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Union Medical Healthcare Limited
香港醫思醫療集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2138)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

INTERIM RESULTS AND PERFORMANCE HIGHLIGHTS

- Sale contracts increased by 46.0% from HK$446.0 million for the six months ended 30 September 2016 to HK$651.1 million for the six months ended 30 September 2017.

- Total revenue increased by 51.4% from HK$407.6 million for the six months ended 30 September 2016 to HK$617.3 million for the six months ended 30 September 2017.

- Net profit increased by 73.2% from HK$72.9 million for the six months ended 30 September 2016 to HK$126.3 million for the six months ended 30 September 2017.

- Revenue contributed by the PRC clients as a percentage to the total revenue increased from 17.7% for the six months ended 30 September 2016 to 35.7% for the six months ended 30 September 2017.

- Basic earnings per share for the six months ended 30 September 2017 amounted to 12.8 HK cents (2016: 7.5 HK cents).

- The Board declared an interim dividend of 4.0 HK cents per Share and a special dividend of 8.5 HK cents per Share, i.e. a total of 12.5 HK cents per Share, for the six months ended 30 September 2017, which will be satisfied in the form of an allotment of scrip shares of equivalent amount with an option to receive the same wholly in cash.

* *for identification purpose only*

The Board is pleased to announce the unaudited consolidated financial results of the Group for the six months ended 30 September 2017, together with the comparative figures for the corresponding period in 2016 as set out below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 September

	Notes	**2017** ***HK$*** **(Unaudited)**	2016 *HK$* (Unaudited)
REVENUE	*5*	**617,318,341**	407,647,810
Other net income and gains	*5*	**14,369,903**	4,010,159
Cost of inventories and consumables		**(81,541,695)**	(54,011,417)
Registered practitioner expenses		**(32,726,589)**	(30,530,065)
Employee benefit expenses		**(177,742,754)**	(120,852,214)
Marketing and advertising expenses		**(62,019,708)**	(32,558,782)
Rental and related expenses		**(59,352,278)**	(39,830,572)
Credit card expenses		**(20,173,557)**	(14,856,196)
Depreciation		**(12,391,514)**	(12,852,462)
Charitable donation expenses		**(827,000)**	(161,000)
Other expenses		**(35,597,089)**	(18,451,387)
Finance cost	*6*	**(143,889)**	–
Share of profit of joint ventures		**1,355,305**	–
PROFIT BEFORE TAX	*6*	**150,527,476**	87,553,874
Income tax	*7*	**(24,186,764)**	(14,614,655)
PROFIT FOR THE PERIOD		**126,340,712**	72,939,219
Attributable to:			
Equity shareholders of the Company		**125,507,939**	73,524,575
Non-controlling interests		**832,773**	(585,356)
		126,340,712	72,939,219
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY			
— basic and diluted	*8*	**0.13**	0.08

	Notes	2017 HK$ (Unaudited)	2016 HK$ (Unaudited)
PROFIT FOR THE PERIOD			
Item that may be reclassified subsequently to profit or loss:		**126,340,712**	72,939,219
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, net of HK$Nil tax		**360,230**	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**126,700,942**	72,939,219
Attributable to:			
Equity shareholders of the Company		**125,868,169**	73,524,575
Non-controlling interests		**832,773**	(585,356)
		126,700,942	72,939,219

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 September 2017 *HK$* (Unaudited)**	As at 31 March 2017 *HK$* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**193,036,159**	70,178,513
Goodwill		**70,048,506**	36,657,111
Intangible assets		**81,492,261**	35,906,450
Interest in joint ventures		**26,477,396**	25,122,091
Rental deposits	*10*	**33,808,921**	23,589,387
Prepayments and other deposits	*10*	**7,884,968**	7,884,968
Deferred tax assets		**1,843,687**	1,461,626
Total non-current assets		**414,591,898**	200,800,146
CURRENT ASSETS			
Inventories		**21,650,537**	19,116,280
Trade receivables	*9*	**69,624,955**	52,142,746
Prepayments, deposits and other receivables	*10*	**63,437,531**	60,729,829
Deferred cost		**3,186,518**	5,361,965
Financial assets at fair value through profit or loss	*11*	**314,660,271**	499,745,689
Pledged time deposits	*12*	**2,000,637**	2,000,000
Time deposits with original maturity over 3 months	*12*	**200,331,553**	158,712,370
Cash and cash equivalents	*12*	**333,140,937**	200,644,165
Total current assets		**1,008,032,939**	998,453,044
CURRENT LIABILITIES			
Trade payables	*13*	**6,927,147**	6,468,211
Other payables and accruals	*14*	**80,619,221**	54,927,417
Obligation under finance lease		**909,941**	342,714
Deferred revenue	*15*	**411,856,005**	327,894,405
Bank borrowings	*16*	**107,199,180**	–
Current tax payable		**27,165,017**	11,428,555
Total current liabilities		**634,676,511**	401,061,302
NET CURRENT ASSETS		**373,356,428**	597,391,742
TOTAL ASSETS LESS CURRENT LIABILITIES		**787,948,326**	798,191,888

	Notes	As at 30 September 2017 HK$ (Unaudited)	As at 31 March 2017 HK$ (Audited)
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**2,546,687**	3,107,841
Obligation under finance lease		**1,636,801**	581,724
Provision for reinstatement costs	*14*	**4,650,000**	4,650,000
Total non-current liabilities		**8,833,488**	8,339,565
NET ASSETS		**779,114,838**	789,852,323
TOTAL EQUITY			
Total equity attributable to equity shareholders of the Company			
Share capital	*18*	**9,808**	9,808
Reserves		**780,392,541**	778,450,348
		780,402,349	778,460,156
Non-controlling interests		**(1,287,511)**	11,392,167
TOTAL EQUITY		**779,114,838**	789,852,323

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Group is principally engaged in the provision of medical, quasi-medical, health management and traditional beauty services, the sale of skincare, healthcare and beauty products, and investment holding. The Company is an exempted company with limited liability incorporated in the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Suites 7–9, L21 Langham Place Office Tower, 8 Argyle Street, Mong Kok, Hong Kong.

2. BASIS OF PREPARATION

The interim financial results for the six months ended 30 September 2017 (the "Interim Financial Statements") set out in the announcement do not constitute the Group's interim financial report for the six months ended 30 September 2017 but are extracted from the report. The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies adopted in the preparation of the unaudited Interim Financial Statements for the six months ended 30 September 2017 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2017.

The unaudited Interim Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2017.

The preparation of unaudited Interim Financial Statements in conformity with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The unaudited Interim Financial Statements are presented in Hong Kong dollars ("HK$").

3. CHANGE IN ACCOUNTING POLICIES

In the current period, the Group has adopted all the new and revised HKFRSs, including HKFRS 15, *Revenue from Contracts with Customers*, that are relevant to its operations and effective for its accounting period beginning on 1 April 2017. However, for the comparative prior period, HKFRS 15 had not been adopted and therefore the comparative information has not been restated and continues to be reported under HKAS 18 Revenue. The accounting policies of the current period are however completely consistent with those followed in the preparation of the Group's annual financial statements for the full year ended 31 March 2017.

Provision of services

All of the services are sold on a prepaid basis. Payments received for prepaid packages are recorded as deferred revenue in the condensed consolidated statement of financial position at the time of receipt. The service period of a prepaid package is generally one-year.

Revenue from the rendering of services is recognised when the services have been rendered to customers.

Deferred revenue is non-refundable and customers may not utilise all of their contracted rights within the service period.

For the comparative prior period, any residual deferred revenue at the end of the service period is fully recognised in profit or loss. Under HKFRS 15, such unutilised service treatments are referred to as breakage. An expected breakage amount in deferred revenue is determined by historical experience and is recognised as revenue in proportion to the pattern of service treatments utilised by the customers.

4. OPERATING SEGMENT INFORMATION

For management purpose, the Group is organized into business unit based on their services and products and has two reportable operating segments as follows:

(a) the provision of medical, quasi-medical, traditional beauty services and the sale of skincare, healthcare and beauty products; and

(b) the provision of health management services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income, realised gain, gains/losses on disposal of financial assets at fair value through profit or loss, finance costs and head office and corporate expenses are excluded from such measurement.

For the purposes of monitoring segment performance and allocating resources between segments: (a) all assets are allocated to operating segments other than unallocated assets, cash and cash equivalents and deferred tax assets; and (b) all liabilities are allocated to operating segments other than tax payable, deferred tax liabilities and other head office and corporate liabilities as these liabilities are managed on a group basis.

For the six months ended 30 September

	The provision of medical, quasi-medical, traditional beauty services and the sale of skincare, healthcare and beauty products		**The provision of health management services**		**Elimination**		**Total**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Revenue:								
Sales to external customers	**566,074,178**	394,626,354	**51,244,163**	13,021,456	**–**	–	**617,318,341**	407,647,810
Intersegment sales	**13,039,094**	5,941,676	**4,466,748**	1,583,088	**(17,505,842)**	(7,524,764)	**–**	–
Segment revenue	**579,113,272**	400,568,030	**55,710,911**	14,604,544	**(17,505,842)**	(7,524,764)	**617,318,341**	407,647,810
Segment result	**151,207,927**	124,531,224	**799,195**	(29,572,741)	**–**	–	**152,007,122**	94,958,483
Bank interest income							**66,948**	1,958,572
Unrealised fair value gains on financial assets at fair value through profit or loss, net							**1,039,020**	–
Realised gains on disposal of financial assets at fair value through profit or loss, net							**–**	411,477
Finance costs							**(143,889)**	–
Others							**(673,791)**	1,640,110
Share award and share option expenses							**(1,767,934)**	(11,414,768)
Profit before tax							**150,527,476**	87,553,874

5. REVENUE, OTHER NET INCOME AND GAINS

(a) Revenue

Revenue represents the value of medical, quasi-medical, health management and traditional beauty services rendered and the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other net income and gains is as follows:

	For the six months ended 30 September	
	2017	2016
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Revenue		
Medical services	**311,855,510**	179,579,582
Quasi-medical services	**52,088,992**	40,741,856
Health management services	**51,244,164**	13,021,456
Traditional beauty services	**122,300,853**	38,498,917
Skincare, healthcare and beauty products	**36,798,463**	25,196,252
Revenue recognised from unutilised prepaid packages	**43,030,359**	110,609,747
	617,318,341	407,647,810

(b) Other net income and gains

Bank interest income	**66,948**	1,958,572
Interest income from unlisted debt investments and certificate of deposits	**4,171,770**	–
Other interest income	**281,250**	281,250
Unrealised fair value gains on financial assets at fair value through profit or loss, net	**1,039,020**	–
Realised gains on disposals of financial assets at fair value through profit or loss, net	**–**	411,477
Gain on disposal of subsidiaries	**4,645,803**	–
Others	**4,165,112**	1,358,860
	14,369,903	4,010,159

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 September	
	2017	2016
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Employee benefit expenses (including Directors' emoluments):*		
Salaries, wages, allowances, bonuses, commission and benefits in kind	**191,887,547**	146,448,160
Pension scheme contributions (defined contribution scheme)	**4,708,333**	4,934,119
	196,595,880	151,382,279
Minimum lease payments under operating leases in respect of:		
Land and buildings	**49,258,774**	32,002,755
Equipment	**165,163**	122,031
Auditors' remuneration	**704,340**	495,505
Depreciation	**12,391,514**	12,852,462
Amortisation of intangible assets	**3,219,915**	143,753
Loss of disposals and write-off of property, plant and equipment	**–**	110,145
Foreign exchange differences, net	**979,885**	476,184
Finance charges on obligations under finance lease	**39,798**	–
Interests on bank borrowings	**104,091**	–

* During the six months ended 30 September 2017, included in "Employee benefit expenses" are also (i) registered practitioner expenses of HK$18,853,127 (for the six months ended 30 September 2016: HK$30,530,065) paid/payable to certain Registered Practitioners who are also employees of the Group; and (ii) the share award and share option expenses of HK$1,767,934 (for the six months ended 30 September 2016: HK$11,414,768).

For further details to the grant of awarded shares and share options pursuant to the share award scheme and share option scheme of the Company respectively, please refer to the announcements of the Company dated 26 September 2016 and 18 September 2017.

7. INCOME TAX

Taxation in the condensed consolidated statement of profit or loss and other comprehensive income represents:

	For the six months ended 30 September	
	2017	2016
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Current — Hong Kong		
Charge for the periods	**23,995,524**	18,246,505
Current — Elsewhere		
Charge for the periods	**1,134,455**	523,711
Deferred tax	**(943,215)**	(4,155,561)
Tax charge for the periods	**24,186,764**	14,614,655

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Hong Kong Profits Tax has been provided at the rate of 16.5% (for the six months ended 30 September 2016: 16.5%) on the estimated assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

8. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per Share attributable to equity shareholders of the Company is based on the following data:

	For the six months ended 30 September	
	2017	2016
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Earnings for the purposes of basic earnings per Share representing profit for the six months attributable to equity shareholders of the Company	**125,507,939**	73,524,575

	For the six months ended 30 September	
	2017	2016
Weighted average number of ordinary shares for the purpose of calculating basic earnings per Share	**980,827,000**	980,750,175

No adjustment has been made to the basic earnings per Share amount presented for the period ended 30 September 2017 in respect of a dilution as the exercise price of outstanding share options was higher than the average market price of the ordinary shares of the Company and no share option granted were exercised during the Reporting Period and the share options had no dilutive effect on the basis earnings per Share amount presented.

9. TRADE RECEIVABLES

	As at 30 September 2017 *HK$* (Unaudited)	As at 31 March 2017 *HK$* (Audited)
Trade receivables	**69,624,955**	52,142,746

The Group's trading terms with its customers are mainly on credit card settlements. The credit period is generally 1 to 120 days for the credit card settlements from the respective financial institutions. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables, based on the invoice date, is as follows:

	As at 30 September 2017 *HK$* (Unaudited)	As at 31 March 2017 *HK$* (Audited)
Within 1 month	**57,219,573**	41,988,028
1 to 3 months	**6,544,759**	4,865,166
Over 3 months	**5,860,623**	5,289,552
	69,624,955	52,142,746

The ageing analysis of the trade receivables based on the payment due date and net of provision is as follows:

	As at 30 September 2017 *HK$* (Unaudited)	As at 31 March 2017 *HK$* (Audited)
Neither past due nor impaired	**56,351,025**	38,791,121
Less than 3 months past due	**12,556,223**	12,790,901
3 to 6 months past due	**472,342**	313,509
7 to 12 months past due	**159,577**	135,377
More than 1 year past due	**85,788**	111,838
	69,624,955	52,142,746

At 30 September 2017, none of the trade receivables were individually determined to be impaired (as at 31 March 2017: Nil).

Trade receivables that were neither past due nor impaired relate to a number of receivables due from financial institutions in respect of credit card settlements for whom there was no recent history of default.

Trade receivables that were past due but not impaired also relate to a number of financial institutions that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 September 2017 *HK$* **(Unaudited)**	As at 31 March 2017 *HK$* (Audited)
Prepayments	**34,076,898**	42,234,973
Deposits	**44,946,903**	39,824,059
Other receivables	**26,107,619**	10,145,152
	105,131,420	92,204,184
Portion classified as non-current		
— Rental deposits	**(33,808,921)**	(23,589,387)
— Prepayments and other deposits	**(7,884,968)**	(7,884,968)
Current portion	**63,437,531**	60,729,829

The above assets are neither past due nor impaired. The financial assets included in the above balance relate to receivables for which there were no recent history of default.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September 2017 *HK$* **(Unaudited)**	As at 31 March 2017 *HK$* (Audited)
Financial assets at fair value through profit or loss		
Debt instruments, at fair value in Hong Kong	**–**	25,000,000
Unlisted fund investments, at fair value in Hong Kong	**268,235,146**	15,012,489
Certificate of deposits, at fair value in Hong Kong	**46,425,125**	459,733,200
	314,660,271	499,745,689

12. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	As at 30 September 2017 HK$ (Unaudited)	As at 31 March 2017 HK$ (Audited)
Cash and cash equivalents	**333,140,937**	200,644,165
Time deposits	**202,332,190**	160,712,370
	535,473,127	361,356,535
Less: Pledged time deposits for banking facilities as security for credit card instalments programme	**2,000,637**	2,000,000
Time deposits with original maturity over 3 months	**200,331,553**	158,712,370
	333,140,937	200,644,165

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying period from one day to one year depending on the Group's immediate cash requirements, and earn interest at the respective time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

Included in cash and cash equivalents, HK$16,616,828 (as at 31 March 2017: HK$9,036,583) are denominated in Renminbi and deposited with the banks in the PRC. These deposits are not freely convertible and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

13. TRADE PAYABLES

An ageing analysis of the trade payables, based on the invoice date, is as follows:

	As at 30 September 2017 HK$ (Unaudited)	As at 31 March 2017 HK$ (Audited)
Within 1 month	**4,480,513**	5,422,769
1 to 2 months	**1,205,452**	404,531
2 to 3 months	**569,227**	7,155
Over 3 months	**671,955**	633,756
	6,927,147	6,468,211

The trade payables are non-interest-bearing and generally have payment terms within 60 days.

14. OTHER PAYABLES AND ACCRUALS

	As at 30 September 2017 HK$ (Unaudited)	As at 31 March 2017 HK$ (Audited)
Other payables	**18,429,479**	16,541,678
Accruals	**60,889,742**	37,085,739
Provision for reinstatement costs	**5,950,000**	5,950,000
	85,269,221	59,577,417
Portion classified as non-current — provision for reinstatement costs	**(4,650,000)**	(4,650,000)
Current portion	**80,619,221**	54,927,417

Other payables are non-interest-bearing and have an average payment term of three months.

The provision for reinstatement costs represents management's best estimate of the Group's liabilities of the costs of dismantling and removing the leasehold improvements and restoring the sites on which they are located.

The movements in the provision for reinstatement costs are as follows:

	As at 30 September 2017 HK$ (Unaudited)	As at 31 March 2017 HK$ (Audited)
At the beginning of period/year	**5,950,000**	5,270,000
Additional provision	**–**	1,110,000
Amounts utilised during the period/year	**–**	(430,000)
At the end of period/year	**5,950,000**	5,950,000
Portion classified as current liabilities	**(1,300,000)**	(1,300,000)
Non-current portion	**4,650,000**	4,650,000

15. DEFERRED REVENUE

	As at 30 September 2017 HK$ (Unaudited)	As at 31 March 2017 HK$ (Audited)
Deferred revenue	**411,856,005**	327,894,405

The movements in deferred revenue are as follows:

	As at 30 September 2017 *HK$* **(Unaudited)**	As at 31 March 2017 *HK$* (Audited)
At the beginning of period/year	**327,894,405**	312,891,746
Impact of changes in accounting policy *(note 3)*	**–**	(10,282,120)
	327,894,405	302,609,626
Sales contracts entered into during the period/year	**651,052,833**	969,770,195
Acquisition of business	**54,711,366**	16,725,618
Revenue recognised upon the provision of services during the period/year	**(537,489,519)**	(824,920,153)
Revenue recognised upon the retail sales of products during the period/year	**(36,798,463)**	(49,612,366)
Refunds during the period/year	**(5,188,811)**	(7,735,902)
Revenue recognised from unutilised prepaid packages during the period/year	**(43,030,359)**	(78,107,092)
Exchange adjustment	**704,553**	(835,521)
At the end of period/year	**411,856,005**	327,894,405

16. BANK BORROWINGS

	As at 30 September 2017 *HK$* **(Unaudited)**	As at 31 March 2017 *HK$* (Audited)
Secured	**107,199,180**	–

As at 30 September 2017, the bank borrowings of the Group carried variable interest rate at Prime Rate + 0.55% per annum and fixed interest rates ranging from 0.68% to 1.41% per annum, respectively.

Certain amounts of the Group's bank borrowings are secured by the Group's certain amounts of financial assets at fair value through profit or loss.

17. BUSINESS COMBINATIONS

(a) On 17 July 2017, the Group completed the acquisition of 100% interest in My Healthcare Limited ("My Healthcare").

My Healthcare is principally engaged in the provision of consultation and medical services including prevention, diagnosis, treatment and rehabilitation on neurological disorders in spinal cord and spinal column and rental of related medical device and equipment.

The total acquisition consideration of HK$55.0 million (HK$38.6 million of which was settled by cash and the remaining HK$16.4 million was settled by the issue of 25% share of Hong Kong Pain and Wellness Solution Limited to the vendor).

The acquisition was made as part of the Group's strategy on business expansion.

The aggregate fair values of the identifiable assets and liabilities as at the date of acquisition on 17 July 2017 are as follows:

	Total
	HK$
Property, plant and equipment	1,166,275
Intangible assets	32,140,345
Prepayments, deposits and other receivables	104,458
Cash and cash equivalents	1,363,793
Other payables and accruals	(1,839,697)
Total identifiable net liabilities	32,935,174
Goodwill on acquisition	5,671,826
Consideration satisfied by cash	38,607,000

Included in the goodwill of HK$5,671,826 recognised above is a customer list, which is not recognised separately. Because the list is subject to a confidentiality agreement, it is not separable and therefore it does not meet the criteria for recognition as an intangible asset under HKAS 38 Intangible Assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

(b) On 15 August 2017, the Group completed the acquisition of 50% equity interest in each of Fine Bright Development Limited, Fine Profit Limited and Mainwell Beauty Limited. The Group invested and commenced the provision of beauty services and sale of related products under the brand name "Mulan", and operated beauty services centres in Hong Kong under the brand name "Mulan". The total acquisition consideration of HK$4,190,000 was settled by cash.

The fair value of identifiable assets and liabilities as the date of acquisition on 15 August 2017 is as follows:

	HK$
Property, plant and equipment	1,733,653
Intangible assets	11,153,793
Rental deposit	486,770
Inventories	833,664
Bank and cash balance	1,188,980
Prepayments and other receivable	3,638,402
Receipts in advance	(25,124,730)
Other payable and accruals	(1,310,959)
Total identifiable net assets at fair value	(7,400,427)
Non-controlling interest	9,622,110
Goodwill on acquisition	1,968,317
Consideration satisfied by cash	4,190,000

Included in the goodwill of HK$1,968,317 recognised above is a customer list, which is not recognised separately. Because the list is subject to a confidentiality agreement, it is not separable and therefore it does not meet the criteria for recognition as an intangible asset under HKAS 38 Intangible Assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

(c) On 6 September 2017, the Group completed the acquisition of 100% equity interest in each of Hairchitect Institute (Harbour City) Limited, Hairchitect Institute (IFC) Limited and Hairchitech Institute (Time Square) Limited; 75% interest in Justice Luck Limited and 64% interest in Toni & Guy (Hong Kong) Limited. The Group operated five haircare services centres under the brand name of "TONI&GUY" and "Hairchitect". The acquisition was made as part of the Group's strategy to expand its business nature to hair care services. The total acquisition consideration was HK$23.8 million (HK$5.8 million of which was settled by cash and the remaining HK$18.0 million was settled by the issue of 25% share of Union Trichology Limited to the vendors).

The fair value of identifiable assets and liabilities as the date of acquisition on 6 September 2017 is as follows:

	HK$
Property, plant and equipment	1,359,503
Intangible assets	7,896,571
Rental deposit	94,650
Inventories	794,392
Bank and cash balance	2,489,281
Prepayments and other receivable	3,211,418
Receipts in advance	(5,588,571)
Other payable and accruals	(7,538,864)
Total identifiable net assets at fair value	2,718,380
Non-controlling interest	1,688,107
Goodwill on acquisition	1,393,513
Consideration satisfied by cash	5,800,000

Included in the goodwill of HK$1,393,513 recognised above is a customer list, which is not recognised separately. Because the list is subject to a confidentiality agreement, it is not separable and therefore it does not meet the criteria for recognition as an intangible asset under HKAS 38 Intangible Assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

(d) At the end of the Reporting Period, all the allocation of the cost of acquisition to the identifiable assets and liabilities is pending the completion of the appraisal of certain intangible assets acquired, which is expected to be completed during the year ending 31 March 2018. Accordingly, the above goodwill arising on the acquisition is a provisional amount and may change upon the completion of the appraisal.

18. SHARE CAPITAL AND DIVIDENDS

(a) Share capital

	Number of shares	30 September 2017 *HK$*
Authorised		
Ordinary shares of HK$0.00001 each	38,000,000,000	380,000
Ordinary shares, issued and fully paid		
At 31 March 2017	**980,827,000**	**9,808**
At 30 September 2017	**980,827,000**	**9,808**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per Share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(b) Dividends

	For the six months ended 30 September	
	2017 *HK$*	2016 *HK$*
Interim, declared — 4.0 HK cents (for the six months ended 30 September 2016: 2.5 HK cents)	**39,233,080**	24,520,675
Special, declared — 8.5 HK cents (for the six months ended 30 September 2016: 5.0 HK cents)	**83,370,295**	49,041,350

At a meeting held on 30 November 2017, the Directors declared an interim dividend of 4.0 HK cents per Share and a special dividend of 8.5 HK cents per Share, i.e. a total of 12.5 HK cents per Share. The interim and special dividends will be satisfied in the form of an allotment of scrip shares of equivalent amount with an option to receive the same wholly in cash. These declared dividends are not reflected as dividend payable in this condensed consolidated interim financial information, but will be recognised in Shareholders' equity for the year ending 31 March 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group's contracted sales and total revenue were HK$651.1 million and HK$617.3 million respectively, representing a significant increase of 46.0% and 51.4% from contracted sales and total revenue for the six months ended 30 September 2016, respectively.

The net profit attributable to equity shareholders of the Company increased significantly by approximately 70.7% from HK$73.5 million for the six months ended 30 September 2016 to HK$125.5 million for the six months ended 30 September 2017. Basic earnings per Share amounted to 12.8 HK cents as compared to 7.5 HK cents for the previous period.

The Board resolved to declare an interim dividend of 4.0 HK cents per Share and a special dividend of 8.5 HK cents per Share, i.e. a total of 12.5 HK cents per Share, will be satisfied in the form of an allotment of scrip shares of equivalent amount with an option to receive the same wholly in cash.

BUSINESS OVERVIEW

During the Reporting Period, we continued to maintain our leading market position as the largest aesthetic medical service provider in Hong Kong. We are well-positioned to further extend our leading position in the growing aesthetic medical service market in Hong Kong and evolve into a health and wellness platform, as well as to continue our expansion in the Greater China region.

Medical services continue to be the primary contributor and key growth driver to our revenue and profits. During the Reporting Period, medical revenue was HK$311.9 million, representing a significant increase of 73.7% as compared with that of the six months ended 30 September 2016. As at 30 September 2017, we operated 46 clinics and services centres with 53 Registered Practitioners, offering medical and medical aesthetics services and products across Hong Kong, Macau and the PRC.

Business developments

Growth driven by the medical tourism

re:HEALTH, our one-stop health management centre providing a full range of comprehensive health screening, DNA testing, health product and health management services in Hong Kong, was able to capture the growing demand for reliable and quality medical services from the PRC provided by a professional service provider in Hong Kong. During the Reporting Period, revenue from health management business was HK$51.2 million, representing a significant increase of 293.5%.

Leveraging on the widening of the customer spectrum and our capability to offer medical tourism services, contributions from our PRC clients increased to 35.7% of our revenue (for the six months ended 30 September 2016: 17.7%) during the Reporting Period.

Growth Driven by Integration

Further to integrating our chiropractic services chain since October 2016, we further acquired a chiropractic centre in Central, Hong Kong, which supplements the service offerings of the Group with orthopaedic services and the Group commenced to offer a one-stop solution to pain management in our multi-service flagship store in Langham Place, Mong Kok, Hong Kong from August 2017 onwards.

Growth driven by merger and acquisition

The Group will continue to extend our services and product offerings to fulfil the medical, health and wellness, and beauty needs of individuals via merger and acquisitions.

During the Reporting Period, the Group invested and commenced the operation of hair care services centres and “Mulan” beauty services chain, and the sale of related products. As at 30 September 2017, the Group operated five hair care services centres under the brand names of “TONI&GUY” and “Hairchitect”, and five beauty services centres under the brand name “Mulan” in Hong Kong.

In October 2017, the Group (i) acquired a beauty product franchise which is principally engaged in the distribution of skincare and beauty products manufactured in Switzerland under the brand name “Swissline” in Hong Kong and Macau, and (ii) invested in significant stake of a renowned Spanish consumer chain which is principally engaged in the design of fashion accessories and the operation of the retail chain in Hong Kong.

Client growth and diversity

Our revenue is significantly affected by the number of clients who received our services, in particular the number of Key Clients. We have been aiming and will continue to aim to expand our Key Client base and increase their average spending. A period-over-period analysis of certain key metrics of our revenue and clients are set out below:

	For the six months ended 30 September		
	2017	2016	% change
Total revenue (HK$)	**617,318,341**	407,647,810	51.4
Recognised Revenue (HK$)	**574,287,982**	297,038,063	93.3
Recognised Medical Revenue (HK$)	**311,855,510**	179,579,582	73.7
Sales contracts entered into during the period (HK$)	**651,052,833**	445,974,034	46.0
Approximate number of Key Client	**N/A***	N/A*	–
Approximate average spending per Key Client (HK$)	**N/A***	N/A*	–
Number of clients who made at least one purchase of services or products	**44,795**	23,778	88.4
Number of clients who received at least one service session	**54,511**	29,501	84.8
Revenue contributed by PRC clients (%)	**35.7**	17.7	
Material unfavourable feedback (Compensation and refund) (HK$ million)	**0.42**	0.69	(39.1)
Material unfavourable feedback (Compensation and refund) (% of total revenue)	**0.07%**	0.17%	–
Refunds and settlements to legal proceedings and claims (HK$ million)	**0**	0	–
Refunds and settlements to legal proceedings and claims (% of Recognised Medical Revenue)	**0**	0	–

* Key Clients statistics are only available on an annual basis.

For the Reporting Period, (i) approximately 86.8% of our clients who received at least one service session were females, and (ii) approximately 77.9% of our clients who received at least one service session were between the ages of 16 to 45.

Our professionals and other staff

We continued to be a reliable partner to the medical experts, as at 30 September 2017, we had 53 Registered Practitioners, 43 medical assistants and 342 Trained Therapists. The following table summarises our Registered Practitioners as at 30 September 2017:

Type of Registered Practitioners	Location	Number of Registered Practitioners
Plastic Surgeons	Hong Kong	1
Anesthesiologists	Hong Kong	3
Pathologists	Hong Kong	1
Dentists	Hong Kong	6
Paediatrics	Hong Kong	1
Psychiatrists	Hong Kong	2
Neurosurgeons	Hong Kong	1
Orthopaedics	Hong Kong	1
Hong Kong Doctors who are General Practitioners	Hong Kong	13
Registered Chiropractors	Hong Kong	14
Chinese Medicine Practitioners (including one Listed Chinese Medicine Practitioner & one Registered Chinese Medicine Practitioner)	Hong Kong	3
PRC Doctors	PRC	4
Macau Doctors	Macau	3
		53

Internal Control Protocols

Work safety and risk management

Professionalism and safety have always been our core values. Our experienced and well-trained Registered Practitioners perform and oversee all medical-related operations, as well as participate in our senior management. Both our Registered Practitioners and supporting staff are scheduled to attend medical-related trainings regularly to update their knowledge and skill sets. Prior to performing a procedure to a client, we require our Registered Practitioners and Trained Therapists to explain the procedures and associated risks and obtain consent in writing. We apply certain medical standards even to our non-medical services, such as recommending our clients to consult with Doctors prior to receiving any of our services.

Internal Control Measures Regarding Selling Practices and Unutilised Prepaid Packages

We have implemented a series of internal control measures, including a number of measures that refer to applicable "best practice" guidelines issued by governmental bodies (such as the Hong Kong Consumer Council and the Commerce and Economic Development Bureau of Hong Kong), to help prevent our staff from engaging in coercive selling practices, such as:

- adopting a refund policy which includes a seven-day cooling-off period whereby our clients are allowed to request a full refund within seven days of purchase of any prepaid packages;

- adopting a policy that commission is not paid to our sales staff for contracted sales which are subsequently refunded;

- establishing procedures for recording and handling complaints;

- having written terms and conditions with clients;

- sharing media reports of forced selling cases with our staff to highlight the potential adverse consequences of such practices;

- proactively seeking clarification of the Trade Description Ordinance from the relevant government authorities and organising a seminar provided by the officers of the Hong Kong Customs and Excise Department relating to the Trade Description Ordinance for our staff;

- compiling detailed employee guidelines on, inter alia, responsible selling practices (for example, not to harass or pressure clients into purchasing prepaid packages);

- installing video and voice recording devices in consultation rooms to monitor staff behaviour during consultations; and

- offering our employees compensation incentives which are linked to the actual utilisation of prepaid packages by the clients.

To help prevent our staff from engaging in coercive selling practices, we have implemented a series of internal control measures. For example, we have adopted a refund policy which includes a seven-day cooling-off period whereby our clients are allowed to request a full refund within seven days of purchase of any prepaid packages.

We have a client phone survey system in order to further our active solicitation of client feedback. Our client service team calls clients who have received our services on the previous day (excluding those who had already completed such survey in the past 30 days) on every working day. The survey is conducted based on a questionnaire where we ask clients to give us scores (out of five points) for 14 categories, such as level-of-care, attitude of staff and brand image. We compile the scores through our integrated information technology infrastructure and review such scores to identify targets for improvement. We have been able to improve our scores from such client phone surveys since the implementation of such programme.

Other claims and compliance

In order to provide top-quality and safe services to our clients, we encourage clients to provide feedback through client satisfaction surveys and face-to-face discussions. Where a client requests for a refund or a product return, our Registered Practitioners will participate in investigation of such requests.

OUTLOOK AND STRATEGIES

In 2015, the PRC and Hong Kong reached a Closer Economic Partnership Arrangement (CEPA) on service trade, to allow professionals from Hong Kong to enjoy greater access to the mainland's growing service market. The Shanghai-Hong Kong and Shenzhen-Hong Kong stock connects allow international investors to trade stocks listed in Shanghai Stock Exchange and Shenzhen Stock Exchange via the Hong Kong Stock Exchange while mainland investors can trade Hong Kong stocks via Shanghai Stock Exchange and Shenzhen Stock Exchange. Along with the Bond Connect, approved in May 2017, these arrangements have strengthened Hong Kong's role as an international financial center.

According to the PRC central government's annual work report in 2017, the PRC is planning to develop a city cluster in the Greater Bay Area, playing to the distinctive strengths of Hong Kong and Macau, and elevating their positions and roles in the mainland's development and opening up. The development of the area should also act as a catalyst for China's Belt and Road Initiative — an ambitious strategy that aims to link the economies along the Silk Road Economic Belt (Central Asia to Europe) and the Maritime Silk Road (South Asia to Africa and the Middle East) together. Both the Belt and Road Initiative and the Greater Bay Area development plan are perceived as new impetus for Hong Kong's development.

By 2030, the Greater Bay Area is expected to play a leading role in advanced manufacturing, innovation, shipping, trade and finance. According to the Commissioner of the Ministry of Foreign Affairs of the People's Republic of China in Hong Kong, Mr. Xie Feng, Hong Kong has an irreplaceable role in ensuring the Greater Bay Area reaches its full potential.

Hong Kong serves as an international financial, trade and shipping centre. Based on a well-established common law regime, sound rule of law, the accounting and regulatory systems which are of international standard, Hong Kong has efficient governance and excellent professional services, enabling an attractive business environment that connects the worldwide sales network. Hong Kong is China's most internationalised metropolis with its unique advantage of connecting the mainland and the world. Enhanced cross-border movements of capital, people, goods and services within the Greater Bay Area are essential for the region's successful development. Riding on our strategy to induce medical tourism, our sales remain on a positive upward trend.

According to the Hong Kong Trade Development Council ("HKTDC"), for the first three quarters of 2017, (i) Hong Kong's economy expanded by 3.9% year-on-year in real terms, after growing by 2% in 2016, (ii) the value of retail sales, in nominal terms, increased by 0.9% year-on-year compared with the same period in last year, after the decline of 8.1% for 2016, and (iii) visitor arrivals to Hong Kong increased by 2.2% year-on-year, after dropping by 4.5% in 2016; those from the Chinese mainland increased 2.5% year-on-year, after falling by 6.7% in 2016. HKTDC expects total visitor arrivals to fall by 2.2 percent to 55.38 million in 2017, with mainland visitor numbers down 3.7 percent to 41.18 million, and total expenditure from inbound tourism to shed 4.6 percent to HK$287 billion.

Hong Kong

With medical efficacy as a foundation, we are committed to offer the top notch consumer experiences. We will continue to offer the latest products and equipment in meeting the continued growing demand of clients in medical, health and wellness, and beauty. As at the date of this announcement, the Group is in negotiation to acquire a dental chain which is principally engaged in the provision of dental services via multiple dental centres in Hong Kong, and the completion of this acquisition is expected to take place by 31 December 2017. With reference to the big data gathered in our system, we anticipate there will be a growing demand for medical specialty services, and we will respond by identifying potential acquisition targets or via an organic expansion.

The PRC

We will continue the expansion of our own medical aesthetic clinic in first-tier and selected second-tier cities in the PRC as disclosed in our Prospectus and we anticipate that our medical aesthetic clinics in Shenzhen and Chongqing will be opened by the end of this financial year.

We are pro-actively exploring for acquisition targets as well as partnership opportunities with local medical players in the PRC, including but not limited to reputable aesthetic medical service and healthcare service providers, suppliers and investors, to fuel our sustainable growth in this market with immense potential.

FINANCIAL REVIEW

Revenue

Our revenue increased by 51.4% to HK$617.3 million for the six months ended 30 September 2017 primarily contributed by the significant increase of 73.7%, 293.5% and 217.7% of revenue from medical services, health management business and traditional beauty services respectively, which were primarily attributable to (a) the increase in number of medical procedures performed; (b) full period contribution of the health management business; (c) the contribution from the newly acquired businesses; and (d) additional marketing efforts.

Other net income and gains

For the six months ended 30 September 2017, our other net income and gains was approximately HK$14.4 million (for the six months ended 30 September 2016: HK$4.0 million), representing an increase of 258.3% when compared to the same period last year, primarily due to the increase in interest income as a result to the treasury management during the Reporting Period.

Cost of inventories and consumables

Our cost of inventories and consumables increased to HK$81.5 million for the six months ended 30 September 2017 (for the six months ended 30 September 2016: HK$54.0 million), primarily attributable to an increase in the volume of medication and service consumables used, which was in line with the increase in the volume of service procedures performed which remains steady at 13.2% of the revenue.

Registered Practitioner expenses

For the six months ended 30 September 2017, we incurred registered practitioner expenses of approximately HK$32.7 million (for the six months ended 30 September 2016: HK$30.5 million), representing 5.3% of the total revenue, an increase of 7.2% when compared to the same period last year, primarily attributable to enhancement in resources allocation given the increase in number of Registered Practitioners.

Employee benefit expenses

For the six months ended 30 September 2017, we incurred employee benefit expenses of approximately HK$177.7 million (for the six months ended 30 September 2016: HK$120.9 million), representing 28.8% of the total revenue, an increase of 47.1% when compared to the same period last year and was in line to the increase in revenue.

The Group is aware of the importance of human resources and is dedicated to retaining competent and talented employees by offering them competitive remuneration packages. Their salaries and bonuses were determined by reference to their duties, work experience, performance and prevailing market practices. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong, and provides employees with medical insurance coverage. A share option scheme and a share award scheme are in place to reward individual employees for their outstanding performance and contribution to the success of the Group.

Marketing and advertising expenses

For the six months ended 30 September 2017, the Group incurred marketing and advertising expenses of approximately HK$62.0 million (for the six months ended 30 September 2016: HK$32.6 million), representing 10.0% of total revenue when compared to 8.0% of total revenue for the six months ended 30 September 2016. Such increase was primarily due to an increased level of marketing and advertising activities during the first half of the financial year in conjunction with the newly acquired business such as placing additional billboard advertisements and additional fees paid to advertising agencies.

Rental and related expenses

For the six months ended 30 September 2017, the Group incurred rental and related expenses of approximately HK$59.4 million (for the six months ended 30 September 2016: HK$39.8 million), representing 9.6% of the total revenue, an increase of 49.0% when compared to the same period last year which was in line with the increase in the g.f.a of service centres and clinics from approximately 130,000 sq. ft. as at 30 September 2016 to approximately 183,000 sq. ft. as at 30 September 2017.

Credit card expenses

For the six months ended 30 September 2017, the Group incurred credit card expenses of approximately HK$20.2 million (for the six months ended 30 September 2016: HK$14.9 million), representing 3.3% of the total revenue, an increase of 35.8% when compared to the same period last year and was in line with the increase in contracted sales generated during the Reporting Period.

Charitable donation expenses

For the six months ended 30 September 2017, the Group incurred donation expenses of approximately HK$0.8 million (for the six months ended 30 September 2016: HK$0.2 million), representing 0.1% of the total revenue.

Other expenses

For the six months ended 30 September 2017, the Group incurred other operating expenses of approximately HK$35.6 million (for the six months ended 30 September 2016: HK$18.5 million), representing 5.8% of the total revenue, an increase of 92.9% when compared to the same period last year, primarily due to the professional expenses incurred for acquiring new businesses, ongoing regulatory compliance of the Company as a listed company, reinstatement costs and implementation of new information technology systems during the Reporting Period.

Profit before tax

For the six months ended 30 September 2017, the Group had profit before tax of approximately HK$150.5 million (for the six months ended 30 September 2016: HK$87.6 million), representing an increase of 71.9% when compared to the same period last year.

Income tax expense

For the six months ended 30 September 2017, the Group incurred income tax expense of approximately HK$24.2 million, representing an increase of 65.5% when compared to the same period last year and was in line with the increase in profit before tax.

Profit for the period/profit margin

For the six months ended 30 September 2017, the Group recorded profit for the period of approximately HK$126.3 million, representing an increase of 73.2% when compared to the same period last year and a net profit margin of 20.5% (for the six months ended 30 September 2016: 17.9%).

LIQUIDITY AND CAPITAL RESOURCES

Financial Resources

We continue to maintain a strong financial position with cash and cash equivalents and time deposits with original maturity over 3 months of HK$533.5 million as at 30 September 2017. Based on our steady cash inflow from operations, coupled with sufficient cash and bank balances, we have adequate liquidity and financial resources to meet the working capital requirements as well as to fund its budgeted expansion plans in the next financial year.

During the six months ended 30 September 2017, a majority of our cash and bank balances were in Hong Kong dollar, and as we expand our operations in the PRC, there will be an increasing amount of our assets and transactions denominated in Renminbi.

Capital Expenditure

Our capital expenditures during the six months ended 30 September 2017 were primarily related to purchases of operation equipment, which primarily included medical, dental and beauty devices, and expenditure in leasehold improvements. We have financed our capital expenditure through cash flows generated from operating activities and the net proceeds from the IPO.

Capital commitment

As at 30 September 2017, we have a capital commitment amounts to HK$102.42 million in respect of the completion of the acquisition of Billion Energy Limited, being the sole legal and beneficial owner of Suite 803, World-wide House in Central (the "Property Acquisition"). The Property is intended to be used for the Group's business and/or operation. For details, please refer to the Company's announcement dated 5 September 2017.

INDEBTEDNESS

Interest-bearing Bank Borrowings/Gearing Ratio

As at 30 September 2017, the Group had outstanding interest-bearing bank borrowings in the amount of HK$107.2 million. The Group's gearing ratio was 13.8%.

Contingent Liabilities and Guarantees

As at 30 September 2017, we had contingent liabilities not provided for in our financial statements of HK$2.0 million in relation to bank guarantee given to a credit card institution for the use of certain credit card equipment. Save as disclosed herein, the Group had no significant contingent liabilities and guarantees as at 30 September 2017.

Pledge of Assets

As at 30 September 2017, there was no charge on the assets of the Group except for the time deposits of HK$2.0 million pledged for banking facilities as security for credit card instalments programme.

Foreign currency risk

The Group undertakes certain operating transactions in foreign currencies, which expose the Group to foreign currency risk, mainly pertaining to the risk of fluctuations in the Hong Kong dollar and U.S. dollar against Renminbi.

The Group has not used any derivative contracts to hedge against its exposure to currency risk. The management manages the currency risk by closely monitoring the movement of the foreign currency rates and considers hedging against significant foreign exchange exposure should such need arise.

Interest rate risk

The Group has no significant interest rate risk. The Group currently does not have specific policies in place to manage our interest rate risk and have not entered into interest rate swaps to mitigate the interest rate risk, but will closely monitor the interest rate risk in the future.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, there were a number of significant investments held by the Company during the Reporting Period, including:

(i) the acquisition of Unit 613 & 615 of Tower Two, Lippo Centre, 89 Queensway, Hong Kong at a total consideration of HK$60,000,000, which will be used for the Group's business and/or operations. For details, please refer to the Company's announcement dated 1 April 2017;

(ii) the subscription for Class USD 95A2 shares of the Term Liquidity Fund, being a sub-fund authorized by the Central Bank of Ireland, at a total subscription amount of US$13,000,000. The investment being part of the Group's treasury management to enhance the return on the Group's surplus cash. For details, please refer to the Company's announcement dated 20 April 2017;

(iii) the subscription for PIMCO Income Fund (HKD) and PIMCO Income Fund (EUR), being sub-funds of the PIMCO Funds and are authorized by the Securities and Futures Commission, at the consideration of HK$40,000,000 and EUR5,000,000 respectively. The investment being part of the Group's treasury management to enhance the return on the Group's surplus cash. For details, please refer to the Company's announcement dated 31 August 2017;

(iv) the acquisition of Billion Energy Limited, being the sole legal and beneficial owner of Suite 803, World-wide House at 19 Des Voeux Road, Central, Hong Kong at a total consideration of HK$113,800,000, which will be used for the Group's business and/or operations. For details, please refer to the Company's announcement dated 5 September 2017;

(v) the further subscription for PIMCO Income Fund (HKD), being a sub-fund of the PIMCO Funds and is authorized by the Securities and Futures Commission, at the consideration of HK$80,000,000. The investment being part of the Group's treasury management to enhance the return on the Group's surplus cash. For details, please refer to the Company's announcement dated 11 September 2017.

Save as disclosed in this announcement, there is no plan authorized by the Board for other material investments or additions of capital assets as at the date of this announcement.

INTERIM DIVIDEND AND SPECIAL DIVIDEND

The Board declared an interim dividend of 4.0 HK cents per Share and a special dividend of 8.5 HK cents per Share, i.e. a total of 12.5 HK cents per Share, for the Reporting Period, which will be payable to Shareholders whose names appear on the register of members of the Company on Thursday, 14 December 2017. The interim and special dividends will be satisfied in the form of an allotment of scrip shares of equivalent amount with an option to receive the same wholly in cash. Payment of the interim and special scrip shares dividends are conditional upon the Stock Exchange granting the listing of and permission to deal in the new Shares to be issued as the interim and special scrip shares dividends. The share certificates for the scrip shares interim and special dividends and the dividends warrants are expected to be posted or paid to those entitled on or around Wednesday, 31 January 2018. The Company will send a circular to the Shareholders containing, among others, details of the interim and special scrip shares dividends with a cash option.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining entitlement to the interim and special dividends, the register of members of the Company will be closed from 15 to 18 December 2017 in order to qualify for the interim and special dividends. All transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the branch share register of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 14 December 2017.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICE

During the Reporting Period, the Company has complied with all applicable code provisions as set out in the CG Code, save and except for deviation from code provision A.2.1 which states that the roles of chairman and chief executive officer of the Company should be separate and should not be performed by the same individual.

The role of chairman and chief executive officer of the Company have been performed by Mr. Tang. Although the dual roles of chairman and chief executive officer by Mr. Tang is a deviation from the code provision A.2.1 of the CG Code, the Board considers that having Mr. Tang acting as both the chairman and chief executive officer of the Company provides a strong and consistent leadership to the Company and allows the Company to have more effective planning and management. Further, in view of Mr. Tang's extensive experience in the industry, personal profile and role in the Group and the historical development of the Group as mentioned in the Prospectus under the section headed "Our History, Reorganisation and Corporate Structure", the Board considers that it is appropriate and beneficial to the business prospects of the Group that Mr. Tang continues to act as both the chairman and chief executive officer of the Company. The Board intends to regularly review the operations of the Company under Mr. Tang's leadership, and does not believe that this arrangement will have a negative influence on the balance of power between the Board and the management of the Group.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry, all the Directors confirmed that they have complied with the required standards set out in the Model Code during the Reporting Period.

Senior management, executives and staff who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code for securities transactions. No incident of non-compliance with the Model Code by such employees was noted by the Company during the Reporting Period.

CAPITAL EXPENDITURE AND COMMITMENTS

Use of Proceeds from IPO

The net proceeds from the IPO were approximately HK$703.4 million, after deducting the underwriting fees and commission and related expenses paid and payable by us in connection with the IPO. We have applied, and will continue to apply the net proceeds from the IPO in accordance with the proposed reallocation as set out in the announcement of the Company dated 18 July 2017 as well as the applicable Listing Rules. The below table sets out the planned application of the net proceeds and actual usage from 18 July 2017 up to 30 September 2017:

	Unutilised net proceeds as at 18 July 2017 (Approximately HK$ in million)	Approximate Percentage of the unutilised net proceeds as at 18 July 2017	Actual usage during the Reporting Period	Unutilised net proceeds balance as at 30 September 2017
i. Establishing and expanding the scale of our medical, aesthetic and beauty service businesses, centres and clinics	334.2	63.4%	65.0	269.2
ii. Acquiring of medical, aesthetic and beauty service businesses, centres and clinics, and entering into of joint ventures	106.3	20.1%	56.3	50.0
iii. Upgrading and improving our information technology systems	34.1	6.5%	0.6	33.5
iv. Working capital and for other general corporate purpose	52.7	10.0%	33.0	19.7
	527.3	100.0%	154.9	372.4

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF INTERIM RESULTS

The Audit Committee, which comprises three independent non-executive Directors, has reviewed the unaudited interim condensed consolidated financial statements of the Group for the Reporting Period, and was of the opinion that the preparation of such interim results had been prepared in accordance with the relevant accounting standards and that adequate disclosures have been made in accordance with the requirements of the Listing Rules, the applicable accounting standard and all legal requirements.

The figures in respect of this announcement of the Group's results for the six months ended 30 September 2017 have been agreed by the Audit Committee.

MAJOR EVENTS AFTER THE REPORTING PERIOD

On 28 November 2017, the Group has completed the Property Acquisition by settling the balance of HK$102,420,000. The said property is intended to be used for the Group's business and/or operations upon the expiration of the term of the tenancy under the existing tenancy agreement. For details of the transaction, please refer to the Company's announcement dated 5 September 2017.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company's website at www.umhgp.com and Hong Kong Exchanges and Clearing Limited website at www.hkexnews.hk. The interim report of the Company for the Reporting Period will be despatched to the Shareholders and made available on the above websites in due course.

DEFINITION

"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules, as amended from time to time
"Chinese Medicine Ordinance"	the Chinese Medicine Ordinance (Chapter 549 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Chinese Medicine Practitioner(s)"	the Registered Chinese Medicine Practitioner and the Listed Chinese Medicine Practitioner who are employed by our Group

"Clinical Microbiologist"	a Hong Kong Doctor who is registered under the Specialist Register of the Hong Kong Medical Council for clinical microbiology and infection kept in accordance with the Medical Registration Ordinance
"Company"	Union Medical Healthcare Limited (香港醫思醫療集團有限公司*), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Dentist(s)"	person(s) who is (are) registered on the General Register kept in accordance with the Dentists Registration Ordinance
"Dentists Registration Ordinance"	the Dentists Registration Ordinance (Chapter 156 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Director(s)"	the director(s) of the Company
"Doctor(s)"	collectively, Hong Kong Doctors, Macau Doctors and PRC Doctors, and each, a "Doctor"
"General Practitioner(s)"	Hong Kong Doctor(s) who is (are) not a Specialist(s)
"General Register"	the register of registered medical practitioners kept by the Hong Kong Medical Council, as specified in the Medical Registration Ordinance
"Greater Bay Area"	city cluster cross the Guangdong-Hong Kong-Macau region, consisting of Hong Kong, Macau and nine cities in Guangdong Province, namely, Dongguan, Foshan, Guangzhou, Huizhou, Jiangmen, Shenzhen, Zhaoqing, Zhongshan and Zhuhai
"Greater China"	the PRC, Hong Kong, Macau and Taiwan
"Group"	the Company and its subsidiaries
"g.f.a"	gross floor area
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Doctors" or "registered medical practitioner(s)"	person(s) who is (are) qualified to practise medicine, surgery and midwifery in Hong Kong and is (are) registered as registered medical practitioner(s) of the Hong Kong Medical Council under the General Register or the Specialist Register kept in accordance with the Medical Registration Ordinance

"IPO"	initial public offering of the Shares on the Main Board of the Stock Exchange
"Key Client(s)"	a client who has, in the relevant financial year, contributed at least HK$5,000 to our revenue from service provided and visited our service centres and/or clinics for at least four times
"Listed Chinese Medicine Practitioner(s)"	person(s) who is (are) listed as listed Chinese medicine practitioner(s) maintained by the Chinese Medicine Council of Hong Kong kept in accordance with the Chinese Medicine Ordinance
"Listing Date"	11 March 2016, being the date on which the Shares were first listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macau Special Administrative Region of the People's Republic of China
"Macau Doctor(s)"	doctor(s) licensed by and registered with the department of health in Macau (澳門特別行政區政府衛生局)
"Medical Registration Ordinance"	the Medical Registration Ordinance (Chapter 161 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Mr. Tang"	Mr. Tang Chi Fai, the chairman, executive Director and the chief executive officer of the Company
"Paediatrics"	Hong Kong Doctor(s) who is (are) registered under the Specialist Register of the Hong Kong Medical Council for paediatrics kept in accordance with the Medical Registration Ordinance
"Plastic Surgeon(s)"	Hong Kong Doctor(s) who is (are) registered under the Specialist Register of the Hong Kong Medical Council for plastic surgery kept in accordance with the Medical Registration Ordinance
"PRC"	the People's Republic of China which, for the purpose of this announcement and unless the context suggests otherwise, excludes Hong Kong, Macau and Taiwan

"PRC Doctor(s)"	medical practitioner(s) with the qualification of a doctor (醫師) or assistant doctor (執業助理醫師) under the PRC Law on Medical Practitioners (中華人民共和國執業醫師法) and is practicing at a medical or healthcare institution
"Prospectus"	the prospectus dated 1 March 2016 issued by the Company
"Recognised Medical Revenue"	Revenue comprises aesthetic surgical procedures, minimally invasive procedures and energy-based procedures performed by Doctors and general consultation services, as well as dental, Chinese medical and ophthalmological services
"Recognised Revenue"	Revenue includes medical services, quasi-medical services, health management services, traditional beauty services and skincare, healthcare and beauty products
"Registered Chinese Medicine Practitioner(s)"	person(s) who is (are) registered as registered Chinese medicine practitioner(s) of the Chinese Medicine Council of Hong Kong under the Register of Chinese Medicine Practitioners kept in accordance with the Chinese Medicine Ordinance
"Registered Chiropractors"	person(s) who is (are) registered as registered chiropractor(s) of the Chiropractors Council of Hong Kong under the Register of Registered Chiropractors kept in accordance with the Chiropractors Registration Ordinance
"Registered Practitioner(s)"	Doctor(s), Chinese Medicine Practitioner(s), Chiropractors and/or Dentist(s)
"Reporting Period"	six months ended 30 September 2017
"Share(s)"	ordinary share(s) in the share capital of the Company with par value of HK$0.00001 each
"Shareholder(s)"	holder(s) of Share(s)
"Specialist Register"	the register of registered medical practitioners who are Specialists and kept by the Hong Kong Medical Council, as specified in the Medical Registration Ordinance
"Specialist(s)"	Hong Kong Doctor(s) who is (are) registered under the Specialist Register
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Trained Therapists"	our employees who have completed mandatory internal training developed by our Doctors to provide quasi-medical services and/or traditional beauty services under our internal licensing programme
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"%"	per cent.

By Order of the Board
Union Medical Healthcare Limited
Lee Gabriel
Executive Director

Hong Kong, 30 November 2017

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Tang Chi Fai, Mr. Lee Gabriel, Mr. Luk Kun Shing Ben and Mr. Yeung Chin Wan, and three independent non-executive Directors, namely Mr. Ma Ching Nam, Mr. Look Andrew and Mr. Lam Chi Hang Josekin.