters of our Group; member of the remuneration committee of our Company	Nil
Ms. KONG Chung Wai (江聰慧)	36	Executive Director and legal and compliance officer	12 July 2014	November 2001	overseeing our Group's general compliance matters; member of the nomination committee of our Company	Niece of Dr. Kong
Mr. CHAN Cheong Tat (陳昌達)	64	Independent non-executive Director	3 December 2014	3 December 2014	providing independent judgement to the Board; chairman of the audit committee; member of the remuneration committee and the nomination committee of our Company	Nil

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of appointment as Director	Date of joining the Group	Major roles and responsibilities	Relationship with any Director/ senior management
Mr. LEE Ka Lun (李家麟)	59	Independent non-executive Director	3 December 2014	3 December 2014	providing independent judgement to the Board; member of the remuneration committee, the audit committee and the nomination committee of our Company	Nil
Mr. LEUNG Siu Cheung (梁兆祥)	63	Independent non-executive Director	3 December 2014	3 December 2014	providing independent judgement to the Board, chairman of the remuneration committee; member of the audit committee and the nomination committee of our Company	Nil

Executive Directors

Dr. KONG Kwok Leung (江覺亮), aged 61, is an executive Director and the Chairman of our Company as well as the founder of our Group. He is responsible for overseeing the overall operation of the Group and leading and directing our Group's overall business and development strategies.

Dr. Kong graduated from the Faculty of Medicine of The University of Hong Kong in November 1978 and obtained a Bachelor of Medicine and Bachelor of Surgery (MBBS (HK)). He subsequently obtained a Diploma in Dermatology from the University of London in September 1995 and a Postgraduate Diploma in Practical Dermatology from Cardiff University in October 2007. He had also obtained the qualifications of Diploma in Child Health from Royal College of Physicians of London in January 1985.

Dr. Kong has been in private medical practice for more than three decades and has around 18 years of practising experience in the medical skin care services sector. In 1996, Dr. Kong commenced the practice of providing medical skin care services in Central, Hong Kong. In July 2000, Dr. Kong founded our Group by setting up Medicskin to provide skin treatment services.

In addition, Dr. Kong attends lectures and seminars on medical skin care in Europe, America and Southeast Asia from time to time to keep himself abreast of the latest medical skin care technology and knowledge.

Dr. Kong was a director of Star Accord Investment Limited ("**Star Accord**") which was a company incorporated in Hong Kong and dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance in October 2005 as it ceased to carry on business. Prior to its deregistration, Star Accord was principally engaged in investment holding. Dr. Kong confirmed that Star Accord was solvent at the time of its dissolution and so far as he was aware, no claim has been or will be made against him as a result of such dissolution.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Kong is the uncle of Ms. Kong Chung Wai, an executive Director.

Save as disclosed in this prospectus, Dr. Kong has confirmed that (i) he has no interest in the Shares within the meaning of Part XV of the SFO; (ii) he is independent from, and is not related to, any other Directors, members of senior management, Substantial Shareholders or Controlling Shareholder; (iii) he has 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; and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his appointment as an executive Director.

Mr. LO Kwok Bun (盧國斌), aged 61, is an executive Director and the chief executive officer of our Group. Mr. Lo joined Medicskin in May 2013 and is responsible for the day-to-day management and operations overseeing risk management, corporate communication and marketing, product development, information technology and accounting matters of our Group.

Mr. Lo obtained a Bachelor of Science in Management from the Massachusetts Institute of Technology in Cambridge, Massachusetts, USA in June 1978.

Mr. Lo has substantial experience in the technology and financial services sector. He had held senior positions with several multi-national banks including the Vice President of The Citibank Private Bank and the Technology Head of the Asia Pacific Division of Private Banking Group of Citibank Private Bank. Mr. Lo was later employed by the HSBC Group from January 1995 to September 2008. During this period, he acted as (i) the Managing Director and Regional Head of eBusiness & Technology Services at HSBC Private Bank (Suisse) SA; (ii) the Managing Director and Head of Information Technology & Systems at HSBC Republic Bank (Suisse) SA.; and (iii) the Director & Head of Information Technology/Systems in HSBC Investment Bank Asia Limited.

Mr. Lo had been a director of Richside Holdings Limited (“**Richside**”) which was a company incorporated in Hong Kong and dissolved by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance in November 2002 as it ceased to carry on business. Prior to its deregistration, Richside was principally engaged in investment holding. Mr. Lo has confirmed that Richside was solvent at the time of its dissolution and so far as he was aware, no claim has been or will be made against him as a result of such dissolution.

Save as disclosed in this prospectus, Mr. Lo has confirmed that (i) he has no interest in the Shares within the meaning of Part XV of the SFO; (ii) he is independent from, and is not related to, any other Directors, members of senior management, Substantial Shareholders or Controlling Shareholder; (iii) he has 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; and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his appointment as an executive Director.

DIRECTORS AND SENIOR MANAGEMENT

Ms. KONG Chung Wai (江聰慧), aged 36, is an executive Director and the legal and compliance officer of our Group. Ms. Kong joined our Group in 2001 and is mainly responsible for overseeing the general compliance matters of our Group.

Ms. Kong obtained a Bachelor of Business Administration in Accounting from the Hong Kong University of Science and Technology in November 2000 and a Bachelor of Laws degree from the University of London in August 2010. Ms. Kong has been a fellow member of the Association of Chartered Certified Accountants since 2010 and has accumulated over 13 years of accounting, auditing and compliance experience.

Ms. Kong is the niece of Dr. Kong, our Chairman and an executive Director.

Save as disclosed in this prospectus, Ms. Kong has confirmed that (i) she has no interest in the Shares within the meaning of Part XV of the SFO; (ii) she is independent from, and is not related to, any other Directors, members of senior management, Substantial Shareholders or Controlling Shareholder; (iii) she has 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; and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with her appointment as an executive Director.

Independent non-executive Directors

Mr. CHAN Cheong Tat (陳昌達), aged 64, was appointed as an independent non-executive Director on 3 December 2014.

Mr. Chan graduated from Central Queensland University with a master degree in financial management in October 1995 through distance learning. He has also been an associate of The Institute of Chartered Secretaries and Administrators (U.K.) since 1974 and The Hong Kong Institute of Chartered Secretaries since 1994. Mr. Chan is also a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Australian Society of Certified Practising Accountants for over 24 years.

Mr. Chan has over 32 years of work experience in the Hong Kong Inland Revenue Department. He was an Assistant Commissioner and was responsible for tax compliance before he retired in 2005.

Mr. Chan has been the sole director of a tax consultancy company, C T Tax Consultants Limited, since August 2006. Further, Mr. Chan has been an independent non-executive director of Guangdong Tannery Limited (Stock Code: 1058) since March 2006 and Wasion Group Holdings Limited (Stock Code: 3393) since May 2014. He was an independent non-executive director of Noble Jewelry Holdings Limited (currently known as Zhong Fa Zhan Holdings Limited) (Stock Code: 475) from October 2006 to December 2011.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed in this prospectus, Mr. Chan has confirmed that (i) he has no interests in the Shares within the meaning of Part XV of the SFO; (ii) he is independent from, and is not related to, any other Directors, members of senior management, Substantial Shareholders or Controlling Shareholder; (iii) he has 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; and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his appointment as an independent non-executive Director.

Mr. LEE Ka Lun (李家麟), aged 59, was appointed as an independent non-executive Director on 3 December 2014.

Mr. Lee obtained a Higher Diploma in Accountancy from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) in November 1978 and has been an associate of the Association of Certified Accountants since 1980 and a fellow member of the Chartered Association of Certified Accountants since 1985.

Mr. Lee has over 25 years of experience in the banking and auditing fields. He joined Lloyds TSB Bank Plc (which was then known as Hill Samuel Bank Limited) in 1982 as an Accountant. He was then promoted to Regional Director — Finance and Operation of Lloyds TSB's operations in Asia in 1987 and had been the Regional Deputy Chief Executive of Lloyds TSB Bank plc from 1991 until 2007. Mr. Lee has also been a responsible officer of Asia Investment Research Limited licensed under the SFO to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities since July 2008.

He also serves as an independent non-executive director of the following four listed companies in Hong Kong:

<u>Name of company</u>	<u>Stock code</u>	<u>Date of appointment</u>
Yuexiu Property Company Limited	0123	April 2000
Chow Sang Sang Holdings International Limited	0116	September 2004
REXLot Holdings Limited	0555	April 2007
Chong Hing Bank Limited	1111	February 2014

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lee had been a director of the following companies which were incorporated in Hong Kong prior to their respective dissolution:

<u>Name of company</u>	<u>Date of dissolution</u>	<u>Nature of business prior to dissolution</u>	<u>Means of dissolution</u>	<u>Reason for dissolution</u>
Ever Zenith Investments Limited	10 October 2003	Investment holding	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Ceased to carry out business
Gold Partners Limited	1 March 2013	Dormant	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Ceased to carry out business

Mr. Lee has confirmed the each of the above companies of which he was a director was solvent at the time of their respective dissolution and so far as he was aware, no claim has been or will be made against him as a result of such dissolution.

Save as disclosed in this prospectus, Mr. Lee has confirmed that (i) he has no interests in the Shares within the meaning of Part XV of the SFO; (ii) he is independent from, and is not related to, any other Directors, members of senior management, Substantial Shareholders or Controlling Shareholders; (iii) he has 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; and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his appointment as an independent as an independent non-executive Director.

Mr. LEUNG Siu Cheung (梁兆祥), aged 63, was appointed as an independent non-executive Director on 3 December 2014.

Mr. Leung completed the Law Society Solicitors Qualifying Examinations in 1982 and obtained a Master of Laws in Chinese and Comparative Law from the City University of Hong Kong in 2004.

Mr. Leung is a member of the Law Society of Hong Kong and has been a practising solicitor in Hong Kong since October 1983. Mr. Leung has also been a qualified solicitor in England and Wales since 1990, Australian Capital Territory since 1991 and New South Wales of Australia since 1997. He has been a partner of Lo, Chan & Leung, Solicitors and Notaries since 1986. He has over 30 years of professional experience in the legal field and his major area of practice is banking and finance, civil litigation and conveyancing.

He also served as an independent non-executive director of Uni-Bio Science Group Limited (formerly New Spring Holdings Ltd.) (Stock Code: 0690) from February 2003 to October 2005.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Leung was a director of the following companies which were incorporated in Hong Kong prior to their respective dissolution:

Name of company	Date of dissolution	Nature of business prior to dissolution	Means of dissolution	Reasons for dissolution
Everfine (Nominees) Limited	2 March 2001	Secretarial services	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Ceased to carry out business
Wynwide Secretarial Services Limited	23 November 2001	Secretarial services	Striking off pursuant to section 291 of the Predecessor Companies Ordinance	Ceased to carry out business

Mr. Leung confirmed that each of the above companies of which he was a director was solvent at the time of their respective dissolution and so far as he was aware, no claim has been or will be made against him as a result of such dissolution.

Save as disclosed in this prospectus, Mr. Leung has confirmed that (i) he has no interests in the Shares within the meaning of Part XV of the SFO; (ii) he is independent from, and is not related to, any other Directors, members of senior management, Substantial Shareholders or Controlling Shareholders; (iii) he has 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; and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his appointment as an independent non-executive Director.

AUDIT COMMITTEE

We have established an audit committee in compliance with the GEM Listing Rules. The primary duties of our audit committee are to, among others, review and supervise the financial reporting process and internal control system of our Group. All members of our audit committee are appointed by the Board. Our audit committee currently consists of three independent non-executive Directors, namely, Mr. Chan Cheong Tat, Mr. Lee Ka Lun and Mr. Leung Siu Cheung. Mr. Chan Cheong Tat is the chairman of our audit committee.

DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION COMMITTEE

We have established a remuneration committee in compliance with the GEM Listing Rules. The primary duties of our remuneration committee are to review and make recommendations to our Board on the remuneration policy and other remuneration related matters, including benefits-in-kind and other compensation payable to our Directors and senior management. All members of our remuneration committee are appointed by our Board. Our remuneration committee currently consists of two executive Directors and three independent non-executive Directors, namely, Dr. Kong Kwok Leung, Mr. Lo Kwok Bun, Mr. Chan Cheong Tat, Mr. Lee Ka Lun and Mr. Leung Siu Cheung. Mr. Leung Siu Cheung is the chairman of our remuneration committee.

NOMINATION COMMITTEE

We have established a nomination committee in compliance with the GEM Listing Rules. The primary duty of our nomination committee is to make recommendations to our Board regarding the structure, size and composition of our Board and candidates to fill vacancies on our Board. All members of our nomination committee are appointed by our Board. Our nomination committee currently consists of two executive Directors and three independent non-executive Directors, namely, Dr. Kong Kwok Leung, Ms. Kong Chung Wai, Mr. Chan Cheong Tat, Mr. Lee Ka Lun and Mr. Leung Siu Cheung. Dr. Kong Kwok Leung is the chairman of our nomination committee.

SENIOR MANAGEMENT

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of appointment</u>	<u>Date of joining our Group</u>	<u>Major roles and responsibilities</u>	<u>Relationship with any Director/senior management</u>
Ms. SZE Betty Suet Ling (施雪玲)	34	Head of business and product development and Medicskin Centre Manager	January 2013	January 2013	overseeing the business development and execution of our Group's corporate communication and product research & development plans; planning and coordinating the day-to-day centre operations; staff supervision and evaluations as well as fiscal management for the Medicskin Centre	Nil
Ms. SIN Chui Pik Christine (冼翠碧)	35	Chief financial officer and company secretary	March 2014 (chief financial officer) June 2014 (company secretary)	March 2014	overseeing the financial/accounting matters of our Group and company secretarial functions of our Company	Nil

DIRECTORS AND SENIOR MANAGEMENT

Ms. SZE Betty Suet Ling (施雪玲), aged 34, is the head of business and product development of the Group. She joined the Group in January 2013 and is mainly responsible for overseeing the business development and execution of the Group's corporate communication and product research & development plans. Ms. Sze is also the Medicskin Centre Manager, mainly responsible for planning and coordinating the day-to-day centre operations, staff supervision and evaluations as well as fiscal management for the Medicskin Centre.

Ms. Sze obtained a bachelor's degree of Science with a major in Nutritional Sciences from The University of British Columbia in May 2002 and an International Advanced Diploma in Administrative Management from the Institute of Administrative Management in March 2006. Ms. Sze has over 12 years of experiences in the field of product development for skincare brands, retail brand management and skincare business development. Before joining our Group, Ms. Sze was employed as an Executive Trainee of Glycel (Hong Kong) Co. Ltd. in February 2004 and was subsequently promoted to be the Business Development Executive in April 2005. Ms. Sze resigned from Glycel (Hong Kong) Co. Ltd in April 2007. Between June 2007 to December 2012, Ms. Sze worked as Product Manager of Belle Cosmetic Limited.

Ms. Sze has not held directorship in public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Ms. SIN Chui Pik Christine (冼翠碧), aged 35, is the chief financial officer and company secretary of the Group. She is responsible for overseeing the financial/accounting matters of the Group and engaging in company secretarial functions for the Company.

Ms. Sin obtained her bachelor's degree of Business Administration in Accounting from The Hong Kong Baptist University in December 2001. Ms. Sin has been a member of the Hong Kong Institute of Certified Public Accountants, a member and subsequently fellow of the Association of Chartered Certified Accountants since December 2007, April 2007 and April 2012 respectively.

She has accumulated over 12 years of accounting and auditing experience. Before joining the Group, Ms. Sin worked for Deloitte Touche Tohmatsu, an international public accounting and auditing firm from 2001 to 2004 and from 2005 to 2014, where she most recently served as a Manager. She also worked as an Accountant of Jetcrown Industrial (Macao Commercial Offshore) Limited from 2004 to 2005.

Ms. Sin has not held directorship in public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

COMPANY SECRETARY

Ms. SIN Chui Pik Christine (冼翠碧) was appointed as the Company Secretary of our Company on 23 June 2014. Please refer to the section headed "Directors and Senior Management — Senior Management" in this prospectus for details of Ms. Sin's qualification and experience.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE OFFICER

Ms. KONG Chung Wai (江聰慧) was appointed as the Compliance Officer of our Company in accordance with Rule 5.19 of the GEM Listing Rules on 25 July 2014. Please refer to the section headed “Directors and Senior Management — Executive Directors” in this prospectus for details of Ms. Kong’s qualification and experience.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Each of our Directors has entered into a service agreement with our Company for an initial term of three years with effect from the Listing Date, which will continue thereafter until terminated by not less than three months’ notice in writing. Further details of the terms of the service agreements entered into with Directors are set out in the section headed “Statutory and General Information — Further Information about Directors, Management, Staff and Experts — Disclosure of interests — Particulars of service contracts” in Appendix IV to this prospectus.

Under the remuneration policy of our Company, the remuneration committee will consider factors, such as salaries paid by comparable companies, tenure, commitment, responsibilities and performance, in assessing the amount of remuneration payable to our Directors and senior management.

CORPORATE GOVERNANCE MEASURES

Each of our Directors has confirmed that he/she fully understands his/her obligations to act in the best interests of our Company and the Shareholders as a whole. To avoid potential conflicts of interest, our Group will comply with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

COMPLIANCE ADVISER

We have appointed Shenyin Wanguo as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. 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:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated including but not limited to share issues and share repurchases;
- (3) where our Company proposes to use the proceeds from the Placing in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this prospectus; and

DIRECTORS AND SENIOR MANAGEMENT

- (4) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares pursuant to Rule 17.11 of the GEM Listing Rules.

The term of the appointment of the compliance adviser shall commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date or until the agreement is terminated, whichever is the earlier.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Background of our Controlling Shareholders

Our Controlling Shareholders are Dr. Kong and Topline. The principal activity of Topline is investment holding and 100% interest in Topline is held by Dr. Kong. For the background of Dr. Kong, please refer to the section headed “Directors and Senior Management” in this prospectus.

Immediately following completion of the Placing and Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme), Topline will be interested in 72.50% of the issued share capital of our Company. Hence, Topline and Dr. Kong will be our Controlling Shareholders within the meaning of the GEM Listing Rules.

Apart from our Group, our Controlling Shareholders and their respective close associates are currently conducting businesses and/or holding interest directly or indirectly in certain companies. None of these businesses will at the time of Listing be in competition with the business of our Group.

Having considered the matters described in this section, we believe that our Group is capable of carrying on its business independently from our Controlling Shareholders and their respective close associates after Listing.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Management independence

One of our executive Directors, Dr. Kong, is the sole director and a Controlling Shareholder of Topline which is wholly-owned by him. Dr. Kong is also the uncle of Ms. Kong Chung Wai, who is one of our executive Directors. However, a majority of our Board, being one other executive Director and three independent non-executive Directors, will also bring independent judgement to the decision-making process of our Board.

Dr. Kong is aware of his fiduciary duties as a Director which require, among other things, that he must act in the best interests of our Company and its Shareholders as a whole and not have any conflict between his duties as a Director and his personal interests.

In the event of any potential conflict of interest arising out of any transactions to be entered into between our Group and Dr. Kong or Topline or their respective close associates, Dr. Kong shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum.

Having considered the above factors as well as the terms of the Deed of Non-competition (as explained in the section headed “Relationship with Controlling Shareholders — Non-competition Undertaking” in this prospectus), our Directors are satisfied that Dr. Kong is able to perform his role and manage the business of our Group independently after Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Operational independence

Our Group has established an organisational structure made of individual divisions, each with specific areas of responsibilities. As mentioned in the section headed “Relationship with Controlling Shareholders — Independence from Controlling Shareholders — Management independence” in this prospectus, our Company has our own management team, the members of which, except for Ms. Kong Chung Wai who is the niece of Dr. Kong, are independent from our Controlling Shareholders and therefore the Board has full right to make all decisions on, and to carry out, its own business operations independently. Our Directors therefore consider that our Group can operate independently from our Controlling Shareholders from the operational perspective.

Financial independence

Our Group has its own financial management system, accounting systems, accounting and finance department and the ability to operate independently from our Controlling Shareholders from a financial perspective.

In view of our Group’s internal resources and the estimated net proceeds from the Placing of New Shares, our Directors believe that our Group will have sufficient capital for its financial needs without dependence on our Controlling Shareholders. Our Directors also believe that, upon Listing, our Group is capable of obtaining financing from external sources independently without the support of our Controlling Shareholders.

NON-COMPETITION UNDERTAKING

Dr. Kong and Topline confirm that other than their respective interests in our Group, none of them is engaged in, or interested in any business which, directly or indirectly, competes or may compete with the business of our Group.

Pursuant to the Deed of Non-competition, each of Dr. Kong and Topline has jointly and severally agreed and undertaken with our Company (for the benefit of itself and each of its subsidiaries), *inter alia*, that with effect from the date of the Deed of Non-competition until the earlier of the date on which Dr. Kong and Topline cease to be Controlling Shareholders of our Group and the date on which the Shares cease to be listed on the Stock Exchange, he/it will not and will procure that none of his/its associates (other than the Group) will, on its own account or with each other or in conjunction with or on behalf of any person, firm or company, carry on or be engaged in, or be interested in, directly or indirectly, whether as a shareholder (other than being a director or a shareholder of our Group or its subsidiaries), director, employee or otherwise, in any business that competes or may compete, directly or indirectly, with any businesses as may from time to time be carried on by our Group in Hong Kong (other than as a holder of not more than 5% of the issued shares or stock of any class or debentures of any company listed on any recognised stock exchange).

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Each of Dr. Kong and Topline has also undertaken jointly and severally to our Company that in the event Dr. Kong and Topline or their associates (excluding members of our Group) were given any business opportunity that is or may involve any business which may in any aspect be in competition with or is similar to the businesses as may from time to time be carried on by our Group, Dr. Kong and Topline shall refer such business opportunity to our Group and shall, and shall procure their relevant associates to, assist our Group in obtaining such business opportunity on the terms being offered to Dr. Kong and Topline or their relevant associates, or more favourable terms being acceptable to our Group. Further, Dr. Kong and Topline shall not proceed, and shall procure their associates (excluding members of our Group) not to proceed, with such opportunity should our Group decline to accept such offer.

Each of Dr. Kong and Topline has further agreed and undertaken with our Company (for the benefit of itself and each of its subsidiaries) that Dr. Kong and Topline will, jointly and severally, indemnify and keep indemnified our Group against any damage, loss or liability suffered by our Group arising out of or in connection with any breach of covenants and undertakings and/or any of the obligations of Dr. Kong and Topline under the Deed of Non-competition, including any costs and expenses incurred as a result of such breach.

The Deed of Non-competition is conditional upon (a) the Listing Department granting the listing of, and permission to deal in, all the Shares in issue and the Shares to be issued as mentioned in this prospectus; and (b) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Underwriters) and the Underwriting Agreement not being terminated in accordance with its terms or otherwise, in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than 30 days from the date of this prospectus. If such conditions are not fulfilled within 30 days from the date of this prospectus, the Deed of Non-competition shall become null and void and shall cease to have any effect.

The Deed of Non-competition shall remain effective until the earlier of the date on which:

- (a) in relation to Dr. Kong, (i) he shall cease to be a Director; and (ii) he, together with his associates, whether individually or taken together, shall cease to be interested directly or indirectly in 30% (or such other amount as may from time to time be specified in the GEM Listing Rules as being the threshold for determining a Controlling Shareholder of our Company) or more of the then issued share capital of our Company directly or indirectly;
- (b) in relation to Topline, it shall cease to be interested directly or indirectly in 30% (or such other amount as may from time to time by specified in the GEM Listing Rules as being the threshold for determining a Controlling Shareholder of our Company) or more of the then issued share capital of our Company directly or indirectly; and
- (c) in relation to both Dr. Kong and Topline, the Shares cease to be listed and traded on the Stock Exchange.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Corporate governance measures

Our Company will adopt the corporate governance measures with the following principles to avoid potential conflict of interest and safeguard the interests of our Shareholders:

- (i) we have appointed three independent non-executive Directors to ensure the effective exercise of independent judgement on our Company's decision-making process and provide independent advice to our Board and our Shareholders;
- (ii) our independent non-executive Directors will review, at least on an annual basis, the compliance of Dr. Kong and Topline with the Deed of Non-competition. We will disclose any decision and the related basis on matters reviewed by our independent non-executive Directors relating to the enforcement of the Deed of Non-competition in our Company's annual report or by way of announcement to the public;
- (iii) each of Dr. Kong and Topline has undertaken to provide our Company with all information necessary for the annual review by the independent non-executive Directors of his/its compliance with, and the enforcement of, the Deed of Non-competition;
- (iv) each of Dr. Kong and Topline has undertaken to provide a confirmation to our Company confirming that each of them has not breached the terms of the undertaking contained in the Deed of Non-competition on an annual basis;
- (v) our Company has appointed Shenyin Wanguo as its compliance adviser in compliance with the GEM Listing Rules; and
- (vi) our Company will observe any transaction that is proposed between our Group and its connected persons, and will be required to comply with Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

We have entered into the following transactions with our connected persons which will upon Listing constitute continuing connected transactions within the meaning of the GEM Listing Rules.

RELATIONSHIP BETWEEN OUR GROUP AND THE CONNECTED PERSONS

Dr. Kong is a Controlling Shareholder and an executive Director of the Company and is therefore a connected person of the Company as defined under the GEM Listing Rules. As such, the Managed Practice set up by Dr. Kong is also a connected person of the Company.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Background

Medicskin has entered into six Cooperation Agreements with our Doctors and their Managed Practices. Under the Cooperation Agreements, effective from 1 April 2014, our Doctors (through their Managed Practices) shall perform their obligations (including, *inter alia*, providing Services to our clients at our Medicskin Centres) in consideration of the professional fees from Medicskin, and Medicskin shall perform its obligations (including, *inter alia*, the provision of management and administrative services and granting the Managed Practices licences to use the name “Medicskin”) in consideration of the Managed Practices paying Medicskin the Fees during the term of the Cooperation Agreements. Please refer to the section headed “History, Reorganisation and Group Structure — Reorganisation — Cooperation Agreements” in this prospectus for further details of the Cooperation Agreements. Please also refer to the section headed “History, Reorganisation and Group Structure — Reorganisation — Cooperation Agreements — Reason for entering into the Cooperation Agreements” in this prospectus for details of the reason for entering into the Cooperation Agreements.

Of the six Cooperation Agreements, one was entered into between Medicskin and Dr. Kong and his Managed Practice for a term of three years commencing from 1 April 2014.

Material terms of Dr. Kong’s Cooperation Agreement

The following are the material terms under Dr. Kong’s Cooperation Agreement:

1. Dr. Kong’s Managed Practice shall provide Services at our Medicskin Centres and shall at all times act in good faith towards his Managed Practice and maintain the highest possible professional standards and reputation of his Managed Practice;
2. Medicskin shall grant Dr. Kong’s Managed Practice the right to use the Proprietary Names and the Proprietary Rights for the sole purpose of carrying out his Managed Practice at our Medicskin Centres;
3. Medicskin shall provide management and administrative services to Dr. Kong’s Managed Practice including, *inter alia*, making available the use of our Medicskin Centres, providing supporting staff, procuring the supply of Medication and skincare products as well as providing financial management and accounting services; and

CONNECTED TRANSACTIONS

4. The Fees charged by Medicskin are equivalent to all the fees received from clients for the Services provided by his Managed Practice at our Medicskin Centres.

The professional fee to which Dr. Kong (through his Managed Practice) is entitled is determined on the basis of a monthly fixed fee of HK\$130,000 as well as a monthly incentive fee. The monthly incentive fee is calculated with reference to the amount of revenue received from clients at our Medicskin Centres generated directly by Dr. Kong and/or his Managed Practice. When such revenue generated by Dr. Kong and/or his Managed Practice exceeds a certain threshold, the excess amount, after deducting the cost of associated consumables used in the treatments, is multiplied by a certain percentage to arrive at the monthly incentive fee. Such percentage is commensurate to those typically offered to other Doctors under other Cooperation Agreements. Dr. Kong may also be entitled to a year-end bonus payable at our discretion.

Pursuant to the terms of Dr. Kong's Cooperation Agreement, all the fees received from clients for the Services provided by Dr. Kong and/or his Managed Practice are effectively transferred to Medicskin in the form of the Fees.

Historical revenue generated by Dr. Kong

The historical figures of the revenue generated by Dr. Kong for providing the Services at our Medicskin Centres during the two years ended 31 March 2014 are set out in the table below:

	Year ended 31 March	
	2013	2014
	HK\$'000	HK\$'000
Revenue generated by Dr. Kong for providing the Services at our Medicskin Centres	14,651	17,676

Annual caps

The annual caps in relation to the continuing connected transactions under Dr. Kong's Cooperation Agreement are as follows:

	Year ending 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Amount of Fees payable by Dr. Kong (through his Managed Practice) to Medicskin	22,500	28,000	35,000
Amount of professional fees payable by Medicskin to Dr. Kong (through his Managed Practice)	6,000	7,500	9,000

CONNECTED TRANSACTIONS

In determining the annual caps for the amount of Fees payable by Dr. Kong (through his Managed Practice) to Medicskin under Dr. Kong's Cooperation Agreement for the three years ending 31 March 2017, our Directors have taken into account (i) the historical amount of revenue generated by Dr. Kong during the two years ended 31 March 2014; (ii) the estimated annual growth of such revenue of approximately 25% with reference to the historical percentage increase in revenue generated by Dr. Kong of approximately 20.6% during the two years ended 31 March 2014 and the estimated changes in the market and economy (e.g. inflation) which might affect our pricing.

The annual caps for the amount of professional fees payable by Medicskin to Dr. Kong (through his Managed Practice) under Dr. Kong's Cooperation Agreement for the three years ending 31 March 2017 are determined on the basis of the fixed formula stated in Dr. Kong's Cooperation Agreement which comprises a monthly fixed fee of HK\$130,000 and a monthly incentive fee calculated with reference to the amount of revenue generated directly by Dr. Kong and/or his Managed Practice.

As the applicable percentage ratios (other than the profits ratio) as defined in the GEM Listing Rule 19.07 calculated with reference to the annual caps on an annual basis under Dr. Kong's Cooperation Agreement are more than 5%, the continuing connected transactions contemplated under Dr. Kong's Cooperation Agreement will be subject to the reporting, announcement, annual review, circular and independent Shareholders' approval requirements under the GEM Listing Rules.

CONFIRMATION FROM THE DIRECTORS AND THE SOLE SPONSOR

The Directors (including the independent non-executive Directors) and the Sole Sponsor are of the view that (i) the continuing connected transactions contemplated under Dr. Kong's Cooperation Agreement have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms, and are fair and reasonable and in the interests of the Shareholders as a whole; and (ii) the annual caps for Dr. Kong's Cooperation Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

WAIVER APPLICATION

Given that the transactions under Dr. Kong's Cooperation Agreement will be carried out on a continuing basis following the Listing, our Directors consider that strict compliance with the announcement, circular and independent Shareholders' approval requirements under the GEM Listing Rules would be impracticable and unduly burdensome, and may involve unnecessary administrative costs to our Company.

As such, pursuant to Rule 20.103 of the GEM Listing Rules, we have applied for, and the Stock Exchange has agreed to grant a waiver to exempt our Company from strict compliance with the announcement, circular and independent Shareholders' approval requirements under the GEM Listing Rules in respect of the transactions under Dr. Kong's Cooperation Agreement.

CONNECTED TRANSACTIONS

DISCONTINUED RELATED PARTY TRANSACTIONS

Our Group entered into certain related party transactions with its related parties during the Track Record Period, details of which are set out in note 36(a) to Section A of the Accountants' Report. For details and the background of such related party transactions, please refer to the section headed "Business — Purchases — Background to historical purchases from Beauty Tech" in this prospectus. Such related party transactions had been discontinued as at the Latest Practicable Date.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Placing and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme), the following persons will have beneficial interests or short positions in any Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder(s)	Capacity / Nature of interest	Number of Shares	Approximate percentage of shareholding after the Placing and the Capitalisation Issue
Topline ^(Note)	Beneficial owner	290,000,040	72.50%
Dr. Kong ^(Note)	Interest in a controlled corporation	290,000,040	72.50%

Note: The entire issued share capital of Topline is beneficially owned by Dr. Kong. Therefore, Dr. Kong is deemed to be interested in all the Shares of our Company held by Topline. Dr. Kong is the founder of our Group, a Controlling Shareholder and an executive Director of our Company.

Save as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Placing and the Capitalisation Issue (without taking into account the Shares to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme), have beneficial interests or short positions in any Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying voting rights at general meetings of our Company and will be able, as a practical matter, to direct or influence the management of our Company.

UNDERTAKINGS

Pursuant to Rule 13.16A of the GEM Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange that he/it shall not and shall procure that the relevant registered holder(s) shall not:

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date 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 of the Company) in respect of which he/it is shown by this

SUBSTANTIAL SHAREHOLDERS

prospectus to be the beneficial owner (unless pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan and after having given notice of such pledge or charge to the Company); or

- (b) in the period of six months commencing on the date on which the period referred to in (a) 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 referred to in (a) above (unless pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan and after having given notice of such pledge or charge to the Company) if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances the Controlling Shareholders would, either individually or taken together with the others of them, cease to be a Controlling Shareholder.

and in the event that when entering into any transaction specified in sub-paragraph (a) above during the period referred to in sub-paragraph (b) above (whether or not such transactions will be completed in the said period), the Controlling Shareholder will take all reasonable steps to ensure that any such transaction, agreement, or as the case may be, announcement will not create a disorderly or false market in the Shares.

Further, each of the Controlling Shareholders has undertaken to the Stock Exchange that he/it shall comply with the following requirements:

- (c) in the event that they pledge or charge any direct or indirect interest in any Shares or other securities of the Company under Rule 13.18(1) of the GEM Listing Rules 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 relevant periods specified in sub-paragraphs (a) and (b) above, they must inform the Company and the Sole Sponsor immediately in writing disclosing all details as specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (d) having pledged or charged any interest in the Shares or other securities of the Company under sub-paragraph (c) above, they must inform the Company and the Sole Sponsor immediately in writing, in the event that they become aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares or other securities of the Company so affected.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

Authorised share capital: HK\$

1,000,000,000 Shares of HK\$0.01 each 10,000,000

Issued and to be issued, fully paid or credited as fully paid upon completion of the Placing and the Capitalisation Issue:

Number of Shares	Description of Shares	Aggregate nominal value of Shares
		HK\$
100	Shares in issue as at the Latest Practicable Date	1
66,668,000	Shares to be issued under the Placing	666,680
<u>333,331,900</u>	Shares to be issued under the Capitalisation Issue	<u>3,333,319</u>
<u>400,000,000</u>	Total	<u>4,000,000</u>

Assumptions

The above tables assume that the Placing and the Capitalisation Issue will become unconditional. These tables take no account of Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issuing Mandate and Repurchase Mandate as described below.

Ranking

The Placing Shares will rank *pari passu* in all respects with all other Shares in issue as mentioned in this prospectus, and in particular, will rank in full for all dividends and other distributions declared, paid or made on the Shares after the date of this prospectus other than participation under the Capitalisation Issue.

Shareholders' general meeting

Please refer to Appendix IV to this prospectus in respect of circumstances under which general meeting is required.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the principal terms of which are summarised in the section headed "Statutory and General Information — Further Information about Directors, Management, Staff and Experts — Share Option Scheme" in Appendix IV to this prospectus.

SHARE CAPITAL

ISSUING MANDATE

Our Directors have been granted a general unconditional mandate (the “**Issuing Mandate**”) to allot, issue and deal with unissued Shares with an aggregate nominal value not exceeding 20% of the aggregate of the total nominal amount of the share capital of our Company in issue as enlarged by the Placing and the Capitalisation Issue; and the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) under the authorities referred in the section headed “Share Capital — Repurchase Mandate” in this prospectus.

Our Directors may, in addition to the Shares which they are authorised to issue under the Issuing Mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants or convertible securities of our Company, scrip dividends or similar arrangements or the exercise of options granted under the Share Option Scheme.

The Issuing Mandate will expire:

- (i) at the conclusion of our next annual general meeting; or
- (ii) upon the expiry of the period within which our Company is required by any applicable laws of the Cayman Islands or our Articles to hold our next annual general meeting; or
- (iii) when it is varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting; whichever occurs first.

For further information about the Issuing Mandate, see the section headed “Statutory and General Information — Further Information about Our Company — Resolutions in writing of the Shareholders of our Company passed on 3 December 2014” in Appendix IV to this prospectus.

REPURCHASE MANDATE

Our Directors have been granted a general unconditional mandate (the “**Repurchase Mandate**”) to exercise all of the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue, as enlarged by the Placing and the Capitalisation Issue.

The Repurchase Mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the GEM Listing Rules.

SHARE CAPITAL

An explanatory statement related to the Repurchase Mandate is set out in the section headed “Statutory and General Information — Further Information about Our Company — Repurchase of our Company’s own securities” in Appendix IV to this prospectus.

The Repurchase Mandate will expire:

- (i) at the conclusion of our next annual general meeting; or
- (ii) upon the expiry of the period within which our Company is required by any applicable laws of Cayman Islands or our Articles to hold our next annual general meeting; or
- (iii) when it is varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting; whichever occurs first.

For further information about the Repurchase Mandate, see the section headed “Statutory and General Information — Further Information about Our Company — Resolutions in writing of the Shareholders of our Company passed on 3 December 2014” in Appendix IV to this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with our audited consolidated financial statements, including the notes thereto, as set out in the Accountants' Report. Our Group's consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"). You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections depends on a number of risks and uncertainties over which our Group does not have control. For further information, you should refer to the sections headed "Risk Factors" and "Forward-looking Statements" in this prospectus.

Our financial year begins on 1 April and ends on 31 March. All references to "FY2013", "FY2014", "Five-month 2014" and "Five-month 2015" mean the financial years ended 31 March 2013 and 2014 and the five months ended 31 August 2013 and 2014, respectively.

OVERVIEW OF OUR BUSINESS

Founded by Dr. Kong in 2000, we are a medical skin care group operating two Medicskin Centres in Hong Kong that primarily focus on the treatment of skin diseases/problems and/or the improvement of appearance of our clients. Please refer to the section headed "Business — Overview" in this prospectus for an overview of our business.

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 economy and the medical skin care services industry in Hong Kong

Our business expansion and revenue growth are highly affected by the growth trend of consumer spending on medical skin care services. According to the Ipsos Report, GDP per capita in Hong Kong grew at a CAGR of about 2.0% from 2008 to 2013, whereas the average annual household consumption expenditure grew at a CAGR of about 3.0% in the same period. In respect of the medical skin care services industry in Hong Kong, the total revenue increased from about HK\$1,027.3 million in 2008 to about HK\$1,805.1 million in 2013, representing a CAGR of about 11.9%. Such a growth was supported by, among other things, the technological advancement of medical skin care services. As an established medical skin care group, we are well-positioned to capture the growth of economy and the medical skin care services industry in Hong Kong. However, if the growth of the local economy or medical skin care services industry slows down, our business and operation results may be adversely affected.

FINANCIAL INFORMATION

Regulations of the medical skin care services industry

Our operations in Hong Kong are subject to certain rules and regulations in relation to Registered Medical Practitioners, trade description and safety of consumer goods, medical advertisement and importation, exportation, dealing in and sale of pharmaceutical products and drugs. Any change in compliance standards, or any new laws or regulations may render it more restrictive for us to conduct our business. We may not be able to adapt to such changes within a short period of time, and the failure to sufficiently and promptly respond to such changes may materially and adversely affect our business, financial condition and results of operations. Further, compliance with new rules, laws and regulations may increase our operating costs and in turn, lower our profit margins and may have a material adverse effect on our results of operations.

Ability to maintain an established industry reputation

We believe an established reputation for being a trustworthy, reliable and quality provider of the Services is a key to our business. Given the personalised nature of services provided at our Medicskin Centres based on the specific needs and conditions of our clients and our strategies in securing clients through client referrals and/or word-of-mouth, the quality of our Services and client satisfaction are of significant importance.

We strive to enhance client satisfaction with our quality Services, as well as by increasing our accessibility to our clients for their convenience. We expanded our presence to Tsim Sha Tsui in December 2012 which was a strategically positioned convenient location for our customers. We have also lengthened the opening hours in our Medicskin Centres in October 2013 as detailed in the section headed “History, Reorganisation and Group Structure — History and Development — Our business development” in this prospectus, which provided better accessibility and convenience to our clients and hence increased the client flow.

While the number of clients served by our Group maintained at approximately 9,177 for FY2013, 9,172 for FY2014, and approximately 6,166 for Five-month 2014 and 6,222 for Five-month 2015, our ability to maintain client satisfaction and increase our client flow was demonstrated by the growth in number of visits by our clients of 15.3% from approximately 54,117 for FY2013 to 62,371 for FY2014, and of 9.2% from 25,019 for Five-month 2014 to 27,318 for Five-month 2015. The ability to maintain the quality of our Services and client satisfaction will affect client flow, revenue growth and results of operations.

Ability to enhance the quality and variety of our Services and products offering

In order to maintain the standard and competitiveness of our Services in the industry, we are keen to ensure that we are kept abreast of, and provided with, the most suitable skincare products as well as the latest treatment technology and devices. Our Doctors constantly explore suitable skincare products and technology and source suitable devices for our clients from time to time to maintain our standard of services. For example, with the introduction of a device deploying the Intense Focused Ultrasound technology in October 2012 and an additional device deploying the Intense Pulsed Light technology in December 2012, the revenue generated from devices deploying these two technologies increased from HK\$2.6 million for FY2013 to HK\$11.0 million for FY2014, representing an increase

FINANCIAL INFORMATION

of HK\$8.4 million in revenue, or a 323.1% year on year growth. It further increased from HK\$3.3 million for Five-month 2014 to HK\$5.0 million for Five-month 2015, respectively, a 51.5% period on period growth. The average spending by our clients on Treatment Service (per visit) has also increased from approximately HK\$2,754 for FY2013 to HK\$3,656 for FY2014, and stood at approximately HK\$3,417 for Five-month 2015. The ability to enhance the quality and variety of our Services and products offering and keep up with the market trends has a significant impact on our results of operations.

Costs of operations

The following are our major costs of operations which affect our margins and profitability.

Inventories used

Our cost of inventories used amounted to HK\$6.6 million for FY2013, HK\$8.3 million for FY2014 and HK\$3.4 million for Five-month 2015, representing 12.8%, 12.8% and 12.1% of the revenue for the respective periods. Our inventories mainly comprise Medication, skincare products and treatment consumables such as injections, transducers and tips of certain treatment devices which have to be replaced after the delivery of treatment. Although the ratio of the cost of inventories used to revenue remained relatively stable during the Track Record Period, a drastic increase in cost of inventories used, if we cannot pass such increase to our clients, may affect our results of operations.

Staff costs

Staff cost represented the largest portion of our operating expenses during the Track Record Period. Our staff related costs amounted to HK\$18.0 million for FY2013, HK\$24.2 million for FY2014 and HK\$12.6 million for Five-month 2015, respectively, representing 34.9%, 37.2% and 45.0% of revenue for the respective periods. 46.1%, 46.7% and 53.2% of staff costs were attributable to the compensation to our Doctors pursuant to their respective employment contracts/Cooperation Agreements for the respective periods. Prior to 1 April 2014, our Doctors, (except Dr. Kong, the Controlling Shareholder who did not maintain an employment contract with our Group) provided services to Medicskin Centres through employment relationships with Medicskin. Pursuant to the employment contracts, our Doctors (except Dr. Kong) were paid fixed salaries on a monthly basis as well as a monthly bonus. The monthly bonus was calculated with reference to the amount of revenue generated directly by a Doctor (which includes revenue recognised from sales of prepaid treatment packages upon provision of Treatment Service). When the revenue generated by a Doctor exceeded a certain threshold, the excess amount, after deducting the cost of associated consumables used in the treatments, was multiplied by a certain percentage to arrive at the monthly bonus. Such percentage was determined with reference to, *inter alia*, typical remuneration package of other Doctors and the financial performance and conditions of our Group. Effective from 1 April 2014, pursuant to the Cooperation Agreements which were structured such that the status of our Doctors (except Dr. Kong) was merely changed from an “employee” to a “cooperative partner” of our Group, instead of receiving “salaries” under the employment agreements, our Doctors (except Dr. Kong) commenced to receive “professional fees” which are equivalent to their previous entitlements under their original employment agreements with Medicskin. In addition to such remuneration, our Doctors were also

FINANCIAL INFORMATION

entitled to year-end bonuses paid at the discretion of our senior management. The compensation programme for our Doctors (payable as salaries under the original employment agreements or as professional fees under the Cooperation Agreements) is designed to incentivise them by linking the monthly bonus to performance, hence any increase in their staff costs would be commensurate with our growth in revenue. Other staff costs might increase when we expand our scale and presence, and may affect our results of operations.

Dr. Kong has never maintained an employment contract with our Group and accordingly no fixed salary was paid or payable by our Group to Dr. Kong since the establishment of our Group. While he is the founder of our Group and the Controlling Shareholder, he received dividends for FY2013 and FY2014 as a form of compensation for his provision of Services at the Medicskin Centres and share of results of our Group. A Cooperation Agreement was entered into between our Group and Dr. Kong (and his Managed Practice) effective from 1 April 2014. Since then, Dr. Kong through his Managed Practice is entitled to receive professional fees for his provision of Services at our Medicskin Centres under the Cooperation Agreement, which comprises a monthly fixed fee as well as a monthly incentive fee calculated with reference to the amount of revenue generated directly by Dr. Kong and/or his Managed Practice. Accordingly, our staff related costs recorded a considerable increment by HK\$3.4 million (of which HK\$2.2 million were attributable to the compensation to Dr. Kong) from HK\$9.2 million for Five-month 2014 to HK\$12.6 million for Five-month 2015, representing a 37.0% period on period growth. For details of the above arrangements, please refer to the sections headed “History, Reorganisation and Group Structure — Reorganisation — Cooperation Agreements” and “Connected Transactions — Non-exempt Continuing Connected Transactions — Material terms of Dr. Kong’s Cooperation Agreement” in this prospectus.

As for the fairness and reasonableness of the salaries or professional fees of the Doctors, the amount of salaries under the employment contracts (or professional fees under the Cooperation Agreements with effect from 1 April 2014) to our Doctors were determined taking into account factors including, *inter alia*, the relevant experience of the Doctors, the market rates for the professional fees/salaries, the competition for talents in the market and the financial performance of Medicskin. In respect of the Cooperation Agreement of Dr. Kong (a connected person of the Company), the professional fees were determined with the same basis as stated above, and the cooperation arrangement, pursuant to Chapter 20 of the GEM Listing Rules, will be subject to (i) the annual review by our independent non-executive Directors; (ii) the annual reporting by our auditors; and (iii) the approval of independent Shareholders after Listing to ensure that the transactions contemplated thereunder (including the determination and payment of professional fees) have been entered into on terms that are fair and reasonable and in the interests of the Shareholders as a whole. Our Doctors may also be entitled to a discretionary incentive fee at the end of a year. To ensure that any such amount is fair and reasonable and in the interests of our Company and Shareholders as a whole, any such entitlement will be reviewed by the remuneration committee of our Company after Listing, taking into account factors including, *inter alia*, the performance of our Doctors and by reference to market norms.

Rental expenses

Our rental expenses amounted to approximately HK\$3.5 million for FY2013, HK\$4.4 million for FY2014 and HK\$1.9 million for Five-month 2015, representing 6.8%, 6.8% and 6.8% of the revenue

FINANCIAL INFORMATION

for the respective periods. Our rental expenses were attributable to the tenancy of our Medicskin Centres during the Track Record Period. Currently, we operate our Central Centre in Tak Shing House, Central with an area of 5,816 square feet in aggregate and lease terms between two years and two years and three months, and our TST Centre at Harbour Centre with an area of 3,624 square feet and a lease term of three years. The tenancy agreements in respect of our Central Centre shall expire in either July 2015 or March 2016 while that in respect of our TST Centre shall expire in August 2015. For details of the tenancies, please refer to the section headed “Statutory and General Information — Further Information about Our Business — Properties” in Appendix IV to this prospectus. In general, we negotiate with the landlords for renewal three months before the expiry of the lease agreements. Any increase in rental fees upon renewal of the lease agreements or opening new Medicskin Centres may affect our results of operations.

Ability to efficiently allocate the workforce to achieve operational efficiency

In order to expand our Group’s business and simultaneously provide our Services to multiple clients in our Medicskin Centres, our infrastructure has been constantly reviewed and enhanced over the years to minimise redundancy and waste in our business processes so as to utilise the best of our workforce. The improved operational efficiency and reduced internal costs enable us to provide better and more timely Services to our clients and hence increased our competitiveness in the market. Following the expansion of our Group to the TST Centre in December 2012, with the same six Doctors, the average revenue per Doctor increased by 25.6% from HK\$8.6 million for FY2013 to HK\$10.8 million for FY2014, and by 14.6% from HK\$4.1 million for Five-month 2014 to HK\$4.7 million for Five-month 2015. A failure to maintain the efficiency of our operations, in particular in any future expansion, may affect our results of operations.

Competition

We face intense competition in the medical skin care services industry in Hong Kong. Though we differentiate ourselves from beauty parlours, which are commonly owned by beauty and slimming groups and operated by therapists without medical staff, we face competition from beauty parlours which generally invest heavily on advertising their services to the public. Rather than conducting any active marketing or advertising, we strive to enhance our competitiveness by offering good quality services to win clients by word-of-mouth. Intensified competition could reduce our operating margins and profitability. Our financial condition and results of operations will be affected by our ability to maintain and expand our market share and compete effectively by rapidly responding to new technology and differentiating our services from those offered by our competitors.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. The methods, estimates and judgments that we use in applying our accounting policies may have a significant impact on our results and operations. Some of the accounting policies require us to make difficult and subjective judgements, often as a result of the

FINANCIAL INFORMATION

need to make estimates of matters that are inherently uncertain. When reviewing our consolidated financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgement and assumptions affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Below is a summary of the accounting policies in accordance with HKFRS that we believe are important to the presentation of our financial results and involve the need to make estimates and judgements about the effect of matters that are inherently uncertain. We also have other policies that we consider to be key accounting policies or critical accounting judgement, which are set forth in detail in notes 3 - 5 to Section A of the Accountants' Report.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received and receivable for goods sold and services provided in the normal course of business, net of discounts and refund.

Revenue from provision of Consultation Service is recognised when services are provided.

Revenue from provision of Treatment Service is recognised when services are provided. Prepayments received are initially recorded as deferred revenue in the consolidated statements of financial position, and subsequently recognised as revenue when the services are provided to clients.

Revenue from Prescription and Dispensing Service are recognised when delivered and titles have passed, at which time all the following conditions are satisfied:

- our Group has transferred to the buyer the significant risks and rewards of ownership of the medication and skincare products;
- our Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the medication and skincare products sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to our Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to our Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

FINANCIAL INFORMATION

Property, plant and equipment

Property, plant and equipment are stated in the consolidated 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 less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on 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.

Leasing

Lease 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.

Our Group as lessee

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 consolidated 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 our Group's general policy on borrowing costs (please refer to note 4 to Section A of the Accountants' Report).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

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.

FINANCIAL INFORMATION

Share-based payment arrangements — Equity-settled share-based payment transactions

Dr. Kong, our Controlling Shareholder, granted a share reward to Dr. Lam for the services received by our Group from her under the Incentive Arrangement as detailed in the section headed “History, Reorganisation and Group Structure — History and Development — Our corporate history — Incentive arrangement for Dr. Lam” in this prospectus. The fair value of services received of HK\$5 million was determined by reference to the fair value of the share reward at the grant date on 20 August 2012 and is expensed in our Group’s consolidated statements of profit or loss and other comprehensive income on a straight-line basis over the vesting period (i.e. the Five-year Term), with a corresponding increase in capital reserve as deemed contribution from the Shareholder, irrespective of (i) the timing of physical transfer of shares of Tally Scholar (prior to the incorporation of the Company) or the Shares (after the incorporation of the Company) to Dr. Lam; and (ii) any subsequent changes in the fair value of the shares of Tally Scholar/our Company after the grant date (such as any changes in fair value of the Shares upon Listing). No other expense shall be recognised relating to Dr. Lam’s share reward under the Incentive Arrangement, unless there is any subsequent modification of the terms and conditions of the Incentive Arrangement that would result in an increase in the fair value of the share reward as measured at the date of the modification.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories used 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.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from ‘profit before tax’ as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. Our 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 financial information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 asset to be recovered.

FINANCIAL INFORMATION

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which our 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.

THE ENTERING INTO OF THE COOPERATION AGREEMENTS EFFECTIVE FROM 1 APRIL 2014

As explained in the section headed “History, Reorganisation and Group Structure — Reorganisation — Cooperation Agreements” in this prospectus, our Group has entered into six Cooperation Agreements with our Doctors and their Managed Practices effective from 1 April 2014. For details of the Cooperation Agreements, including the major terms and the reasons for the entering into of the Cooperation Agreements, please refer to the section headed “History, Reorganisation and Group Structure — Reorganisation — Cooperation Agreements” in this prospectus.

As the provisions in the Cooperation Agreements are structured to ensure that there would be no change in the substantive right and power of our Group to operate its business or any material change/impact on the business process or economics of our operations, our Directors believe that the entering into of the Cooperation Agreements has merely changed the status of our Doctors (except Dr. Kong) from each being an “employee” to being a “cooperative partner” of our Group and therefore, would not involve any significant change to our revenue and cost structure nor have any material financial impact on our Group.

Pursuant to the “Conceptual Framework for Financial Reporting 2010” issued by the Hong Kong Institute of Certified Public Accountants, the objective of general purpose financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity. The fundamental qualitative characteristics are relevance and faithful representation. Financial reports represent economic phenomena in words and numbers. To be useful, financial information must not only represent relevant phenomena, but it must also faithfully represent the phenomena that it purports to represent. Faithful representation means that financial information represents the substance of an economic phenomenon rather than merely representing its legal form. Representing a legal form that differs from the economic substance of the underlying economic phenomenon could not result in a faithful representation.

FINANCIAL INFORMATION

Having considered the “Conceptual Framework for Financial Reporting 2010” as described above and the effect to our Group after the entering into of the Cooperation Agreements as detailed in the section headed “History, Reorganisation and Group Structure — Reorganisation — Cooperation Agreements — Effects to our Group after the Reorganisation” in this prospectus, in particular, after the Cooperation Agreements becoming effective on 1 April 2014,

- the Group’s revenue (i.e. the Fees) represents all revenue of the Managed Practices received from clients at the Medicskin Centres. In other words, Medicskin is entitled to all the revenue of the Managed Practices on Consultation Service, Prescription and Dispensing Service and Treatment Service received from clients at the Medicskin Centres, as if the Group was providing the Services directly through the Doctors under their previous employment agreements with our Group (except Dr. Kong) prior to the entering into of the Cooperation Agreements; and
- although our Doctors have ceased to be employed by us through employment agreements, they commenced to receive professional fees from us (through their Managed Practices) pursuant to the Cooperation Agreements, the amounts of which are equivalent to their previous entitlements under their original employment agreements with Medicskin (except Dr. Kong who did not enter into any employment agreement with Medicskin before 1 April 2014), in exchange for the services of our Doctors (through their Managed Practices) to perform their obligations under the Cooperation Agreements at the Medicskin Centres (including, *inter alia*, continuing to provide Services during service hours exclusively at our Medicskin Centres prior to entering into the Cooperation Agreements, as if the Group was providing the Services directly through the Doctors under their previous employment agreements with the Group (except Dr. Kong) prior to the entering into of the Cooperation Agreements),

the presentation of the financial information of our Group (including the revenue and cost structure) after the effective date of the Cooperation Agreements on 1 April 2014 is in the same way as that before 1 April 2014 as reflected in the Accountants’ Report.

FINANCIAL INFORMATION

SUMMARY OF RESULTS OF OPERATIONS

Consolidated statements of profit or loss and other comprehensive income

	Year ended 31 March		Five months ended 31 August	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Revenue	51,607	65,041	24,582	27,962
Other income, gains and losses	—	(160)	(54)	2
Inventories used	(6,607)	(8,265)	(3,245)	(3,360)
Staff costs	(17,977)	(24,229)	(9,188)	(12,645)
Depreciation of property, plant and equipment	(1,985)	(2,334)	(1,020)	(996)
Other expenses	(7,277)	(8,865)	(3,324)	(3,650)
Finance costs	(321)	(264)	(121)	(251)
Listing expenses	—	(3,570)	—	(4,108)
Profit before tax	17,440	17,354	7,630	2,954
Income tax expense	(2,908)	(3,617)	(1,329)	(1,197)
Profit and total comprehensive income for the year/period attributable to owner of the Company	14,532	13,737	6,301	1,757

Description of components of consolidated statements of profit or loss and other comprehensive income

Revenue

Our Group delivers services for the treatment of skin diseases/problems and/or the improvement of appearance of our clients through Consultation Service, Prescription and Dispensing Service, and Treatment Service. Our total revenue amounted to HK\$51.6 million for FY2013 and HK\$65.0 million for FY2014, representing a growth rate of approximately 26.0%, while that amounted to HK\$24.6 million for Five-month 2014 and HK\$28.0 million for Five-month 2015, representing a growth rate of approximately 13.8%.

FINANCIAL INFORMATION

(I) *Revenue by types of services provided*

The following table sets forth a breakdown of our revenue by the types of services we provided to our clients for the periods indicated.

	Year ended 31 March				Five months ended 31 August			
	2013		2014		2013		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Consultation Service	4,010	7.8	4,592	7.1	1,787	7.3	1,881	6.7
Prescription and Dispensing Service	29,499	57.1	32,126	49.4	12,981	52.8	13,038	46.6
Treatment Service	<u>18,098</u>	<u>35.1</u>	<u>28,323</u>	<u>43.5</u>	<u>9,814</u>	<u>39.9</u>	<u>13,043</u>	<u>46.7</u>
Total revenue	<u>51,607</u>	<u>100.0</u>	<u>65,041</u>	<u>100.0</u>	<u>24,582</u>	<u>100.0</u>	<u>27,962</u>	<u>100.0</u>

(i) Revenue from Consultation Service

Revenue from Consultation Service amounted to HK\$4.0 million for FY2013, HK\$4.6 million for FY2014, HK\$1.8 million for Five-month 2014 and HK\$1.9 million for Five-month 2015, representing 7.8%, 7.1%, 7.3% and 6.7% of the total revenue of our Group for the respective periods.

Our first-time clients are required to attend medical consultation with our Doctors at our Medicskin Centres, where our Doctors will ask about the medical history and perform examination in order to make a diagnosis on clients based on their specific condition, needs and concerns, and recommend appropriate Services to the clients, be it Prescription and Dispensing Service and/or Treatment Service. After the first visit, follow up medical consultations will also be provided where appropriate so as to keep track of our clients' condition.

Consultation Service is charged on a three-tier scale based on our Doctors' seniority and experience, and is reduced when the consultation is followed immediately by the Prescription and Dispensing Service. During the Track Record Period, the quoted consultation fees of our Doctors ranged from HK\$300 to HK\$700, while the reduced consultation fees ranged from nil to approximately HK\$500. Average revenue from Consultation Service (per visit) was approximately HK\$254, HK\$269 and HK\$266 for FY2013, FY2014 and Five-month 2015, respectively.

(ii) Revenue from Prescription and Dispensing Service

Revenue from Prescription and Dispensing Service amounted to HK\$29.5 million for FY2013, HK\$32.1 million for FY2014, HK\$13.0 million for Five-month 2014 and HK\$13.0 million for Five-month 2015, representing 57.1%, 49.4%, 52.8% and 46.6% of the total revenue of our Group for the respective periods.

FINANCIAL INFORMATION

Revenue from Prescription and Dispensing Service by product types

Prescription and Dispensing Service consists primarily of prescribing and dispensing Medication and/or skincare products. The table below shows the breakdown of the revenue from Prescription and Dispensing Service by product types for the periods indicated.

	Year ended 31 March				Five months ended 31 August			
	2013		2014		2013		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					(unaudited)			
Medication	7,075	24.0	8,422	26.2	3,505	27.0	3,418	26.2
Skincare products	<u>22,424</u>	<u>76.0</u>	<u>23,704</u>	<u>73.8</u>	<u>9,476</u>	<u>73.0</u>	<u>9,620</u>	<u>73.8</u>
Total revenue from Prescription and Dispensing Service	<u>29,499</u>	<u>100.0</u>	<u>32,126</u>	<u>100.0</u>	<u>12,981</u>	<u>100.0</u>	<u>13,038</u>	<u>100.0</u>

Our Doctors prescribe Medication and/or skincare products as appropriate to our clients seeking treatment of skin diseases/problems and/or the improvement of appearance of our clients.

Revenue derived from Medication accounted for 24.0%, 26.2%, 27.0% and 26.2% of the revenue from Prescription and Dispensing Service, or 13.7%, 12.9%, 14.3% and 12.2% of the total revenue of our Group for FY2013, FY2014, Five-month 2014 and Five-month 2015, respectively.

The skincare products consist primarily of Medicskin Products that are available exclusively at our Medicskin Centres (of which Medicskin Products accounted for approximately 32.9%, 29.9%, 30.8% and 30.8% of the revenue from Prescription and Dispensing Service for FY2013, FY2014, Five-month 2014 and Five-month 2015, respectively), and supplemented by Over-the-counter Skincare Products carefully chosen and sourced by our Doctors. Revenue derived from skincare products accounted for 76.0%, 73.8%, 73.0% and 73.8% of the revenue from Prescription and Dispensing Service, or 43.5% and 36.4%, 38.5% and 34.4% of the total revenue of our Group for FY2013 and FY2014, Five-month 2014 and Five-month 2015, respectively. During the Track Record Period, we sold certain Over-the-counter Skincare Products that bore the trademarks held by Beauty Tech (which is wholly owned by our Controlling Shareholder and ceased to carry on any business in November 2014). Revenue derived from such Over-the-counter Skincare Products accounted for 2.1%, 3.0%, 2.2% and 2.6% of the total revenue of our Group for FY2013, FY2014, Five-month 2014 and Five-month 2015, respectively, which our Directors believe was insignificant to our Group.

FINANCIAL INFORMATION

Revenue from each of Prescription Service and Dispensing Service

Clients who have previously consulted our Doctors at the Medicskin Centres may seek to purchase a refill of Medication and/or skincare products without further consultation with our Doctors. The table below shows the breakdown of the revenue by (i) Prescription Service and (ii) Dispensing Service for the periods indicated.

	Year ended 31 March				Five months ended 31 August			
	2013		2014		2013		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Prescription Service	17,017	57.7	18,865	58.7	7,835	60.4	8,075	61.9
Dispensing Service	12,482	42.3	13,261	41.3	5,146	39.6	4,963	38.1
Total revenue from Prescription and Dispensing Service	<u>29,499</u>	<u>100.0</u>	<u>32,126</u>	<u>100.0</u>	<u>12,981</u>	<u>100.0</u>	<u>13,038</u>	<u>100.0</u>

Average revenue from Prescription and Dispensing Service (per visit) was approximately HK\$929 for FY2013, HK\$856 for FY2014 and HK\$793 for Five-month 2015, where:

- average revenue from Prescription Service (per visit) was approximately HK\$1,166, HK\$1,226 and HK\$1,170; and
- average revenue from Dispensing Service (per visit) was approximately HK\$727, HK\$599 and HK\$521, for the respective periods.

(iii) Revenue from Treatment Service

Revenue from Treatment Service amounted to HK\$18.1 million for FY2013, HK\$28.3 million for FY2014, HK\$9.8 million for Five-month 2014 and HK\$13.0 million for Five-month 2015, representing 35.1%, 43.5%, 39.9% and 46.7% of the total revenue of our Group for the respective periods.

During the Track Record Period, some of the treatments that generated the most revenue include:

- those treatments deploying Intense Focused Ultrasound or Monopolar Radiofrequency with CPT for skin rejuvenation and/or body contouring;
- those treatments deploying Nd:YAG Laser or Intense Pulsed Light for treating acne, hyperpigmentation due to acne, rosacea and/or pigmentation problems, removal of undesirable naevi and/or hair removal;
- Botulinum Toxin Type A, which is for skin rejuvenation or facial sculpturing;

FINANCIAL INFORMATION

- cauterisation, which is mainly for removing warts; and
- Poly-L-lactic Acid Injection, which is for skin rejuvenation or facial sculpturing.

Revenue recorded for the above treatments amounted to HK\$11.4 million for FY2013, HK\$22.2 million for FY2014, HK\$7.3 million for Five-month 2014 and HK\$10.0 million for Five-month 2015, representing 63.0%, 78.4%, 74.5% and 76.9% of the total revenue from Treatment Service and 22.1%, 34.2%, 29.7% and 35.7% of the total revenue of our Group for the respective periods. Of these treatments, the per session rate of those for skin laxity problems are generally higher (depending on the treatment device deployed, area served and/or units of treatment consumables applied).

Average revenue from Treatment Service (per visit) was approximately HK\$2,754, HK\$3,656, HK\$3,355 and HK\$3,417 for FY2013, FY2014, Five-month 2014 and Five-month 2015, respectively.

Proportion of Treatment Service carried out by our Doctors

The table below shows the breakdown of the revenue from Treatment Service (i) carried out by our Doctors, (ii) carried out by Doctors' Assistants and (iii) from forfeited revenue for the periods indicated.

	Year ended 31 March				Five months ended 31 August			
	2013		2014		2013		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					(unaudited)			
Doctors	17,318	95.7	27,782	98.1	9,616	98.0	12,579	96.4
Doctors' Assistants	469	2.6	361	1.3	114	1.2	341	2.6
Forfeited revenue	311	1.7	180	0.6	84	0.8	123	1.0
Total revenue from								
Treatment Service	<u>18,098</u>	<u>100.0</u>	<u>28,323</u>	<u>100.0</u>	<u>9,814</u>	<u>100.0</u>	<u>13,043</u>	<u>100.0</u>

All treatments at our Medicskin Centres must be performed by our Doctors, other than a small portion of supplementary non-invasive treatments which are performed by Doctors' Assistants. Of the revenue from Treatment Service, approximately 95.7%, 98.1%, 98.0% and 96.4% were generated by treatments performed by our Doctors, while approximately 2.6%, 1.3%, 1.2% and 2.6% were generated by treatments performed by our Doctors' Assistants for FY2013, FY2014, Five-month 2014 and Five-month 2015, respectively.

Forfeited revenue

Our Medicskin Centres offer prepaid treatment packages to our clients in connection with treatments which may require multiple sessions to achieve desired results, taking into account the protocols recommended by suppliers of treatment devices in respect of the number of optimal sessions which should be taken to achieve those results. Since the prepaid treatment packages we offer are treatment-specific instead of prepaid value-redemption packages for a range of choices of treatments,

FINANCIAL INFORMATION

we can easily record revenue when services are provided, recognise forfeited revenue when prepaid packages expire and calculate deferred revenue when appropriate with the use of our ERP. Our Doctors may also recommend one-off treatments to our clients, based on the protocols recommended by suppliers of treatment devices and/or our clients' specific requirements. If the clients consider the recommended treatments are desirable, they may prepay for the treatment after the consultation and/or make an appointment.

Prepaid treatment packages are recorded as deferred revenue in the consolidated statements of financial position at the point of sales, and are recognised as revenue in the consolidated statements of profit or loss and other comprehensive income when relevant treatments are delivered from time to time. The prepaid treatment packages have a valid period ranging from a few months to two years from the date of purchase, which may be extended for two years at the discretion of our Medicskin Centres. Remaining deferred revenue of the prepaid treatment packages will be recognised as forfeited revenue upon the second anniversary of the contractual expiry date.

Of the total revenue recognised, only HK\$0.3 million, HK\$0.2 million, HK\$0.1 million and HK\$0.1 million was attributable to forfeited revenue, representing 0.6%, 0.3%, 0.4% and 0.4% of the total revenue of our Group for FY2013, FY2014, Five-month 2014 and Five-month 2015, respectively.

(II) Revenue from our Doctors

The following table sets forth a breakdown of revenue contributed by our Doctors (which includes revenue recognised from sales of prepaid treatment packages upon provision of Treatment Service) for the periods indicated.

	Year ended 31 March				Five months ended 31 August			
	2013		2014		2013		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					(unaudited)			
Dr. Kong, the Controlling Shareholder	14,651	28.4	17,676	27.2	6,557	26.7	8,361	29.9
Other Doctors:	23,694	45.9	33,562	51.6	12,681	51.6	14,174	50.7
- Dr. Lam	10,244	19.9	16,046	24.7	6,335	25.8	6,485	23.2
- Dr. Lau	4,581	8.9	6,700	10.3	2,235	9.1	2,731	9.8
- Dr. A	3,595	7.0	3,645	5.6	1,405	5.7	1,918	6.9
- Dr. B	3,882	7.5	4,568	7.0	1,781	7.2	1,844	6.6
- Dr. C	1,392	2.6	2,603	4.0	925	3.8	1,196	4.2
Dispensing Service	12,482	24.2	13,261	20.4	5,146	20.9	4,963	17.7
Others ^(Note)	780	1.5	542	0.8	198	0.8	464	1.7
Total revenue	<u>51,607</u>	<u>100.0</u>	<u>65,041</u>	<u>100.0</u>	<u>24,582</u>	<u>100.0</u>	<u>27,962</u>	<u>100.0</u>

Note: Others include the revenue from Treatment Service carried out by Doctors' Assistants and forfeited revenue.

FINANCIAL INFORMATION

In addition to Dr. Kong, the Controlling Shareholder, we currently have five other Doctors who provide our Services at our Medicskin Centres. The difference in revenue contributed by our Doctors is attributable to, among other factors, their popularity as well as the three-tier scale on the fees charged for Consultation Service and Treatment Service based on Doctors' seniority and experience.

The average revenue per Doctor was HK\$8.6 million for FY2013, HK\$10.8 million for FY2014, HK\$4.1 million for Five-month 2014 and HK\$4.7 million for Five-month 2015. Revenue contributed by Dr. Kong, the Controlling Shareholder, was HK\$14.7 million, HK\$17.7 million, HK\$6.6 million and HK\$8.4 million for FY2013, FY2014, Five-month 2014 and Five-month 2015, respectively, which is higher than the average revenue per Doctor for the respective periods, mainly attributable to the popularity of and higher fee charged by Dr. Kong, the Controlling Shareholder, due to his seniority and experience.

Other income, gains and losses

Other income, gains and losses amounted to nil, HK\$0.2 million, HK\$54,000 and HK\$2,000 for FY2013, FY2014, Five-month 2014 and Five-month 2015, respectively, which mainly comprises the exchange gain/loss resulting from the appreciation/depreciation of Renminbi against HK\$ on Renminbi deposit and allowance for bad and doubtful debts. The said Renminbi deposit amounting to approximately Renminbi 3.3 million was originated from the repayment from related companies and a Director in January 2014.

Inventories used

Our cost of inventories used mainly comprises the cost of the Medication and/or skincare products, as well as the cost of treatment consumables used. Treatment consumables are injections, transducers and tips of certain treatment devices which have to be replaced after the delivering of treatment.

The following table sets forth the breakdown of our cost of inventories used for the periods indicated.

	Year ended 31 March				Five months ended 31 August			
	2013		2014		2013		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					(unaudited)			
Medication	1,520	23.0	1,771	21.4	737	22.7	653	19.4
Skincare products	3,107	47.0	3,358	40.6	1,380	42.5	1,458	43.4
Treatment consumables	<u>1,980</u>	<u>30.0</u>	<u>3,136</u>	<u>38.0</u>	<u>1,128</u>	<u>34.8</u>	<u>1,249</u>	<u>37.2</u>
Total inventories used	<u>6,607</u>	<u>100.0</u>	<u>8,265</u>	<u>100.0</u>	<u>3,245</u>	<u>100.0</u>	<u>3,360</u>	<u>100.0</u>

The overall cost of inventories used as percentage of revenue remains relatively stable at 12.8% for both FY2013 and FY2014, 13.0% for Five-month 2014 and 12.1% for Five-month 2015.

FINANCIAL INFORMATION

For illustration purpose only, we set out below a sensitivity analysis of our net profit for the year/period with reference to the fluctuation of the price of inventories during the Track Record Period. The following table demonstrates the impact of hypothetical increase or decrease in the price of inventories on our net profit for the year/period, while all other factors (except for taxation) remain unchanged:

	Hypothetical increase/decrease of 5.0%	Hypothetical increase/decrease of 10.0%	Hypothetical increase/decrease of 15.0%
	HK\$'000	HK\$'000	HK\$'000
Decrease/Increase in our net profit for:			
FY2013	277	554	831
FY2014	345	690	1,035
Five-month 2015	141	282	423

Prospective investors should note that the above analysis on the historical financials is based on assumptions and is for reference only and should not be viewed as actual effect.

Staff costs

Staff costs represented the largest portion of our operating expenses during the Track Record Period. During the Track Record Period, our total headcount (including our Doctors) was 55 as at 31 March 2013, 63 as at 31 March 2014 and 57 as at 31 August 2014. The staff costs amounted to HK\$18.0 million for FY2013, HK\$24.2 million for FY2014, HK\$9.2 million for Five-month 2014 and HK\$12.6 million for Five-month 2015.

Of the staff costs, HK\$8.3 million, HK\$11.3 million, HK\$4.0 million and HK\$6.7 million, representing 46.1%, 46.7%, 43.5% and 53.2% of the staff related costs for FY2013, FY2014, Five-month 2014 and Five-month 2015, respectively, were attributable to compensation paid to our Doctors pursuant to their respective employment contracts (prior to 1 April 2014) or Cooperation Agreements (after 1 April 2014) among which Dr. Kong, the Controlling Shareholder, did not maintain an employment contract with our Group prior to 1 April 2014 but entered into a Cooperation Agreement with our Group with effect from 1 April 2014. The compensation programme for our Doctors is designed to incentivise them by linking a portion of their compensation to the revenue generated directly by them.

Of the compensation paid to our Doctors, HK\$0.6 million, HK\$1.0 million, HK\$0.4 million and HK\$0.4 million was recognised for FY2013, FY2014, Five-month 2014 and Five-month 2015, respectively, as share-based payment expenses arising from the Incentive Arrangement to Dr. Lam. Under the Incentive Arrangement, Dr. Lam is entitled to receive up to 5% of the issued share capital of the Company from Dr. Kong and/or Topline (as the case may be) over a five-year term from 1 September 2012 to 31 August 2017. The Incentive Arrangement was set up for the purpose of rewarding Dr. Lam for her contribution to our Group and to retain her to provide the Services at our Medicskin Centres for the benefit of the business and for further enhancing the growth and development of our Group. The fair value of the share reward of HK\$5 million was determined at the

FINANCIAL INFORMATION

grant date on 20 August 2012 by reference to the valuation report from an independent valuer and is recognised in our Group's consolidated statements of profit or loss and other comprehensive income on a straight-line basis over the vesting period (i.e. the Five-year Term), irrespective of (i) the timing of physical transfer of shares of Tally Scholar (prior to the incorporation of our Company) or the Shares (after the incorporation of our Company) to Dr. Lam; and (ii) any subsequent changes in the fair value of the shares of Tally Scholar/our Company after the grant date (such as any changes in fair value of the Shares upon Listing). No other expense shall be recognised relating to Dr. Lam's share reward under the Incentive Arrangement, unless there is any subsequent modification of the terms and conditions of the Incentive Arrangement that would result in an increase in the fair value of the share reward as measured at the date of the modification. For further details of the Incentive Arrangement, please refer to the section headed "History, Reorganisation and Group Structure — History and Development — Our corporate history — Incentive arrangement for Dr. Lam" in this prospectus and note 33 to Section A of the Accountants' Report.

The remaining staff related costs of HK\$9.7 million, HK\$12.9 million, HK\$5.2 million and HK\$5.9 million for FY2013, FY2014, Five-month 2014 and Five-month 2015, respectively, represent salaries, allowances and/or benefits paid to our management and our other employees as well as allowance of approximately HK\$216,000 paid to Dr. Kong in FY2013.

For illustration purpose only, below is a sensitivity analysis which demonstrates the impact of increase or decrease in the average staff salary on our net profit for the year/period, while all other factors (except for taxation) remain unchanged. The sensitivity factor of 10% was used with reference to the historical fluctuation of average staff salary during the Track Record Period.

	<u>Increase/decrease of 10%</u>
	<u>HK\$'000</u>
Decrease/Increase in our net profit for:	
FY2013	1,508
FY2014	2,023
Five-month 2015	1,062

Prospective investors should note that the above analysis on the historical financials is based on assumptions and is for reference only and should not be viewed as actual effect.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment amounted to HK\$2.0 million, HK\$2.3 million, HK\$1.0 million and HK\$1.0 million for FY2013, FY2014, Five-month 2014 and Five-month 2015, respectively, which primarily represents depreciation expenses for the treatment devices and the leasehold improvement of our Medicskin Centres.

Other expenses

Other expenses consist primarily of rental expenses, card commissions and other miscellaneous expenses. Other expenses amounted to HK\$7.3 million, HK\$8.9 million, HK\$3.3 million and HK\$3.7 million for FY2013 and FY2014, Five-month 2014 and Five-month 2015, respectively.

FINANCIAL INFORMATION

For illustration purpose only, below is a sensitivity analysis which demonstrates the impact of increase or decrease in the rental on our net profit for the year/period, while all other factors (except for taxation) remain unchanged. The sensitivity factor of 10% was used which is higher than the historical fluctuation of the rental during the Track Record Period.

	Increase/decrease of 10%
	HK\$'000
Decrease/Increase in our net profit for:	
FY2013	296
FY2014	367
Five-month 2015	161

Prospective investors should note that the above analysis on the historical financials is based on assumptions and is for reference only and should not be viewed as actual effect.

The following table sets forth the breakdown of other expenses for the periods indicated.

	Year ended 31 March				Five months ended 31 August			
	2013		2014		2013		2014	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Rental expenses	3,525	48.4	4,391	49.5	1,775	53.4	1,914	52.4
Management fee, air conditioning charges and government rate ..	370	5.1	838	9.4	312	9.4	394	10.8
Card commissions ^(Note 1) ..	820	11.3	1,079	12.2	374	11.3	437	12.0
Clinic supplies	380	5.2	381	4.3	134	4.0	131	3.6
Professional fees ^(Note 2) ..	527	7.2	362	4.1	124	3.7	126	3.5
Repair and maintenance ..	200	2.8	378	4.3	125	3.8	139	3.8
Insurance	170	2.3	206	2.3	41	1.2	124	3.4
Transportation and travelling	306	4.2	147	1.7	50	1.5	44	1.2
Others ^(Note 3)	979	13.5	1,083	12.2	389	11.7	341	9.3
	7,277	100.0	8,865	100.0	3,324	100.0	3,650	100.0

Notes:

1. Card commission refers to commission charged by the card payment processing bank for sales settled by credit cards and EPS.
2. Professional fees primarily comprise audit fee, tax filing fee and fee paid to human resources consultants with respect to our staff recruitment.
3. Others refer to expenses such as printing, stationery, office supplies, computer software and other miscellaneous expenses.

FINANCIAL INFORMATION

Listing expenses

We estimate the total amount of expenses that will be incurred in connection with the Listing to be approximately HK\$18.6 million, including the underwriting commission of HK\$2.4 million and other listing expenses and fees (including SFC transaction levy and Stock Exchange trading fee) of approximately HK\$16.2 million. The Selling Shareholder shall bear the underwriting commission in the amount of HK\$0.8 million which represents the underwriting commission attributable to the sale of the Sale Shares in the Placing and shall bear other listing expenses and fees of approximately HK\$1.3 million, determined with reference to the amount of Sale Shares vis-à-vis the total number of Shares in issue upon Listing. The remaining listing expenses, fees and underwriting commission of approximately HK\$16.5 million shall be borne by our Company, of which approximately HK\$4.3 million is expected to be capitalised after the Listing. The remaining HK\$12.2 million fees and expenses have been or are expected to be charged to the consolidated statements of profit or loss and other comprehensive income, of which HK\$3.6 million and HK\$4.1 million were charged for FY2014 and Five-month 2015 respectively, and HK\$4.5 million will be recognised as expenses during the remaining period of the year ending 31 March 2015.

Finance costs

Finance costs consist primarily of interest expenses on the borrowings from banks and a financial institution. Our finance costs were HK\$0.3 million, HK\$0.3 million, HK\$0.1 million and HK\$0.3 million for FY2013, FY2014, Five-month 2014 and Five-month 2015, respectively.

Our Group had borrowings of HK\$8.5 million, HK\$17.8 million and HK\$15.4 million as at 31 March 2013, 2014 and 31 August 2014, respectively, which primarily consisting of working capital loans and tax loans from banks, and a tax loan drawn from a financial institution other than a bank in FY2013 (amounting to HK\$2.0 million, HK\$0.06 million and nil for FY2013, FY2014 and Five-month 2015, respectively). Out of the HK\$17.8 million borrowings balance as at 31 March 2014, HK\$7.0 million and HK\$5.0 million were drawn in February and March 2014 (for working capital purpose following the reduction in bank balances and cash after the payment of listing expenses) which attracted minimal finance costs for FY2014, despite the increase in borrowings from HK\$8.5 million as at 31 March 2013 to HK\$17.8 million as at 31 March 2014. The increase in finance costs from HK\$0.1 million for Five-month 2014 to HK\$0.3 million for Five-month 2015 was also attributable to these two drawdowns in February and March 2014. The range of effective interest rates on the borrowings was 3.0% to 3.8% per annum for each of FY2013, FY2014 and Five-month 2015.

Taxation

Taxation represents the sum of tax currently payable and deferred tax. We recognise taxation for profits tax at the rate of 16.5% in Hong Kong with reference to the estimated taxable profits and changes in our deferred tax liabilities for the Track Record Period.

FINANCIAL INFORMATION

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Comparison of the periods ended 31 August 2013 and 2014

As explained in the section headed “Financial Information — the Entering into of the Cooperation Agreements effective from 1 April 2014” in this prospectus, our Group has entered into six Cooperation Agreements with our Doctors and their Managed Practices effective from 1 April 2014. Having considered the factors and reasons discussed in the section, the presentation of the financial information of our Group (including the revenue and cost structure) after the effective date of the Cooperation Agreements on 1 April 2014 is in the same way as that before 1 April 2014. The comparison of the periods ended 31 August 2013 and 2014 below is prepared on the same basis.

Revenue

Our revenue increased by HK\$3.4 million, or 13.8%, from HK\$24.6 million to HK\$28.0 million for Five-month 2014 and Five-month 2015, respectively.

(I) *Revenue by types of services provided*

Consultation Service

Revenue from Consultation Service increased slightly by HK\$0.1 million, or 5.6%, from HK\$1.8 million to HK\$1.9 million for Five-month 2014 and Five-month 2015, respectively. The increase was primarily attributable to the lengthening of opening hours for both of our Medicskin Centres in October 2013, which provided better accessibility and convenience to our clients and in turn increased the client flow as well as the frequency of client visits. With a relatively stable level of the number of clients at 6,166 and 6,222 for Five-month 2014 and Five-month 2015, respectively, we recorded a 9.2% growth in the aggregate number of visits by our clients from 25,019 to 27,318.

Prescription and Dispensing Service

Revenue from Prescription and Dispensing Service remained stable at HK\$13.0 million for each of Five-month 2014 and Five-month 2015 respectively, as a result of the combined effect of (i) the growth in the aggregate number of visits by our client resulting from the lengthening of opening hours for both of our Medicskin Centres in October 2013 (which provided better accessibility and convenience to our clients and hence increased the client flow as well as the frequency of client visits) and (ii) the decrease in average revenue from Prescription and Dispensing Service (per visits) by our clients.

Average revenue from Prescription and Dispensing Service (per visit) decreased by 7.8% from HK\$860 for Five-month 2014 to HK\$793 for Five-month 2015. Such decrease is primarily attributable to the increased proportion of visits for Dispensing Service, where such revenue could vary as the clients can choose to refill part of the skincare products prescribed by our Doctors in prior consultations.

FINANCIAL INFORMATION

Treatment Service

Revenue from Treatment Service increased by HK\$3.2 million, or 32.7%, from HK\$9.8 million for Five-month 2014 to HK\$13.0 million for Five-month 2015. Average revenue from Treatment Service (per visit) also increased from approximately HK\$3,355 for Five-month 2014 to HK\$3,417 for Five-month 2015. The increase was a result of the lengthening of opening hours for both of our Medicskin Centres in October 2013 as discussed above and our continued introduction of advanced Treatment Service with favourable client acceptance. Among which, an additional device deploying Intense Focused Ultrasound technology (for skin laxity problems, and which charged a higher rate per session than the average revenue from Treatment Service (per visit)) was introduced in October 2013. The revenue generated from devices deploying this technology amounted to HK\$2.3 million and HK\$3.6 million for Five-month 2014 and Five-month 2015, representing an increase of HK\$1.3 million in revenue, or a 56.5% period on period growth.

Among the revenue from Treatment Service, revenue recognised from prepaid treatment packages, including forfeited revenue, amounted to HK\$4.3 million and HK\$6.5 million for Five-month 2014 and Five-month 2015, respectively, representing 17.5% and 23.2% of the total revenue of our Group for the respective periods. Of the revenue recognised from the prepaid treatment packages, revenue attributable to expired prepaid treatment packages amounted to HK\$0.1 million, representing 0.4% of the total revenue of our Group for both Five-month 2014 and Five-month 2015.

(II) *Revenue by our Doctors*

In addition to Dr. Kong, the Controlling Shareholder, we currently have five other Doctors to provide the Services at our Medicskin Centres.

Revenue contributed by Dr. Kong was HK\$6.6 million for Five-month 2014 and HK\$8.4 million for Five-month 2015, which is higher than the average revenue per Doctor of HK\$4.1 million for Five-month 2014 and HK\$4.7 million for Five-month 2015, mainly attributable to the popularity of and higher fee charged by Dr. Kong due to his seniority and experience.

Average revenue per Doctor has increased by 14.6% from HK\$4.1 million for Five-month 2014 to HK\$4.7 million for Five-month 2015. The overall increase in revenue contributed by each of our Doctors was a result of (i) the lengthening of opening hours for both of our Medicskin Centres in October 2013, which contributed to an increase in client flow; and (ii) the increased efficiency in allocating our Doctors' roster following the streamlining of operations, after the closing down of the Shatin Centre in the first quarter of 2014.

Inventories used

Our cost of inventories used increased by HK\$0.2 million, or 6.3%, from HK\$3.2 million for Five-month 2014 to HK\$3.4 million for Five-month 2015. The increase was primarily attributable to the increase in consumption of treatment consumables and is in line with our growth in revenue from Treatment Services over the period.

FINANCIAL INFORMATION

The increase in cost of inventories used is in line with our growth in revenue. The overall cost of inventories used as percentage of revenue remains relatively stable at 13.0% and 12.1% for Five-month 2014 and Five-month 2015, respectively.

Staff costs

Staff cost increased by HK\$3.4 million, or 37.0%, from HK\$9.2 million for Five-month 2014 to HK\$12.6 million for Five-month 2015. The increase was primarily attributable to (i) the compensation paid to Dr. Kong of HK\$2.2 million since 1 April 2014 pursuant to the Cooperation Agreement, (ii) the increased compensation to our other Doctors by HK\$0.4 million resulting from the increase in the portion of monthly bonus in the compensation, which is in line with our revenue growth over the period, and (iii) the general annual salary revision for our staff.

Depreciation of property, plant and equipment

Depreciation expenses remained stable at HK\$1.0 million for both Five-month 2014 and Five-month 2015.

Other expenses

Other expenses increased by HK\$0.4 million, or 12.1%, from HK\$3.3 million to HK\$3.7 million for Five-month 2014 and Five-month 2015. The increase was primarily attributable to the increase in rental expenses and ancillary costs of the premises (including management fee, air conditioning charges and government rate) by HK\$0.2 million following the expansion of our Central Centre by occupying one more rental unit in January 2014, the increase in card commissions by HK\$0.1 million which is in line with the increase in revenue (with the card commission as percentage of revenue remaining stable at 1.5% and 1.6% for Five-month 2014 and Five-month 2015 respectively), and the increase in insurance expense by HK\$0.1 million mainly attributable to our subscription of medical malpractice insurance since July 2013.

Finance costs

Our finance costs increased by HK\$0.2 million, or 200.0%, from HK\$0.1 million for Five-month 2014 to HK\$0.3 million for Five-month 2015. The increase in finance costs was primarily attributable to the drawdown of HK\$7.0 million and HK\$5.0 million in February and March 2014 (for working capital purpose following the reduction in bank balances and cash after the payment of listing expenses).

Taxation

Taxation decreased by HK\$0.1 million, or 7.7%, from HK\$1.3 million for Five-month 2014 to HK\$1.2 million for Five-month 2015. The decrease was in line with the decrease in profit before tax, excluding the effect of non-deductible expenses such as share-based payments and listing expenses.

FINANCIAL INFORMATION

Net profit

As a result of the foregoing, in particular, the listing expenses of approximately HK\$4.1 million recorded in connection with the Listing for Five-month 2015 and the professional fees paid to Dr. Kong of approximately HK\$2.2 million since 1 April 2014 under the Cooperation Agreement, our net profit decreased by HK\$4.5 million, or 71.4%, from HK\$6.3 million for Five-month 2014 to HK\$1.8 million for Five-month 2015.

Comparison of the years ended 31 March 2013 and 2014

Revenue

Our revenue increased by HK\$13.4 million, or 26.0%, from HK\$51.6 million to HK\$65.0 million for FY2013 and FY2014, respectively.

(I) Revenue by types of services provided

Consultation Service

Revenue from Consultation Service increased by HK\$0.6 million, or 15.0%, from HK\$4.0 million to HK\$4.6 million for FY2013 and FY2014, respectively. The increase was primarily attributable to (i) our increased presence after the establishment of the TST Centre in December 2012; and (ii) the lengthening of opening hours for both of our Medicskin Centres in October 2013, which provided better accessibility and convenience to our clients and in turn increased the client flow as well as the frequency of client visits. With a stable level of the number of clients at 9,177 and 9,172 for FY2013 and FY2014, respectively, we recorded a 15.3% growth in the aggregate number of visits by our clients from 54,117 to 62,371.

Prescription and Dispensing Service

Revenue from Prescription and Dispensing Service increased by HK\$2.6 million, or 8.8%, from HK\$29.5 million to HK\$32.1 million for FY2013 and FY2014 respectively. The increase was in line with the revenue growth of Consultation Service which was primarily attributable to the increased presence after establishment of TST Centre in December 2012, as well as the lengthening of opening hours for both of our Medicskin Centres in October 2013, which provide better accessibility and convenience to our clients and hence increased the client flow as well as the frequency of client visits.

Average revenue from Prescription and Dispensing Service (per visit) decreased by 7.9% from HK\$929 for FY2013 to HK\$856 for FY2014. Such decrease is primarily attributable to the increased proportion of visits for Dispensing Service, where such revenue could vary as the clients can choose to refill only part of the skincare products prescribed by our Doctors in prior consultations.

Treatment Service

Revenue from Treatment Service increased by HK\$10.2 million, or 56.4%, from HK\$18.1 million for FY2013 to HK\$28.3 million for FY2014. Average revenue from Treatment Service (per

FINANCIAL INFORMATION

visit) also increased from approximately HK\$2,754 for FY2013 to HK\$3,646 for FY2014. The increase was as a result of our continued introduction of advanced Treatment Service with favourable client acceptance. Among which, with (i) the introduction of the device deploying Intense Focused Ultrasound technology in October 2012 (for skin laxity problems, and which charged a higher rate per session than the average revenue from Treatment Service (per visit)), and (ii) an additional device deploying Intense Pulsed Light technology (for treating pigmentation problems, rosacea, telangiectasia) in December 2012 which became popular following the release of new protocols, the revenue generated from devices deploying these two technologies amounted to HK\$2.6 million and HK\$11.0 million for FY2013 and FY2014, representing an increase of HK\$8.4 million in revenue, or a 323.1% year on year growth.

Among the revenue from Treatment Service, revenue recognised from prepaid treatment packages amounted to HK\$6.5 million and HK\$13.2 million for FY2013 and FY2014, respectively, representing 12.6% and 20.3% of the total revenue of our Group for the respective years. The increase was primarily due to our increased presence after the establishment of the TST Centre in December 2012, as well as the lengthening of opening hours for both of our Medicskin Centres in October 2013 as discussed above. Of the revenue recognised from the prepaid treatment packages, only HK\$0.3 million and HK\$0.2 million was attributable to revenue from expired prepaid treatment packages, representing 0.6% and 0.3% of the total revenue of our Group for FY2013 and FY2014, respectively.

(II) Revenue by our Doctors

In addition to Dr. Kong, the Controlling Shareholder, we currently have five other Doctors to provide the Services at our Medicskin Centres.

Revenue contributed by the Controlling Shareholder was HK\$14.7 million for FY2013 and HK\$17.7 million for FY2014, which is higher than the average revenue per Doctor of HK\$8.6 million for FY2013 and HK\$10.8 million for FY2014, mainly attributable to the popularity of and higher fee charged by the Controlling Shareholder due to his seniority and experience.

Average revenue per Doctor has increased by 25.6% from HK\$8.6 million for FY2013 to HK\$10.8 million for FY2014. The overall increase in revenue contributed by each of our Doctors was a result of (i) the effective replication of our business model in the TST Centre and the lengthening of opening hours for both of our Medicskin Centres in October 2013, which contributed to an increase in client flow; and (ii) the increased efficiency in allocating our Doctors' roster following the streamlining of operations, after the closing down of the Jordan Centre and the Shatin Centre in the third quarter of 2012 and in the first quarter of 2014, respectively.

Inventories used

Our cost of inventories used increased by HK\$1.7 million, or 25.8%, from HK\$6.6 million for FY2013 to HK\$8.3 million for FY2014. The increase was primarily attributable to the increase in consumption of treatment consumables and is in line with our growth in revenue from Treatment Services over the period.

FINANCIAL INFORMATION

The increase in cost of inventories used is in line with our growth in revenue. The overall cost of inventories used as percentage of revenue remains stable at 12.8% for both FY2013 and FY2014.

Staff costs

Staff cost increased by HK\$6.2 million, or 34.4%, from HK\$18.0 million for FY2013 to HK\$24.2 million for FY2014. The increase was primarily attributable to (i) the increased compensation to our Doctors from HK\$8.3 million to HK\$11.3 million resulting from the increase in the portion of monthly bonus in the compensation, which is in line with our revenue growth over the period, (ii) the increase in total headcount (excluding our Doctors) from 49 as at 31 March 2013 to 57 as at 31 March 2014, and (iii) the full year effect of staff costs attributable to our TST Centre which opened in December 2012.

Depreciation of property, plant and equipment

Depreciation expenses increased by HK\$0.3 million, or 15.0%, from HK\$2.0 million for FY2013 to HK\$2.3 million for FY2014. The increase was primarily attributable to the full year effect of depreciation of leasehold improvement, machine and equipment and furniture and fixtures attributable to our TST Centre which opened in December 2012.

Other expenses

Other expenses increased by HK\$1.6 million, or 21.9%, from HK\$7.3 million to HK\$8.9 million for FY2013 and FY2014. The increase was primarily attributable to the increase in rental expenses and ancillary costs of the premises (including management fee, air conditioning charges and government rate) by HK\$1.3 million following the opening of our TST Centre, the increase in card commissions by HK\$0.3 million which is in line with the increase in revenue (with the card commission as percentage of revenue remaining stable at 1.6% and 1.7% for FY2013 and FY2014 respectively), and the increase in repair and maintenance by HK\$0.2 million mainly attributable to the cost of replacement for the spare parts of certain treatment devices for FY2014, and was partially offset by the decrease in professional fees of HK\$0.2 million primarily as a result of consultancy fee paid to the human resources consultants with respect to our staff recruitment for the TST Centre for FY2013.

Finance costs

Our finance costs remain stable at HK\$0.3 million for FY2013 and FY2014. Despite the increase in balances of borrowings from HK\$8.5 million for FY2013 to HK\$17.8 million for FY2014, HK\$7.0 million and HK\$5.0 million were drawn in February and March 2014 and (for working capital purpose following the reduction in bank balances and cash after the payment of listing expenses) which attracted minimal finance costs.

Taxation

Taxation increased by HK\$0.7 million, or 24.1%, from HK\$2.9 million for FY2013 to HK\$3.6 million for FY2014. The increase was primarily attributable to the increase in revenue and is in line with the increase in profit before tax, excluding the effect of non-deductible expenses such as share-based payments and listing expenses.

FINANCIAL INFORMATION

Net profit

As a result of the foregoing, in particular, the listing expenses of approximately HK\$3.6 million recorded in connection with the Listing for FY2014, our net profit decreased by HK\$0.8 million, or 5.5%, from HK\$14.5 million for FY2013 to HK\$13.7 million for FY2014. As described in the section headed “Financial Information — Major Factors Affecting our Results of Operations — Costs of operations — Staff costs” in this prospectus, no professional fees were paid or payable to Dr. Kong for FY2013 and FY2014. As such, the net profit did not account for the same.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to satisfy our working capital needs and capital expenditure needs. We have historically financed our working capital and capital expenditure needs primarily through cash flows from operating activities and external borrowings.

Going forward, we believe our liquidity requirements will be satisfied using a combination of cash generated from operating activities and the net proceeds from the Placing of New Shares based on our current and anticipated levels of operations and conditions in the markets and industry. For details of our future plans and the expected timetable, please refer to the section headed “Statement of Business Objective and Use of Proceeds” in this prospectus.

We regularly monitor our liquidity requirements and compliance with our loan requirements to ensure that we maintain sufficient cash resources for our working capital needs and capital expenditure needs. We have not experienced and do not expect to experience any difficulties in meeting our obligations as they become due.

Cash Flows

	Year ended 31 March		Five months ended 31 August	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Operating cash flows before movements in				
working capital and tax paid	20,375	21,174	9,363	4,796
Movements in working capital and tax paid . . .	157	1,403	(205)	321
Net cash from operating activities	20,532	22,577	9,158	5,117
Net cash used in investing activities	(7,446)	(6,517)	(1,888)	(305)
Net cash (used in) from financing activities . . .	(11,751)	4,528	(6,074)	(3,027)
Net increase in cash and cash equivalents	1,335	20,588	1,196	1,785
Cash and cash equivalents at beginning of the				
year/period	3,545	4,880	4,880	25,468
Cash and cash equivalents at end of the				
year/period	4,880	25,468	6,076	27,253

FINANCIAL INFORMATION

Operating activities

Our Group derived our cash inflow from operating activities principally from the receipts of payment for our Services. Our cash outflow from operations is principally for salary payments, purchases of inventories, other administrative expenses such as rental expenses, and for profits tax payment.

For FY2013, our Group had net cash generated from operating activities before changes in working capital and tax paid of approximately HK\$20.4 million and a net cash inflow from operating activities of approximately HK\$20.5 million. The difference of approximately HK\$0.1 million was primarily attributable to (i) the approximately HK\$1.6 million decrease in amount due from a related company as a result of offsetting the purchases from the related company, (ii) the approximately HK\$1.0 million increase in deferred revenue which is in line with the increased revenue from Treatment Service; (iii) the approximately HK\$0.6 million increase in accrued liabilities which was in line with the increased overall revenue and primarily arose from the accrued monthly bonus to our Doctors for the last month of the year which could only be ascertained and paid in the following month; and was partially offset by (i) the approximately HK\$0.9 million increase in inventories due to the increase in inventory level to cope with the opening of our TST Centre and (ii) the approximately HK\$2.4 million of tax paid during the year.

For FY2014, our Group had net cash generated from operating activities before changes in working capital and tax paid of approximately HK\$21.2 million and a net cash inflow from operating activities of approximately HK\$22.6 million. The difference of approximately HK\$1.4 million was primarily attributable to (i) the approximately HK\$2.4 million increase in recorded deferred revenue which is consistent with the increase in revenue from Treatment Service, (ii) the approximately HK\$1.3 million increase in accrued liabilities which primarily arose from the accrued listing expenses, and the increase in accrued monthly bonus to our Doctors for the last month of the year which could only be ascertained and paid in the following month conforming to the increased overall revenue; and (iii) the approximately HK\$1.6 million decrease in amount due from a related company as a result of offsetting the purchases from the related company; and was partially offset by the approximately HK\$2.9 million of tax paid during the year.

For Five-month 2015, our Group had net cash generated from operating activities before changes in working capital and tax paid of approximately HK\$4.8 million and a net cash inflow from operating activities of approximately HK\$5.1 million. The difference of approximately HK\$0.3 million was primarily attributable to (i) the approximately HK\$0.3 million decrease in trade receivables due to the decreased transaction amount settled by credit cards and EPS around the end of the period; (ii) the approximately HK\$0.4 million increase in accrued liabilities which primarily arose from the provision for the year-end bonus to be distributed before Chinese New Year; and (iii) the approximately HK\$0.2 million decrease in deposits and prepayments primarily due to recognition of prepayment to professional parties in connection with the Listing as expenses during the period; and was partially offset by the approximately HK\$0.7 million tax paid during the period.

Investing activities

During the Track Record Period, our net cash used in investing activities was related to the purchase of property, plant and equipment and the advance to/repayment from a Director and related companies.

FINANCIAL INFORMATION

For FY2013, our net cash used in investing activities was approximately HK\$7.4 million, which was primarily due to (i) the addition of property, plant and equipment of approximately HK\$3.9 million mainly resulting from the leasehold improvement and purchase of medical and office equipment at the TST Centre, (ii) the advance to a Director of approximately HK\$11.8 million and (iii) advances to related companies of approximately HK\$4.0 million, partially offset by the repayment from the Director of approximately HK\$11.6 million.

For FY2014, our net cash used in investing activities was approximately HK\$6.5 million, which was primarily due to (i) the advance to a Director of approximately HK\$10.2 million and (ii) advances to related companies of approximately HK\$2.1 million, offset by (i) the repayment from the Director of approximately HK\$5.3 million and (ii) the repayment from related companies of approximately HK\$1.8 million.

For Five-month 2015, our net cash used in investing activities was approximately HK\$0.3 million, which was primarily due to the addition of property, plant and equipment of approximately HK\$0.8 million mainly resulting from the purchase of treatment equipment, offset by the repayment from the Director of approximately HK\$0.5 million.

Financing activities

During the Track Record Period, cash used in financing activities primarily consisted of payment of dividends, repayments of bank borrowings and obligations under finance leases and repayment to a related company, while cash generated from financing activities included proceeds from bank borrowings and advance from a related company.

For FY2013, our net cash outflow for financing activities was approximately HK\$11.8 million, which was primarily attributable to the cash used (i) for payment of dividend of HK\$9.0 million to the then Shareholder, (ii) for repayments of borrowings and obligations under finance leases (in relation to the purchase of treatment devices) of approximately HK\$5.1 million and HK\$0.7 million, respectively; and was partially offset by the proceeds from bank borrowings of approximately HK\$3.0 million.

For FY2014, our net cash inflow for financing activities was approximately HK\$4.5 million, which was primarily attributable to (i) cash proceeds from bank borrowings of approximately HK\$14.9 million, and (ii) advance from a related company of approximately HK\$1.4 million; and were partially offset by the cash used for (i) payment of dividend of approximately HK\$3.8 million, (ii) repayments of bank borrowings and obligations under finance leases (in relation to the purchase of treatment devices) of approximately HK\$5.6 million and HK\$0.4 million, respectively, and (iii) repayment to a related company of approximately HK\$1.8 million.

For Five-month 2015, our net cash outflow for financing activities was approximately HK\$3.0 million, which was primarily attributable to the cash used for repayments of bank borrowings of approximately HK\$3.2 million, and was partially offset by cash proceeds from bank borrowing of approximately HK\$0.7 million.

FINANCIAL INFORMATION

Net current (liabilities) assets

	As at 31 March		As at 31 August	As at 31 October
	2013	2014	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)
Current assets				
Inventories	2,792	2,137	1,917	2,438
Trade receivables	243	616	238	344
Deposits and prepayments	1,230	1,200	2,170	2,956
Amounts due from related companies	3,092	—	—	—
Amount due from a Director	3,512	3,488	—	—
Bank balances and cash	4,880	25,468	27,253	27,384
Total current assets	15,749	32,909	31,578	33,122
Current liabilities				
Trade payables	704	429	328	751
Accrued liabilities	1,194	2,515	2,929	4,380
Deferred revenue	3,989	6,389	6,537	6,543
Amount due to a related company	340	—	—	—
Tax payable	788	1,599	2,120	2,558
Borrowings	8,474	17,831	15,360	14,074
Obligations under finance leases	395	212	216	199
Total current liabilities	15,884	28,975	27,490	28,505
Net current (liabilities) assets	(135)	3,934	4,088	4,617

The net current liabilities amounted to HK\$0.1 million as at 31 March 2013, and the net current assets amounted to HK\$3.9 million and HK\$4.1 million as at 31 March 2014 and 31 August 2014, respectively.

The net current liabilities of HK\$0.1 million as at 31 March 2013 was mainly attributable to (i) the deferred revenue of approximately HK\$4.0 million arising from the prepaid treatment packages, details of which are set out in the section headed “Financial Information — Deferred Revenue”, and (ii) the dividend declared and distributed of HK\$12.0 million to the then Shareholder during FY2013.

Our Directors consider that the deferred revenue does not impose any negative impact on our working capital positions because (i) cash generated from the sales of the prepaid treatment packages had already been reflected in cash generated from operating activities and recognised as bank balances and cash on the consolidated statements of financial position; (ii) recognition of deferred revenue and the subsequent revenue recognition in the consolidated statements of profit or loss and other comprehensive income had no cash flow effect and is solely for financial reporting purpose; and (iii) deferred revenue will be either recognised as revenue either when the services are delivered to clients or upon the second anniversary of the contractual expiry date of the prepaid treatment packages. As at 31 March 2014, our working capital position has been improved to net current assets of HK\$3.9 million.

FINANCIAL INFORMATION

The increase in the net current assets of HK\$4.0 million from FY2013 to FY 2014 was primarily attributable to the increase in bank balances and cash of approximately HK\$20.6 million; and was partially offset by (i) the decrease in amounts due from related companies of approximately HK\$3.1 million, (ii) the increase in interest-bearing bank borrowings of approximately HK\$9.4 million, (iii) the increase in deferred revenue of approximately HK\$2.4 million which is consistent with the increase in revenue from Treatment Service, and (iv) the increase in accrued liabilities of approximately HK\$1.3 million which was conforming to the increased overall revenue and primarily arose from the accrued monthly bonus to our Doctors for the last month of the year which could only be ascertained and paid in the following month.

The net current assets remained relatively stable at HK\$3.9 million and HK\$4.1 million as at 31 March 2014 and 31 August 2014 respectively.

Our Directors consider that our Group's net current liabilities as at 31 March 2013 of HK\$0.1 million were not material and were partly due to dividends declared. We will keep on monitoring our liquidity requirements on a regular basis to ensure that sufficient working capital is maintained.

INVENTORIES

Our inventories include Medication, skincare products as well as consumables used in treatments.

The following table sets forth our inventories as of the dates indicated.

	As at 31 March		As at 31 August
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Medication	685	526	470
Skincare products	1,250	1,121	864
Treatment consumables	857	490	583
	2,792	2,137	1,917

The slight decrease in inventories from HK\$2.8 million as at 31 March 2013 to HK\$2.1 million as at 31 March 2014 and HK\$1.9 million as at 31 August 2014 was primarily due to increased efforts on controlling the inventory level to avoid undesired overpurchase caused by, for example, bulk-purchase discounts.

FINANCIAL INFORMATION

The following table sets forth our inventory turnover days as of the dates indicated.

	Year ended 31 March		Five months ended 31 August
	2013	2014	2014
	Turnover of inventory (days) ^(Note)	130.3	108.8

Note: Calculated as the average inventory divided by the cost of inventories used and multiplied by 365 for FY2013 and FY2014, or 153 for Five-month 2015.

Inventory turnover days decreased from 130.3 days for FY2013 to 108.8 days for FY2014 and 92.3 days for Five-month 2015, which is conforming to the decreased inventories level as a result of the increased efforts on inventory control in 2014. As at 31 October 2014, approximately HK\$1.0 million or 52.6% of our inventory as at 31 August 2014 had been subsequently sold or consumed.

TRADE RECEIVABLES

A majority of our sales generate immediate cash receipts for the full amount of the transaction due to our policy of settling transactions with cash, major credit cards and EPS. Our trade receivables primarily represent those due from the card payment processing bank which are normally due for settlement within a few days after the trade date. Payments by clients using medical cards will normally be settled by the medical card issuing companies within 60 to 90 days from the invoice dates. As at 31 March 2013 and 2014 and 31 August 2014, the balance of our trade receivables was HK\$0.2 million, HK\$0.6 million and HK\$0.2 million, respectively, of which HK\$0.2 million, HK\$0.5 million and HK\$0.1 million are receivables from the card payment processing bank.

The following table sets forth our trade receivables turnover days as of the dates indicated.

	Year ended 31 March		Five months ended 31 August
	2013	2014	2014
	Turnover of trade receivables (days) ^(Note)	2.1	2.4

Note: Calculated as the average trade receivables (net of allowance for bad and doubtful debts) divided by the revenue and multiplied by 365 for FY2013 and FY2014, or 153 for Five-month 2015.

Our average trade receivables turnover days for FY2013, FY2014 and Five-month 2015 was 2.1 days, 2.4 days and 2.3 days, respectively, which is in line with our policy of settling most transactions with cash, major credit cards and EPS.

FINANCIAL INFORMATION

The following table sets forth an aging analysis of our trade receivables as of the dates indicated.

	As at 31 March		As at 31 August
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
0 - 30 days	184	572	181
31 - 60 days	41	1	31
61 - 90 days	3	43	26
91 - 180 days	15	—	—
	243	616	238

It is our Group's policy to make provision on trade receivables when they are considered uncollectible. In determining the recoverability of a trade receivable, our Group considers any change in credit quality of the trade receivables from the date credit was initially granted up to the end of each financial year.

The amount of approximately HK\$15,000 aged between 91 to 180 days as at 31 March 2013 was past due but not impaired since the amount was due from debtors which do not have historical default of payments and the amount was considered collectible. Our Group does not hold any collateral over these balances.

Our Group made an allowance of nil, approximately HK\$34,000 and HK\$50,000 for FY2013, FY2014 and Five-month 2015 respectively in respect of the trade receivables which was past due at the end of the period. Our management considered the related receivables might be impaired due to no settlement after the follow-up actions being taken to recover the overdue debts and specific allowance was made.

As at 31 October 2014, approximately HK\$235,000 or 98.7% of our trade receivables as at 31 August 2014 had been subsequently settled.

DEPOSITS AND PREPAYMENTS

Deposits and prepayments amounted to HK\$1.2 million, HK\$1.2 million and HK\$2.2 million as at 31 March 2013 and 2014 and 31 August 2014, respectively. During the Track Record Period, our deposits and prepayments mainly represented rental deposits, prepayment to professional parties in connection with the Listing, deposits to suppliers and prepaid maintenance for treatment devices and computer equipment.

Rental deposits (paid for tenancy agreements with expiry dates within one year) amounted to HK\$0.8 million and HK\$0.1 million as at 31 March 2013 and 2014. The decrease is due to the renewal of tenancy agreements for our Central Centre in FY2014 of which the rental deposits are recorded in non-current assets as at 31 March 2014. It subsequently increased to HK\$1.2 million primarily due to the classification of the rental deposit paid for the TST Centre from non-current assets as at 31 March

FINANCIAL INFORMATION

2014 to current assets as at 31 August 2014 since the tenancy agreement concerned will expire in August 2015. Rental deposits paid for tenancy agreements with expiry dates over one year were recorded in non-current assets and amounted to HK\$1.1 million, HK\$1.9 million and HK\$0.8 million as at 31 March 2013 and 2014 and 31 August 2014, respectively.

Prepayment to professional parties in connection with the Listing amounted to nil, HK\$0.6 million and HK\$0.2 million as at 31 March 2013 and 2014 and 31 August 2014, respectively.

Deposits to suppliers amounted to HK\$0.3 million, HK\$0.1 million and HK\$0.1 million as at 31 March 2013, 2014 and 31 August 2014, respectively. The decrease is due to a general decrease in inventory balance maintained by the Company as a result of the increased efforts on inventory control in 2014.

Prepayment for medical and computer equipment maintenance amounted to HK\$0.1 million and HK\$0.2 million as at 31 March 2013 and 2014, respectively. The increase is due to the increase in prepayments for treatment devices purchased in FY2014. It subsequently decreased to HK\$0.1 million as at 31 August 2014 primarily due to recognition of prepayment for treatment devices maintenance as expense in Five-month 2015.

TRADE PAYABLES

Trade payables primarily consist of the outstanding payables on inventories. We normally receive credit terms of 30 days from our suppliers. As at 31 March 2013 and 2014 and 31 August 2014, the balance of our trade payables was HK\$0.7 million, HK\$0.4 million and HK\$0.3 million, respectively. The decrease is in line with the decrease in inventories.

The following table sets forth our trade payables turnover days as of the dates indicated.

	Year ended 31 March		Five months ended 31 August
	2013	2014	2014
Turnover of trade payables (days) ^(Note)	38.1	25.0	17.2

Note: Calculated as the average trade payables divided by the cost of inventories used and multiplied by 365 for FY2013 and FY2014, or 153 for Five-month 2015.

The decrease in our trade payables turnover days is in line with the decrease in trade payables resulting from the decrease in inventories level maintained by our Group, while the inventories used is in proportion with the increasing revenue.

FINANCIAL INFORMATION

The following table sets forth an aging analysis of our trade payables as of the dates indicated.

	As at 31 March		As at 31 August
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
0 - 30 days	532	272	328
31 - 60 days	161	157	—
61 - 90 days	11	—	—
	704	429	328

Our Directors confirm that we had no default or delay in payment of our trade payables during the Track Record Period that would have had material impact on our business, financial condition or results of operations. As at 31 October 2014, all of our trade payables as at 31 August 2014 had been subsequently settled.

DEFERRED REVENUE

Our Medicskin Centres offer prepaid treatment packages to our clients in connection with treatments which may require multiple sessions to achieve desired results, and taking account the protocols recommended by suppliers of treatment devices in respect of the number of optimal sessions which should be taken to achieve those results. Since the prepaid treatment packages we offer are treatment-specific instead of prepaid value-redemption packages for a range of choices of treatments, we can easily record revenue when services are provided, recognise forfeited revenue when prepaid packages expire and calculate deferred revenue when appropriate with the use of our ERP. Our Doctors may also recommend one-off treatments to our clients, based on the protocols recommended by suppliers of treatment devices and/or our clients' specific requirements. If the clients consider the recommended treatments are desirable, they may prepay for the treatment after the consultation and/or make an appointment.

Prepaid treatment packages are recorded as deferred revenue in the consolidated statements of financial position at the point of sales, and are recognised as revenue in the consolidated statements of profit or loss and other comprehensive income when relevant treatments are delivered from time to time. The prepaid treatment packages have a valid period ranging from a few months to two years from the date of purchase which may be extended for two years at the discretion of our Medicskin Centres. Remaining deferred revenue of the prepaid treatment packages will be recognised as forfeited revenue upon the second anniversary of the contractual expiry date.

FINANCIAL INFORMATION

The following table provides a breakdown of deferred revenue for FY2013, FY2014 and the Five-month 2015 respectively:

	Year ended 31 March		Five months ended 31 August
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
At the beginning of the year/period	2,964	3,989	6,389
Receipts from sales of prepaid treatment packages . . .	7,560	15,575	6,628
Revenue recognised upon provision of Treatment			
Service	(6,224)	(12,995)	(6,357)
Forfeited revenue	(311)	(180)	(123)
At the end of the year/period	3,989	6,389	6,537

Revenue recognised from the prepaid treatment, including forfeited revenue, amounted to HK\$6.5 million, HK\$13.2 million and HK\$6.5 million for FY2013, FY2014 and Five-month 2015, respectively, representing 12.6%, 20.3% and 23.2% of the total revenue of our Group for the respective periods. Of the revenue recognised from the prepaid treatment, only HK\$0.3 million, HK\$0.2 million and HK\$0.1 million were attributable to forfeited revenue, representing 0.6%, 0.3% and 0.4% of the total revenue of our Group for FY2013, FY2014 and Five-month 2015, respectively.

AMOUNTS DUE TO/FROM RELATED COMPANIES AND A DIRECTOR

The following table set forth the non-trade amounts due from/to related companies and a Director as at 31 March 2013 and 2014 and 31 August 2014 respectively:

	As at 31 March		As at 31 August
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Related companies:			
- Amounts due from related companies	3,092	—	—
- Amount due to a related company	340	—	—
Director:			
- Amount due from a Director	3,512	3,488	—

The amounts due from/to related companies and a Director represented advances made by/due from our Group, and are unsecured, interest-free and repayable on demand. The Director is Dr. Kong, who is our Controlling Shareholder.

FINANCIAL INFORMATION

WORKING CAPITAL SUFFICIENCY

Our Directors confirm that, and the Sole Sponsor concurs, we have sufficient working capital for our requirements for at least the next 12 months from the date of this prospectus, in the absence of unforeseen circumstances, taking into account the financial resources available to us, including cash flows from our operations, available banking facilities and the estimated net proceeds from the Placing of New Shares.

INDEBTEDNESS

At the close of business on 31 October 2014, our Group had outstanding unsecured bank borrowings of HK\$14.1 million. In addition, our Group had outstanding at that date secured obligations under finance leases of HK\$0.2 million.

All of our Group's bank borrowings were guaranteed by Dr. Kong. A bank borrowing of HK\$2.0 million was also guaranteed by the Government of Hong Kong under the Special Loan Guarantee Scheme implemented by the Trade and Industry Department of Hong Kong and bank borrowings of HK\$8.5 million were also guaranteed by the Hong Kong Mortgage Corporation Limited under the SME Financing Guarantee Scheme.

As at 31 October 2014, our Group had no unutilised banking facilities. On the basis that we did not encounter any difficulties in borrowing from banks in the past, our Directors do not anticipate that our Group will have difficulties in obtaining banking facilities after Listing.

Our Group's obligations under finance leases are secured by the lessor's charge over the leased assets and a personal guarantee provided by Dr. Kong.

In addition, Dr. Kong provided a personal guarantee for credit card settlement services from a bank for Medicskin Centres during Five-month 2015. This personal guarantee will be released and replaced with a guarantee provided by our Company immediately following Listing.

Our Group will repay all outstanding borrowings immediately following Listing, of which HK\$4.9 million will be funded by net proceeds from the Placing of New Shares. Accordingly, all the personal guarantees provided by Dr. Kong as mentioned above will be released immediately following Listing.

For details of the contingent liabilities of our Group, see "Financial Information — Contingent Liabilities".

Save as aforesaid or as otherwise disclosed herein, our Group did not have outstanding at the close of business on 31 October 2014 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

FINANCIAL INFORMATION

Loan covenants

Our Directors confirm that there were no material covenants relating to any of our outstanding borrowings that were expected to have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities as at the Latest Practicable Date. During the Track Record Period, there was no material default in repayment or breach of financial covenants in our borrowings.

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures consisted primarily of purchases of leasehold improvement, medical and office equipment of our Medicskin Centres. We made capital expenditures of approximately HK\$4.5 million, HK\$1.3 million and HK\$0.8 million for FY2013, FY2014 and Five-month 2015 respectively.

CONTRACTUAL COMMITMENTS

Capital commitment

As at 31 March 2013 and 2014 and 31 August 2014, our Group had no material capital commitment.

Operating lease commitments

The table below sets forth our operating lease commitments as at 31 March 2013 and 2014 and 31 August 2014:

	As at 31 March		As at 31 August
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Within one year.	4,072	4,594	4,573
In the second to fifth year inclusive	2,526	3,388	1,494
	<u>6,598</u>	<u>7,982</u>	<u>6,067</u>

Operating lease commitments represent rentals payable by our Group for our Medicskin Centres and office premises. Leases are negotiated for the lease terms of two to three years and rentals are fixed throughout the lease terms.

CONTINGENT LIABILITIES

Save as disclosed in the section headed “Business — Regulatory Compliance and Legal Proceedings — Legal claim against our Group” in this prospectus and note 37 to Section A of the Accountants’ Report, our Directors confirm that there had been no material contingent liabilities since 31 August 2014 up to the Latest Practicable Date.

FINANCIAL INFORMATION

FINANCIAL RATIOS

	Year ended 31 March		Five months ended 31 August
	2013	2014	2014
	Net profit margin ^(Note 1)	28.2%	21.1%
Current ratio ^(Note 2)	0.99 time	1.14 times	1.15 times
Quick ratio ^(Note 3)	0.82 time	1.06 times	1.08 times
Return on equity ^(Note 4, 9)	234.4%	132.3%	18.8%
Return on total assets ^(Note 5, 9)	63.8%	34.6%	4.7%
Interest coverage ratio ^(Note 6)	55.3 times	66.7 times	12.8 times
Net debt to equity ^(Note 7)	69.5%	N/A	N/A
Gearing ratio ^(Note 8)	148.2%	174.8%	166.6%

Notes:

1. Net profit margin equals our net profit for the year/period divided by revenue for the year/period.
2. Current ratio equals our current assets divided by current liabilities as at the end of the year/period.
3. Quick ratio equals our current assets less inventories divided by current liabilities as at the end of the year/period.
4. Return on equity equals net profit for the year/period divided by total equity amounts as at the end of the year/period.
5. Return on total asset equals net profit for the year/period divided by total assets as at the end of the year/period.
6. Interest coverage ratio equals profit before interest and tax of one year divided by interest expenses of the same year/period.
7. Net debt to equity ratio equals net debt divided by total equity as at the end of the year/period. Net debt includes all interest-bearing loans and obligations under finance leases, net of cash and cash equivalents.
8. Gearing ratio equals total debt divided by total equity as at the end of the year/period. Total debt includes all interest-bearing loans and obligations under finance leases.
9. The financial ratios for Five-month 2015 may not be comparable to those for FY2013 and FY2014 as the net profit used in calculating the financial ratios for FY2015 only incorporated the financial results for five months, but not a full year.

When considering the relevant financial ratios, including, *inter alia*, net profit margin, return on equity and return on total assets, prospective investors should note that, as described in the section headed “Financial Information — Major Factors Affecting our Results of Operations — Costs of operations — Staff costs” in this prospectus, no professional fees were paid or payable to Dr. Kong during FY2013 and FY2014, while a professional fee of HK\$2.2 million was paid to Dr. Kong for the five months ended 31 August 2014 pursuant to the Cooperation Agreement. As such, the relevant financial ratios, including, *inter alia*, net profit margin, return on equity and return on total assets did not account for the same.

Analysis of the financial ratios

Net profit margin

The net profit margin was approximately 28.2%, 21.1% and 6.3% for FY2013, FY2014 and Five-month 2015, respectively. The decrease in the net profit margin from 28.2% for FY2013 to 21.1%

FINANCIAL INFORMATION

for FY2014 was principally due to the recognition of listing expenses of HK\$3.6 million for FY2014 and HK\$4.1 million for Five-month 2015, as well as the professional fee paid to Dr. Kong of HK\$2.2 million since 1 April 2014 pursuant to the Cooperation Agreement. Taking out the effect of the above expenses, the net profit margin was 26.6% for FY2014 and 28.9% for Five-month 2015 which are comparable to that for FY2013.

Current ratio and quick ratio

Our current ratio was approximately 0.99 time, 1.14 times and 1.15 times as at 31 March 2013, 2014 and 31 August 2014, respectively, while our quick ratio was approximately 0.82 time, 1.06 times and 1.08 times as at 31 March 2013, 2014 and 31 August 2014, respectively.

The increase in current ratio (from 0.99 time as at 31 March 2013 to 1.14 times as at 31 March 2014) and quick ratio (from 0.82 time as at 31 March 2013 to 1.06 times as at 31 March 2014) were mainly due to the proportionately larger increase in current assets than our current liabilities. The relatively higher increase in current assets was primarily attributable to the increase in cash and bank balance arising from, among other things, our increased sales as well as the decrease of dividend payout in cash from HK\$9.0 million in FY2013 to HK\$3.8 million in FY2014.

Both ratios remained stable as at 31 August 2014, as compared to those as at 31 March 2014.

Return on equity and return on total assets

Our return on equity was approximately 234.4%, 132.3% and 18.8% for FY2013, FY2014 and Five-month 2015, respectively. The decrease in return on equity from 234.4% for FY2013 to 132.3% for FY2014 was mainly due to the consolidated effect of the recognition of the listing expenses of HK\$3.6 million for FY2014 and the decrease in dividend distributed from HK\$12.0 million for FY2013 to HK\$10.6 million for FY2014 and the increase in recognition of equity-settled share-based payments from HK\$0.6 million for FY2013 to HK\$1.0 million for FY2014.

Our return on total assets was approximately 63.8%, 34.6% and 4.7% for FY2013, FY2014 and Five-month 2015, respectively. The decrease in return on total assets from 63.8% for FY2013 to 34.6% for FY2014 was mainly attributable to the recognition of the listing expenses of HK\$3.6 million for FY2014 and the relatively higher increase in total assets resulting from the increase in cash and bank balances which arise from, among other things, the decrease of dividend payout in cash from HK\$9.0 million for FY2013 to HK\$3.8 million for FY2014, plus the increase in borrowings raised in FY2014.

Interest coverage ratio

Our interest coverage increased from approximately 55.3 times for FY2013 to approximately 66.7 times for FY2014, mainly due to the decrease in finance costs. It subsequently decreased to 12.8 times for Five-month 2015 primarily due to lower net profit resulting from the listing expense and the professional fee paid to Dr. Kong since 1 April 2014 pursuant to the Cooperation Agreement.

FINANCIAL INFORMATION

Gearing ratio and net debt to equity

Our gearing ratio increased from approximately 148.2% as at 31 March 2013 to approximately 174.8% as at 31 March 2014, primarily due to the increase in borrowings during FY2014. It subsequently decreased to 166.6%, mainly because of the decrease in borrowings during Five-month 2015.

On the other hand, our net debt to equity ratio was approximately 69.5% as at 31 March 2013, while we were in a net cash position as at 31 March 2014 and 31 August 2014. Despite the increase in borrowings during FY2014, our cash and cash equivalents balance was larger than that of the interest bearing loans and obligations under finance leases (i.e. at net cash position) primarily resulting from our increased sales as well as the decrease of dividend payout in cash from HK\$9.0 million in FY2013 to HK\$3.8 million in FY2014. While we repaid HK\$3.2 million of borrowing during Five-month 2015 resulting in a decrease in the borrowings balance by HK\$2.4 million to HK\$15.4 million as at 31 August 2014, our cash and cash equivalents balance was larger than that of the interest bearing loans and obligations under finance leases, resulting in a net cash position as at 31 August 2014.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at 31 August 2014, being the date of our most recent financial statements, we did not have any off-balance sheet commitments and arrangements, save as disclosed in the sections headed “Financial Information — Contractual Commitments” and “Financial Information — Contingent Liabilities” in this prospectus.

RELATED PARTY TRANSACTIONS

Our Group entered into certain related party transactions with its related parties during the Track Record Period, details of which are set out in note 36(a) to Section A of the Accountants’ Report. For details and the background of such related party transactions, please refer to the section headed “Business — Purchases — Background to historical purchases from Beauty Tech” in this prospectus for further information. Such related party transactions had been discontinued as at the Latest Practicable Date.

MARKET AND OTHER FINANCIAL RISKS

Interest rate risk

Our Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings and obligations under finance leases and cash flow interest rate risk in relation to floating-rate bank balances and borrowings.

Our Group currently does not have any interest rate hedging policy. However, our management closely monitors its exposure to 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.

FINANCIAL INFORMATION

Currency risk

Our Group has a bank balance denominated in Renminbi (a foreign currency), which exposes our Group to foreign currency risk.

Credit risk

As at the respective reporting dates, our Group's maximum exposure to credit risk which will cause a financial loss to our Group due to failure to discharge obligation by the counterparties is 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 Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, our Group reviews the recoverable amount of each individual debt at the end of the reporting periods to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors consider that our Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Other than the concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, amounts due from related companies and amount due from a Director, our Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties.

Liquidity risk

In the management of liquidity risk, our Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance our Group's operations and mitigate the effects of fluctuations in cash flows. Our Group relies on borrowings as a significant source of liquidity. Management monitors the utilisation of borrowings and ensures compliance with loan covenants.

DISTRIBUTABLE RESERVES

As at 31 August 2014, our Company had no distributable reserves available for distribution to our Shareholders.

DIVIDEND POLICY

The declaration and payment of dividends and the amount of dividends in future will be at the discretion of our Directors and will depend on, *inter alia*, our earnings, financial condition, capital requirements and surplus and any other factors that our Directors may consider relevant.

FINANCIAL INFORMATION

Any declaration of dividends will be subject to the approval of the Board, having considered the above factors as well as the approval of Shareholders. Subject to the factors described above, our Board intends to recommend at the relevant shareholders' meetings an annual dividend of no less than 25% of our net profit available for distribution to the Shareholders in the foreseeable future.

Multiple Profit declared dividends of HK\$9.0 million, HK\$10.6 million and HK\$3.2 million during FY2013, FY2014 and Five-month 2015, respectively, to its then shareholder. No further dividend was declared by our Group to its then shareholder after the Track Record Period and up to the Latest Practicable Date.

Medicskin declared dividends of HK\$3.0 million during FY2013 to its then shareholders.

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.

RULE 11.12A (1) — MINIMUM CASH FLOWS REQUIREMENT

Based on the Accountants' Report, our total operating cash flow generated from operating activities before changes in working capital and taxes paid for FY2013 and FY2014 in aggregate amounted to approximately HK\$41.5 million. Our Directors confirm that our Group is able to meet the cash flows requirement under Rule 11.12A (1) of the GEM Listing Rules.

Further, apart from the companies in our Group, Dr. Kong also owns several excluded businesses, details of which are set out in the section headed "History, Reorganisation and Group Structure — Reorganisation" in this prospectus. Should the aforementioned excluded businesses be included as part of our Group, our total operating cash flow generated from operating activities in the ordinary and usual course of business before changes in working capital and taxes paid for FY2013 and FY2014 in aggregate would amount to approximately HK\$41.7 million and our Group is also able to meet the cash flows requirement under Rule 11.12A (1) of the GEM Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, save as disclosed, in particular, in the sections headed "Financial Information — Summary of Results of Operations — Description of components of consolidated statements of profit or loss and other comprehensive income — Listing Expenses" and "Financial Information — Major Factors Affecting our Results of Operations — Costs of operations — Staff costs" in this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 August 2014, being the date to which the latest audited financial statements of our Group were made up, and up to the date of this prospectus.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please see the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for further details.

FINANCIAL INFORMATION

When considering the unaudited pro forma adjusted consolidated net tangible asset value per Share, prospective investors should note that, as described in the section headed “Financial Information — Major Factors Affecting our Results of Operations — Costs of operations — Staff costs” in this prospectus, no professional fees were paid or payable to Dr. Kong during FY2013 and FY2014, while a professional fee of HK\$2.2 million was paid to Dr. Kong for the five months ended 31 August 2014 pursuant to the Cooperation Agreement.

STATEMENT OF BUSINESS OBJECTIVE AND USE OF PROCEEDS

BUSINESS OBJECTIVE AND STRATEGIES

Our business objective is to grow the Medicskin brand and business by adopting the business strategies as set out in the section headed “Business — Our Business Objective and Strategies” in this prospectus.

IMPLEMENTATION PLAN

Our Directors have drawn up an implementation plan for the period up to 31 March 2017 with a view to achieving our business objective. The detailed implementation plan and expected timetable are set out below.

Investors should note that the following implementation plans are formulated on the bases and assumptions referred to in the section headed “Statement of Business Objective and Use of Proceeds — Bases and Key Assumptions” in this prospectus. These bases and assumptions are inherently subject to uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed “Risk Factors” in this prospectus. Our actual course of business may vary from the business objective set out in this prospectus. There is no assurance that our plans will materialise in accordance with our expected time frame or that our objective will be accomplished. Whilst the actual course of events may invariably encounter unforeseeable changes and fluctuations, we shall use our best endeavours to anticipate changes, yet allowing for flexibility to implement the following plans.

Expand and strengthen our presence in Hong Kong

To expand and strengthen our presence in Hong Kong, we seek suitable and strategic locations for opening new Medicskin Centres. The following are the key factors our Directors take into account when considering any expansion of the existing Medicskin Centres or setting up of new Medicskin Centres:

- convenience of location for target clients
- quality of premises and facilities (including the management of the facilities)
- concentration of similar services providers nearby
- terms of the lease (including expected rental expenses) of premises

Currently, we intend to establish a new Medicskin Centre in the second half of 2015 in Causeway Bay, a popular shopping district in Hong Kong. We expect that this Medicskin Centre will be similar to the size of our TST Centre, with a gross floor area of approximately 3,600 square feet with three consultation rooms, five treatment rooms, a dispensing room, a medication room, a client waiting room and a reception area. With a Medicskin Centre of such scale, we expect to incur an initial set up cost of approximately HK\$7.3 million covering, *inter alia*, leasehold improvement, rental deposit,

STATEMENT OF BUSINESS OBJECTIVE AND USE OF PROCEEDS

procurement of furniture and necessary devices as well as staff recruitment. Such costs, which are expected to be incurred for the six months ending September 2015 before the commencement of business operations of the new Medicskin Centre in the second half of 2015, will be entirely funded by the net proceeds from the Placing of New Shares.

Breakeven of a Medicskin Centre is reached when its monthly gross profit is at least equal to its monthly expenses incurred (mainly including rental expense, staff costs and utility expenses, but excluding tax and depreciation). Investment payback period for a new Medicskin Centre represents the time that it takes for the accumulated profits to cover the accumulated expenses and initial set-up costs. The estimated average breakeven period and the estimated average investment payback period for a new Medicskin Centre, based on our historical results of operations and experience, are one month and nine months respectively.

Depending on factors such as the availability of premises and the terms of the lease, we also plan to relocate or to refurbish our Central Centre with modern décor that provides a more comfortable environment to our clients in early 2016. It is expected that such relocated or refurbished premises will have comparable or better facilities to the existing premises. The total estimated cost for the relocation or refurbishment which will be funded by the net proceeds from the Placing of New Shares is approximately HK\$4.8 million covering, *inter alia*, leasehold improvement, procurement of furniture and equipment, and rental deposit if needed.

As at the Latest Practicable Date, no lease agreement(s) has/had been entered into in respect of the new Medicskin Centre and/or the relocation of our Central Centre.

Enhance quality and variety of our Services and products offering

To keep abreast of the latest industry knowledge in order to offer the most suitable and updated Services to our clients, we will continuously perform market research on the development of, and evaluate the need for introducing the latest products, skills, treatment devices and technology. Currently, we plan to introduce several treatment devices (at an estimated cost of approximately HK\$4.2 million in aggregate) to our existing Medicskin Centres in early 2015 and during the six months ending 30 September 2015. The total cost of such treatment devices will be funded by the net proceeds from the Placing of New Shares.

Maintain and enhance our professional expertise

We believe the professional expertise of our Doctors and staff is essential to our Medicskin Centres in offering professional and personalised Services to our clients and to enhance the quality of our Services. As such, we will continue to provide training to our Doctors and professional staff in order to maintain a competent team for our business.

STATEMENT OF BUSINESS OBJECTIVE AND USE OF PROCEEDS

From the Latest Practicable Date to 31 March 2015

Business strategies	Implementation activities	Source of funding
Expand and strengthen our presence in Hong Kong	— Explore and identify location for the new Medicskin Centre	To be funded by internal resources
Enhance quality and variety of our Services and products offering	— Identify, evaluate and introduce new treatment devices	To be partially funded by net proceeds of approximately HK\$3.7 million and by internal resources
	— Perform market research on products, skills, treatment devices and technology with potential for future development	
Maintain and enhance our professional expertise	— Continue to provide training to our Doctors and professional staff	To be funded by internal resources

For the six months ending 30 September 2015

Business strategies	Implementation activities	Source of funding
Expand and strengthen our presence in Hong Kong	— Negotiate and enter into tenancy for the new Medicskin Centre	To be funded by net proceeds of approximately HK\$7.3 million
	— Perform leasehold improvement for the new Medicskin Centre	
	— Procure fixed assets, furniture, equipment, treatment devices for the new Medicskin Centre	
	— Recruit and train qualified doctors and staff for the new Medicskin Centre	
Enhance quality and variety of our Services and products offering	— Continue to evaluate the need for introducing the latest products, skills, treatment devices and technology	To be funded by net proceeds of approximately HK\$0.5 million
	— Continue to perform market research on products, skills, treatment devices and technology with potential for future development	
Maintain and enhance our professional expertise	— Continue to provide training to our Doctors and professional staff	To be funded by internal resources

STATEMENT OF BUSINESS OBJECTIVE AND USE OF PROCEEDS

For the six months ending 31 March 2016

Business strategies	Implementation activities	Source of funding
Expand and strengthen our presence in Hong Kong	— Explore and identify locations in Central for relocation of the Central Centre and back office if needed	To be partially funded by net proceeds of approximately HK\$4.8 million and by internal resources
	— Negotiate tenancy agreement and arrange relocation logistics, if needed, and perform leasehold improvement for the refurbishment or relocation	
	— Procure furniture and equipment for the refurbishment or relocation	
Enhance quality and variety of our Services and products offering	— Continue to evaluate the need for introducing the latest products, skills, treatment devices and technology	To be funded by internal resources
	— Continue to perform market research on products, skills, treatment devices and technology with potential for future development	
Maintain and enhance our professional expertise	— Continue to provide training to our Doctors and professional staff	To be funded by internal resources

For the six months ending 30 September 2016

Business strategies	Implementation activities	Source of funding
Expand and strengthen our presence in Hong Kong	— Perform market studies to explore opportunities for further expansion	To be funded by internal resources
Enhance quality and variety of our Services and products offering	— Continue to evaluate the need for introducing the latest products, skills, treatment devices and technology	To be funded by internal resources
	— Continue to perform market research on products, skills, treatment devices and technology with potential for future development	
Maintain and enhance our professional expertise	— Continue to provide training to our Doctors and professional staff	To be funded by internal resources

STATEMENT OF BUSINESS OBJECTIVE AND USE OF PROCEEDS

For the six months ending 31 March 2017

Business strategies		Implementation activities	Source of funding
Expand and strengthen our presence in Hong Kong	—	Perform market studies to explore opportunities for further expansion	To be funded by internal resources
Enhance quality and variety of our Services and products offering	—	Continue to evaluate the need for introducing the latest products, skills, treatment devices and technology	To be funded by internal resources
	—	Continue to perform market research on products, skills, treatment devices and technology with potential for future development	
Maintain and enhance our professional expertise	—	Continue to provide training to our Doctors and professional staff	To be funded by internal resources

BASES AND KEY ASSUMPTIONS

We have adopted the following principal assumptions in the preparation of the future plans up to 31 March 2017:

General assumptions:

- there will be no material adverse change in the existing political, legal, fiscal, market or economic conditions in Hong Kong; and
- there will be no material change in the bases or rates of taxation and duties in Hong Kong.

Specific assumptions:

- we will have sufficient financial resources to meet the planned capital and business development requirements during the period to which the business objective relates;
- the Placing will be completed in accordance with and as described in the section headed “Structure and Conditions of the Placing” in this prospectus;
- our Directors and key senior management will continue to be involved in the development of our existing and future development and we will be able to retain our key management personnel;
- we will be able to recruit additional key management personnel, Registered Medical Practitioners and staff when required;
- there will be no change in the funding requirement for each of the business strategies described in this prospectus from the amount as estimated by our Directors;

STATEMENT OF BUSINESS OBJECTIVE AND USE OF PROCEEDS

- we will not be materially and adversely affected by the risk factors as set out in the section headed “Risk Factors” in this prospectus; and
- we will be able to continue our operations in substantially the same manner as we have been operating during the Track Record Period and we will also be able to carry out our implementation plans without disruptions.

REASONS FOR THE PLACING AND USE OF PROCEEDS

We believe that the Placing will enhance our profile, strengthen our competitiveness and financial position, and provide us with additional working capital to implement our future plans as set out in the sections headed “Business — Our Business Objective and Strategies” and “Statement of Business Objective and Use of Proceeds — Implementation plans” in this prospectus. The net proceeds from the Placing of New Shares based on the Placing Price of HK\$0.6 per Placing Share are estimated to be approximately HK\$23.5 million, after deducting the underwriting commission and listing expenses and fees of approximately HK\$16.5 million paid and payable by our Company from the gross proceeds from the Placing.

We intend to apply the aforesaid net proceeds in the following manner:

- approximately 51.5% of the total estimated net proceeds, or approximately HK\$12.1 million, will be used to expand and strengthen our presence in Hong Kong, of which approximately HK\$7.3 million will be applied to launch a new Medicskin Centre in Causeway Bay, and approximately HK\$4.8 million will be applied to relocation or refurbishment of our Central Centre;
- approximately 17.9% of the total estimated net proceeds, or approximately HK\$4.2 million, will be used to acquire treatment devices in order to enhance quality and variety of our Services and products offering;
- approximately 21.0% of the total estimated net proceeds, or approximately HK\$4.9 million, will be used for repayment of debts, details of which are set out below:

	Outstanding amount	Annual effective interest rate	Maturity	Usage
Bank borrowing	HK\$4.3 million	3.5%	16 March 2019	Working capital
Tax loan	HK\$0.4 million	3.75%	1 January 2015/ 4 April 2015	Tax payment
Obligations under finance leases	HK\$0.2 million	4.79%	24 September 2015	Purchase of treatment device

- approximately 9.6% of the total estimated net proceeds, or approximately HK\$2.3 million, will be used for the funding of our working capital and other general corporate uses.

STATEMENT OF BUSINESS OBJECTIVE AND USE OF PROCEEDS

For the period from the Latest Practicable Date to 31 March 2017, our Group's net proceeds from the Placing of New Shares will be used as follows:

	From the Latest Practicable Date to 31 March 2015	Six months ending				Total
		30 September 2015	31 March 2016	30 September 2016	31 March 2017	
		HK\$ million				
Expand and strengthen our business operation	—	7.3	4.8	—	—	12.1
Enhance quality and variety of our Services	3.7	0.5	—	—	—	4.2
Repay debts	4.9	—	—	—	—	4.9
Working capital	2.3	—	—	—	—	2.3
	<u>10.9</u>	<u>7.8</u>	<u>4.8</u>	<u>—</u>	<u>—</u>	<u>23.5</u>

Our Directors consider that the net proceeds from the Placing of New Shares of approximately HK\$23.5 million together with our internal resources will be sufficient to finance our implementation plan as discussed in this section.

The possible use of proceeds outlined above may change in light of our evolving business needs and conditions and management requirements. In the event of any material modification to the use of proceeds as described above, we will issue an announcement and make disclosure in our annual report for the relevant year as required by the Stock Exchange.

To the extent that the net proceeds from the Placing of New Shares are not immediately required for the above purpose, it is the present intention of our Directors that such proceeds will be placed on short-term interest bearing deposits with authorised financial institutions.

We estimate that the net proceeds to the Selling Shareholder from the sale of the Sale Shares (after deduction of proportional underwriting commission and estimated expenses and fees payable by our Selling Shareholder in relation to the Placing) will be approximately HK\$17.9 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

UNDERWRITING

UNDERWRITERS

Shenyin Wanguo Capital (H.K.) Limited

Great Roc Capital Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company will conditionally place the Placing Shares with institutional, professional and other investors in Hong Kong at the Placing Price subject to the terms and conditions in the Underwriting Agreement and this prospectus.

Subject to, among other conditions, the Listing Department granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and to certain other conditions as set out in the Underwriting Agreement being satisfied or waived on or before the dates and times as specified therein or such other dates as the Sole Sponsor (for itself and on behalf of the Underwriters) may agree but in any event not later than the 30th day after the date of this prospectus, the Underwriters have agreed to subscribe for or to procure subscribers for their respective applicable proportions of the Placing Shares on the terms and conditions under the Underwriting Agreement and in this prospectus.

Grounds for termination

The Sole Sponsor (for itself and on behalf of the Underwriters) shall have the absolute right which is exercisable by the Sole Sponsor (for itself and on behalf of the Underwriters), upon giving notice in writing to our Company (for itself and on behalf of our executive Directors and our Controlling Shareholders), to terminate the arrangements set out in the Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is expected to be on Thursday, 18 December 2014) if there shall develop, occur, exist or come into effect:

- (a) any new law or regulation or any material change in the existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the Cayman Islands or any relevant jurisdiction; or
- (b) any adverse change (whether or not permanent) in local, national or international stock market conditions; or
- (c) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (d) any change or development involving a prospective change in taxation or currency exchange control (or the implementation of any exchange control) in Hong Kong and the Cayman Islands or any relevant jurisdiction; or

UNDERWRITING

- (e) any change in the business or in the financial or trading position of the Group or otherwise; or
- (f) any change or development (whether or not permanent), or any event or series of events resulting in any change in the financial, legal, political, economic, military, industrial, fiscal, regulatory, market (including stock market) or currency matters or condition in Hong Kong and the Cayman Islands or any relevant jurisdiction; or
- (g) a general moratorium on commercial banking activities in Hong Kong and the Cayman Islands or any relevant jurisdiction declared by the relevant authorities; or
- (h) any event of force majeure including but without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out, natural disaster or outbreak of infectious diseases,

which in the reasonable opinion of the Sole Sponsor (for itself and on behalf of the Underwriters):

- (i) is or will be materially adverse to the business, financial condition or prospects of the Group taken as a whole; or
- (ii) has or will have a material adverse effect on the success of the Placing or has or will have the effect of making any part of the Underwriting Agreement incapable of implementation or performance in accordance with its terms; or
- (iii) makes it inadvisable or inexpedient to proceed with the Placing.

Without prejudice to the above, if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, it comes to the notice of the Sole Sponsor:

- (a) any matter or event showing any of the warranties contained in the Underwriting Agreement to be untrue, inaccurate or misleading in any material respect when given or repeated or any breach of any of the warranties contained in the Underwriting Agreement or any other provision of the Underwriting Agreement by any party thereto (other than the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters), which is considered, in the reasonable opinion of the Sole Sponsor (for itself and on behalf of the Underwriters), to be material in the context of the Placing; or
- (b) any matter which, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus and the placing letter, would have constituted a material omission in the absolute opinion of the Sole Sponsor (for itself and on behalf of the Underwriter) in the context of the Placing; or
- (c) any statement contained in this prospectus and the placing letter reasonably considered to be material by the Sole Sponsor which is discovered to be or becomes untrue, incorrect or misleading in any respect and in the reasonable opinion of the Sole Sponsor (for itself and on behalf of the Underwriters) to be material in the context of the Placing; or

UNDERWRITING

- (d) any event, act or omission which gives rise to or is likely to give rise to any material liability of the Company, any of the executive Directors and the Controlling Shareholders pursuant to the indemnities contained in the Underwriting Agreement.

the Sole Sponsor (for itself and on behalf of the Underwriters) shall be entitled (but not bound) by notice in writing to the Company (for itself and on behalf of our executive Directors and Controlling Shareholders), to terminate the Underwriting Agreement on or prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

Commission and expenses

In connection with the Placing, the Underwriters will receive an underwriting commission of 4% of the aggregate Placing Price of all the Placing Shares, out of which they will pay any sub-underwriting commissions.

In connection with the Listing, the Sole Sponsor will receive a sponsorship fee of HK\$3.5 million and will be reimbursed for its expenses.

In connection with the Listing and the Placing, the total expenses (after deduction of proportional underwriting commission and all other listing expenses and commissions to be borne by the Selling Shareholder) are estimated to be approximately HK\$16.5 million assuming the Placing Price of HK\$0.6 per Placing Share (including underwriting commission, brokerage, the Stock Exchange trading fee, the SFC transaction levy, the sponsorship and documentation fee, the listing fee, legal and other professional fees, printing cost and other expenses relating to the Placing) which shall be borne by our Company.

Our Company has agreed to indemnify the Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Underwriting Agreement and any breach by our Company pursuant to the terms of the Underwriting Agreement.

Underwriters' interests in our Company

The Sole Sponsor has been appointed as the compliance adviser of the Company with effect from the Listing Date until the despatch of the audited consolidated financial results for the second full financial year after the Listing Date, and our Company will pay to the Sole Sponsor an agreed fee for its provision of services as required under the GEM Listing Rules.

Save for the interests and obligations under the Underwriting Agreement and the advisory fee payable to the Sole Sponsor in respect of the Placing, none of the Sole Sponsor or the Underwriters is interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

UNDERWRITING

Undertakings

Under the Underwriting Agreement,

(a) (i) each of our Controlling Shareholders undertakes to and covenants with our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Stock Exchange that, save as permitted under the GEM Listing Rules, he/she/it shall not and shall procure that the relevant registered holders shall not:

(A) in the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholder is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First 6-Month Period**”), sell, dispose of, nor enter into any agreement to dispose of or otherwise create any encumbrances in respect of, any of the Shares in respect of which he/she/it is shown in the prospectus to be the beneficial owner(s); and

(B) in the period of six months commencing from the date immediately following the date on which the First 6-Month Period expires, sell, dispose of, nor enter into any agreement to dispose of or otherwise create any encumbrances in respect of any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such encumbrances, he/she/it would cease to be a Controlling Shareholder of the Company,

provided that the restrictions in this paragraph (i) shall not apply to any Shares which our Controlling Shareholders or any of his/her/its respective associates may acquire or become interested in following the Listing Date;

(ii) each of our Controlling Shareholders undertakes to and covenants with the Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Stock Exchange that:

(A) in the event that he/she/it pledges or charges any of his/her/its direct or indirect interest in the Shares under Rule 13.18(1) of the GEM Listing Rules 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 relevant periods as specified in paragraph (i) above, he/she/it must inform the Company, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers immediately thereafter, disclosing the details as specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and

(B) having pledged or charged any of his/her/its interests in the Shares under sub-paragraph (A) above, he/she/it must inform the Company, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers immediately in the event that he/she/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares affected; and

UNDERWRITING

- (b) our Company undertakes to and covenants with the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers, and each of our executive Directors and our Controlling Shareholders jointly and severally undertakes to and covenants with the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers to procure that, save with the prior written consent of the Sole Sponsor (for and on behalf of the Underwriters) (such consent not to be unreasonably withheld or delayed), or save pursuant to the Placing, the Company shall not, within the period of six months from the Listing Date:
- (i) save as permitted under the GEM Listing Rules (including but not limited to Rule 17.29 of the GEM Listing Rules) and the applicable laws or pursuant to an issue of Shares under the Share Option Scheme, allot or issue or agree to allot or issue any Shares or any other securities of the Company (including warrants or other convertible securities (and whether or not a class already listed));
 - (ii) grant or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise convert into, or exchange for any Shares or any other securities of the Company;
 - (iii) purchase any securities of the Company; or
 - (iv) offer to or agree to do any of the foregoing or announce any intention to do so.

Our Company will inform the Stock Exchange as soon as it has been informed of the above matters (if any) by the Controlling Shareholders and disclose such matters by way of publishing an announcement in accordance with Rule 17.43 of the GEM Listing Rules.

With regard to the undertakings made pursuant to Rule 13.16A of the GEM Listing Rules, please refer to the section headed “Substantial Shareholders — Undertakings” in this prospectus.

STRUCTURE AND CONDITIONS OF THE PLACING

PRICE PAYABLE ON SUBSCRIPTION

The Placing Price plus a 1% brokerage fee, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee make up the total price payable in cash on subscription.

CONDITIONS OF THE PLACING

The Placing will be conditional upon, among others:

- (i) the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein on GEM; and
- (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including the waiver of any condition(s) by the Sole Sponsor (for itself and on behalf of the Underwriters) and the Underwriting Agreement not being terminated in accordance with the terms of that agreement or otherwise), in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) or such other dates as the Sole Sponsor (for itself and on behalf of the Underwriters) may agree but in any event not later than the 30th day after the date of this prospectus.

If such conditions are not fulfilled or waived by the Sole Sponsor (for itself and on behalf of the Underwriters) prior to the times and dates specified, the Placing will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Placing will be published by our Company on the Stock Exchange website and our Company's website at www.medicskin.com immediately following such lapse.

THE PLACING

100,000,000 Placing Shares are being offered pursuant to the Placing, representing in aggregate 25% of the enlarged issued share capital of our Company.

The Placing is fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreement). Pursuant to the Placing, it is expected that the Underwriters, on behalf of the Company and the Selling Shareholder, will conditionally place 100,000,000 Placing Shares at the Placing Price to selected professional, institutional and other investors in Hong Kong. Professional and institutional investors generally include brokers, dealers, companies, high net worth individuals and companies (including fund managers) whose ordinary business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities.

BASIS OF ALLOCATION

Allocation of the Placing Shares to selected professional, institutional and other investors will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investors are likely to purchase further Shares or hold or sell their Shares

STRUCTURE AND CONDITIONS OF THE PLACING

after the Listing. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and the Shareholders as a whole. In particular, the Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, that not more than 50% of the Shares in public hands at the time of Listing will be owned by the three largest public Shareholders. There will not be any preferential treatment in the allocation of the Placing Shares to any persons.

No allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed, without the prior written consent of the Stock Exchange. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

COMMENCEMENT OF DEALINGS

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Thursday, 18 December 2014. The Shares will be traded in board lots of 4,000 Shares each.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus on GEM and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on GEM or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second 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.

In respect of the dealings in the Shares which may be settled through CCASS, investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

PLACING PRICE

The Placing Price is HK\$0.6 per Share. Based on the Placing Price plus 1% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee, one board lot of 4,000 Shares will amount to a total of HK\$2,424.18.



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Deloitte Touche Tohmatsu
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88 Queensway
Hong Kong

12 December 2014

The Directors
Medicskin Holdings Limited

Shenyin Wanguo Capital (H.K.) Limited

Dear Sirs,

We set out below our report on the financial information relating to Medicskin Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the two years ended 31 March 2014 and the five months ended 31 August 2014 (the “Track Record Period”) (the “Financial Information”) for inclusion in the prospectus of the Company dated 12 December 2014 (the “Prospectus”) in connection with the proposed listing of the Company’s shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing”).

The Company, which acts as an investment holding company, was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 20 June 2014. Pursuant to a group reorganisation as more fully explained in the section headed “History, Reorganisation and Group Structure” in the Prospectus (the “Reorganisation”), the Company became the holding company of the Group on 12 July 2014.

Particulars of the Company’s subsidiaries at the end of each reporting period and at the date of this report are as follows:

Name of company	Place of incorporation/ operation and date of incorporation	Attributable equity interest of the Group as at			Date of this report	Issued and fully paid share capital	Principal activities
		31 March		31 August			
		2013	2014	2014			
Directly held							
Multiple Profit Enterprise Limited (“Multiple Profit”)	British Virgin Islands/Hong Kong 1 February 2012	100%	100%	100%	100%	Ordinary one share at US\$1	Investment holding
Indirectly held							
Medicskin Laboratories Limited (“Medicskin”)	Hong Kong/ Hong Kong 12 July 2000	100%	100%	100%	100%	Ordinary shares of HK\$10,000	Provision of medical skin care services

The financial year end date of the Company and its subsidiaries is 31 March.

No audited financial statements have been prepared for the Company and Multiple Profit since their respective dates of incorporation as they were incorporated in jurisdictions where there are no statutory audit requirements.

We have acted as statutory auditor of Medicskin for each of the two years ended 31 March 2014. The statutory financial statements of Medicskin are prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Company and its subsidiaries for the Track Record Period in accordance with HKFRSs issued by the HKICPA (the “Underlying Financial Statements”). We have audited the Underlying Financial Statements in accordance with the Hong Kong Standards on Auditing issued by the HKICPA. We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 2 to Section A below. No adjustments are considered necessary to adjust the Underlying Financial Statements in the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 2 to Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 March 2013, 31 March 2014 and 31 August 2014, and of the Company as at 31 August 2014, and of the consolidated profits and cash flows of the Group for the Track Record Period.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the five months ended 31 August 2013 together with the notes thereon have been extracted from the Group’s unaudited financial information for the same period (the “31 August 2013 Financial Information”) which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 31 August 2013 Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the HKICPA. Our review of the 31 August 2013 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant

matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 31 August 2013 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 31 August 2013 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

(A) FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		The Group			
		Year ended 31 March		Five months ended 31 August	
	Notes	2013	2014	2013	2014
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Revenue	8 & 9	51,607	65,041	24,582	27,962
Other income, gains and losses	10	—	(160)	(54)	2
Inventories used		(6,607)	(8,265)	(3,245)	(3,360)
Staff costs		(17,977)	(24,229)	(9,188)	(12,645)
Depreciation of property, plant and equipment		(1,985)	(2,334)	(1,020)	(996)
Other expenses		(7,277)	(8,865)	(3,324)	(3,650)
Finance costs	11	(321)	(264)	(121)	(251)
Listing expenses		—	(3,570)	—	(4,108)
Profit before tax	13	17,440	17,354	7,630	2,954
Income tax expense	14	(2,908)	(3,617)	(1,329)	(1,197)
Profit and total comprehensive income for the year/period attributable to owner of the Company		<u>14,532</u>	<u>13,737</u>	<u>6,301</u>	<u>1,757</u>
Earnings per share, basic (HK cents)	16	<u>4.36</u>	<u>4.12</u>	<u>1.89</u>	<u>0.53</u>

STATEMENTS OF FINANCIAL POSITION

	Notes	The Group		The Company	
		As at 31 March		As at 31	As at 31
		2013	2014	August	August
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Property, plant and equipment . . .	17	5,972	4,917	4,735	—
Investment in a subsidiary	18	—	—	—	2,461
Rental deposits		1,058	1,887	761	—
		<u>7,030</u>	<u>6,804</u>	<u>5,496</u>	<u>2,461</u>
Current assets					
Inventories	19	2,792	2,137	1,917	—
Trade receivables	20	243	616	238	—
Deposits and prepayments		1,230	1,200	2,170	227
Amounts due from related companies	21	3,092	—	—	—
Amount due from a director . . .	22	3,512	3,488	—	—
Bank balances and cash	23	4,880	25,468	27,253	—
		<u>15,749</u>	<u>32,909</u>	<u>31,578</u>	<u>227</u>
Current liabilities					
Trade payables	24	704	429	328	—
Accrued liabilities	25	1,194	2,515	2,929	802
Deferred revenue	26	3,989	6,389	6,537	—
Amount due to a related company	27	340	—	—	—
Amount due to a subsidiary . . .	18	—	—	—	7,104
Tax payable		788	1,599	2,120	—
Borrowings	28	8,474	17,831	15,360	—
Obligations under finance leases	29	395	212	216	—
		<u>15,884</u>	<u>28,975</u>	<u>27,490</u>	<u>7,906</u>
Net current (liabilities) assets . . .		<u>(135)</u>	<u>3,934</u>	<u>4,088</u>	<u>(7,679)</u>
Total assets less current liabilities		<u>6,895</u>	<u>10,738</u>	<u>9,584</u>	<u>(5,218)</u>
Non-current liabilities					
Obligations under finance leases	29	322	110	18	—
Deferred tax liability	30	373	242	204	—
		<u>695</u>	<u>352</u>	<u>222</u>	<u>—</u>
Net assets (liabilities)		<u>6,200</u>	<u>10,386</u>	<u>9,362</u>	<u>(5,218)</u>
Capital and reserves					
Share capital	31	—	—	—	—
Reserves		6,200	10,386	9,362	(5,218)
Equity attributable to owner of the Company		<u>6,200</u>	<u>10,386</u>	<u>9,362</u>	<u>(5,218)</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owner of the Company			
	Share capital	Capital reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2012	—	—	3,077	3,077
Profit and total comprehensive income for the year	—	—	14,532	14,532
Recognition of equity-settled share-based payments (note 33)	—	581	—	581
Dividends recognised as distribution (note 15)	—	—	(11,990)	(11,990)
At 31 March 2013	—	581	5,619	6,200
Profit and total comprehensive income for the year	—	—	13,737	13,737
Recognition of equity-settled share-based payments (note 33)	—	999	—	999
Dividend recognised as distribution (note 15)	—	—	(10,550)	(10,550)
At 31 March 2014	—	1,580	8,806	10,386
Profit and total comprehensive income for the period	—	—	1,757	1,757
Recognition of equity-settled share-based payments (note 33)	—	419	—	419
Dividend recognised as distribution (note 15)	—	—	(3,200)	(3,200)
At 31 August 2014	—	1,999	7,363	9,362
(Unaudited)				
At 1 April 2013	—	581	5,619	6,200
Profit and total comprehensive income for the period	—	—	6,301	6,301
Recognition of equity-settled share-based payments (note 33)	—	419	—	419
Dividend recognised as distribution (note 15)	—	—	(3,830)	(3,830)
At 31 August 2013	—	1,000	8,090	9,090

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March		Five months ended 31 August	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
OPERATING ACTIVITIES				
Profit before tax	17,440	17,354	7,630	2,954
Adjustments for:				
Allowance for bad and doubtful debts	—	34	45	50
Finance leases charges	27	24	12	6
Interest expenses on borrowings	294	240	109	245
Interest income on bank deposits	—	—	—	(4)
Share-based payment expenses	581	999	419	419
Depreciation of property, plant and equipment	1,985	2,334	1,020	996
Allowance for inventories	48	189	129	130
Gain on disposal of property, plant and equipment	—	—	(1)	—
Operating cash flows before movements in working capital	20,375	21,174	9,363	4,796
(Increase) decrease in inventories	(913)	466	(835)	90
Decrease (increase) in trade receivables	112	(407)	(336)	328
Decrease (increase) in deposits and prepayments	51	(799)	(111)	156
Decrease in amounts due from related companies	1,614	1,634	979	—
Increase (decrease) in trade payables	29	(275)	(264)	(101)
Increase in accrued liabilities	631	1,321	698	414
Increase in deferred revenue	1,025	2,400	346	148
Cash generated from operations	22,924	25,514	9,840	5,831
Income tax paid	(2,392)	(2,937)	(682)	(714)
NET CASH FROM OPERATING ACTIVITIES	20,532	22,577	9,158	5,117
INVESTING ACTIVITIES				
Interest received	—	—	—	4
Sales proceeds from disposal of property, plant and equipment	—	1	1	—
Purchase of property, plant and equipment	(3,894)	(1,280)	(766)	(814)
Advance to a director	(11,800)	(10,235)	(3,620)	—
Repayment from a director	11,600	5,259	4,025	505
Advances to related companies	(3,978)	(2,090)	(1,658)	—
Repayments from related companies	626	1,828	130	—
NET CASH USED IN INVESTING ACTIVITIES	(7,446)	(6,517)	(1,888)	(305)
FINANCING ACTIVITIES				
Interest paid	(294)	(240)	(109)	(245)
Dividend paid	(8,990)	(3,830)	(3,830)	(217)
New borrowings raised	2,984	14,938	682	713
Repayments of borrowings	(5,062)	(5,581)	(2,269)	(3,184)
Finance lease charges paid	(27)	(24)	(12)	(6)
Repayments of obligations under finance leases	(702)	(395)	(196)	(88)
Advance from a related company	340	1,439	—	—
Repayment to a related company	—	(1,779)	(340)	—
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(11,751)	4,528	(6,074)	(3,027)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,335	20,588	1,196	1,785
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	3,545	4,880	4,880	25,468
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, REPRESENTED BY				
bank balances and cash	<u>4,880</u>	<u>25,468</u>	<u>6,076</u>	<u>27,253</u>

NOTES TO FINANCIAL INFORMATION**1. GENERAL**

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 20 June 2014. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed “Corporate Information” in the Prospectus.

The Company is an investment holding company. The Group is principally engaged in the provision of medical skin care services.

The functional currency of the Company is Hong Kong dollars (“HK\$”), which is the same as the presentation currency of the Financial Information.

2. REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

In preparation for the listing of the Company’s shares on the Stock Exchange, the entities now comprising the Group underwent a group reorganisation which involves setting up of the Company as new parent of the Group. The principle steps of the Reorganisation are as follows:

- (a) Throughout the Track Record Period, the business of the Group was conducted by Medicskin.
- (b) Five practising medical practitioners employed by Medicskin terminated their employment agreements with Medicskin with effect from 1 April 2014. Medicskin entered into a cooperation agreement and the supplemental cooperation agreements with each of the practising medical practitioners of Medicskin including Dr. Kong Kwok Leung (“Dr. Kong”), the ultimate controlling party of the Group (the “Cooperation Agreement(s)”) and their respective sole proprietorships for the operation of the Group’s medical skin care centres and all the Cooperation Agreements came into effect on 1 April 2014. As represented by the directors of the Company, having considered the views of senior counsel relating to the uncertainty under the Hong Kong Medical Clinics Ordinance (Cap. 343) of the Laws of Hong Kong (“Clinics Ordinance”), the entering into the Cooperation Agreements can remove any possible uncertainty which may arise from the interpretation of the Group’s compliance with the Clinics Ordinance and that such agreements do not change the substance of the Group’s operation. Further details in this regard are set out in the section headed “History, Reorganisation and Group Structure — Reorganisation — Cooperation Agreements” in the Prospectus.
- (c) On 20 June 2014, the Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On 20 June 2014, one subscriber share was allotted and issued. Such one share was transferred to Topline Worldwide Limited (“Topline”) on 20 June 2014. Topline is wholly owned by Dr. Kong.

- (d) On 12 July 2014, the Company issued and allotted a further 99 shares of which 97 of such shares were issued and allotted to Topline and 2 of such shares were issued and allotted to Attractive Beauty (as defined in note 33).
- (e) On 12 July 2014, Tally Scholar Limited (“Tally Scholar”), the immediate holding company of Multiple Profit prior to the Reorganisation, transferred its entire issued shareholding in Multiple Profit to the Company at a cash consideration of HK\$1.00.

Pursuant to the Reorganisation detailed above, the Company became the holding company of the companies now comprising the Group on 12 July 2014. Its immediate and ultimate holding company is Topline, a company incorporated in the British Virgin Islands. The ultimate controlling party is Dr. Kong. The Company and its subsidiaries have been under the common control of Dr. Kong throughout the Track Record Period or since their respective date of incorporation, where there is a shorter period.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the Financial Information has been prepared on the basis as if the Company had always been the holding company of the Group. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation, where there is a shorter period. The consolidated statements of financial position of the Group as at 31 March 2013 and 31 March 2014 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation, where applicable.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently applied HKFRSs issued by the HKICPA which are effective for annual accounting period beginning on 1 April 2014 throughout the Track Record Period.

New and revised HKFRSs issued but not yet effective

At the date of this report, the HKICPA has issued the following new standards, amendments and interpretation (“new and revised HKFRSs”) which are not yet effective.

HKFRS 9	Financial instruments ¹
HKFRS 14	Regulatory deferral accounts ⁴
HKFRS 15	Revenue from contracts with customers ⁶
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 - 2012 cycle ³
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 - 2013 cycle ²
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 - 2014 cycle ⁵
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ⁵

Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ⁵
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants ⁵
Amendments to HKAS 19	Defined benefit plans: Employee contributions ²
Amendments to HKAS 27	Equity method in separate financial statements ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁵

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 July 2014.

³ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

⁴ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

⁵ Effective for annual periods beginning on or after 1 January 2016.

⁶ Effective for annual periods beginning on or after 1 January 2017.

The Group has not early applied these new and revised HKFRSs that have been issued but are not yet effective in the preparation of the Financial Information. The management of the Group anticipate that the application of these new and revised HKFRSs will have no material impact on the Financial Information of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The 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. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. These policies have been consistently applied throughout the Track Record Period. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance which is relevant for the respective period over the Track Record Period.

The principal accounting policies adopted are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. 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 Company 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.

Consolidation 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 year/period are included in the consolidated statements 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into 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 consolidation.

Investment in a subsidiary

Investment in a subsidiary is stated at deemed cost less any identified impairment loss on the statement of financial position of the Company.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received and receivable for goods sold and services provided in the normal course of business, net of discounts and refund.

Revenue from provision of consultation services ("Consultation Service") are recognised when services are provided.

Revenue from provision of medical skin care treatments of non-invasive/minimally invasive in nature ("Treatment Service") are recognised when services are provided. Prepayments received are initially recorded as deferred revenue in the consolidated statements of financial position, and subsequently recognised as revenue when the services are provided to clients.

Revenue from dispensing of medication and skincare products ("Prescription and Dispensing Service") are recognised when delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the medication and skincare products;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the medication and skincare products sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated 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 less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on 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 of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible 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 asset is estimated in order to determine the extent of the impairment loss, if any.

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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leasing

Lease 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 consolidated 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).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Retirement benefits costs

Payments to Mandatory Provident Fund Scheme (the "MPF Scheme") are recognised as an expense when employees have rendered services entitling them to the contributions.

Share-based payment arrangements***Equity-settled share-based payment transactions***

For the Share Reward (as defined in note 33) granted to a staff member of group entities by the shareholder (i.e. Dr. Kong) for services rendered to the Group, the fair value of services received is determined by reference to the fair value of the Share Reward at the grant date. The fair value of services received is expensed on a straight-line basis over the vesting period, with a corresponding increase in capital reserve as deemed contribution from the shareholder.

The Group shall recognise, as a minimum, the services received measured at the grant date fair value of the Share Reward granted, unless the Share Reward does not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at the grant date. In addition, an expense is recognised for the effect of modifications to the terms and conditions on which the Share Reward was granted, if any, that increases the total fair value of the Share Reward or are otherwise beneficial to the employee as measured at the date of the modification.

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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from 'profit before tax' as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other periods 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 Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost 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.

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 financial asset 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 financial asset, 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 related companies, amount due from a director and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of loans and receivables below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

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.

For loans and receivables, 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 and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For trade receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. 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 in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, 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 loans and receivables is reduced by the impairment loss directly with the exception of trade receivables, amounts due from related companies and amount due from a director, 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 or an amount due from a related company or a director is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, 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 group entities 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 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 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

Financial liabilities (including trade payables, accrued liabilities, amount due to a related company, amount due to a subsidiary and 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, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and 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 expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENT

The following are the critical judgement, apart from those involving estimates, that the management of the Group has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

As described in note 4, revenue from Treatment Service is recognised when services are provided. Part of the revenue from Treatment Service is deriving from prepaid treatment packages and these prepaid treatment packages have a valid service period ranging from a few months to two years from the date of purchase. Prepayments received are initially recorded as deferred revenue in the consolidated statements of financial position, and subsequently recognised as revenue when the services are provided to clients. As represented by the directors of the Company, the Group, at its discretion, may extend the service period and allow clients to enjoy the services under the prepaid treatment packages after the expiry dates as stated on the treatment consent forms. Therefore, the directors of the Company are required to exercise judgment in the application of revenue recognition policies. In such assessment, the directors of the Company consider the general practice and grace period normally adopted by the Group as well as historical customer behavior and usage pattern of the prepaid treatment packages and the recognition criteria under HKAS 18 Revenue. After careful consideration of these factors, the directors of the Company consider that it is appropriate to recognise any unused package as revenue in the profit or loss upon the second anniversary of the contractual expiry date of the relevant package. For each of the years ended 31 March 2013 and 2014 and for the five months ended 31 August 2013 and 2014, revenue recognised from unused package in respect of Treatment Service amounting to approximately HK\$311,000, HK\$180,000, HK\$83,000 (unaudited) and HK\$123,000 was recognised in the consolidated statements of profit or loss and other comprehensive income respectively.

6. 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 shareholders 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 debts, which include borrowings disclosed in note 28 and equity attributable to owners of the Company, comprising share capital and reserves.

Management of the Group reviews the capital structure on a regular basis. As part of this review, management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of management of the Group, the Group will balance its overall capital structure through the payment of dividends and new shares issue.

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	THE GROUP		THE COMPANY	
	As at 31 March		As at 31	As at 31
	2013	2014	August	August
	HK\$'000	HK\$'000	2014	2014
Financial assets				
Loans and receivables (including cash and cash equivalents)	<u>13,871</u>	<u>31,709</u>	<u>29,613</u>	<u>—</u>
Financial liabilities				
Amortised cost	10,712	20,775	18,617	7,906
Obligations under finance leases	<u>717</u>	<u>322</u>	<u>234</u>	<u>—</u>

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits, amounts due from related companies, amount due from a director, bank balances and cash, trade payables, accrued liabilities, amount due to a related company, borrowings and obligations under finance leases. Details of the financial instruments are disclosed in respective notes. The Company's major financial instruments include accrued liabilities and amount due to a subsidiary. The risks associated with these financial instruments and 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(i) *Interest rate risk*

The Company does not have any exposure on interest rate risk.

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings and obligations under finance leases (see notes 28 and 29 for details of these borrowings and obligations under finance leases) and cash flow interest rate risk in relation to floating-rate bank balances and borrowings (see notes 23 and 28 for details of these bank balances and borrowings).

The Group currently does not have any interest rate hedging policy. However, management closely monitors its exposure to 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 non-derivative instruments at the end of the reporting periods. The analysis is prepared assuming the non-derivative financial instruments outstanding at the end of the reporting periods were outstanding for the whole year/period.

Management considers the Group's exposure to cash flow interest rate risk of floating-rate bank balances is not significant, hence no sensitivity analysis is presented for the Track Record Period.

For variable-rate borrowings, a 50 basis points is used when reporting interest rate risk to key management personnel and this represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables are held constant, the Group's post-tax profit for each of the years ended 31 March 2013 and 2014 and for the five months ended 31 August 2014 would decrease/increase by approximately HK\$27,000, HK\$74,000 and HK\$27,000 respectively.

(ii) *Currency risk*

The Company does not have any exposure on currency risk.

The Group has a bank balance denominated in Renminbi (a foreign currency), which expose the Group to foreign currency risk.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in HK\$ against Renminbi. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated bank balance and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A negative number below indicates a decrease in post-tax profit where HK\$ strengthen 5% against Renminbi. For a 5% weakening of HK\$ against Renminbi, there would be an equal and opposite impact on the profit and the balances below would be positive.

	Renminbi impact		
	Year ended 31 March		Five months ended 31 August
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Decrease in post-tax profit	<u>—</u>	<u>(173)</u>	<u>(175)</u>

Credit risk

The Company does not have any exposure on credit risk.

As the end of the respective reporting periods, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge obligation by the counterparties is 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, the Group has 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 the reporting periods to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Other than the concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, amounts due from related companies and amount due from a director, the Group does not have any other significant concentration of credit risk, with exposure spread over a number of counterparties.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on borrowings as a significant source of liquidity. Management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. Specifically, borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the bank or financial institution choosing to exercise its rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

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 the reporting periods.

*Liquidity tables***THE GROUP**

	Weighted average effective interest rate	Repayable on demand or repayable				Total undiscounted cash flows	Carrying amount at the end of the reporting date
		in 1 to 3 months	3 months to 1 year	1 to 2 years	2 to 5 years		
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>At 31 March 2013</u>							
Non-derivative financial liabilities							
Trade payables	N/A	704	—	—	—	704	704
Accrued liabilities	N/A	1,194	—	—	—	1,194	1,194
Amount due to a related company . . .	N/A	340	—	—	—	340	340
Borrowings							
- fixed rate	3.8	2,000	—	—	—	2,000	2,000
- variable rate	3.0	6,474	—	—	—	6,474	6,474
Obligations under finance leases . . .	4.3	139	279	224	111	753	717
		<u>10,851</u>	<u>279</u>	<u>224</u>	<u>111</u>	<u>11,465</u>	<u>11,429</u>
<u>At 31 March 2014</u>							
Non-derivative financial liabilities							
Trade payables	N/A	429	—	—	—	429	429
Accrued liabilities	N/A	2,515	—	—	—	2,515	2,515
Borrowings							
- fixed rate	3.8	57	—	—	—	57	57
- variable rate	3.5	17,774	—	—	—	17,774	17,774
Obligations under finance leases . . .	4.7	56	167	111	—	334	322
		<u>20,831</u>	<u>167</u>	<u>111</u>	<u>—</u>	<u>21,109</u>	<u>21,097</u>
<u>At 31 August 2014</u>							
Non-derivative financial liabilities							
Trade payables	N/A	328	—	—	—	328	328
Accrued liabilities	N/A	2,929	—	—	—	2,929	2,929
Borrowings							
- variable rate	3.5	15,360	—	—	—	15,360	15,360
Obligations under finance leases . . .	4.8	56	167	19	—	242	234
		<u>18,673</u>	<u>167</u>	<u>19</u>	<u>—</u>	<u>18,859</u>	<u>18,851</u>

As at 31 March 2013, 31 March 2014 and 31 August 2014, the aggregate undiscounted carrying amount of borrowings with a repayment on demand clause amounting to HK\$8,474,000, HK\$17,831,000 and HK\$15,360,000 respectively are included in “repayable on demand or repayable in 1 to 3 months” time band in the above maturity analysis. Taking into account the Group’s financial position, management of the Group does not believe that it is probable that the bank or another financial institution will exercise its discretionary rights to demand immediate repayment. As at 31 March 2013 and 2014 and 31 August 2014, management of the Group believes that such borrowings will be repaid within 5 years after the end of the respective reporting periods in accordance with the scheduled repayment dates set out in the loan agreements.

For the purpose of managing liquidity risk, management reviews the expected cash flow information of the Group's borrowings based on the scheduled repayment dates set out in the loan agreements and were set out in the table below:

	Weighted average interest rate	Repayable in 1 to 3 months	3 months to 1 year	1 to 2 years	2 to 5 years	Total undiscounted cash flows	Carrying amount at the end of the reporting period
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Borrowings							
As at 31 March 2013							
- fixed rate	3.8	611	1,424	—	—	2,035	2,000
- variable rate	3.0	697	1,941	2,587	1,510	6,735	6,474
As at 31 March 2014							
- fixed rate	3.8	57	—	—	—	57	57
- variable rate	3.5	1,877	5,248	4,129	7,731	18,985	17,774
As at 31 August 2014							
- variable rate	3.5	2,059	4,592	3,051	6,640	16,342	15,360

Liquidity table

THE COMPANY

	Weighted average effective interest rate	Repayable on demand or repayable in 1 to 3 months	3 months to 1 year	1 to 2 years	2 to 5 years	Total undiscounted cash flows	Carrying amount at the end of the reporting date
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 August 2014							
Non-derivative financial liabilities							
Accrued liabilities	N/A	802	—	—	—	802	802
Amount due to a subsidiary	N/A	7,104	—	—	—	7,104	7,104
		<u>7,906</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,906</u>	<u>7,906</u>

Fair value

The fair values of financial assets and financial liabilities have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

8. REVENUE

The Group's revenue represents revenue arising from provision of Consultation Service, Prescription and Dispensing Service and Treatment Service during the Track Record Period, net of discounts and refund.

9. SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on Consultation Service, Prescription and Dispensing Service and Treatment Service during the Track Record Period. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform to the HKFRSs. Dr. Kong and Mr. Lo Kwok Bun, directors of the Company, have been identified as the chief operating decision makers ("CODM"). The CODM review the Group's revenue analysis by services and products in order to assess performance and allocation of resources.

Other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance and allocation of resources. The CODM reviews the results of the Group as a whole to make decisions. Accordingly, other than entity wide information, no analysis of this single operating segment is presented.

Revenue from major products and services

	Year ended 31 March		Five months ended 31 August	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Consultation Service	4,010	4,592	1,787	1,881
Prescription and Dispensing Service.	29,499	32,126	12,981	13,038
Treatment Service	18,098	28,323	9,814	13,043
	<u>51,607</u>	<u>65,041</u>	<u>24,582</u>	<u>27,962</u>

Geographical information

The Group's operations are located in Hong Kong. All of the Group's revenue from external customers based on the location of the Group's operations is from Hong Kong.

The geographical location of the Group's non-current assets is situated in Hong Kong based on physical location of assets.

Information about major customers

During the Track Record Period, there was no revenue from customers individually contributing over 10% of the total revenue of the Group.

10. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 March		Five months ended 31 August	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Interest income on bank deposits	—	—	—	(4)
Gain on disposal of property, plant and equipment	—	—	(1)	—
Net foreign exchange loss (gain)	—	126	10	(48)
Allowance for bad and doubtful debts . . .	—	34	45	50
	<u>—</u>	<u>160</u>	<u>54</u>	<u>(2)</u>

11. FINANCE COSTS

	Year ended 31 March		Five months ended 31 August	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Interests on:				
Borrowings wholly repayable within five years	294	240	109	245
Finance leases wholly repayable within five years	27	24	12	6
	<u>321</u>	<u>264</u>	<u>121</u>	<u>251</u>

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

During the Track Record Period, the emoluments paid or payable to the Company's directors were as follows:

	Dr. Kong	Mr. Lo Kwok Bun	Ms. Kong Chung Wai	Total
	HK\$'000 (Note i)	HK\$'000 (Note ii)	HK\$'000 (Note ii)	HK\$'000
<u>For the year ended 31 March 2013</u>				
Fee	—	—	—	—
Other emoluments:				
Salaries	—	—	423	423
Performance bonus (Note iii)	—	—	27	27
Others (Note iv)	216	—	—	216
Contributions to retirement benefits scheme	—	—	15	15
Total emoluments	<u>216</u>	<u>—</u>	<u>465</u>	<u>681</u>
<u>For the year ended 31 March 2014</u>				
Fee	—	—	—	—
Other emoluments:				
Salaries	—	534	420	954
Performance bonus (Note iii)	—	85	120	205
Contributions to retirement benefits scheme	—	14	15	29
Total emoluments	<u>—</u>	<u>633</u>	<u>555</u>	<u>1,188</u>
<u>For the five months ended 31 August 2013 (unaudited)</u>				
Fee	—	—	—	—
Other emoluments:				
Salaries	—	192	178	370
Performance bonus (Note iii)	—	—	11	11
Contributions to retirement benefits scheme	—	5	6	11
Total emoluments	<u>—</u>	<u>197</u>	<u>195</u>	<u>392</u>

	Dr. Kong	Mr. Lo Kwok Bun	Ms. Kong Chung Wai	Total
	HK\$'000 (Note i)	HK\$'000 (Note ii)	HK\$'000 (Note ii)	HK\$'000
<u>For the five months ended 31 August 2014</u>				
Fee	—	—	—	—
Other emoluments:				
Salaries	—	280	205	485
Performance bonus (Note iii)	—	—	10	10
Contributions to retirement benefits scheme	—	7	7	14
Total emoluments	<u>—</u>	<u>287</u>	<u>222</u>	<u>509</u>

Notes:

- (i) Dr. Kong was appointed as an executive director and the chairman of the Company on 23 June 2014. During each of the two years ended 31 March 2013 and 2014, no amount was paid to Dr. Kong in respect of his capacity as a medical practitioner of the Group. Since 1 April 2014, Dr. Kong has commenced to receive professional fees for services as a medical practitioner provided to the Group and became one of the five individuals with highest emoluments in the Group during the five months ended 31 August 2014. Accordingly, the fees paid to Dr. Kong's sole proprietorship is included in "employees' emoluments" set out below.
- (ii) Mr. Lo Kwok Bun and Ms. Kong Chung Wai were appointed as the executive directors on 12 July 2014.
- (iii) The performance bonus are determined by reference to the performance of the individual directors.
- (iv) For the year ended 31 March 2013, the director's other emoluments mainly represented utility expenses for accommodation of Dr. Kong borne by the Group.

During the Track Record Period, no emolument was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company waived any emoluments during the Track Record Period.

Employees' emoluments

During the two years ended 31 March 2014 and the five months ended 31 August 2013, of the five individuals with the highest emoluments in the Group, none of them are the directors of the Company.

During the five months ended 31 August 2014, the five highest paid individuals included Dr. Kong for his service rendered pursuant to the Cooperation Agreement.

The emoluments of the five individuals for the Track Record Period were as follows:

	Year ended 31 March		Five months ended 31 August	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000 (Note ii)
Salaries, allowances and other benefits . .	4,665	5,460	2,044	2,555
Performance related incentive payments:				
Performance bonus (Note i)	2,991	4,737	1,513	3,394
Share-based payments	581	999	419	419
Contributions to retirement benefits scheme	72	75	31	35
	<u>8,309</u>	<u>11,271</u>	<u>4,007</u>	<u>6,403</u>

Notes:

- (i) During the Track Record Period, the performance related incentive payments are determined by reference to the performance of individuals.
- (ii) The amounts included the total professional fees paid to Dr. Kong's sole proprietorship amounting HK\$2,206,000 which included fixed fee, incentive fee and contributions to retirement benefits scheme of HK\$650,000, HK\$1,549,000 and HK\$7,000 respectively.

Their emoluments were within the following bands:

	Year ended 31 March		Five months ended 31 August	
	2013	2014	2013	2014
			(unaudited)	
Nil to HK\$1,000,000	2	1	4	3
HK\$1,000,001 to HK\$1,500,000.	2	2	—	—
HK\$1,500,001 to HK\$2,000,000.	—	1	—	—
HK\$2,000,001 to HK\$2,500,000.	—	—	1	2
HK\$4,000,001 to HK\$4,500,000.	1	—	—	—
HK\$6,000,001 to HK\$6,500,000.	<u>—</u>	<u>1</u>	<u>—</u>	<u>—</u>

During the Track Record Period, no emoluments were paid by the Group to the five highest paid individual as an inducement to join or upon joining the Group or as compensation for loss of office.

13. PROFIT BEFORE TAX

	Year ended 31 March		Five months ended 31 August	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Profit before tax has been arrived at after charging:				
Auditor's remuneration	168	280	117	115
Allowance for inventories	48	189	129	130
Staff costs				
Directors' remunerations (note 12)	681	1,188	392	509
Other staff costs				
- salaries, allowance and other benefits	16,289	21,497	8,170	11,459
- share-based payments (note 33)	581	999	419	419
- contributions to retirement benefits schemes	426	545	207	258
	<u>17,977</u>	<u>24,229</u>	<u>9,188</u>	<u>12,645</u>
Depreciation of property, plant and equipment				
- owned assets	1,594	2,097	902	944
- leased assets	391	237	118	52
	<u>1,985</u>	<u>2,334</u>	<u>1,020</u>	<u>996</u>

14. INCOME TAX EXPENSE

	Year ended 31 March		Five months ended 31 August	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Income tax expense comprises:				
Hong Kong Profits Tax				
Current year	2,832	3,738	1,376	1,235
(Over)underprovision in prior years	(83)	10	—	—
	<u>2,749</u>	<u>3,748</u>	<u>1,376</u>	<u>1,235</u>
Deferred tax				
Current year charge (credit) (note 30) . .	159	(131)	(47)	(38)
	<u>2,908</u>	<u>3,617</u>	<u>1,329</u>	<u>1,197</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the Track Record Period.

The income tax expense for the Track Record Period can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March		Five months ended 31 August	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Profit before tax	<u>17,440</u>	<u>17,354</u>	<u>7,630</u>	<u>2,954</u>
Tax at Hong Kong Profits Tax rate of 16.5%	2,878	2,863	1,259	487
Tax effect of expense that are not deductible	96	754	69	747
(Over)underprovision in prior years	(83)	10	—	—
Others	<u>17</u>	<u>(10)</u>	<u>1</u>	<u>(37)</u>
Income tax expense for the year/period . .	<u>2,908</u>	<u>3,617</u>	<u>1,329</u>	<u>1,197</u>

15. DIVIDENDS

No dividend was paid or declared by the Company since its incorporation.

During the year ended 31 March 2013, dividends of HK\$3,000,000 were distributed by Medicskin to its then shareholders.

During the years ended 31 March 2013 and 2014, dividends of HK\$8,990,000 and HK\$10,550,000 respectively, were distributed by Multiple Profit to its then shareholder.

During the five months ended 31 August 2013, dividends of HK\$3,830,000 (unaudited) were distributed by Multiple Profit to its then shareholder.

During the five months ended 31 August 2014, dividends of HK\$3,200,000 were distributed by Multiple Profit to its then shareholder.

The rate of dividends and the number of shares ranking for the above dividends are not presented as such information is not meaningful.

16. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	Year ended 31 March		Five months ended 31 August	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Earnings:				
Earnings for the purpose of calculating basic earnings per share (profit for the year/period attributable to owner of the Company)	<u>14,532</u>	<u>13,737</u>	<u>6,301</u>	<u>1,757</u>
	'000	'000	'000	'000
Number of shares:				
Number of ordinary shares for the purpose of calculating basic earnings per share	<u>333,332</u>	<u>333,332</u>	<u>333,332</u>	<u>333,332</u>

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the capitalisation issue set out in section (B) below had been effective on 1 April 2012.

No diluted earnings per share for the Track Record Period was presented as there were no potential ordinary shares in issue during the Track Record Period.

17. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements	Office equipment	Medical equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST					
At 1 April 2012	2,042	395	11,229	450	14,116
Additions	<u>2,122</u>	<u>1,124</u>	<u>1,278</u>	<u>—</u>	<u>4,524</u>
At 31 March 2013	4,164	1,519	12,507	450	18,640
Additions	—	297	983	—	1,280
Disposals	<u>—</u>	<u>(73)</u>	<u>—</u>	<u>—</u>	<u>(73)</u>
At 31 March 2014	4,164	1,743	13,490	450	19,847
Additions	33	78	703	—	814
Written off	<u>(169)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(169)</u>
At 31 August 2014	<u>4,028</u>	<u>1,821</u>	<u>14,193</u>	<u>450</u>	<u>20,492</u>
ACCUMULATED DEPRECIATION					
At 1 April 2012	1,793	267	8,338	285	10,683
Provided for the year	<u>555</u>	<u>149</u>	<u>1,191</u>	<u>90</u>	<u>1,985</u>
At 31 March 2013	2,348	416	9,529	375	12,668
Provided for the year	743	455	1,061	75	2,334
Eliminated on disposals	<u>—</u>	<u>(72)</u>	<u>—</u>	<u>—</u>	<u>(72)</u>
At 31 March 2014	3,091	799	10,590	450	14,930
Provided for the period	312	197	487	—	996
Eliminated on written off	<u>(169)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(169)</u>
At 31 August 2014	<u>3,234</u>	<u>996</u>	<u>11,077</u>	<u>450</u>	<u>15,757</u>
CARRYING VALUES					
At 31 March 2013	<u>1,816</u>	<u>1,103</u>	<u>2,978</u>	<u>75</u>	<u>5,972</u>
At 31 March 2014	<u>1,073</u>	<u>944</u>	<u>2,900</u>	<u>—</u>	<u>4,917</u>
At 31 August 2014	<u>794</u>	<u>825</u>	<u>3,116</u>	<u>—</u>	<u>4,735</u>

As at 31 March 2013, 31 March 2014 and 31 August 2014, the carrying values of property, plant and equipment included amounts of approximately HK\$1,430,000, HK\$462,000 and HK\$410,000 respectively in respect of assets held under finance leases.

The above items of property, plant and equipment are depreciated on a straight-line basis after taking into account of their residual values at the following rates per annum:

Leasehold improvements	Over the term of the lease
Office equipment	20% - 33%
Medical equipment	20%
Motor vehicles	20%

18. INVESTMENT IN A SUBSIDIARY AND AMOUNT DUE TO A SUBSIDIARY

The Company

	As at 31 August 2014
	HK\$'000
Deemed investment cost.	<u>2,461</u>

Amount represents the deemed investment cost in Multiple Profit.

Amount due to a subsidiary is unsecured, non-interest bearing and repayable on demand.

19. INVENTORIES

The Group

	As at 31 March		As at 31 August
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Medication and skincare products	1,935	1,647	1,334
Treatment consumables	<u>857</u>	<u>490</u>	<u>583</u>
	<u>2,792</u>	<u>2,137</u>	<u>1,917</u>

20. TRADE RECEIVABLES

The Group

	As at 31 March		As at 31 August
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Trade receivables	243	650	322
Less: Allowance for bad and doubtful debts	<u>—</u>	<u>(34)</u>	<u>(84)</u>
	<u>243</u>	<u>616</u>	<u>238</u>

The clients of the Group would usually settle payments by cash, credit cards, Easy Pay System ("EPS") or medical cards. For credit card and EPS payments, the banks will normally settle the amounts a few days after the trade date. Payments by clients using medical cards will normally be settled by the medical card issuing companies within 60 to 90 days from the invoice dates.

The following is an aged analysis of trade receivables net of allowance for bad and doubtful debts presented based on the trade dates for the receivables from the clients settle payments by credit cards and EPS and invoice dates for the receivables from the clients and medical card issuing companies at the end of the reporting periods, which approximate the respective revenue recognition dates.

	As at 31 March		As of 31 August
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
0 - 30 days	184	572	181
31 - 60 days	41	1	31
61 - 90 days	3	43	26
91 - 180 days	15	—	—
Total	<u>243</u>	<u>616</u>	<u>238</u>

Before accepting any medical cards, the Group assesses the credit quality of the companies issuing the medical cards by evaluating their historical credit records and defines credit limits by corporates. Recoverability and credit limit of the corporates are reviewed by the Group regularly.

As at 31 March 2013, 31 March 2014 and 31 August 2014, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$15,000, nil and nil respectively, which were past due but not impaired and aged between 91 to 180 days. The trade receivables which were past due but not impaired were amounts due from debtors which do not have historical default of payments. The Group does not hold any collateral over these balances.

The Group's remaining trade receivables were not past due nor impaired at the end of each reporting period and were due from debtors which do not have historical default of payments.

Movement in allowance for bad and doubtful debts

	Year ended 31 March		Five months
	2013	2014	ended 31 August
	HK\$'000	HK\$'000	2014
Beginning of the year/period	—	—	34
Allowance for bad and doubtful debts	—	34	50
At the end of the year/period	<u>—</u>	<u>34</u>	<u>84</u>

During the years ended 31 March 2013 and 2014 and the five months ended 31 August 2014, the Group made an allowance of approximately nil, HK\$34,000 and HK\$50,000 in respect of the trade receivables which was past due at the end of the reporting period. Management of the Group considered the related receivables may be impaired due to no settlement after the follow-up actions being taken by the Group to recover the overdue debts and specific allowance is made. In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivables from the date credit was initially granted up to the end of each reporting period. Management of the Group believes that no further credit provision is required in excess of the allowance for bad and doubtful debts.

21. AMOUNTS DUE FROM RELATED COMPANIES

The Group

Particulars of amounts due from related companies disclosed pursuant to section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622) of the Laws of Hong Kong, which requires the Group to continue to comply with section 161B of the predecessor Hong Kong Companies Ordinance (Cap. 32) of the Laws of Hong Kong before its financial year beginning on 1 April 2014 are as follows:

Name of related companies	As at		As at		Maximum amount outstanding during		the five months ended 31 August 2014
	1 April	As at 31 March		31 August	the year ended 31 March		
	2012	2013	2014	2014	2013	2014	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tally Scholar	—	1,850	—	—	1,850	1,850	—
Beauty Tech Investment Limited ("Beauty Tech")	729	1,242	—	—	1,242	1,893	—
	<u>729</u>	<u>3,092</u>	<u>—</u>	<u>—</u>			

Tally Scholar was the immediate holding company of Multiple Profit prior to the Reorganisation and is ultimately controlled by Dr. Kong.

Beauty Tech is a fellow subsidiary of the Company and ultimately controlled by Dr. Kong.

The amounts due from related companies are non-trading in nature, unsecured, non-interest bearing and repayable on demand.

During each of the years ended 31 March 2013 and 2014, the amount due from Beauty Tech was offset by the purchases from Beauty Tech of approximately HK\$1,614,000 and HK\$1,634,000 respectively as set out in note 36(a). There was no offset by the purchases from Beauty Tech during the five months ended 31 August 2014.

22. AMOUNT DUE FROM A DIRECTOR**The Group**

Particulars of amount due from a director disclosed pursuant to section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622) of the Laws of Hong Kong, which requires the Group to continue to comply with section 161B of the predecessor Hong Kong Companies Ordinance (Cap. 32) of the Laws of Hong Kong before its financial year beginning on 1 April 2014 are as follows:

	Maximum amount outstanding during						
	As at 1 April	As at 31 March		As at 31 August	the year ended 31 March		the five months ended 31 August
	2012	2013	2014	2014	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Dr. Kong	6,312	3,512	3,488	—	14,013	9,587	3,488

Amount due from a director is non-trading in nature, unsecured, non-interest bearing and repayable on demand.

23. BANK BALANCES AND CASH**The Group**

Bank balances and cash comprise cash held by the Group and short-term bank deposits at variable market interest rates with an original maturity of three months or less. The deposits carried an average effective interest rate of 0.001%, 0.001% and 0.039% per annum for each of the years ended 31 March 2013 and 31 March 2014 and the five months ended 31 August 2014 respectively.

As at 31 March 2013, 31 March 2014 and 31 August 2014, a bank balance of approximately HK\$2,000, HK\$4,133,000 and HK\$4,192,000 was denominated in Renminbi respectively.

24. TRADE PAYABLES**The Group**

The average credit period on purchase of goods is 30 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting periods:

	As at 31 March		As at 31 August
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
0 - 30 days	532	272	328
31 - 60 days	161	157	—
61 - 90 days	11	—	—
	<u>704</u>	<u>429</u>	<u>328</u>

25. ACCRUED LIABILITIES

	The Group			The Company
	As at 31 March		As at 31 August	As at 31 August
	2013	2014	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accrued staff costs	925	1,222	1,943	—
Other accruals	269	1,293	986	802
	<u>1,194</u>	<u>2,515</u>	<u>2,929</u>	<u>802</u>

26. DEFERRED REVENUE

The Group

	Year ended 31 March		Five months
	2013	2014	ended 31 August
	HK\$'000	HK\$'000	2014
	HK\$'000	HK\$'000	HK\$'000
The movement of deferred revenue is as follows:			
Beginning of the year/period	2,964	3,989	6,389
Receipts from sales of prepaid treatment packages	7,560	15,575	6,628
Revenue recognised upon provision of Treatment Service	(6,224)	(12,995)	(6,357)
Revenue recognised upon the second anniversary of the contractual expiry date of prepaid treatment packages	<u>(311)</u>	<u>(180)</u>	<u>(123)</u>
At the end of the year/period	<u>3,989</u>	<u>6,389</u>	<u>6,537</u>

27. AMOUNT DUE TO A RELATED COMPANY

The Group

The amount was due to a fellow subsidiary of the Company. It was non-trading in nature, unsecured, non-interest bearing and repayable on demand.

28. BORROWINGS

The Group

	As at 31 March		As at 31 August
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Unsecured floating-rate bank loans	6,474	17,774	15,360
Unsecured fixed-rate loans from a financial institution other than a bank	<u>2,000</u>	<u>57</u>	<u>—</u>
	<u>8,474</u>	<u>17,831</u>	<u>15,360</u>
Carrying amount repayable*:			
Within one year	4,477	6,684	6,232
More than one year, but not exceeding two years	2,502	3,813	2,783
More than two years, but not more than five years	<u>1,495</u>	<u>7,334</u>	<u>6,345</u>
	<u>8,474</u>	<u>17,831</u>	<u>15,360</u>

* The amount due is presented based on scheduled repayment dates set out in the loan agreement.

As at 31 March 2013, 31 March 2014 and 31 August 2014, all the borrowings contained a repayment on demand clause and accordingly are shown under current liabilities.

The Group's floating-rate bank loans carried interest at HK\$ prime rate quoted by the lending bank less 1.25% and 2% per annum, less 1.25%, 1.5% and 2% per annum and less 1.25%, 1.5% and 2% per annum for each of the years ended 31 March 2013 and 2014 and the five months ended 31 August 2014 respectively.

The range of effective interest rates on the bank loans was 3.0% to 3.8% per annum for each of the years ended 31 March 2013 and 2014 and the five months ended 31 August 2014. The effective interest rate (which is also equal to contracted interest rate) on the Group's fixed-rate loans from a financial institute other than a bank was 3.8% per annum for each of the years ended 31 March 2013 and 2014.

All of the Group's borrowings were guaranteed by Dr. Kong. As at 31 March 2013 and 2014 and 31 August 2014, borrowings of approximately HK\$5,140,000, HK\$3,197,000 and HK\$2,371,000 respectively were also guaranteed by the Government of the Hong Kong Special Administrative Region (the "HKSAR") under the Special Loan Guarantee Scheme implemented by the Trade and Industry Department of the HKSAR, and borrowings of nil, approximately HK\$9,513,000 and HK\$8,775,000 respectively were guaranteed by the Hong Kong Mortgage Corporation Limited under SME Financing Guarantee Scheme.

29. OBLIGATIONS UNDER FINANCE LEASES

The Group

	Minimum lease payments			Present value of minimum lease payments		
	As at 31 March		As at 31 August	As at 31 March		As at 31 August
	2013	2014	2014	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance leases:						
Within one year	418	223	223	395	212	216
In more than one year but not more than two years	224	111	19	213	110	18
In more than two years but not more than five years	111	—	—	109	—	—
	<u>753</u>	<u>334</u>	<u>242</u>	<u>717</u>	<u>322</u>	<u>234</u>
Less: future finance charges	<u>(36)</u>	<u>(12)</u>	<u>(8)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Present value of lease obligations	<u>717</u>	<u>322</u>	<u>234</u>	717	322	234
Less: Amounts due for settlement within one year (shown under current liabilities)				<u>(395)</u>	<u>(212)</u>	<u>(216)</u>
Amounts due for settlement after one year				<u>322</u>	<u>110</u>	<u>18</u>

The Group leased certain of its medical equipment under finance leases. The average lease term is 3 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 3.8% to 4.8%, 4.8% and 4.8% per annum as at 31 March 2013, 31 March 2014 and 31 August 2014, respectively. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets and personal guarantee provided by a director of the Company as set out in note 36(a).

30. DEFERRED TAXATION**The Group**

The deferred tax liability recognised and movements thereon during the Track Record Period are as follows:

	<u>Accelerated tax depreciation</u>
	<u>HK\$'000</u>
At 1 April 2012	214
Charged to profit or loss (note 14).	159
At 31 March 2013	373
Credit to profit or loss (note 14)	(131)
At 31 March 2014	242
Credit to profit or loss (note 14)	(38)
At 31 August 2014.	<u>204</u>

31. SHARE CAPITAL**The Group**

The share capital at 31 March 2013 and 31 March 2014 represented the issued and fully paid share capital of Multiple Profit. At 1 April 2012, 31 March 2013 and 31 March 2014, 1 share of US\$1 each was issued by Multiple Profit and the share was fully paid by the shareholder.

The share capital at 31 August 2014 represented the issued share capital of the Company as detailed below.

The Company

	<u>Number of shares</u>	<u>Share capital</u>
		<u>HK\$'000</u>
<i>Ordinary shares of HK\$0.01 each</i>		
<i>Authorised:</i>		
On date of incorporation on 20 June 2014 and at		
31 August 2014	<u>38,000,000</u>	<u>380</u>
<i>Issued:</i>		
1 share allotted and issued, fully paid at par on the date of		
incorporation	1	—
Issue of shares on 12 July 2014 pursuant to the Reorganisation	<u>99</u>	<u>—</u>
At 31 August 2014.	<u>100</u>	<u>—</u>

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On 20 June 2014, one subscriber share was allotted and issued. On 12 July 2014, the Company issued and allotted a further 99 shares of which 97 of such shares were issued and allotted to Topline and 2 of such shares were issued and allotted to Attractive Beauty pursuant to the Reorganisation.

32. RETIREMENT BENEFITS PLANS

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The MPF Scheme was established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees. The maximum monthly contribution made by the Group is limited to HK\$1,000 per employee before 1 June 2012, HK\$1,250 per employee from 1 June 2012 to 30 May 2014 and HK\$1,500 per employee from 1 June 2014, while an employee can contribute more than HK\$1,000 per month before 1 June 2012, HK\$1,250 per month from 1 June 2012 to 30 May 2014 and HK\$1,500 per employee from 1 June 2014 if the employee is willing to do so.

The total cost of HK\$441,000, HK\$574,000, HK\$218,000 (unaudited) and HK\$272,000 for each of the two years ended 31 March 2013 and 31 March 2014 and the five months ended 31 August 2013 and 2014 respectively charged to the consolidated statements of profit or loss and other comprehensive income represents contributions paid or payable to the MPF Scheme by the Group.

33. SHARE-BASED PAYMENT TRANSACTIONS

On 8 August 2012, a service agreement (the "Service Agreement") was entered into between Medicskin and Dr. Lam Yee Ming Alice ("Dr. Lam") pursuant to which Medicskin employed Dr. Lam as an employee for a term of 5 years commencing from 1 September 2012 and ending on 31 August 2017 (the "5 Year Term").

On 20 August 2012, Topline, which is wholly owned by the Group's controlling shareholder, Dr. Kong and the ultimate holding company of Medicskin, has entered into an agreement with Attractive Beauty Limited ("Attractive Beauty", a company wholly owned by Dr. Lam) pursuant to which Attractive Beauty acquired two ordinary shares of Tally Scholar (representing 2% of the then issued share capital of Tally Scholar) for a consideration of HK\$1,600,000 (the "S&P Agreement").

Also, Dr. Kong, Topline, Dr. Lam and Attractive Beauty entered into a supplemental agreement on 20 August 2012 (the "Share Reward Agreement") and a deed of amendment and restatement on 28 June 2014 (the "Deed") which supplement the above mentioned agreements. The major terms of the Share Reward Agreement as amended and restated pursuant to the Deed are summarised below:

1. In consideration of the satisfactory service by Dr. Lam and Dr. Lam & Co (a sole proprietorship established by Dr. Lam) to Medicskin during the 5 Year Term pursuant to the Service Agreement and the relevant Cooperation Agreement which was entered into among Medicskin, Dr. Lam and Dr. Lam & Co ("Dr. Lam Cooperation Agreement"), Dr. Lam shall be entitled to purchase up to 5% of the existing issued share capital of Tally Scholar or the

Listco (defined as the holding company of Multiple Profit, the holding company of Medicskin) (the “5% Share Entitlement”, calculated on a time proportional basis by reference to the aggregate length of service provided over the 5 Year Term) from Dr. Kong and/or Topline. The purchase of such 5% Share Entitlement by Dr. Lam shall be fully financed by Dr. Kong (the “Financing”) as follows:

- (a) subject to the terms relating to the early termination of the Service Agreement or Dr. Lam Cooperation Agreement as discussed below, 2% of the existing issued share capital of Tally Scholar will be transferred to Dr. Lam pursuant to the S&P Agreement, while the relating Financing shall become without recourse at the end of the first two years in the 5 Year Term (the “First 2 Year Term”, that is, on 31 August 2014);
 - (b) subject to the terms relating to the early termination of the Service Agreement or Dr. Lam Cooperation Agreement as discussed below, the next 1% of the existing issued share capital of Tally Scholar or equivalent percent of share capital of Listco will be transferred to Dr. Lam upon Listing or completion of First 2 Year Term, whichever is earlier, while the relating Financing shall become without recourse at the end of the anniversary of the First 2 Year Term (that is, on 31 August 2015);
 - (c) the remaining 2% of the existing issued share capital of Tally Scholar or equivalent percent of share capital of the Listco will be allotted to Dr. Lam at the completion of the 5 Year Term and relating Financing shall become without recourse at the end of the 5 Year Term (that is, on 31 August 2017);
2. Pursuant to terms of Share Reward Agreement as amended and restated pursuant to the Deed, in the occurrence of early termination of the Service Agreement or Dr. Lam Cooperation Agreement for whatever reason during the 5 Year Term, the proportion of shares transferred to Dr. Lam or Attractive Beauty in advance which Dr. Lam not entitled to receive as a result of early termination of Service Agreement or Dr. Lam Cooperation Agreement shall be transferred back to Dr. Kong or Topline and the relating Financing will also be returned to Dr. Kong.

Hereinafter, the above-mentioned share entitlement is referred to as “Share Reward”.

The following table discloses movements of the Share Reward held by Dr. Lam during the Track Record Period:

	Outstanding at 1 April 2012	Granted during the year	Vested during the year	Outstanding at 31 March 2013
Share Reward.	—	5%	0.58%	4.42%
	Outstanding at 1 April 2013	Granted during the year	Vested during the year	Outstanding at 31 March 2014
Share Reward.	4.42%	—	1.00%	3.42%
	Outstanding at 1 April 2014	Granted during the period	Vested during the period	Outstanding at 31 August 2014
Share Reward.	3.42%	—	0.42%	3.00%

Fair value of the Share Reward granted is expensed over the vesting period, with a corresponding credit to the Group's capital reserve. For each of the years ended 31 March 2013 and 2014 and the five months ended 31 August 2013 and 2014, share-based payment expenses of HK\$581,000, HK\$999,000, HK\$419,000 (unaudited) and HK\$419,000 respectively were recognised with a corresponding credited recognised in the Group's capital reserve.

The fair value of the Share Reward determined at the date of grant using the discounted cash flow method was HK\$5,000,000. The Group prepared cash flow forecasts of the underlying business of Medicskin from the most recent financial budgets approved by management for the next five years. The cash flows beyond 5-year period are extrapolated using a steady 3% growth rate. The rate used to discount the forecasted cash flows for the Group is 16.8% per annum. The fair value was determined based on a valuation carried out by Asset Appraisal Limited, chartered financial analyst not connect to the Group. The address of Asset Appraisal Limited is Room 901, 9/F, On Hong Commercial Building, 145 Hennessy Road, Wanchai, Hong Kong.

On 31 August 2014, pursuant to terms of Share Reward Agreement as amended and restated pursuant to the Deed, 1 ordinary share of the Company (representing 1% of the issued share capital of the Company) was transferred to Dr. Lam by Topline for a consideration of HK\$800,000.

34. OPERATING LEASE COMMITMENTS

The Group as lessee

	Year ended 31 March		Five months ended 31 August	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Minimum lease payments paid under operating leases during the year in respect of rented premises included in other operating expenses.	<u>3,525</u>	<u>4,391</u>	<u>1,775</u>	<u>1,914</u>

At the end of the reporting periods, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 March		As at 31 August
	2013	2014	2014
	HK\$'000	HK\$'000	HK\$'000
Within one year	4,072	4,594	4,573
In the second to fifth year inclusive.	<u>2,526</u>	<u>3,388</u>	<u>1,494</u>
	<u>6,598</u>	<u>7,982</u>	<u>6,067</u>

Operating lease payments represent rentals payable by the Group for its office premises and medical skin care centres. Leases are negotiated for the lease terms of two to three years and rentals are fixed throughout the lease terms.

35. MAJOR NON-CASH TRANSACTIONS

Save as disclosed in note 21, the Group has the following non-cash transactions during the Track Record Period.

During the year ended 31 March 2013, a medical equipment of HK\$630,000 was purchased under a finance lease.

During the year ended 31 March 2013, a final dividend declared by Medicskin amounting to HK\$3,000,000 in respect of the year ended 31 March 2012 was settled by offsetting the same amount in the current account with Dr. Kong.

During the year ended 31 March 2014, interim dividends declared by Multiple Profit amounting to HK\$5,000,000 and HK\$1,720,000 were settled by offsetting the same amount in the current account with Dr. Kong and the current account with Tally Scholar respectively.

During the five months ended 31 August 2014, an interim dividend declared by Multiple Profit amounting to HK\$2,983,000 was settled by offsetting the same amount in the current account with Dr. Kong.

36. RELATED PARTY TRANSACTIONS

(a) Transactions

During the Track Record Period, the Group entered into the following transactions with related parties:

Name of related party	Nature of transactions	Year ended 31 March		Five months ended 31 August	
		2013	2014	2013	2014
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Beauty Tech . .	Purchase of goods (Note)	<u>1,614</u>	<u>1,634</u>	<u>979</u>	<u>370</u>

Note: As represented by the directors of the Company, the purchase of goods from Beauty Tech will be discontinued prior to Listing.

As at 31 March 2013, 31 March 2014 and 31 August 2014, borrowings and obligations under finance leases of approximately HK\$9,191,000, HK\$18,153,000 and HK\$15,594,000 in aggregate were guaranteed by Dr. Kong. During the five months ended 31 August 2014, pursuant to the agreement entered among a bank and the Group for the credit card settlement services to the Group, Dr. Kong provided a guarantee to the bank. Dr. Kong did not charge the Group for the guarantees provided. As represented by the directors of the Company, the aforesaid guarantees will be released immediately following Listing.

(b) Non-trade balances

Details of the Group's outstanding balances with related parties are set out on the consolidated statements of financial position and in notes 21, 22 and 27.

Details of the Company's outstanding balance with a subsidiary are set out on the statement of financial position and in note 18.

(c) Compensation of key management personnel

	Year ended 31 March		Five months ended 31 August	
	2013	2014	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Short-term benefits	768	1,732	561	974
Post-employment benefits	18	45	18	28
	<u>786</u>	<u>1,777</u>	<u>579</u>	<u>1,002</u>

The remuneration of directors and key executives is determined having regard to the performance of the individuals.

37. CONTINGENT LIABILITY

The Group received a claim relating to the alleged development of certain skin problems following the administration of hyaluronic acid injection to the claimant by one of the doctors of the Group, Dr. Lau Hang Kwok ("Dr. Lau"), between May and November 2012. Since then, there had been a number of correspondences between the legal advisers representing the Group and the claimant respectively. A writ of summons was issued on 28 May 2014 in the Court of First Instance of the High Court of Hong Kong against Dr. Lau and Medicskin in connection with this claim for personal injuries, loss and damages, together with interest, sustained as a result of and/or resulting alleged medical negligence of Dr. Lau. The writ of summons has never been served on Dr. Lau and Medicskin. Subsequently, a settlement was reached. As Dr. Lau is fully indemnified under the indemnity provided by his professional indemnity provider for this case, Medicskin is not required to contribute towards the settlement sum. Hence, there is no liability on the part of Medicskin in connection with the claim.

38. RESERVE OF THE COMPANY

	Other reserve	Accumulated loss	Total
	HK\$'000	HK\$'000	HK\$'000
	(Note)		
At 20 June 2014 (date of incorporation)	—	—	—
Arising on the Reorganisation	2,461	—	2,461
Loss and total comprehensive expense for the period	—	(7,679)	(7,679)
At 31 August 2014	<u>2,461</u>	<u>(7,679)</u>	<u>(5,218)</u>

Note: The other reserve represents the total equity of Multiple Profit upon the Company became the holding company of Multiple Profit.

(B) EVENTS AFTER THE END OF REPORTING PERIOD

Subsequent to 31 August 2014, written resolutions of shareholders of the Company were passed on 3 December 2014 to approve:

- (a) the authorised share capital of the Company was increased to the aggregate of HK\$10,000,000 by the creation of an additional 962,000,000 new shares of par value HK\$0.01 each; and
- (b) conditional on the share premium account of the Company being credited as a result of the placing of the Company's shares, upon the recommendation of the directors of the Company, the sum of HK\$3,333,319, being part of the amount which would then be standing to the credit of the share premium account of the Company, be capitalised and applied in paying up in full in which 333,331,900 shares would be allotted and issued, credited as fully paid, to the persons whose names appear on the register of members of the Company at the close of business on 3 December 2014 in proportion to their then existing shareholdings in the Company, and the directors of the Company were authorised to give effect to such capitalisation and distribution.

(C) DIRECTORS' EMOLUMENTS

Under the arrangement presently in force, the aggregate amount of the directors' remunerations for the year ending 31 March 2015, excluding performance bonus and discretionary bonus, is estimated to be approximately HK\$1,422,000.

(D) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or its subsidiaries or the Group have been prepared in respect of any period subsequent to 31 August 2014.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
 Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this appendix does not form part of the Accountants' Report on the financial information of the Group for the two years ended 31 March 2014 and the five months ended 31 August 2014 received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in the Accountants' Report and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report.

(A) UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Placing on the consolidated net tangible assets of the Group as if the Placing had taken place on 31 August 2014.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group as at 31 August 2014 or any future date following the Placing.

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the consolidated net tangible assets of the Group attributable to owner of the Company as at 31 August 2014 as shown in the accountants' report on the financial information of the Group for each of the two years ended 31 March 2014 and the five months ended 31 August 2014 (the "Accountants' Report"), the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Consolidated net tangible assets of the Group attributable to owner of the Company as at 31 August 2014	Estimated net proceeds from the Placing	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share
	HK\$'000 <i>(Note 1)</i>	HK\$'000 <i>(Note 2)</i>	HK\$'000 <i>(Note 3)</i>	HK\$ <i>(Note 4)</i>
Based on the Placing Price of HK\$0.60 per Share	9,362	31,215	40,577	0.10

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes :

1. The consolidated net tangible assets of the Group attributable to owner of the Company as at 31 August 2014 is extracted from the Accountants' Report set out in Appendix I to the Prospectus.
2. The estimated net proceeds from the issue of the Shares pursuant to the Placing are based on 66,668,000 Shares at the Placing Price of HK\$0.60 per Placing Share after deduction of the underwriting commissions and fees and other related fees (excluding approximately HK\$7.7 million listing expenses which has been accounted for prior to 31 August 2014) paid or payable by the Company. It does not take into account 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 allotted and issued or repurchased by the Company pursuant to the general mandate given to the Directors to allot and issue or repurchase shares referred to in the section headed "Share Capital — Issuing Mandate" or the section headed "Share Capital — Repurchase Mandate" in the Prospectus, as the case may be.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company does not take into account the effect of any trading result or other transaction of the Group entered into subsequent to 31 August 2014.
4. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is arrived at on the basis that 400,000,000 Shares were in issue assuming that the Placing and the Capitalisation Issue had been completed on 31 August 2014. It does not take into account 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 allotted and issued or repurchased by the Company pursuant to the general mandate given to the Directors to allot and issue or repurchase shares referred to in the section headed "Share Capital — Issuing Mandate" or the section headed "Share Capital — Repurchase Mandate" in the Prospectus, as the case may be.

**(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information 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 MEDICSKIN HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Medicskin 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 consolidated net tangible assets as at 31 August 2014 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 12 December 2014 (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 placing (the "Placing") on the Group's financial position as at 31 August 2014 as if the Placing had taken place at 31 August 2014. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the two years ended 31 March 2014 and the five months ended 31 August 2014, 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 the Growth Enterprise Market 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 ("HKICPA").

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 (“HKSAE”) 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 comply with ethical requirements and 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 August 2014 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 unaudited 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' judgement, 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.

APPENDIX II 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

12 December 2014

APPENDIX III SUMMARY OF CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS LAW

1 Memorandum of Association

The Memorandum of Association was conditionally adopted on 3 December 2014 and effective on the Listing Date and states, *inter alia*, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection as referred to in the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection — Documents Available for Inspection” in Appendix V to this prospectus.

2 Articles of Association

The Articles of Association were conditionally adopted on 3 December 2014 and effective on the Listing Date and include provisions to the following effect:

2.1 *Classes of Shares*

The share capital of the Company consists of ordinary shares. The authorised share capital of the Company at the date of adoption of the Articles of Association is HK\$10,000,000 divided into 1,000,000,000 ordinary shares of HK\$0.01 each.

2.2 *Directors*

(a) *Power to allot and issue Shares*

Subject to the provisions of the Companies Law and the Memorandum of Association and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof is, liable to be redeemed.

APPENDIX III SUMMARY OF CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

(b) *Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the articles of association of the Company expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the articles of association of the Company or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the articles of association of the Company and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the articles of association of the Company, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) *Compensation or payment for loss of office*

Payment 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 first be approved by the Company in general meeting.

(d) *Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) *Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or

APPENDIX III SUMMARY OF CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the Board at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) 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 any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, 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 any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

APPENDIX III SUMMARY OF CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

(v) any contract or arrangement in which the Director or any of his close associates 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.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

APPENDIX III SUMMARY OF CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

APPENDIX III SUMMARY OF CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or 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 (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. 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 a second or casting vote.

2.3 *Alteration to constitutional documents*

No alteration or amendment to the Memorandum of Association or Articles of Association may be made except by special resolution.

2.4 *Variation of rights of existing shares or classes of shares*

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied 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 meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall

APPENDIX III SUMMARY OF CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

mutatis mutandis apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 *Alteration of capital*

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

APPENDIX III SUMMARY OF CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 *Special resolution — majority required*

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths 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 specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 *Voting rights*

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

APPENDIX III SUMMARY OF CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the GEM Listing Rules to be voted on by 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 proxy(ies) or representative(s) at any general meeting of the Company or at any general 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 entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 *Annual general meetings*

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorise) shall elapse between the date of one annual general meeting of the Company and that of the next.

2.9 *Accounts and audit*

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

APPENDIX III SUMMARY OF CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

APPENDIX III SUMMARY OF CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (a) the declaration and sanctioning of dividends;
- (b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;
- (c) the election of Directors in place of those retiring;
- (d) the appointment of auditors;
- (e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;
- (f) 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 20% (or such other percentage as may from time to time be specified in the GEM Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and
- (g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

2.11 *Transfer of shares*

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

APPENDIX III SUMMARY OF CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such maximum as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement published on the Stock Exchange's website, or, subject to the GEM Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase, unless the directors resolve prior to the repurchase that upon the repurchase the shares shall be held in the name of the Company as treasury shares.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

APPENDIX III SUMMARY OF CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

2.14 *Dividends and other methods of distribution*

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other moneys payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company 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 Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

APPENDIX III SUMMARY OF CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall 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 of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. 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.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a

APPENDIX III SUMMARY OF CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

APPENDIX III SUMMARY OF CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement published on the Stock Exchange's website, or, subject to the GEM Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK\$2.50 (or such higher amount as may from time to time be permitted under the GEM Listing Rules) as the Directors may determine for each inspection.

APPENDIX III SUMMARY OF CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

2.18 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, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company 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 of the Company 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. And if in a winding up 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 amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any 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 of the Company. The liquidator

APPENDIX III SUMMARY OF CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 *Untraceable members*

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the GEM Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 20 June 2014 under the Companies Law. As such, its 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 size of its authorised share capital.

3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

APPENDIX III SUMMARY OF CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

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 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 a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (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) in 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;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any 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, 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.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors 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

APPENDIX III SUMMARY OF CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

or purchase, there would no longer be any member of the company holding 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.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company 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 to act 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.

4 Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class 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 where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands 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 Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands 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.

Claims against a company by its shareholders must, as a general rule, 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.

APPENDIX III SUMMARY OF CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) 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.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. 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.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

APPENDIX III SUMMARY OF CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

11 Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of the company) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

APPENDIX III SUMMARY OF CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand 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 and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand 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.

16 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 Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

APPENDIX III SUMMARY OF CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

18 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.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company obtained an undertaking from the Governor in Cabinet:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking is for a period of twenty years from 1 July 2014.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising 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 section headed "Documents Delivered to the Registrar of Companies and Available for Inspection — Documents Available for Inspection" in Appendix V 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/she is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY**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 20 June 2014. Our Company has established its principal place of business in Hong Kong at Room 1206, Tak Shing House, 20 Des Voeux Road Central and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 9 July 2014. Ms. Kong Chung Wai have been appointed as the authorised representative of our Company for acceptance of service of process in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operations are subject to the Companies Law and our constitutional documents comprising the Memorandum and Articles. A summary of certain parts of our constitutional documents and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

The authorised share capital of our Company as at the date of incorporation was HK\$380,000 divided into 38,000,000 shares of par value of HK\$0.01 each.

On 20 June 2014, one share of the Company of HK\$0.01 was issued and allotted to Mapcal Limited as the initial subscriber, which was subsequently transferred to Topline on 20 June 2014 by Mapcal Limited.

On 12 July 2014, the Company issued and allotted a further 99 shares of which 97 of such shares were issued and allotted to Topline and two of such shares were issued and allotted to Attractive Beauty. Such allotments were made pursuant to the terms of the Incentive Arrangement entered into between Dr. Kong, Topline, Dr. Lam and Attractive Beauty.

On 3 December 2014, the authorised share capital of the Company was increased to the aggregate of HK\$10,000,000 by the creation of an additional 962,000,000 Shares of par value HK\$0.01 each pursuant to a resolution in writing passed by the Shareholders referred to in the section headed “Further Information about Our Company — Resolutions in writing of the Shareholders of our Company passed on 3 December 2014” in this appendix.

Immediately following completion of the Placing and the Capitalisation Issue but not taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the authorised share capital of our Company will be HK\$10,000,000 divided into 1,000,000,000 Shares and the issued share capital will be HK\$4,000,000 divided into 400,000,000 Shares, all fully paid or credited as fully paid and 600,000,000 Shares will remain unissued. Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of the member in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of the Shareholders of our Company passed on 3 December 2014

Pursuant to the written resolutions of the Shareholders passed on 3 December 2014, among other things:

- (a) our Company approved and conditionally adopted the Memorandum and the Articles;
- (b) the authorised share capital of our Company has increased to HK\$10,000,000 divided into 1,000,000,000 shares of HK\$0.01 each by the creation of an additional 962,000,000 Shares of HK\$0.01 each;
- (c) conditional upon the conditions as set out in the section headed “Structure and Conditions of the Placing” in this prospectus being fulfilled (or, if applicable, waived):
 - (i) the Placing was approved and our Directors were authorised to allot and issue the New Shares;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the section headed “Further Information about Directors, Management, Staff and Experts — Share Option Scheme” in this appendix, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary or desirable to implement the Share Option Scheme;
 - (iii) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares upon the exercise of any subscription rights attached to any warrants or convertible securities or pursuant to the exercise of any options which might be granted under the Share Option Scheme or any other option scheme or other similar arrangements or under the Placing or any scrip dividend schemes in accordance with the Articles or a specific authority granted by the shareholders of our Company in general meeting, Shares or securities or options convertible into Shares and to make and grant offers and agreements which would or might require Shares to be allotted with an aggregate nominal amount 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 Placing and the Capitalisation Issue, and (bb) the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (c)(iv) below, until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company was required by the Articles or any applicable laws of the Cayman Islands to be held, or the passing of an ordinary resolution by our Shareholders in general meeting varying or revoking such mandate, whichever is the earliest;

- (iv) a general unconditional mandate was given to our Directors authorising them to exercise all the powers of the Company to repurchase on GEM, or any other stock exchange on which the Shares might be listed and which was 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 (or of such other stock exchange), such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Placing and the Capitalisation Issue (excluding Shares which may be issued pursuant to 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 expiration of the period within which the next annual general meeting of our Company was required by the Articles or any applicable laws of the Cayman Islands to be held, or the passing of an ordinary resolution by our Shareholders in general meeting varying, revoking or renewing such mandate, whichever was the earliest; and
- (d) conditional on the share premium account of our Company being credited as a result of the Placing, upon the recommendation of our Directors, the sum of HK\$3,333,319, being part of the amount which would then be standing to the credit of the share premium account of our Company, be capitalised and applied in paying up in full in which 333,331,900 Shares would be allotted and issued, credited as fully paid, to the persons whose names appear on the register of members of our Company at the close of business on 3 December 2014 in proportion to their then existing shareholdings in our Company, and the Directors were authorised to the effect to such capitalisation and distribution.

4. Group reorganisation

The companies comprised in our Group underwent a reorganisation in preparation for the Listing. Apart from the changes in the share capital of the Company referred to in this appendix, the reorganisation involved the following:

- (a) on 12 July 2014, Attractive Beauty transferred its entire shareholding in Tally Scholar, representing 2% of the issued share capital of Tally Scholar to Topline at a consideration of HK\$1.00 pursuant to the terms of the Incentive Arrangement;
- (b) on 12 July 2014, Tally Scholar transferred its entire issued shareholding in Multiple Profit to our Company at a consideration of HK\$1.00; and
- (c) upon completion of the transfer, Multiple Profit and its wholly-owned subsidiary, Medicskin became wholly-owned by the Company which in turn was owned by Topline as to 98% and Attractive Beauty as to 2%.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountants' Report. Other than the alterations described in the section headed "Further Information about Our Company — Group reorganisation" in this appendix, there have been no changes in the share capital of our Company's subsidiaries within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Company's own securities

A general unconditional mandate was granted to our Directors by the Shareholders pursuant to a written resolution passed on 3 December 2014 authorising them to exercise all powers of our Company to purchase Shares with an aggregate nominal amount not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Placing and the Capitalisation Issue (excluding Shares which may be issued pursuant to 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, or the expiration of the period within which the next general meeting of our Company was required by the Articles or any applicable laws of the Cayman Islands to be held, or the passing of an ordinary resolution by our Shareholders in general meeting varying, renewing or revoking such mandate, whichever is the earlier (the "**Repurchase Mandate**").

There are certain restrictions under the GEM Listing Rules on the repurchase by our Company of its own securities, as follows;

(a) Shareholders' approval

All repurchases of securities must be approved in advance by an ordinary resolution of our Company whether by way of general mandate or by specific approval of particular transactions.

(b) Source of funds

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with our Memorandum and Articles, the GEM Listing Rules, the Companies Law and the applicable laws of the Cayman Islands. Subject to the foregoing, any repurchases by our Company may be made out of profits of our Company or out of proceeds of an issue of new Shares made for the purpose of the repurchase, or out of our Company's share premium account or if authorised by the Articles, out of capital.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and/or its earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with its Memorandum and Articles, the GEM Listing Rules, the Companies Law and the applicable laws of the Cayman Islands.

In any event, our Directors do not intend to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

The exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue immediately after the Listing, would result in up to 40,000,000 Shares (i.e. up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Placing and the Capitalisation Issue) being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(e) *Shares to be repurchased*

Under the GEM Listing Rules, shares proposed to be repurchased by a company must be fully paid-up. Under Cayman Islands law, any shares repurchased may be treated as cancelled on repurchase or held as treasury shares.

(f) *General*

A company may not issue or announce an issue of new securities for a period of 30 days immediately following a repurchase of securities whether on GEM or otherwise, other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase, without the prior approval of the Stock Exchange. In addition, a company shall not purchase its shares on GEM if the purchase price is higher by 5% or more than the average closing market price for the 5 preceding trading days on which its shares were traded on GEM. The GEM Listing Rules also prohibit a company from repurchasing its securities on GEM if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage of that company as required by the Stock Exchange.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates has any present intention, in the event that the Repurchase Mandate is exercised, to sell any Shares to our Company or its subsidiaries.

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, the Companies Law and the applicable laws of the Cayman Islands.

If, as a result of a repurchase of securities, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a shareholder or group of shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of shareholders' interest, 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. Our Directors are not presently aware of any circumstances which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate immediately after the Listing.

The GEM Listing Rules prohibit our Company from knowingly repurchasing securities of our Company from a “core connected person”, that is, a director, chief executive or substantial shareholder of our Company or any of its subsidiaries or any of their respective close associates (as defined in the GEM Listing Rules). A core connected person shall not knowingly sell his shares to our Company on the Stock Exchange.

No core connected person (as defined in the GEM Listing Rules) of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

The GEM Listing Rules further prohibit a company from purchasing its own securities on GEM 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.

A company shall procure that any broker appointed by it to effect the repurchase of securities shall disclose to the Stock Exchange such information with respect to the repurchases made on behalf of the company as the Stock Exchange may request.

FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into 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) a sale and purchase agreement dated 12 July 2014 entered into between Tally Scholar as vendor, Dr. Kong as warrantor and the Company as purchaser, pursuant to which the Company had acquired from Tally Scholar all the issued share capital of Multiple Profit at a total consideration of HK\$1.00;
- (b) the Deed of Non-competition;
- (c) the Underwriting Agreement; and
- (d) the Deed of Indemnity.




2. Intellectual property rights of our Group

(a) Trade marks

As at the Latest Practicable Date, the Group had applied for registration of the following trade marks with the Trade Marks Registry of Hong Kong in respect of the class of goods and services specified below:

	Trademark	Class number	Name of applicant	Application number	Status
1.	密迪斯肌	3, 16, 35, 41, 42 & 44	Medicskin	303065797	Application filed on 14 July 2014 Application of acceptance for registration published on 10 October 2014
2.	美嬌絲肌	3, 16, 35, 41, 42 & 44	Medicskin	303079693	Application filed on 25 July 2014 Application of acceptance for registration published on 10 October 2014

The Group has registered the following Trademarks with the Trade Marks Registry of Hong Kong:




	Trademark	Class number	Name of applicant/ owner	Trade mark number	Status	Effective period
1.	 (Note 1)	44	Medicskin	300034866	Registered	19 June 2003- 18 June 2023
2.	 (Note 2)	3, 42 & 44	Medicskin	301211327	Registered	29 September 2008- 28 September 2018
3.	 (Note 3)	3 & 42	Medicskin	302021570	Registered	1 September 2011- 31 August 2021
4.	美嬌絲肌 (Note 4)	3, 16, 35, 41, 42 & 44	Medicskin	302629233	Registered	5 June 2013- 4 June 2023
5.		3, 16, 35, 41, 42 & 44	Medicskin	302879696	Registered	27 January 2014- 26 January 2024

As at the Latest Practicable Date, the Group had applied for registration of the following trade marks with the Trademark Office of the PRC:

	Trademark	Class number	Name of applicant	Application number	Status
1.	美嬌絲肌	3	Medicskin	14918018	Application filed on 25 July 2014 Application acknowledged by the Trademark Office of the PRC on 9 October 2014
2.	美嬌丝肌	3	Medicskin	14918068	Application filed on 25 July 2014 Application acknowledged by the Trademark Office of the PRC on 30 September 2014
3.	密迪斯肌	3	Medicskin	14918077	Application filed on 25 July 2014 Application acknowledged by the Trademark Office of the PRC on 9 October 2014
4.	美嬌絲肌	16	Medicskin	14918123	Application filed on 25 July 2014 Application acknowledged by the Trademark Office of the PRC on 9 October 2014
5.	美嬌絲肌	35	Medicskin	14918125	Application filed on 25 July 2014 Application acknowledged by the Trademark Office of the PRC on 29 September 2014
6.	美嬌丝肌	16	Medicskin	14918133	Application filed on 25 July 2014 Application acknowledged by the Trademark Office of the PRC on 28 September 2014
7.	密迪斯肌	35	Medicskin	14918154	Application filed on 25 July 2014 Application acknowledged by the Trademark Office of the PRC on 9 October 2014
8.	密迪斯肌	16	Medicskin	14918161	Application filed on 25 July 2014
9.	美嬌丝肌	35	Medicskin	14918208	Application filed on 25 July 2014 Application acknowledged by the Trademark Office of the PRC on 29 September 2014

	Trademark	Class number	Name of applicant	Application number	Status
10.	美嬌絲肌	41	Medicskin	14918277	Application filed on 25 July 2014 Application acknowledged by the Trademark Office of the PRC on 29 September 2014
11.	美嬌丝肌	41	Medicskin	14918287	Application filed on 25 July 2014 Application acknowledged by the Trademark Office of the PRC on 29 September 2014
12.	密迪斯肌	41	Medicskin	14918302	Application filed on 25 July 2014 Application acknowledged by the Trademark Office of the PRC on 29 September 2014
13.	美嬌丝肌	42	Medicskin	14918351	Application filed on 25 July 2014 Application acknowledged by the Trademark Office of the PRC on 29 September 2014
14.	美嬌絲肌	42	Medicskin	14918362	Application filed on 25 July 2014 Application acknowledged by the Trademark Office of the PRC on 9 October 2014
15.	美嬌丝肌	44	Medicskin	14918366	Application filed on 25 July 2014 Application acknowledged by the Trademark Office of the PRC on 28 September 2014
16.	密迪斯肌	42	Medicskin	14918402	Application filed on 25 July 2014 Application acknowledged by the Trademark Office of the PRC on 9 October 2014
17.	美嬌絲肌	44	Medicskin	14918436	Application filed on 25 July 2014 Application acknowledged by the Trademark Office of the PRC on 9 October 2014
18.	密迪斯肌	44	Medicskin	14918447	Application filed on 25 July 2014 Application acknowledged by the Trademark Office of the PRC on 29 September 2014

The Group has registered the following Trademarks with the Trademark Office of the PRC:

	Trademark	Class number	Name of applicant/ owner	Trade mark number	Status	Effective period
1.	 (Note 5)	44	Medicskin	6849622	Registered	28 August 2010- 27 August 2020
2.	 (Note 6)	42	Medicskin	6849623	Registered	7 November 2010- 6 November 2020
3.	 (Note 7)	3	Medicskin	6849624	Registered	14 May 2011- 13 May 2021

Notes:

- The trade mark has been registered under the name of Medicskin with the Trade Marks Registry since 19 June 2003. The ownership of the trade mark was assigned and transferred to Beauty Tech and subsequently back to Medicskin on 1 April 2008 and 31 July 2013 respectively and the registration of the same has been entered in the register of the Trade Marks Registry on 21 April 2008 and 15 January 2014 respectively.
- The trade mark has been registered under the name of Beauty Tech with the Trade Marks Registry since 29 September 2008. The ownership of the trade mark was assigned and transferred to Medicskin on 9 August 2013 and the registration of the same has been entered in the register of the Trade Marks Registry on 15 January 2014.
- The trade mark has been registered under the name of Beauty Tech with the Trade Marks Registry since 1 September 2011. The ownership of the trade mark was assigned and transferred to Medicskin on 9 August 2013 and the registration of the same has been entered in the register of the Trade Marks Registry on 15 January 2014.
- The trade mark has been registered under the name of Beauty Tech with the Trade Marks Registry since 5 June 2013. The ownership of the trade mark was assigned and transferred to Medicskin on 31 July 2013 and the registration of the same has been entered in the register of the Trade Marks Registry on 18 February 2014.
- The trade mark has been registered under the name of Beauty Tech with the Trademark Office of the PRC since 28 August 2010. The ownership of the trade mark was approved to be assigned and transferred to Medicskin on 27 February 2014 by the Trademark Office of the PRC.
- The trade mark has been registered under the name of Beauty Tech with the Trademark Office of the PRC since 7 November 2010. The ownership of the trade mark was approved to be assigned and transferred to Medicskin on 20 February 2014 by the Trademark Office of the PRC.
- The trade mark has been registered under the name of Beauty Tech with the Trademark Office of the PRC since 14 May 2011. The ownership of the trade mark was approved to be assigned and transferred to Medicskin on 20 February 2014 by the Trademark Office of the PRC.

(b) Domain names

As at the Latest Practicable Date, the following member of the Group had registered the following domain names:

Registrant	Domain Name	Registration Date	Expiry Date
Medicskin	http://www.medicskin.com	30 June 2004	30 June 2015
Medicskin	http://medicskin.com.cn	31 August 2013	1 September 2015
Medicskin	http://medicskin.cn	31 August 2013	1 September 2015

(c) Trade names

As at the Latest Practicable Date, Medicskin also traded under the following trade names which are recorded on its business registration certificates:

- IPL Centre
- Medicskin Aesthetic Laser Centre (美嫡絲肌醫療科美中心)
- Medicskin Aesthetic Laser Centre
- Medicskin Medical Skincare Centre (美嫡絲肌醫學皮膚護理中心)
- Medicskin Medical Skincare Centre
- Dr. Dan K.L. Kong
- Dr. Kong Kwok Leung
- Laser & Skin Rejuvenation Centre
- Acne Treatment Centre
- Medicskin Aesthetic Medicine

3. Properties

As at the Latest Practicable Date, we did not own any properties.

We have been leasing two properties for the operations of the Medicskin Centres, namely (i) a total of 5,816 square feet centre in Tak Shing House, Central which has been gradually expanded from 1,690 square feet in 2000; and (ii) a 3,624 square feet centre at Ocean Centre, Tsim Sha Tsui which was opened in December 2012.

The following table sets out the details of lease agreements entered into by our Group as at the Latest Practicable Date:

Landlord	Location	Approx size (sq ft)	Duration of Tenancy	Period	Monthly rental fee (exclusive of other fees, charges and Government Rates)
Tak Shing Investment Co., Ltd	Room 209, Takshing House, Central	1,217	2 years	01/04/2014 to 31/03/2016	HK\$36,510
Tak Shing Investment Co., Ltd	Room 1204, Takshing House, Central	857	2 years	01/04/2014 to 31/03/2016	HK\$36,851
Tak Shing Investment Co., Ltd	Room 1205, Takshing House, Central	384	2 years	01/04/2014 to 31/03/2016	HK\$16,512
Tak Shing Investment Co., Ltd	Room 1206, Takshing House, Central	866	2 years	01/04/2014 to 31/03/2016	HK\$37,238
Tak Shing Investment Co., Ltd	Room 1207, Takshing House, Central	483	2 years	01/08/2013 to 31/07/2015	HK\$20,769
Tak Shing Investment Co., Ltd	Room 1208, Takshing House, Central	824	2 years	01/04/2014 to 31/03/2016	HK\$35,432
Tak Shing Investment Co., Ltd	Room 1001 Takshing House, Central	1,185	2 years and 3 months	01/01/2014 to 31/03/2016	HK\$50,955
Harbour City Est. Ltd.	Suite 1201, 12/F, Ocean Centre, Harbour City, Tsim Sha Tsui	3,624	3 years	01/09/2012 to 31/08/2015	HK\$148,584
		<u>9,440</u>			<u>HK\$382,851</u>

FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT, STAFF AND EXPERTS

1. Disclosure of interests

(a) *Disclosure of interests of our Directors*

- (i) Dr. Kong through his wholly-owned company named Topline is interested in the corporate reorganisation referred to in the section headed “Further Information about Our Company — Group reorganisation” in this appendix.
- (ii) Save as disclosed in this prospectus, none of our Directors or their close associates were engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) *Particulars of service contracts*

Each of Dr. Kong, Mr. Lo and Ms. Kong, being all the executive Directors, has entered into a service agreement with our Company on 21 July 2014 for an initial term of three years commencing from the Listing Date and continuing thereafter until terminated by either party by giving not less than three months’ notice in writing to the other. Each of these executive Directors is entitled to their respective director’s fee. In addition, each of the executive Directors is also entitled to a discretionary bonus determined by the Board.

The current basic monthly director’s fee payable to each executive Director is as follows:

Name	Amount
	HK\$
Dr. Kong	5,000
Mr. Lo	5,000
Ms. Kong	5,000

Each of Mr. Lee, Mr. Leung and Mr. Chan, the independent non-executive Directors, has entered into a service agreement with our Company on 3 December 2014. Each service agreement is for a term of three years commencing from the Listing Date, provided that either our Company or our independent non-executive Directors may terminate such appointment at any time by giving at least three months’ notice in writing to the other. Each of our independent non-executive Directors is entitled to a monthly director’s fee of HK\$12,500.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of its subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

(c) *Directors' remuneration*

During each of the two years ended 31 March 2013 and 2014, the aggregate remuneration paid and benefits in kind granted by our Group to our Directors were approximately HK\$0.7 million and HK\$1.2 million respectively. The aggregate remuneration payable and benefits in kind (excluding professional fees payable to Dr. Kong under the Cooperation Agreement, performance bonus and discretionary bonus) granted by our Group to our Directors for the year ending 31 March 2015 are expected to be approximately HK\$1.4 million.

The Company's policies concerning remuneration of the executive Directors are:

- (i) the amount of remuneration is determined on the basis of the relevant Director's performance, responsibilities and commitment and the basis of salaries paid by comparable companies and tenure; and
- (ii) a special remuneration may be granted for performance of any special or extra services at the request of the Company.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the two financial years ended 31 March 2014 respectively for (a) the loss of office as director of any member of our Group or of any other office in connection with the management affairs of any member of our Group (b) as an inducement to join or upon joining any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments in each of the two financial years ended 31 March 2014 respectively.

(d) *Interests and short positions of our Directors and the chief executive in the shares, underlying shares or debentures of our Company and its associated corporations*

Immediately following completion of the Placing and the Capitalisation Issue (but without taking into account any Shares which may be offered and issued pursuant to the exercise of options that may be granted under the Share Option Scheme), the interests and short positions of our Directors and the chief executive in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning 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 in which they are 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 entered in the register referred therein, or which will be required to notify to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, once our Shares are listed, will be as follows:

Long position in our Shares:

<u>Name of Director</u>	<u>Company/name of associated corporation</u>	<u>Capacity/nature of interest</u>	<u>Number of Shares</u>	<u>Percentage of shareholding</u>
Dr. Kong ^(Note)	Our Company	Interest in a controlled corporation	290,000,040	72.50%

Note: The 290,000,040 Shares are registered in the name of Topline, which is wholly owned by Dr. Kong. Under the SFO, Dr. Kong is deemed to be interested in all the Shares of our Company registered in the name of Topline.

Long position in shares of associated corporation:

<u>Name of associated corporation</u>	<u>Name of Director</u>	<u>Capacity</u>	<u>Number of shares</u>
Topline ^(Note)	Dr. Kong	Beneficial owner	5 shares

Note: Topline is wholly-owned by Dr. Kong and will hold 290,000,040 Shares, representing 72.50% of the issued Shares, following completion of the Placing.

(e) Agency fees or commissions received

Information on the agency fees or commissions received by the Underwriters is set out in the section headed “Underwriting — Underwriting Arrangements and Expenses — Commission and expenses” in this prospectus.

(f) Related party transactions

During the two years ended 31 March 2013 and 2014, our Group was engaged in related party transactions as described in:

- (i) note 36 to Section A of the Accountants’ Report; and
- (ii) the section headed “Connected Transactions” in this prospectus.

(g) Disclaimers

Save as disclosed in this prospectus:

- (i) taking no account of any Shares which may be taken up or acquired under the Placing or 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 the completion of the Placing 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 general meetings of any other member of our Group;
- (ii) none of our Directors and chief executive has for the purpose of Part XV (including without limitation to Divisions 7 and 8 thereof) of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under Part XV (including without limitation to Divisions 7 and 8 thereof) of the SFO, any interests and short positions in the Shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO 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 once the Shares are listed on the Stock Exchange;
- (iii) none of our Directors or the experts named in the section headed “Other Information — Qualifications of experts” in this appendix 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 the Placing Shares either in his own name or in the name of a nominee;
- (iv) no Director was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of our Group taken as a whole; and
- (v) none of the experts named in the section headed “Other Information — Qualifications of experts” in this appendix has any shareholding in any company in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in our Group.

2. Interest discloseable under the SFO and substantial shareholders

So far as is known to our Directors, immediately following completion of the Placing and the Capitalisation Issue, the following persons will have an interest or a short position in the Shares or the 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, 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 any other members of our Group:

Long position in our Shares:

Name	Capacity/nature of interest	Number of Shares	Percentage of shareholding
Topline ^(Note)	Beneficial interest	290,000,040	72.50%
Dr. Kong ^(Note)	Interest in a controlled corporation	290,000,040	72.50%

Note: The entire issued share capital of Topline is beneficially owned by Dr. Kong. Therefore Dr. Kong is deemed to be interested in all the Shares of our Company held by Topline by virtue of the SFO.

3. Share Option Scheme

(a) Principal terms of the Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted pursuant to written resolutions of the Shareholders passed on 3 December 2014:

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide incentive and/or to reward eligible persons for their contribution to, and continuing efforts to promote the interest of, our Group.

(ii) Who may join

Subject to the terms of the Share Option Scheme, the board of Directors shall be entitled at any time within the period of ten (10) years after the date of adoption of the Share Option Scheme to make an offer to any of the following classes of persons:

- (1) any employee of (whether full time or part-time employee) the Company and its subsidiaries; and
- (2) any executive directors and non-executive directors (including independent non-executive directors) of the Company and any of its subsidiaries; and

- (3) any person or entity acting in their capacities as advisers or consultants or other contractors or business partners of the Group.

(iii) *Maximum number of Shares*

- (1) Notwithstanding anything to the contrary in the Share Option Scheme, the maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company, must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time.
- (2) The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share options schemes of our Company shall not exceed 40,000,000 Shares, being 10% of the total number of Shares in issue immediately following completion of the Placing and the Capitalisation Issue, unless our Company seeks the approval of the Shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company will not be counted for the purpose of calculating such 10% limit.
- (3) The 10% limit set out in sub-paragraph (2) (“**Scheme Mandate Limit**”) may be refreshed by ordinary resolution of our Shareholders in general meeting, provided that (a) 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 of our Company under the Scheme Mandate Limit as renewed shall not exceed 10% of the total number of Shares in issue as at the date of Shareholders’ approval for refreshing the Scheme Mandate Limit; (b) options previously granted under the Share Option Scheme and any other share option schemes of our Company (including options exercised, outstanding, cancelled, or lapsed in accordance with the relevant scheme rules) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed; and (c) a circular regarding the proposed refreshing of the Scheme Mandate Limit has been despatched to our Shareholders in a manner complying with, and containing the matters specified in, Chapter 23 of the GEM Listing Rules.
- (4) Our Company may seek separate approval from our Shareholders in general meeting for granting options which will result in the Scheme Mandate Limit being exceeded, provided that (a) the grant is only to eligible persons specifically identified by our Company before the approval is sought; and (b) a circular regarding the grant has been despatched to our Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 23 of the GEM Listing Rules and any other applicable laws and rules.

(iv) *Maximum entitlement of each eligible person*

No option shall be granted to any eligible person if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of Shares in issue, unless:

- (1) such grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 23 of the GEM Listing Rules, by resolution of our Shareholders in general meeting, at which the relevant eligible person and his close associates (or his associates if the relevant eligible person is a connected person) shall abstain from voting;
- (2) a circular regarding the grant has been despatched to our Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 23 of the GEM Listing Rules (including the identity of the relevant eligible person, the number and terms of the options to be granted and options previously granted to such relevant eligible person); and
- (3) the number and terms (including the subscription price) of such option are fixed before the general meeting of our Company at which the same are approved.

For the purpose of calculating the limit, options that have already lapsed in accordance with paragraph (xxi) below shall not be counted.

(v) *Grant of options to connected persons*

- (1) Where an option is to be granted to a Director, chief executive or substantial shareholder (or any of their respective associates) of our Company, the grant shall not be valid unless it has been approved by our independent non-executive Directors, excluding any independent non-executive Director who is a prospective grantee of the option.
- (2) Where an option is to be granted to a substantial shareholder or an independent non-executive Director (or any of their respective associates), and such grant will result in the securities 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 12-month period up to and including the date of such grant:
 - a. exceeding 0.1% of the total number of Shares in issue at the relevant time of grant; and
 - b. exceeding an aggregate value (based on the closing price of the Shares on the Stock Exchange on the date of each grant) of HK\$5 million,

such grant shall not be valid unless:

- c. a circular containing the details of the grant has been despatched to our Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 23 of the GEM Listing Rules (including, in particular, a recommendation from our independent nonexecutive Directors (excluding the independent non-executive Director who is the prospective grantee of the option) to our independent Shareholders as to voting); and
- d. the grant has been approved by our Shareholders in general meeting, at which the grantee, his associates and all core connected persons of our Company shall abstain from voting in favour of the grant.

For the purpose of calculating the limit, options that have already lapsed in accordance with paragraph (xxi) below shall not be counted.

- (3) Where any change is to be made to the terms of any option granted to a substantial shareholder or an independent non-executive Director (or any of their respective associates), such change shall not be valid unless:
 - a. a circular regarding the change has been despatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 23 of the GEM Listing Rules; and
 - b. the change has been approved by our Shareholders in general meeting, at which the grantee, his associates and all core connected persons of our Company shall abstain from voting in favour at such general meeting.

(vi) *Time of acceptance and exercise of an option*

An offer of grant of an option may be accepted by an eligible person within the date as specified in the offer issued by our Company, being a date not later than 21 days after (i) the date on which the offer was issued, or (ii) the date on which the conditions (if any) for the offer are satisfied, provided that such date shall not be more than ten years after the date of adoption of the Share Option Scheme.

A consideration of HK\$1.00 is payable for each acceptance of grant of option(s). Such consideration shall generally not be refundable.

Subject to the other provisions of the Share Option Scheme, an option may be exercised in whole or in part by the grantee (or his personal representatives) at any time before the expiry of the period to be determined and notified by our board of Directors to the grantee which in any event shall not be longer than 10 years commencing on the offer date and expiring on the last

day of such 10-year period subject to the provisions for early termination as contained in the Share Option Scheme and provided that our board of Directors may determine the minimum period for which the option has to be held or other restrictions before the exercise of the subscription right attaching thereto.

(vii) *Performance targets*

There is no performance target that has to be achieved before the exercise of any option.

(viii) *Subscription price for Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price determined by our board of Directors and notified to an eligible person, and shall be at least the highest of:

- (1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day;
- (2) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five (5) business days immediately preceding the offer date; and
- (3) the nominal value of a Share.

Where an option is to be granted under paragraphs (iv) or (v)(2), for the purposes of sub-paragraph (viii)(1) and (2), the date of the board meeting at which the grant was proposed shall be taken to be the offer date for such option. For the purpose of calculating the subscription price, where an option is to be granted less than five business days after the listing of the Shares on GEM, the price at which the Shares were placed pursuant to the Placing shall be taken to be the closing price for any business day before listing.

(ix) *Ranking of Shares*

The Shares to be issued and allotted upon the exercise of an option shall be subject to our Company's constitutional documents 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 declared or recommended or resolved to be paid or made in respect of a record date falling on or after the date of allotment.

(x) *Restrictions on the time of grant of options*

No offer shall be made after inside information has come to the Company's knowledge until the Company has announced the information pursuant to the requirements of the GEM Listing Rules.

In particular, no option shall be granted:

- (1) during the period commencing one month immediately preceding the earlier of:
 - a. the date of the meeting of our Board 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 its results for any year, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement; and
- (2) during any other periods of time stipulated by the relevant rules of the GEM Listing Rules in relation to any restriction on the time of grant of options.

(xi) *Period of the Share Option Scheme*

Subject to earlier termination by our Company in general meeting or our board of Directors, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption of the Share Option Scheme, after which period no further option shall be granted. Subject to the above, in all other respects, in particular, in respect of options remaining outstanding on the expiration of the 10-year period referred to in this paragraph, the provisions of the Share Option Scheme shall remain in full force and effect.

(xii) *Rights on cessation of employment*

Subject to sub-paragraphs (xiii) and (xxi), where the holder of an outstanding option ceases to be an eligible person for any reason (other than death or for any reason referred to under sub-paragraph (xxi)(5)), the option shall lapse on the date of cessation and not be exercisable unless our board of Directors otherwise determines in which event the option shall be exercisable to the extent and within such period (not exceeding 90 days) as our board of Directors may determine. The date of such cessation shall be (i) if he is an employee of our Company or any subsidiary, his last actual working day at his work place with our Company or any subsidiary whether salary is paid in lieu of notice or not; or (ii) if he is not an employee of our Company or any subsidiary, the date on which his relationship with our Group which has constituted him an eligible person ceases.

(xiii) *Rights on death*

Subject to paragraph (xxi), where the grantee (being an individual) of an outstanding option dies before exercising the option in full or at all, the option may be exercised in full or in part (to the extent which has become exercisable and not already exercised) within 12 months of the date of death (or within such longer period as our Board may determine) by his personal representative(s).

(xiv) Rights on a general offer

- (1) Subject to paragraph (xxi), if a general offer whether by way of takeover offer or share repurchase offer or otherwise in like manner is made to all our Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional, our Company shall give notice thereof to the grantee and the grantee (or his personal representative(s)) may, by delivering a notice in writing to our Company at any time within 14 days of such notice, exercise the option in full or in part (to the extent which has become exercisable and not already exercised).
- (2) Subject to paragraph (xxi), if a general offer by way of a scheme of arrangement is made to all our Shareholders and the scheme has been approved by the necessary number of Shareholders at the requisite meetings, our Company shall give notice thereof to the grantee and the grantee (or his personal representative(s)) may, by delivering a notice in writing to our Company at any time within 14 days of such Shareholders' approval, exercise the option in full or in part (to the extent which has become exercisable and not already exercised).

(xv) Rights on winding-up

Subject to paragraph (xxi), in the event of an effective resolution being passed for the voluntary winding up of our Company or an order of the court is made for the winding-up of our Company, the grantee (or his personal representative(s)) may by notice in writing to our Company within 21 days after the date of such resolution or order of the court elect to be treated as if the option (to the extent which has become exercisable and not already exercised) had been exercised immediately before the passing of such resolution or order of the court either to its full extent or to the extent specified in the notice, such notice to be accompanied by remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon the grantee will be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of Shares such sum as would have been received in respect of the Shares being the subject to such election.

(xvi) Rights on compromise or arrangement between our Company and its creditors

Subject to paragraph (xxi), in the event of a compromise or arrangement, other than a scheme of arrangement contemplated in sub-paragraph (xiv) (2), between our Company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and the grantee (or his personal representative(s)) may at any time thereafter, but prior to 12 noon on the day immediately preceding the date of the meeting, exercise all or any of his options (to the extent which has become exercisable and not already exercised). With effect from 12 noon on the day immediately preceding the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not

been exercised, lapse and terminate. Our Directors shall endeavour to procure that the Shares issued as a result of the exercise of options under this paragraph shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or otherwise) the rights of grantees to exercise their respective unexercised options shall with effect from the date of the making of the order by the Court be restored in full and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme and the terms and conditions of grant of such option) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension.

(xvii) Reorganisation of capital structure

In the event of any alteration in the capital structure of our Company whilst any option has been granted and remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of the share capital of our Company, but not including an issue of securities as consideration in respect of a transaction to which our Company or its subsidiary is a party, our Company shall make corresponding alterations (if any) to:

- (1) the number of Shares subject to the options already granted so far as they remain exercisable; and/or
- (2) the subscription price; and/or
- (3) the method of exercise of the options; and/or
- (4) the maximum number of Shares referred to in paragraphs (iii) and (iv) above, provided that:
 - a. no such alteration shall be made in respect of an issue of securities by our Company or a subsidiary as consideration in a transaction;
 - b. any such alterations must be made so that each grantee is given the same proportion of the equity capital of the Company as that to which he was previously entitled;
 - c. no such alterations shall be made which would result in the subscription price for a Share being less than its nominal value, provided that in such circumstances the subscription price shall be increased to the nominal value;
 - d. any such alterations, save those made on a capitalisation issue, shall be confirmed by an independent financial adviser or the auditors of our Company in writing to our Directors as satisfying the requirements of sub-paragraphs (b) and (c) above; and

- e. any such alterations made pursuant to a subdivision or consolidation of share capital shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event.

(xviii) *Cancellation of options*

Subject to consent of the relevant grantee, our Board may cancel an option granted but not exercised. Cancelled options may be reissued after such cancellation has been approved, provided that re-issued options shall only be granted in compliance with the terms of the Share Option Scheme and the GEM Listing Rules. Options may be granted to an eligible person in place of his cancelled options provided that there are available unissued options (excluding the cancelled options) within the limit approved by the Shareholders as mentioned in paragraph (iii) above (or similar limit under any other scheme adopted by our Company) from time to time. For the avoidance of doubt, options which have been exercised shall not be included as cancelled options.

(xix) *Termination of the Share Option Scheme*

Our Company, by resolution in general meeting, or the board of Directors may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but in all other respects the provision 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.

(xx) *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, charge, mortgage, encumber or create any interest (whether legal or beneficial) in favour of any third party over or in relation to any option. Any breach of the foregoing shall entitle our Company to cancel any outstanding option or part thereof granted to such grantee without incurring any liability on the part of our Company.

(xxi) *Lapse of option*

The right to exercise an option (to the extent not already exercised) shall terminate immediately upon the earliest of:

- (1) the expiry of the option period;
- (2) the expiry of any of the periods referred to in sub-paragraphs (xii), (xiii) or (xiv)(1);
- (3) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in sub-paragraph (xiv)(2);

- (4) subject to paragraph (xv), the date of the commencement of the winding-up of our Company;
- (5) the date on which the grantee ceases to be an eligible person by reason of summary dismissal or being dismissed for misconduct or other breach of the terms of his employment contract or other contract constituting him an eligible person, or the date on which he begins to appear to be unable to pay or has no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his or her creditors generally or on which he has been convicted of any criminal offence involving his or her integrity or honesty;
- (6) the date of the compromise or arrangement referred to in paragraph (xvi) becomes effective; or
- (7) the date on which the grantee commits a breach of paragraph (xx).

(xxii) *Alterations to the Share Option Scheme*

- (1) The provisions of the Share Option Scheme which relate to the matters set out in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of grantees or prospective grantees except with the prior approval of the Shareholders in general meeting (with participants and their associates abstaining from voting). No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such majority of the grantees as would be required of our Shareholders under the constitutional documents for the time being of our Company for a variation of the rights attached to the Shares. Subject as aforesaid and to sub-paragraph (xxii)(2), the Share Option Scheme may be altered in any respect by resolution of our Board except that:
 - a. any changes to the definitions of eligible person and grantee and option period;
 - b. any changes to the provisions of, among others, paragraphs (i) to (xxii);
 - c. any alteration to the terms and conditions of the Share Option Scheme which are of a material nature;
 - d. any change to the terms of the options granted;
 - e. any change to the authority of the board of Directors in relation to any alteration to the terms of the Share Option Scheme,

must be approved by a resolution by the Shareholders in general meeting, except where any such alteration takes effect automatically under the existing terms of the Share Option Scheme.

- (2) The amended terms of the Share Option Scheme or the options must comply with Chapter 23 of the GEM Listing Rules, and the provisions of paragraphs (iv), (v) and (viii) may be amended by our Board to reflect any amendments made by the Stock Exchange to the relevant provisions of the GEM Listing Rules.
- (3) Our Company must provide to all grantees all details relating to changes in the terms of the Share Option Scheme during the life of the Share Option Scheme immediately upon such changes taking effect.

(xxiii) *Conditions*

The Share Option Scheme is conditional on:

- (1) the Listing Department granting approval of the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Capitalisation Issue and the Placing and any Shares which may fall to be issued pursuant to the exercise of any option up to 10% of the total number of Shares in issue immediately following completion of the Placing and the Capitalisation Issue;
- (2) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise; and
- (3) the commencement of dealings in the Shares on GEM.

(xxiv) *Share capital*

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

(b) ***Present status of the Share Option Scheme***

(i) *Approval and adoption of the rules of the Share Option Scheme*

The rules of the Share Option Scheme, the principal terms of which are set out in the section headed “Further Information about Directors, Management, Staff and Experts — Share Option Scheme” in this appendix, were approved and adopted by the Shareholders on 3 December 2014.

(ii) *Approval of the Listing Department required*

The Share Option Scheme is conditional on:

- (1) the Listing Department granting approval of the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Capitalisation Issue and the

Placing and any Shares which may fall to be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme up to 10% of the total number of Shares in issue immediately following completion of the Placing and the Capitalisation Issue;

(2) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise; and

(3) the commencement of dealings in the Shares on GEM.

(iii) *Application for approval*

Application has been made to the Listing Department for the listing of and permission to deal in the Shares to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme up to 10% of the total number of Shares in issue immediately following completion of the Placing and the Capitalisation Issue. The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not exceed 40,000,000 Shares, being 10% of the total number of Shares in issue as at the date of listing of the Shares unless the Company obtains the approval of the Shareholders in general meeting for refreshing the said 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company will not be counted for the purpose of calculating the 10% limit above mentioned.

(iv) *Grant of option*

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(v) *Value of options*

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

OTHER INFORMATION**1. Indemnities**

Each of Dr. Kong and Topline, pursuant to a Deed of Indemnity referred to in the section headed “Further Information about Our Business — Summary of material contracts” in this appendix with and in favour of our Group, has given joint and several indemnities in respect of, among other things, (a) any liability suffered or incurred by any member of our Group in connection with the non-compliance with any laws and legislation of any jurisdiction, and liabilities suffered or incurred by any member of our Group in connection with any proceeding or investigation by any governmental, administrative or regulatory body involving any members of our Group or any of their respective director due to some act or omission of any member of our Group which might be incurred by any member of our Group on or before the date on which the Placing becomes unconditional; and (b) any taxation liabilities which might be incurred by any member of our Group in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which the Placing becomes unconditional, save:

- (a) to the extent that full provision or allowance has been made for such taxation in the audited consolidated accounts of our Group for each of the two years ended 31 December 2013 and 2014 and the five months ended 31 August 2014, as set out in Appendix I to this prospectus;
- (b) to the extent that such taxation arises or is incurred as a result of any retrospective change in law or retrospective increase in tax rates coming into force after the Listing Date;
- (c) for which any member of our Group is liable as a result of any event occurring, or income, profits earned, accrued or received or alleged to have been earned, accrued or received, or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets, after the date on which the Placing becomes unconditional;
- (d) to the extent that such taxation or liability would not have arisen but for any act or omission by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected without the prior written consent or agreement of Dr. Kong, or Topline, otherwise than in the ordinary course of business after the date on which the Placing becomes unconditional or carried out, made or entered into pursuant to a legally binding commitment created after the date on which the Placing becomes unconditional; and
- (e) to the extent that such taxation or liability is discharged by another person who is not our Company or any member of our Group and that our Company or such member in our Group is not required to reimburse such person in respect of the discharge of the taxation or liability.

2. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries under the laws of the Cayman Islands and in other jurisdictions in which the companies comprising our Group are incorporated.

3. Litigation

As at the Latest Practicable Date, neither our Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against our Company or any of its subsidiaries.

4. Compliance adviser

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed Shenyin Wanguo as its compliance adviser for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing on the Listing Date.

5. Preliminary expenses

The estimated preliminary expenses of our Company were approximately HK\$28,000.00 and paid by our Company.

6. Promoter

Our Company has no promoter.

7. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

Name	Qualification
Shenyin Wanguo	A corporation licensed under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities
Deloitte Touche Tohmatsu	Certified public accountants
Maples and Calder	Cayman Islands attorneys-at-law
Dr. William M.F. Wong S.C.	Senior Counsel, barrister-at-law in Hong Kong
James Y.K. Tze, Esq.	Barrister-at-law in Hong Kong
RSM Nelson Wheeler Consulting Limited	Internal control consultant

8. Consents of experts

Each of the experts named in paragraph 7 above has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports, letters or opinions (as the case may be) and the references to their names or summaries of opinions in the form and context in which they are respectively included.

9. Sole Sponsor's fees

The Sole Sponsor will receive a sponsorship, financial advisory and documentation fee of HK\$3,500,000 in relation to the Listing and will be reimbursed for their expenses.

10. Independence of the Sole Sponsor

Neither the Sole Sponsor nor any of its associates has accrued any material benefit as a result of the successful outcome of the Placing, other than the following:

- (a) by way of sponsorship, financial advisory and documentation fee to be paid to the Sole Sponsor for acting as the Sole sponsor of the Listing;
- (b) by way of a commission to be paid to Shenyin Wanguo for acting as one of the Joint Bookrunners, the Joint Lead Managers and the Underwriters to the Placing pursuant to the Underwriting Agreement;
- (c) certain associates of the Sole Sponsor whose usual and ordinary courses of business involve trading of and dealing in securities may derive commissions from the trading of and dealing in securities of our Company or provide margin financing in connection thereto or purchase or sell securities of our Company or hold securities of our Company for investment purposes after its Listing on GEM; and
- (d) by way of the compliance advisory fee to be paid to Shenyin Wanguo as our Company's compliance adviser pursuant to the requirements under Rule 6A.19 of the GEM Listing Rules.

No director or employee of the Sole Sponsor who is involved in providing advice to our Company has or may have, as a result of the Listing, any interest in any class of securities of our Company or any of its subsidiaries. None of the directors and employees of the Sole Sponsor has any directorship in our Company or any other companies comprising our Group. The Sole Sponsor is independent from our Group under Rule 6A.07 of the GEM Listing Rules.

11. Particulars of the Selling Shareholder

The particulars of the Selling Shareholder are set out as follows:

Topline

Name	:	Topline Worldwide Limited
Description	:	A limited liability company incorporated in the BVI
Registered Address	:	Sea Meadow House, Blackburne Highway, (P.O. Box 116), Road Town, Tortola, British Virgin Islands
Shareholder	:	Wholly-owned by Dr. Kong
Number of Sale Shares to be sold	:	33,332,000

12. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance (Miscellaneous Provisions) so far as applicable.

13. Share registers

Our Company's principal share registrar is Maples Funds Services (Cayman) Limited and a branch register of members will be maintained by Tricor Investor Services Limited, our Company's branch share registrar in Hong Kong. Unless our Directors otherwise agree, all transfers and other documents of title to shares must be lodged for registration with and registered by, our Company's branch share registrar in Hong Kong, and may not be lodged for registration with the principal share registrar in the Cayman Islands.

14. Taxation of holders of Shares**(a) *Hong Kong***

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) *The Cayman Islands*

The Cayman Islands currently have no form of income, corporate or capital gains tax and no estate duty, inheritance tax or gift tax. No stamp duty is payable in respect of the issue of the Shares or on an instrument of transfer in respect of a Share.

(c) *Consultation with professional advisers*

Intending holders of 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 Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors, the Sole Sponsor or the other parties involved in the Placing will accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

15. Bilingual document

The English language and the Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by 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, the English language version shall prevail.

16. Miscellaneous

Save as disclosed herein, within the two years preceding the date of this prospectus:

- (a) no share or loan capital of our Company or of any of its 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;
- (b) no commissions, discounts, brokerages 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 its subsidiaries;
- (c) no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given, to Dr. Kong in connection with the Placing and the related transactions described in this prospectus;

- (d) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (e) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 August 2014 (being the date to which the latest audited consolidated financial statements of our Group were made up); and
- (f) there has not been any interruption in the business of our Group which may bare or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this prospectus.

1. 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 the (a) written consents referred to in the section headed “Other Information — Consents of experts” in Appendix IV to this prospectus; (b) copies of the material contracts referred to in the section headed “Further Information about Our Business — Summary of material contracts” in Appendix IV to this prospectus; and (c) a list containing particulars of the Selling Shareholder referred to in the section headed “Other Information — Particulars of the Selling Shareholder” in Appendix IV to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Charltons at 12th Floor, Dominion Centre, 43-59 Queen’s Road East, 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;
- (b) the Articles;
- (c) the legal opinion of legal counsel, James Y.K. Tze, Esq. in relation to compliance of our Doctors with the Code of Professional Conduct during the Track Record Period;
- (d) the legal opinions of Senior Counsel in relation to, *inter alia*, compliance of the Medicskin Centres and the structure of the Group with the Clinics Ordinance and other applicable laws, regulations and codes in Hong Kong;
- (e) the Accountants’ Report dated 12 December 2014;
- (f) the audited consolidated financial statements of our Group for the two years ended 31 March 2014 and the five months ended 31 August 2014;
- (g) the letter on unaudited pro forma financial information issued by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the text of which is set out in Appendix II to this prospectus;
- (h) the letter of advice prepared by Maples and Calder summarising certain aspects of Cayman Islands company law as referred to in Appendix III to this prospectus;
- (i) the Companies Law;
- (j) the material contracts referred to in the section headed “Further Information about Our Business — Summary of material contracts” in Appendix IV to this prospectus;

- (k) the service contracts referred to in the section headed “Further Information about Our Business — Particulars of service contracts” in Appendix IV to this prospectus;
- (l) the rules of the Share Option Scheme referred to in the section headed “Further Information about Directors, Management, Staff and Experts — Share Option Scheme” in Appendix IV to this prospectus;
- (m) the written consents referred to in the section headed “Other Information — Consents of experts” in Appendix IV to this prospectus; and
- (n) a statement of particulars of the Selling Shareholder.

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