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My Heart Bodibra Group Limited

心心芭迪貝伊集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8297)

SUPPLEMENTAL ANNOUNCEMENT

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF 34% OF THE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

Reference is made to the announcement of the Company dated 11 January 2019 in relation to the Acquisition and the change in use of proceeds (the “**Announcement**”). Unless otherwise stated, capitalized terms used herein shall have the same meanings as defined to them in the Announcement.

The Board wishes to provide further information in relation to the Acquisition.

FURTHER INFORMATION AND BUSINESS PROSPECTS RELATING TO THE TARGET GROUP

The Target Group is principally engaged in provision of non-surgical medical aesthetic services in Hong Kong, in particular, focusing on improving skin condition of clients.

Based on internal record of the Target Group, for year ended 31 March 2018 (“**FY2018**”), the Target Group has over 2,000 contracts for medical aesthetic treatment/services with contract value per customer ranged from around HK\$5,000 to HK\$20,000. The validity period of such contracts was around 3 to 4 months.

The Target Group has established its business presence, brand recognition and reputation in the industry as illustrated by (i) the Target Group has maintained a steady new client referral rate. For the past two years, the Target Group attracted around 2,000 to 2,500 new customers each year, of which around 800 to 1,000 new customers were referred by existing customers, which represented a new client referral rate of around 40%; and (ii) the Target Group has a sizeable group of loyal customers with number of repeat clients exceeded 2,000 for FY2018.

The Target Group has a profit-making record for the two years ended 31 March 2018 with net profit after tax amounted to approximately HK\$2.3 million for year ended 31 March 2017 (“**FY2017**”) and approximately HK\$8.1 million for FY2018. In FY2018, the Target Group recorded surge in revenue and net profit after tax by approximately HK\$8.3 million and HK\$5.8 million respectively, representing growth of approximately 58.5% and 2.5 times respectively. In each of FY2017 and FY2018, the Target Group (i) did not record any

extraordinary gain/loss; and (ii) recorded other revenue of less than HK\$100,000. The surge in net profit in FY2018 was mainly attributable to increase in revenue as a result of the increase in number of customers with new customers being solicited by the Target Group or referred by existing customers.

In addition, based on financial information of the Target Group for eight months ended 30 November 2018 (the “**Nov 2018 Period**”), the annualized revenue and net profit after tax of the Target Group will illustrate growth of approximately 11% and 6% when compared with FY2018. As such, the Target Group continues to demonstrate growth in the Nov 2018 Period.

Moreover, the Target Group possesses a competent and professional team of doctors and trained therapists which comprised of (i) four doctors with on average over 10 years of practising experience in the medical aesthetic service industry; and (ii) seven trained therapists with on average over 5 years of experience in the medical aesthetic service industry.

All of the trained therapists of the Target Group had obtained at least certificate from ITEC (an organisation which specialises in setting up training and educational systems for the beauty therapy industry with over 650 centres approved by them in 39 countries) as beauty specialists or certificate relevant to energy-based aesthetic procedures, for providing relevant treatments to clients. Furthermore, all of the trained therapists have completed the internal training programme and passed relevant assessments prior to performing treatments on clients.

Business development plan of the Target Group

Based on the information provided by the management of the Target Company (the “**Management**”), the business development plan of the Target Group is as follows:

(a) Broadening the variety of treatment services and product offering

The Target Group provides one-stop professional medical and aesthetic care with focus towards skin problems such as skin redness, coarseness and dryness etc.

The medical aesthetic service industry is characterised by rapid technological advancements. The Target Group will continue to keep abreast of the latest treatment technology and equipment and trend in treatment consumables and skincare service and products to maintain its competitiveness by conducting related market research.

The Target Group will procure new devices and continue its development on skin treatment services/products to satisfy changing customers’ needs and to capture market potential. It will introduce modern rehydration skin treatment/therapy which involves minimally injection technology from America and Korea for skin rejuvenation.

To capture the market potential regarding provision of cosmetic dermatological services, the Target Group plans to offer skin treatment for dermatological patients, especially for skin redness and scaling problems (including but not limited to psoriasis,

eczema and urticarial) and other skin aging problems. In addition, the Target Group intends to offer preventive treatment and skin allergy test for skin redness/dryness problems.

In addition, the Target Group proposes to offer skincare products such as lotion, cream and oral skincare supplements, etc. to its customers to improve the skin condition and enhance results of the treatments.

Apart from serving Hong Kong clients, the Target Group also envisages to attract individuals in the PRC (in particular, potential clients in the Greater Bay Area) to seek for aforesaid skin treatments of the Target Group in Hong Kong.

For maximizing profits of the Target Group, the Target Group aims to increase average client spending and to attract new clients by (i) providing an extensive range of skin treatment services and/or products; (ii) introducing ever-improving services and advanced products; (iii) optimizing the service and/or product mix and cross-selling various types of services and/or products that it offers as stated above; and (iv) proposing price increment for its services and/or products in coming years.

(b) Improving the utilization rate of medical aesthetic centres

At present, the utilization rate of medical aesthetic centres is below 60%. The Target Group recorded improvement in its overall utilization rate in FY2018. It aims to further improve the overall utilization rate of the medical aesthetic centres to an optimal level at around 80%, which will maintain a good balance between maximizing profits and maintaining its service quality.

(c) Marketing and promotion

The Target Group will adopt various marketing strategies to promote its medical aesthetic centres, such as members referral programme, offering trial price for new clients, online marketing and joint promotion with certain insurance companies. The Target Group plans to further increase its marketing and promotion effort in online marketing campaigns, including search engine marketing, search engine optimisation and social media marketing (i.e. Whatsapp, Wechat, Weibo etc.), to increase the public awareness of its brand in both its current and potential markets to expand its client base. Marketing effort will be deployed by the Target Group for establishing its brand awareness in both Hong Kong and the Greater Bay Area.

(d) Expansion of medical aesthetic centres

To increase its service capacity, the Target Group will consider to establish new medical aesthetic centres in coming years after having regard to the business potential and costs and benefit analysis.

THE VALUATION

As disclosed in the Announcement, the Valuation of 100% equity interest of the Target Group of HK\$100,000,000 as at 13 December 2018 was prepared by an independent valuer (the “**Valuer**”) based on market approach.

The Board had performed the following work to review the reasonableness of the Valuation as prepared by the Valuer:

- (i) interviewed the Valuer as to its expertise and independence and had obtained knowledge about the qualification and experience of the Valuer;
- (ii) reviewed the scope of work of the engagement relating to the Valuation as to its appropriateness and whether there are any limitations on the scope of work which might have an adverse impact on the degree of assurance given by the Valuation; and
- (iii) reviewed and discussed with the Valuer regarding the assumptions used for the Valuation and the approaches and basis of computation used by the Valuer and was satisfied with their work performed, including the approaches, assumptions and bases in selecting the comparables are appropriate, fair and reasonable.

The Board noted that the Valuation was based on market approach. The Board has further discussed with the Valuer and was advised that the market approach was considered to be the most appropriate valuation approach to value the Target Company. Firstly, market approach requires far fewer subjective assumptions (such as revenue growth, expenses and profit) than the income approach. As advised by the Valuer, the income approach would contain long term profit forecast of the Target Group in the future, which requires a list of principal assumptions which are subjective assumptions that are difficult to be justified given the lack of long term enough historical financial performance of the Target Group. As the Target Group was established in March 2016 and does not have a long and stable history of operation, no concrete financial forecast can be provided by the Management. Hence, income approach is considered to be a less appropriate approach in evaluating the Target Group in that case. Secondly, compared to the cost approach, market approach is more likely to reflect current market expectations over the corresponding industry since the price multiples of the comparable companies were arrived from market consensus and capture the future development potentials of the Target Company.

It is noted by the Board that for the purpose of valuing the Target Company under the adopted market approach, the Valuer has identified four publicly listed comparable companies (the “**Comparable Companies**”) which engage in similar business of the Target Company based on the following selection criteria: (i) the companies are principally engaged in the provision of medical aesthetic services; (ii) the companies are mainly operated in Asia; (iii) net profit of the companies in 2018 is available; and (iv) sufficiency of information (such as listing and operating histories and availability of the financial information to the public). As advised by the Valuer, the fair value of the Target Group was determined with reference to the business nature (i.e. revenue source and geographical segment) and operational information of publicly listed companies that are considered to be comparable to the Target Group. Due to the fact that there is no company which is exactly the same as the Target Group, a set of the Comparable Companies must be selected in valuing the Target Group. In this connection, the Comparable Companies (being identified

by the Valuer under the best-effort basis from public resources) are considered to be a comprehensive list based on the criteria selected by the Valuer and would serve as sufficient and representative samples under the Valuation.

In view of work performed by the Directors regarding the Valuation as stated above, the Board is satisfied that (i) the Valuer is independent from the Company and has sufficient experience and competency to perform the valuation; (ii) scope of work of the Valuer is appropriate for the relevant engagement; and (iii) the valuation assumptions and methodologies used by the Valuer are fair and reasonable in relation to the Valuation. In this connection, the Board is of the view that the Valuation is fair and reasonable to rely upon.

Based on the Valuation, fair value of 34% equity interest of the Target Group as at 13 December 2018 is approximately HK\$34,000,000 (the “**Relevant Value**”) and the Consideration of HK\$32,640,000 represents a discount of 4% to the Relevant Value.

FURTHER INFORMATION REGARDING REASONS FOR AND BENEFITS OF THE ACQUISITION

Set out below are further information regarding the reasons and benefits of the Acquisition:

Potential cross-selling activities between the Group and the Target Group

It is stated in the Announcement that by forging partnership with the Target Group, it may achieve potential cross-selling activities among the client base of the Group and the Target Group in areas of retail sales of lingerie products and provision of medical aesthetic services.

Based on (i) market knowledge, experience and understanding of the Group and the Target Group regarding their respective markets and related market development trend, their respective clientele and the requirements, preferences and interests of their customers; and (ii) discussion between the Group and the Target Group, the Board considers that potential cross-selling activities may be achieved between the Group and the Target Group after taking into account the following:

- (i) along with the improvement of living standard, consumers have paid more attention to their personal appearance. The lingerie products and the recently launched beauty service of the Group aim to help customers to achieve better body appearances. While the medical aesthetic services of the Target Group aim to improve the skin condition of its customers. As such, products and/or services of the Group and the Target Group are complementary to each other which strive to achieve better personal appearance of individuals;
- (ii) both the Group and the Target Group have predominantly female client base who have desire towards improving their physical appearance; and
- (iii) following discussion with the Management, the Group and the Target Group (after considering, among others, their respective business operations, stage of business development, business objectives and strategies) intend to co-operate to broaden their product/service offerings and to participate in joint marketing and promotion activities.

Merits and rationale of the Acquisition

Having considered information regarding the Target Group and the Acquisition as stated in the Announcement and further described above, among others, in view of (i) the established track record of recurring operating profit of the Target Group for the two years ended 31 March 2018; (ii) a competent and professional team of doctors and trained therapists and established business presence of the Target Group with a sizeable group of loyal customers; (iii) prospect of the Target Group given its proposed development plan as stated above; (iv) potential synergy and cross-selling opportunities to be achieved following the Acquisition; and (v) potential dividend income to the Group in light of the established dividend distribution policy with target dividend payout ratio of not less 30% of net profit of the Target Group, the Board considers that the Acquisition is in the interest of the Company and the Shareholders as a whole.

By order of the Board
My Heart Bodibra Group Limited
Tam Chak Chi
Executive Director

Hong Kong, 9 April 2019

As at the date of this announcement (taking into account the changes herein), the executive Directors are Mr. Tam Chak Chi and Mr. Wong Wai Kit; and the independent non-executive Directors are Mr. Cai Chun Fai, Ms. Chan Ka Ming and Mr. Ong King Keung.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and will also be published on the Company’s website at www.bodibra.com.