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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)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019**

#### **ANNUAL RESULTS HIGHLIGHTS OF THE YEAR**

- Revenue increased by 40.5% from HK\$1,307.6 million for the year ended 31 March 2018 to HK\$1,836.8 million for the year ended 31 March 2019.
- Net profit increased by 38.3% from HK\$278.1 million for the year ended 31 March 2018 to HK\$384.5 million for the year ended 31 March 2019.
- Revenue contributed by the PRC clients as a percentage to the revenue increased from 35.4% for the year ended 31 March 2018 to 38.0% for the year ended 31 March 2019.
- Our number of full-time and exclusive Registered Practitioners increased by 35.9% from 64 for the year ended 31 March 2018 to 87 for the year ended 31 March 2019.
- Basic earnings per share increased by 28.8% from 28.5 HK cents for the year ended 31 March 2018 to 36.7 HK cents for the year ended 31 March 2019.
- The Board recommended the declaration of a final dividend of 6.5 HK cents per Share and a special dividend of 13.5 HK cents per Share in cash for the year ended 31 March 2019. Subject to the approval of the shareholders at the forthcoming annual general meeting, the total dividend attributable to the year ended 31 March 2019 will be 35.0 HK cents (2018: 27.0 HK cents) per Share.

\* For identification purposes only

The Group is the leading non-hospital medical service provider in Hong Kong\*. The Board is pleased to announce the consolidated financial results of the Group for the Reporting Period together with the comparative figures for the corresponding prior period as set out below.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March

(Expressed in Hong Kong dollars)

|                                                       | Notes | 2019<br>HK\$         | 2018<br>HK\$  |
|-------------------------------------------------------|-------|----------------------|---------------|
| <b>REVENUE</b>                                        | 5     | <b>1,836,798,361</b> | 1,307,639,358 |
| Other net income and gains                            | 6     | <b>36,190,688</b>    | 43,427,750    |
| Cost of inventories and consumables                   |       | <b>(227,286,741)</b> | (163,402,642) |
| Registered practitioner expenses                      |       | <b>(207,277,549)</b> | (110,382,274) |
| Employee benefit expenses                             |       | <b>(446,391,375)</b> | (341,276,031) |
| Marketing and advertising expenses                    |       | <b>(154,538,138)</b> | (126,932,303) |
| Rental and related expenses                           |       | <b>(175,578,191)</b> | (130,929,094) |
| Credit card expenses                                  |       | <b>(46,723,372)</b>  | (42,662,867)  |
| Depreciation                                          |       | <b>(48,987,080)</b>  | (34,559,879)  |
| Charitable donations                                  |       | <b>(3,273,956)</b>   | (4,777,050)   |
| Finance costs                                         | 7     | <b>(2,743,135)</b>   | (563,988)     |
| Other expenses                                        |       | <b>(113,481,088)</b> | (70,499,245)  |
| Share of profits less losses of joint ventures        |       | <b>3,372,057</b>     | 5,071,909     |
| <b>PROFIT BEFORE TAX</b>                              | 8     | <b>450,080,481</b>   | 330,153,644   |
| Income tax                                            | 9     | <b>(65,575,517)</b>  | (52,017,353)  |
| <b>PROFIT FOR THE YEAR</b>                            |       | <b>384,504,964</b>   | 278,136,291   |
| Attributable to:                                      |       |                      |               |
| Equity shareholders of the Company                    |       | <b>361,105,819</b>   | 279,223,799   |
| Non-controlling interests                             |       | <b>23,399,145</b>    | (1,087,508)   |
|                                                       |       | <b>384,504,964</b>   | 278,136,291   |
| <b>EARNINGS PER SHARE</b>                             | 10    |                      |               |
| ATTRIBUTABLE TO EQUITY<br>SHAREHOLDERS OF THE COMPANY |       |                      |               |
| Basic                                                 |       | <b>36.7 HK cents</b> | 28.5 HK cents |
| Diluted                                               |       | <b>36.6 HK cents</b> | 28.5 HK cents |

(\*according to the independent research conducted by Frost and Sullivan in terms of revenue in 2018)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the year ended 31 March*

*(Expressed in Hong Kong dollars)*

|                                                                                                                         | <b>2019</b><br><b>HK\$</b> | 2018<br><b>HK\$</b>       |
|-------------------------------------------------------------------------------------------------------------------------|----------------------------|---------------------------|
| <b>PROFIT FOR THE YEAR</b>                                                                                              | <b>384,504,964</b>         | 278,136,291               |
| Other comprehensive income for the year                                                                                 |                            |                           |
| Item that may be reclassified subsequently to profit or loss:                                                           |                            |                           |
| Exchange differences on translation of financial<br>statements of subsidiaries outside Hong Kong,<br>net of HK\$nil tax | <u><b>497,941</b></u>      | <u>(847,809)</u>          |
| <b>TOTAL COMPREHENSIVE INCOME<br/>FOR THE YEAR</b>                                                                      | <u><b>385,002,905</b></u>  | <u><b>277,288,482</b></u> |
| Attributable to:                                                                                                        |                            |                           |
| Equity shareholders of the Company                                                                                      | <b>361,603,760</b>         | 278,375,990               |
| Non-controlling interests                                                                                               | <u><b>23,399,145</b></u>   | <u>(1,087,508)</u>        |
| <b>TOTAL COMPREHENSIVE INCOME<br/>FOR THE YEAR</b>                                                                      | <u><b>385,002,905</b></u>  | <u><b>277,288,482</b></u> |

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 31 March*

*(Expressed in Hong Kong dollars)*

|                                                       | <i>Notes</i> | <b>2019</b><br><b>HK\$</b> | <b>2018</b><br><b>HK\$</b> |
|-------------------------------------------------------|--------------|----------------------------|----------------------------|
| <b>NON-CURRENT ASSETS</b>                             |              |                            |                            |
| Property, plant and equipment                         | 11           | 294,686,071                | 100,637,862                |
| Investment properties                                 | 11           | 232,000,000                | 190,400,000                |
| Goodwill                                              |              | 99,099,208                 | 95,223,189                 |
| Intangible assets                                     |              | 89,493,118                 | 86,861,454                 |
| Interest in joint ventures                            |              | 37,051,803                 | 44,694,000                 |
| Rental and other deposits                             | 14           | 35,847,456                 | 45,204,459                 |
| Prepayments                                           | 14           | 104,513,425                | 8,175,787                  |
| Financial assets at fair value through profit or loss | 15           | 37,356,812                 | –                          |
| Deferred tax assets                                   |              | 12,239,612                 | 2,311,349                  |
| Total non-current assets                              |              | <b>942,287,505</b>         | <b>573,508,100</b>         |
| <b>CURRENT ASSETS</b>                                 |              |                            |                            |
| Inventories                                           | 12           | 52,080,763                 | 31,444,495                 |
| Trade receivables                                     | 13           | 104,668,285                | 68,670,393                 |
| Prepayments, deposits and other receivables           | 14           | 198,690,058                | 86,269,710                 |
| Deferred costs                                        | 5            | 80,455,099                 | 33,904,930                 |
| Financial assets at fair value through profit or loss | 15           | 599,830,857                | 495,829,752                |
| Pledged time deposits                                 | 16           | 2,001,612                  | 2,000,740                  |
| Time deposits with original maturity over 3 months    | 16           | –                          | 395,871,516                |
| Cash and cash equivalents                             | 16           | 366,969,663                | 295,481,085                |
| Total current assets                                  |              | <b>1,404,696,337</b>       | <b>1,409,472,621</b>       |
| <b>CURRENT LIABILITIES</b>                            |              |                            |                            |
| Trade payables                                        | 17           | 21,879,324                 | 9,438,467                  |
| Other payables and accruals                           | 18           | 144,054,378                | 96,786,957                 |
| Bank borrowings                                       | 19           | 497,713,680                | 558,853,516                |
| Obligations under finance leases                      | 20           | 5,882,739                  | 1,709,865                  |
| Deferred revenue                                      | 5            | 420,461,620                | 452,391,483                |
| Current tax payable                                   |              | 34,936,345                 | 17,905,194                 |
| Total current liabilities                             |              | <b>1,124,928,086</b>       | <b>1,137,085,482</b>       |
| <b>NET CURRENT ASSETS</b>                             |              | <b>279,768,251</b>         | <b>272,387,139</b>         |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>          |              | <b>1,222,055,756</b>       | <b>845,895,239</b>         |

|                                                                        | <i>Notes</i> | <b>2019</b><br><b>HK\$</b> | 2018<br><b>HK\$</b> |
|------------------------------------------------------------------------|--------------|----------------------------|---------------------|
| <b>NON-CURRENT LIABILITIES</b>                                         |              |                            |                     |
| Deferred tax liabilities                                               |              | <b>6,159,759</b>           | 4,274,629           |
| Obligations under finance leases                                       | 20           | <b>40,889,102</b>          | 416,627             |
| Provision for reinstatement costs                                      | 18           | <b>9,110,000</b>           | 3,690,000           |
|                                                                        |              | <hr/>                      | <hr/>               |
| Total non-current liabilities                                          |              | <b>56,158,861</b>          | 8,381,256           |
|                                                                        |              | <hr/>                      | <hr/>               |
| <b>NET ASSETS</b>                                                      |              | <b>1,165,896,895</b>       | 837,513,983         |
|                                                                        |              | <hr/>                      | <hr/>               |
| <b>CAPITAL AND RESERVES</b>                                            |              |                            |                     |
| Share capital                                                          | 21           | <b>9,845</b>               | 9,834               |
| Reserves                                                               |              | <b>1,041,988,419</b>       | 820,838,871         |
|                                                                        |              | <hr/>                      | <hr/>               |
| <b>Total equity attributable to equity shareholders of the Company</b> |              | <b>1,041,998,264</b>       | 820,848,705         |
|                                                                        |              | <hr/>                      | <hr/>               |
| <b>Non-controlling interests</b>                                       |              | <b>123,898,631</b>         | 16,665,278          |
|                                                                        |              | <hr/>                      | <hr/>               |
| <b>TOTAL EQUITY</b>                                                    |              | <b>1,165,896,895</b>       | 837,513,983         |
|                                                                        |              | <hr/>                      | <hr/>               |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

The Group is principally engaged in the provision of medical, aesthetic medical, wellness and beauty services and sale of skincare, healthcare and beauty products. 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 OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial information relating to the years ended 31 March 2019 and 2018 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements.

The consolidated financial statements for the year ended 31 March 2019 comprise the Group and the Group's interest in joint ventures.

The Group's consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements of the Group also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 below provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the Group's consolidated financial statements.

The preparation of financial statements in conformity with 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.

### 3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. The Group has early adopted HKFRS 15, *Revenue from contracts with customers*, since the year ended 31 March 2017. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

The impact of these developments (except for HKFRS 15) to the Group's consolidated financial statements are discussed as follows:

(i) **HKFRS 9, *Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation***

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

Further details of the changes to the previous accounting policies and the transition approach are set out below.

a. ***Classification and measurement of financial assets and financial liabilities***

HKFRS 9 contains three principal classification and measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the assets. A debt instrument will be measured at amortised cost if the instrument is held for the collection of contractual cash flows which represent solely payments of principal and interest. Otherwise, the debt instruments are classified as FVTPL and any changes in fair value will be recognised in profit or loss. Interest income from the debt instruments is calculated using the effective interest method.
- For equity instruments (except for those accounted for as subsidiaries, joint ventures and associates, if any) the classification is FVTPL regardless of the entity's business model. The only exception is if the equity instrument is not held for trading and the entity irrevocably elects to designate that instrument as FVOCI. If an equity instrument is designated as FVOCI then only dividend income on that instrument will be recognised in profit or loss. Gains or losses on that instrument will be recognised in other comprehensive income without recycling through profit or loss.
- The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts.

The Group applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. On 1 April 2018, the Group assessed its financial assets based on business models and classified its financial instruments into the appropriate HKFRS 9 categories. All financial assets and financial liabilities of the Group had the same carrying amounts and measurement in accordance with HKAS 39 and HKFRS 9 on 1 April 2018, which was the date of initial application of HKFRS 9. Thus, there is no change in the measurement categories and carrying amounts for all financial assets and financial liabilities of the Group.

**b. Credit losses**

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the “expected credit loss” (“ECL”) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost, including pledged time deposits, cash and cash equivalents, bank deposits with original maturities over 3 months and trade and other receivables. Financial assets measured at fair value are not subject to the ECL assessment. The Group has determined that the adoption of the new ECL model does not have material impact on the Group’s consolidated financial statements as at 1 April 2018.

**(ii) HK(IFRIC) 22, Foreign currency transactions and advance consideration**

This interpretation provides guidance on determining “the date of the transaction” for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The interpretation clarifies that “the date of the transaction” is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way.

The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

**4. OPERATING SEGMENT INFORMATION**

During the year, the Group has changed the structure of its internal reporting structure in a manner to cope with the recent developments and expansions in order to facilitate the most senior executives to make decisions about resources to be allocated and performance assessment. Accordingly, the composition of the Group’s reportable segments has been changed and the corresponding information for prior period has been restated. Accordingly, the Group has two reporting segments as follows:

- (a) Medical; and
- (b) Aesthetic medical, beauty and wellness and sale of skincare, healthcare and beauty products.

**Segment results**

For the purposes of assessing segment performance and allocating resources between segments, the Group’s management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

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 before tax except that interest income, unrealised and realised gains/(losses) on financial assets at fair value through profit or loss, net, rental income from investment properties, fair value gain on investment properties, dividend income from unlisted investment funds, interest income from listed debt investments and certificate of deposits and head office and other corporate expenses are excluded from such measurement.

|                                                                                                            | Medical            |                    | Aesthetic medical,<br>beauty and wellness and<br>sale of skincare, healthcare<br>and beauty products |                      | Total                     |                      |
|------------------------------------------------------------------------------------------------------------|--------------------|--------------------|------------------------------------------------------------------------------------------------------|----------------------|---------------------------|----------------------|
|                                                                                                            | 2019               | 2018               | 2019                                                                                                 | 2018                 | 2019                      | 2018                 |
|                                                                                                            | HK\$               | HK\$               | HK\$                                                                                                 | HK\$                 | HK\$                      | HK\$                 |
| Sales to external customers and<br>segment revenue                                                         | <u>522,841,849</u> | <u>295,663,310</u> | <u>1,313,956,512</u>                                                                                 | <u>1,011,976,048</u> | <u>1,836,798,361</u>      | <u>1,307,639,358</u> |
| <b>Segment result</b>                                                                                      | <b>57,188,124</b>  | 31,170,255         | <b>414,637,249</b>                                                                                   | 325,394,430          | <b>471,825,373</b>        | 356,564,685          |
| Bank interest income                                                                                       |                    |                    |                                                                                                      |                      | <b>626,279</b>            | 3,590,543            |
| Interest income from listed debt<br>investments and certificate of<br>deposits                             |                    |                    |                                                                                                      |                      | <b>11,390,581</b>         | 5,007,194            |
| Dividend income from unlisted<br>investment funds                                                          |                    |                    |                                                                                                      |                      | <b>5,013,624</b>          | 4,222,796            |
| Unrealised and realised (losses)/gains<br>on financial assets at fair value<br>through profit or loss, net |                    |                    |                                                                                                      |                      | <b>(9,207,775)</b>        | 1,373,671            |
| Fair value gain on investment<br>properties                                                                |                    |                    |                                                                                                      |                      | <b>1,417,000</b>          | 10,235,597           |
| Rental income from investment<br>properties                                                                |                    |                    |                                                                                                      |                      | <b>7,073,525</b>          | 770,417              |
| Share of profits less losses of joint<br>ventures                                                          |                    |                    |                                                                                                      |                      | <b>3,372,057</b>          | 5,071,909            |
| Others                                                                                                     |                    |                    |                                                                                                      |                      | <b>(41,430,183)</b>       | (56,683,168)         |
| Consolidated profit before tax                                                                             |                    |                    |                                                                                                      |                      | <u><b>450,080,481</b></u> | <u>330,153,644</u>   |

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties, other property, plant and equipment, intangible assets, goodwill, interest in joint ventures and non-current portion of prepayments ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on (i) the physical location of the asset, in the case of investment properties and property, plant and equipment, (ii) the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and (iii) the location of operations, in the case of interest in joint ventures and non-current portion of prepayments.

*Information about geographical areas*

|           | Revenue from<br>external customers |                      | Specified<br>non-current assets |                    |
|-----------|------------------------------------|----------------------|---------------------------------|--------------------|
|           | 2019<br>HK\$                       | 2018<br>HK\$         | 2019<br>HK\$                    | 2018<br>HK\$       |
| Hong Kong | <b>1,719,200,704</b>               | 1,203,554,848        | <b>821,533,844</b>              | 474,918,305        |
| Macau     | <b>39,272,276</b>                  | 39,846,571           | <b>1,278,001</b>                | 1,736,980          |
| The PRC   | <b>78,325,381</b>                  | 64,237,939           | <b>34,031,780</b>               | 30,674,405         |
|           | <u><b>1,836,798,361</b></u>        | <u>1,307,639,358</u> | <u><b>856,843,625</b></u>       | <u>507,329,690</u> |

### *Information about major customers*

Since no revenue derived from sales to a single customer of the Group has individually accounted for over 10% of the Group's total revenue during each of the reporting periods presented, no information about major customers in accordance with HKFRS 8, *Operating Segments* is presented.

## **5. REVENUE**

Revenue represents the value of services rendered and the net invoiced value of goods sold, excluding value added tax or other sales taxes and is after deduction of any trade discounts. An analysis of revenue and deferred balance is as follows:

|                                          | <b>For the year ended 31 March</b> |                      |
|------------------------------------------|------------------------------------|----------------------|
|                                          | <b>2019</b>                        | 2018                 |
|                                          | <b>HK\$</b>                        | HK\$                 |
| <b>Revenue</b>                           |                                    |                      |
| Medical services                         | <b>522,841,849</b>                 | 295,663,310          |
| Aesthetic medical services               | <b>835,193,379</b>                 | 569,066,965          |
| Beauty and wellness services             | <b>399,751,560</b>                 | 368,358,711          |
| Skincare, healthcare and beauty products | <b>79,011,573</b>                  | 74,550,372           |
|                                          | <b><u>1,836,798,361</u></b>        | <u>1,307,639,358</u> |

### **Deferred balances**

The following table provides information about deferred liabilities from contract with customers and related deferred costs.

|                  | <b>31 March</b>          | 31 March          |
|------------------|--------------------------|-------------------|
|                  | <b>2019</b>              | 2018              |
|                  | <b>HK\$</b>              | HK\$              |
| Deferred revenue | <b>(420,461,620)</b>     | (452,391,483)     |
| Deferred costs   | <b><u>80,455,099</u></b> | <u>33,904,930</u> |

During the year ended 31 March 2019, the revenue recognised from unutilised prepaid packages after the effect of previously recognised expected breakage amount, amounted to HK\$155,945,288 (2018: HK\$105,528,501).

The deferred costs primarily related to the incremental costs of obtaining a contract with a customer, which represent sales commissions and bonus paid or payable to the staff and third party agents, are recognised as deferred costs in the consolidated statement of financial position. Such costs are recognised in profit or loss in the period in which the deferred revenue to which they relate is recognised as revenue.

## 6. OTHER NET INCOME AND GAINS

|                                                                                                      | For the year ended 31 March |                   |
|------------------------------------------------------------------------------------------------------|-----------------------------|-------------------|
|                                                                                                      | 2019                        | 2018              |
|                                                                                                      | HK\$                        | HK\$              |
| Bank interest income                                                                                 | 626,279                     | 3,590,543         |
| Interest income from listed debt investments and certificate of deposits                             | 11,390,581                  | 5,007,194         |
| Dividend income from unlisted investment funds                                                       | 5,013,624                   | 4,222,796         |
| Unrealised and realised (losses)/gains on financial assets at fair value through profit or loss, net | (9,207,775)                 | 1,373,671         |
| Fair value gain on investment properties                                                             | 1,417,000                   | 10,235,597        |
| Rental income from investment properties                                                             | 7,073,525                   | 770,417           |
| Impairment loss of goodwill                                                                          | (7,279,594)                 | –                 |
| Marketing service income                                                                             | 15,653,698                  | 14,502,083        |
| Others                                                                                               | 11,503,350                  | 3,725,449         |
|                                                                                                      | <b>36,190,688</b>           | <b>43,427,750</b> |

## 7. FINANCE COSTS

|                                                     | For the year ended 31 March |                |
|-----------------------------------------------------|-----------------------------|----------------|
|                                                     | 2019                        | 2018           |
|                                                     | HK\$                        | HK\$           |
| Interest on bank borrowings and overdrafts          | 2,712,119                   | 532,795        |
| Finance charges on obligations under finance leases | 31,016                      | 31,193         |
|                                                     | <b>2,743,135</b>            | <b>563,988</b> |

## 8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

|                                                                                                   | For the year ended 31 March |             |
|---------------------------------------------------------------------------------------------------|-----------------------------|-------------|
|                                                                                                   | 2019                        | 2018        |
|                                                                                                   | HK\$                        | HK\$        |
| Minimum lease payments under operating leases in respect of:                                      |                             |             |
| Land and buildings                                                                                | 146,783,868                 | 109,166,221 |
| Equipment                                                                                         | 306,896                     | 333,350     |
| Auditors' remuneration                                                                            | 2,630,760                   | 2,567,740   |
| Depreciation                                                                                      | 48,987,080                  | 34,559,879  |
| Amortisation of intangible assets                                                                 | 12,758,082                  | 3,064,918   |
| (Gain)/loss on disposals and write-off of property, plant and equipment                           | (4,098,377)                 | 3,929,950   |
| Foreign exchange differences, net                                                                 | 404,162                     | 398,450     |
| Rental income from investment properties less direct outgoings of HK\$618,093 (2018: HK\$120,566) | (6,455,432)                 | (649,851)   |

## 9. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Taxation in the consolidated statement of profit or loss represents:

|                                          | <b>For the year ended 31 March</b> |             |
|------------------------------------------|------------------------------------|-------------|
|                                          | <b>2019</b>                        | <b>2018</b> |
|                                          | <b>HK\$</b>                        | <b>HK\$</b> |
| Current — Hong Kong                      |                                    |             |
| Provision for the year                   | <b>77,644,379</b>                  | 51,871,677  |
| Over-provision in respect of prior years | <b>(7,032,855)</b>                 | (3,026,879) |
|                                          | <b>70,611,524</b>                  | 48,844,798  |
| Current — Outside Hong Kong              |                                    |             |
| Provision for the year                   | <b>3,716,626</b>                   | 5,129,431   |
|                                          | <b>74,328,150</b>                  | 53,974,229  |
| Deferred tax                             | <b>(8,752,633)</b>                 | (1,956,876) |
| Tax charge for the year                  | <b>65,575,517</b>                  | 52,017,353  |

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% (2018: 16.5%) on the estimated assessable profits for the year. Taxes on profits assessable outside Hong Kong have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

## 10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY SHAREHOLDERS OF THE COMPANY

### Basic earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity shareholders of the Company of HK\$361,105,819 (2018: HK\$279,223,799) and the weighted average of 983,875,783 ordinary Shares (2018: 981,261,572 ordinary Shares) in issue during the year, calculated as follows:

Weighted average number of ordinary Shares:

|                                                                             | <b>For the year ended 31 March</b> |               |
|-----------------------------------------------------------------------------|------------------------------------|---------------|
|                                                                             | <b>2019</b>                        | <b>2018</b>   |
| Issued/deemed issued ordinary Shares at the beginning of the financial year | <b>983,429,948</b>                 | 980,827,000   |
| Effect of share options exercised                                           | <b>445,835</b>                     | 25,541        |
| Effect of shares issued under scrip dividend scheme                         | <b>—</b>                           | 409,031       |
| Weighted average number of ordinary Shares at 31 March                      | <b>983,875,783</b>                 | 981,261,572   |
| Basic earnings per share                                                    | <b>36.7 HK cents</b>               | 28.5 HK cents |

### **Diluted earnings per share**

The calculation of the diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$361,105,189, and the weighted average number of ordinary Shares of 986,636,181 shares which is calculated as follows:

Weighted average number of ordinary Shares (diluted):

|                                                                          | <b>For the<br/>year ended<br/>31 March 2019<br/>HK\$</b> |
|--------------------------------------------------------------------------|----------------------------------------------------------|
| Weighted average number of ordinary Shares at 31 March                   | 983,875,783                                              |
| Effect of deemed issue of shares under the Company's share option scheme | <u>2,760,398</u>                                         |
| Weighted average number of ordinary Shares (diluted) at 31 March         | <u><u>986,636,181</u></u>                                |
| Diluted earnings per share                                               | <u><u>36.6 HK cent</u></u>                               |

The diluted earnings per share for the year ended 31 March 2018 was the same as the basic earnings per share as there were no dilutive potential ordinary Shares in existence during the period.

# 11. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

|                                      | Leasehold<br>improvements<br>HK\$ | Furniture<br>and fixtures<br>HK\$ | Operation<br>equipment<br>HK\$ | Office<br>equipment<br>HK\$ | Computers<br>HK\$ | Motor<br>vehicles<br>HK\$ | Sub-total<br>HK\$ | Investment<br>properties<br>HK\$ | Total<br>HK\$ |
|--------------------------------------|-----------------------------------|-----------------------------------|--------------------------------|-----------------------------|-------------------|---------------------------|-------------------|----------------------------------|---------------|
| <b>Cost:</b>                         |                                   |                                   |                                |                             |                   |                           |                   |                                  |               |
| At 1 April 2017                      | 76,463,191                        | 6,766,194                         | 70,731,184                     | 2,621,562                   | 5,900,959         | 2,313,935                 | 164,797,025       | –                                | 164,797,025   |
| Additions                            | 39,996,876                        | 5,567,953                         | 2,646,387                      | 2,028,022                   | 211,911           | 3,716,474                 | 54,167,623        | 180,164,403                      | 234,332,026   |
| Business acquisitions                | 3,645,974                         | 2,206,503                         | 6,821,858                      | 155,280                     | 197,692           | 1,575,636                 | 14,602,943        | –                                | 14,602,943    |
| Disposals                            | (3,592,853)                       | (593,630)                         | (659,076)                      | (4,798)                     | –                 | (686,200)                 | (5,536,557)       | –                                | (5,536,557)   |
| Exchange adjustment                  | 329,358                           | 157,557                           | –                              | –                           | –                 | –                         | 486,915           | –                                | 486,915       |
| Fair value adjustment                | –                                 | –                                 | –                              | –                           | –                 | –                         | –                 | 10,235,597                       | 10,235,597    |
| At 31 March 2018                     | 116,842,546                       | 14,104,577                        | 79,540,353                     | 4,800,066                   | 6,310,562         | 6,919,845                 | 228,517,949       | 190,400,000                      | 418,917,949   |
| At 1 April 2018                      | 116,842,546                       | 14,104,577                        | 79,540,353                     | 4,800,066                   | 6,310,562         | 6,919,845                 | 228,517,949       | 190,400,000                      | 418,917,949   |
| Additions                            | 77,600,080                        | 95,028,975                        | 98,052,552                     | 2,092,502                   | 2,623,529         | 815,105                   | 276,212,743       | 40,183,000                       | 316,395,743   |
| Business acquisitions                | –                                 | 3,318,419                         | –                              | –                           | –                 | –                         | 3,318,419         | –                                | 3,318,419     |
| Disposals                            | (3,628,922)                       | (37,965,452)                      | (1,477,131)                    | (196,023)                   | (75,195)          | (1,658,689)               | (45,001,412)      | –                                | (45,001,412)  |
| Transfers                            | (16,803,674)                      | 16,803,674                        | –                              | –                           | –                 | –                         | –                 | –                                | –             |
| Exchange adjustment                  | (289,106)                         | (178,697)                         | –                              | –                           | –                 | –                         | (467,803)         | –                                | (467,803)     |
| Fair value adjustment                | –                                 | –                                 | –                              | –                           | –                 | –                         | –                 | 1,417,000                        | 1,417,000     |
| At 31 March 2019                     | 173,720,924                       | 91,111,496                        | 176,115,774                    | 6,696,545                   | 8,858,896         | 6,076,261                 | 462,579,896       | 232,000,000                      | 694,579,896   |
| <b>Accumulated<br/>depreciation:</b> |                                   |                                   |                                |                             |                   |                           |                   |                                  |               |
| At 1 April 2017                      | 46,176,189                        | 2,967,669                         | 40,521,782                     | 1,704,642                   | 3,063,782         | 184,448                   | 94,618,512        | –                                | 94,618,512    |
| Charge for the year                  | 18,657,521                        | 2,493,117                         | 10,834,290                     | 644,104                     | 956,092           | 974,755                   | 34,559,879        | –                                | 34,559,879    |
| Written back on<br>disposals         | (929,835)                         | –                                 | (483,947)                      | –                           | –                 | (192,825)                 | (1,606,607)       | –                                | (1,606,607)   |
| Exchange adjustment                  | 260,230                           | 48,073                            | –                              | –                           | –                 | –                         | 308,303           | –                                | 308,303       |
| At 31 March 2018                     | 64,164,105                        | 5,508,859                         | 50,872,125                     | 2,348,746                   | 4,019,874         | 966,378                   | 127,880,087       | –                                | 127,880,087   |
| At 1 April 2018                      | 64,164,105                        | 5,508,859                         | 50,872,125                     | 2,348,746                   | 4,019,874         | 966,378                   | 127,880,087       | –                                | 127,880,087   |
| Charge for the year                  | 23,922,969                        | 3,270,566                         | 18,207,944                     | 892,863                     | 1,137,177         | 1,555,561                 | 48,987,080        | –                                | 48,987,080    |
| Written back on<br>disposals         | (3,250,694)                       | (2,711,765)                       | (1,214,708)                    | (64,455)                    | (69,913)          | (1,359,175)               | (8,670,710)       | –                                | (8,670,710)   |
| Transfers                            | (2,928,579)                       | 2,928,579                         | –                              | –                           | –                 | –                         | –                 | –                                | –             |
| Exchange adjustment                  | (239,736)                         | (62,896)                          | –                              | –                           | –                 | –                         | (302,632)         | –                                | (302,632)     |
| At 31 March 2019                     | 81,668,065                        | 8,933,343                         | 67,865,361                     | 3,177,154                   | 5,087,138         | 1,162,764                 | 167,893,825       | –                                | 167,893,825   |
| <b>Net book value:</b>               |                                   |                                   |                                |                             |                   |                           |                   |                                  |               |
| At 31 March 2019                     | 92,052,859                        | 82,178,153                        | 108,250,413                    | 3,519,391                   | 3,771,758         | 4,913,497                 | 294,686,071       | 232,000,000                      | 526,686,071   |
| At 31 March 2018                     | 52,678,441                        | 8,595,718                         | 28,668,228                     | 2,451,320                   | 2,290,688         | 5,953,467                 | 100,637,862       | 190,400,000                      | 291,037,862   |

## 12. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

|                                          | As at 31 March    |                   |
|------------------------------------------|-------------------|-------------------|
|                                          | 2019              | 2018              |
|                                          | HK\$              | HK\$              |
| Skincare, healthcare and beauty products | 13,268,932        | 10,359,335        |
| Consumables and other supplies           | 38,811,831        | 21,085,160        |
|                                          | <u>52,080,763</u> | <u>31,444,495</u> |

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

|                                                  | Year ended 31 March |                    |
|--------------------------------------------------|---------------------|--------------------|
|                                                  | 2019                | 2018               |
|                                                  | HK\$                | HK\$               |
| Carrying amount of inventories sold and consumed | <u>227,286,741</u>  | <u>163,402,642</u> |

## 13. TRADE RECEIVABLES

|                   | As at 31 March     |                   |
|-------------------|--------------------|-------------------|
|                   | 2019               | 2018              |
|                   | HK\$               | HK\$              |
| Trade receivables | <u>104,668,285</u> | <u>68,670,393</u> |

The Group's trading terms with its customers are mainly on credit card settlements and other institutional customers in respect of provision of medical services. The credit period is generally 1 to 120 days for both credit card settlements from the respective financial institutions and other institutional customers. 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.

As of the end of the reporting period, an ageing analysis of the trade receivables, based on the invoice date and net of loss allowance is as follows:

|                | As at 31 March     |                   |
|----------------|--------------------|-------------------|
|                | 2019               | 2018              |
|                | HK\$               | HK\$              |
| Within 1 month | 95,616,865         | 54,068,920        |
| 1 to 3 months  | 7,323,003          | 8,551,075         |
| Over 3 months  | <u>1,728,417</u>   | <u>6,050,398</u>  |
|                | <u>104,668,285</u> | <u>68,670,393</u> |

#### 14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

|                                   | As at 31 March       |                     |
|-----------------------------------|----------------------|---------------------|
|                                   | 2019                 | 2018                |
|                                   | HK\$                 | HK\$                |
| Prepayments                       | 181,687,300          | 43,342,417          |
| Deposits                          | 64,968,908           | 64,214,477          |
| Other receivables                 | 92,394,731           | 32,093,062          |
|                                   | <u>339,050,939</u>   | <u>139,649,956</u>  |
| Portion classified as non-current |                      |                     |
| — Rental and other deposits       | (35,847,456)         | (45,204,459)        |
| — Prepayments                     | (104,513,425)        | (8,175,787)         |
|                                   | <u>(140,360,881)</u> | <u>(53,380,246)</u> |
| Current portion                   | <u>198,690,058</u>   | <u>86,269,710</u>   |

#### 15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

|                                                              | As at 31 March     |                    |
|--------------------------------------------------------------|--------------------|--------------------|
|                                                              | 2019               | 2018               |
|                                                              | HK\$               | HK\$               |
| <b>Financial assets at fair value through profit or loss</b> |                    |                    |
| <i>Non-Current</i>                                           |                    |                    |
| — Unlisted equity investments                                | 37,356,812         | —                  |
| <i>Current</i>                                               |                    |                    |
| — Unlisted fund investments                                  | 176,383,259        | 329,449,514        |
| — Listed debt investments                                    | 423,447,598        | 166,380,238        |
|                                                              | <u>599,830,857</u> | <u>495,829,752</u> |
|                                                              | <u>637,187,669</u> | <u>495,829,752</u> |

A detailed breakdown of each financial asset, along with their individual performance, will be shown in the Annual Report 2018/19.

## 16. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

|                                                                                                      | As at 31 March     |               |
|------------------------------------------------------------------------------------------------------|--------------------|---------------|
|                                                                                                      | 2019               | 2018          |
|                                                                                                      | HK\$               | HK\$          |
| Cash at bank and in hand                                                                             | 366,969,663        | 295,481,085   |
| Time deposits                                                                                        | 2,001,612          | 397,872,256   |
|                                                                                                      | <b>368,971,275</b> | 693,353,341   |
| Less: Pledged time deposits for banking facilities as security for credit card instalments programme | (2,001,612)        | (2,000,740)   |
| Time deposits with original maturity over 3 months                                                   | –                  | (395,871,516) |
| Cash and cash equivalents                                                                            | <b>366,969,663</b> | 295,481,085   |

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\$13,504,197 (2018: HK\$16,917,120) 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.

## 17. TRADE PAYABLES

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

|                | As at 31 March    |           |
|----------------|-------------------|-----------|
|                | 2019              | 2018      |
|                | HK\$              | HK\$      |
| Within 1 month | 12,631,726        | 8,081,532 |
| 1 to 2 months  | 1,384,677         | 615,848   |
| 2 to 3 months  | 2,930,877         | 79,926    |
| Over 3 months  | 4,932,044         | 661,161   |
|                | <b>21,879,324</b> | 9,438,467 |

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

## 18. OTHER PAYABLES AND ACCRUALS

|                                                                          | As at 31 March     |             |
|--------------------------------------------------------------------------|--------------------|-------------|
|                                                                          | 2019               | 2018        |
|                                                                          | HK\$               | HK\$        |
| Other payables                                                           | 56,167,679         | 34,163,719  |
| Accruals                                                                 | 86,846,699         | 59,813,238  |
| Provision for reinstatement costs                                        | 10,150,000         | 6,500,000   |
|                                                                          | <b>153,164,378</b> | 100,476,957 |
| Portion classified as non-current<br>— provision for reinstatement costs | <b>(9,110,000)</b> | (3,690,000) |
| Current portion                                                          | <b>144,054,378</b> | 96,786,957  |

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 31 March   |             |
|-------------------------------------------|------------------|-------------|
|                                           | 2019             | 2018        |
|                                           | HK\$             | HK\$        |
| At the beginning of year                  | 6,500,000        | 5,950,000   |
| Additional provision                      | 4,060,000        | 890,000     |
| Amounts utilised during the year          | (410,000)        | (340,000)   |
| At the end of year                        | 10,150,000       | 6,500,000   |
| Portion classified as current liabilities | (1,040,000)      | (2,810,000) |
| Non-current portion                       | <b>9,110,000</b> | 3,690,000   |

## 19. BANK BORROWINGS

|           | As at 31 March     |             |
|-----------|--------------------|-------------|
|           | 2019               | 2018        |
|           | HK\$               | HK\$        |
| Secured   | 476,712,254        | 558,853,516 |
| Unsecured | 21,001,426         | —           |
|           | <b>497,713,680</b> | 558,853,516 |

The Group's bank borrowings of HK\$476.7 million (2018: HK\$557.8 million) are secured by the Group's financial assets at fair value through profit or loss of HK\$492.6 million (2018: HK\$479.6 million) and investment properties of HK\$163.0 million (2018: HK\$121.8 million).

In addition, a bank borrowing of HK\$1.1 million were secured by assets of a director of a subsidiary.

## 20. OBLIGATIONS UNDER FINANCE LEASES

At 31 March 2019, the Group had obligations under finance leases repayable as follows:

|                                      | 2019                                                      |                                         | 2018                                                      |                                         |
|--------------------------------------|-----------------------------------------------------------|-----------------------------------------|-----------------------------------------------------------|-----------------------------------------|
|                                      | Present value of<br>the minimum<br>lease payments<br>HK\$ | Total minimum<br>lease payments<br>HK\$ | Present value of<br>the minimum<br>lease payments<br>HK\$ | Total minimum<br>lease payments<br>HK\$ |
| Within 1 year                        | <u>5,882,739</u>                                          | <u>7,322,104</u>                        | <u>1,709,865</u>                                          | <u>1,736,132</u>                        |
| After 1 year but within 2 years      | 5,281,606                                                 | 6,547,692                               | 416,627                                                   | 421,376                                 |
| After 2 years but within 5 years     | 16,927,043                                                | 19,643,076                              | –                                                         | –                                       |
| After 5 years                        | <u>18,680,453</u>                                         | <u>19,643,076</u>                       | <u>–</u>                                                  | <u>–</u>                                |
|                                      | <u>40,889,102</u>                                         | <u>45,833,844</u>                       | <u>416,627</u>                                            | <u>421,376</u>                          |
|                                      | <u>46,771,841</u>                                         | <u>53,155,948</u>                       | <u>2,126,492</u>                                          | <u>2,157,508</u>                        |
| Less: total future interest expenses |                                                           | <u>(6,384,107)</u>                      |                                                           | <u>(31,016)</u>                         |
| Present value of lease obligations   |                                                           | <u>46,771,841</u>                       |                                                           | <u>2,126,492</u>                        |

## 21. SHARE CAPITAL AND DIVIDENDS

### (a) Dividends

(i) Dividends payable by the Company to equity shareholders:

|                                                                                                                                                                      | As at 31 March            |                    |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|--------------------|
|                                                                                                                                                                      | 2019<br>HK\$              | 2018<br>HK\$       |
| Interim dividends declared and paid of 15.00 HK cents per ordinary Share (2018: 12.50 HK cents per ordinary Share)                                                   | <b>147,564,742</b>        | 122,609,938        |
| Final dividends and special dividends proposed after the end of the Reporting Period of 20.00 HK cents per ordinary Share) (2018: 14.50 HK cents per ordinary Share) | <u><b>196,978,990</b></u> | <u>142,640,117</u> |
|                                                                                                                                                                      | <u><b>344,543,732</b></u> | <u>265,250,055</u> |

The final dividends and special dividends proposed after the end of the Reporting Period has not been recognised as a liability at the end of the Reporting Period.

- (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

|                                                                                                                                                                              | As at 31 March     |                    |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
|                                                                                                                                                                              | 2019               | 2018               |
|                                                                                                                                                                              | HK\$               | HK\$               |
| Final dividends in respect of the previous financial year, approved and paid during the year, of 14.50 HK cents per ordinary Share (2018: 12.90 HK cents per ordinary Share) | <u>142,640,117</u> | <u>126,526,683</u> |

**(b) Share capital**

|                                                                              | 31 March 2019         |                | 31 March 2018         |                |
|------------------------------------------------------------------------------|-----------------------|----------------|-----------------------|----------------|
|                                                                              | Number of<br>Shares   | HK\$           | Number of<br>Shares   | HK\$           |
| <b>Authorised</b>                                                            |                       |                |                       |                |
| Ordinary Shares of HK\$0.00001 each                                          | <u>38,000,000,000</u> | <u>380,000</u> | <u>38,000,000,000</u> | <u>380,000</u> |
| <b>Ordinary Shares, issued and fully paid</b>                                |                       |                |                       |                |
| At 1 April                                                                   | 983,429,948           | 9,834          | 980,827,000           | 9,808          |
| Exercise of share options (Note)                                             | 1,090,000             | 11             | 72,500                | 1              |
| Issue of Shares upon scrip dividend of 2016/17 interim and special dividends | <u>–</u>              | <u>–</u>       | <u>2,530,448</u>      | <u>25</u>      |
| At 31 March                                                                  | <u>984,519,948</u>    | <u>9,845</u>   | <u>983,429,948</u>    | <u>9,834</u>   |

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.

(Note) During the Reporting Period, the Company issued 792,500 Shares, 165,000 Shares, 120,000 Shares and 12,500 Shares upon exercise of share options by the relevant Grantee at exercise prices of HK\$3.03, HK\$3.50, HK\$4.00 and HK\$5.00 respectively under the Share Option Scheme. These new Shares ranked pari passu in all respects with other Shares in issue.

## 22. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current year's presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS OVERVIEW

The Group is the leading non-hospital medical service provider in Hong Kong\*, achieving strong business growth while maintaining competitive operating efficiencies. We have evolved to provide a full spectrum of medical and healthcare services and related services to create sustainable value to our stakeholders. We are also the largest medical aesthetic service provider in Hong Kong\*.

The Group will continue to focus its deployment of resources in IT, services and brands to sustain and enhance its competitive advantage as a leader in the market, and further expand its market share in the primary healthcare market.

Anticipating the massive demand on specialty medical services due to the launch of VHIS since April 2019, our specialty clinics, oncology and day surgery centre, and a diagnostic and imaging centre located at 9 Queen's Road Central and Langham Place respectively, also commenced operations in November 2018. In addition to the advanced radiology services and aesthetic treatments, the comprehensive range of surgical specialties care offer services potentially including but not limited to cardiothoracic, ear, nose and throat (ENT), general surgery, plastic surgery, neurosurgery, orthopaedics and urology. Our advanced radiology services shall include magnetic resonance imaging (MRI), computed tomography scan (CT Scan), Positron Emission Tomography Computed Tomography (PET CT), ultrasound and EOS medical imaging. Our oncology centre and day surgery centre offer services potentially including but not limited to chemotherapy, endoscopy, minor operations and traditional Chinese medicine treatments.

Two Tencent Doctorwork clinics were established in Hong Kong in November 2018 and the Artificial Intelligence ("AI") equipment was officially launched in May 2019. It is the intention of the parties to further its cooperation in system development and to facilitate cross-border consultation.

Occupying approximately a gross floor area of over 8,000 sq. ft. in our Langham Place flagship, the Group has also officially launched the vaccination centre in June 2019.

We are well-positioned to broaden the coverage of medical disciplines. As at 31 March 2019, including our two flagships in Hong Kong and seven clinics in the PRC, we operate 51 clinics and service centres occupying an aggregate of approximately 277,000 sq. ft. of floor area with 87 full-time and exclusive Registered Practitioners across Hong Kong, the PRC and Macau. During the Reporting Period, the Group's revenue and net profit increased significantly by 40.5% and 38.3% from the previous year to HK\$1,836.8 million and HK\$384.5 million respectively. Sales Volume during the year increased by 29.1% from HK\$1,398.7 million for the year ended 31 March 2018 to HK\$1,806.4 million for the year ended 31 March 2019.

*(\*according to the independent research conducted by Frost and Sullivan in terms of revenue in 2018)*

The Group is committed to generating sustainable and consistent returns for our Shareholders. The Board resolved to recommend a cash dividend of 6.5 HK cents per Share and a special dividend of 13.5 HK cents per Share, i.e. a total of 20.0 HK cents per Share for the year ended 31 March 2019, subject to the approval of the shareholders at the forthcoming annual general meeting.

## Business Analysis

Medical and aesthetic medical services continue to be the Group's growth driver. The table below sets forth our client demographics during the year:

|                                            | <b>For the year ended 31 March</b> |               |               |
|--------------------------------------------|------------------------------------|---------------|---------------|
|                                            | 2018                               | 2019          | <i>Change</i> |
| <b>Based on treatment delivered</b>        |                                    |               |               |
| Number of Individual Customers             | 80,566                             | <b>99,524</b> | 23.5%         |
| Number of New Customers                    | 50,652                             | <b>57,516</b> | 13.6%         |
| Number of Existing Customers               | 29,914                             | <b>42,008</b> | 40.4%         |
| <b>Contribution to treatment delivered</b> |                                    |               |               |
| Number of New Customers                    | 39%                                | <b>36%</b>    |               |
| Number of Existing Customers               | 61%                                | <b>64%</b>    |               |

Retention rate of our customers is 89%.

## Our Professionals and Other Staff

We continued to be a reliable partner to the medical experts. As at 31 March 2019, we had 87 full time and exclusive Registered Practitioners, 100 Medical Professionals, 332 relationship managers and 456 Trained Therapists. The following table summarises our Registered Practitioners as at 31 March 2019:

| Type of Registered Practitioners                            | Location  | Number of Registered Practitioners |
|-------------------------------------------------------------|-----------|------------------------------------|
| Registered medical practitioners on the General Register    | Hong Kong | 22                                 |
| Registered medical practitioners on the Specialist Register |           |                                    |
| Cardio-thoracic Surgery                                     | Hong Kong | 1                                  |
| Clinical Microbiology & Infection                           | Hong Kong | 1                                  |
| Clinical Oncology                                           | Hong Kong | 1                                  |
| Family Medicine                                             | Hong Kong | 1                                  |
| Gastroenterology & Hepatology                               | Hong Kong | 1                                  |
| General Surgery                                             | Hong Kong | 2                                  |
| Geriatric Medicine                                          | Hong Kong | 1                                  |
| Neurosurgery                                                | Hong Kong | 2                                  |
| Orthopaedic & Traumatology                                  | Hong Kong | 5                                  |
| Otorhinolaryngology                                         | Hong Kong | 1                                  |
| Paediatrics                                                 | Hong Kong | 1                                  |
| Plastic Surgery                                             | Hong Kong | 2                                  |
| Psychiatry                                                  | Hong Kong | 1                                  |
| Radiology                                                   | Hong Kong | 2                                  |
| Urology                                                     | Hong Kong | 1                                  |
| Chinese medicine practitioners                              | Hong Kong | 5                                  |
| Chiropractors                                               | Hong Kong | 15                                 |
| Dentists                                                    | Hong Kong | 9                                  |
| PRC Doctors                                                 | PRC       | 10                                 |
| Macau Doctors                                               | Macau     | 3                                  |
|                                                             |           | <hr/>                              |
|                                                             |           | 87                                 |
|                                                             |           | <hr/>                              |

As at 31 May 2019, we had 89 Registered Practitioners.

## Internal Control Protocols

Safety and risk management professionalism have always been our core values. Our experienced and well-trained Registered Practitioners perform and oversee all medical related operations, as well as participating 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. Before performing any procedure to a client, we require our Registered Practitioners and Trained Therapists to explain the procedures and associated risks therein and to obtain a written consent and acknowledgement as set out in a designated form which is to be signed by our clients. We apply certain medical standards even to our non-medical services, such as recommending our clients to consult doctors before receiving

any of our services. Internal control measures regarding selling practices and unutilised prepaid packages are in place. 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), in order to help prevent our staff from engaging in coercive selling practices. In particular, we strive to ensure that we are:

- adopting a refund policy which includes a fourteen-day cooling off period whereby our clients are allowed to request a full refund within fourteen 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; and
- sharing media reports of forced selling cases with our staff to highlight the potential adverse consequences of such practices.

During the Reporting Period, the refunds and settlement due to material unfavourable feedback represents only 0.02% (2018: 0.07%) of the Group’s total revenue.

## **OUTLOOK AND STRATEGIES**

We contemplate and formulate strategies for growth in a fast moving healthcare environment of rapid technological advancements, studying the development of long-term trends on a global scale. With medical efficacy as a foundation, we are committed to offering the top notch consumer experiences.

### **Competitive Landscape**

#### *Hong Kong*

Hong Kong has continually ranked second globally in the latest World Competitiveness Yearbook (“WCY”) 2019 as published by the International Institute for Management Development (“IMD”). The government is committed to enhancing the competitiveness and vibrancy of the economy of Hong Kong. Analysed by the WCY’s four competitiveness factors, Hong Kong maintained the top rank in “Government efficiency”, and was ranked second in “Business efficiency” and 10th in “Economic performance”. Benefiting from the government’s increased investment in areas such as infrastructure, innovation and technology, as well as education, Hong Kong’s ranking edged up to 22nd in “Infrastructure”.

The promulgation of the Outline Development Plan for the Greater Bay Area on 18 February 2019 signified a new milestone in the development of the Greater Bay Area. With the full support of the central government, Hong Kong will proactively integrate into the overall national development, thereby expanding its scope of development and generating new impetus for growth. This will bring new development opportunities to different sectors of the community, especially our young people.

Based on the total healthcare expenditure research conducted by Frost and Sullivan, the Hong Kong medical service market revenue will increase to HK\$178.2 billion in 2021. According to the Hong Kong private health market report published by Bupa and conducted by Asia Care Group, the out-of-pocket health expenditure in Hong Kong will increase to HK\$94 billion in 2024/25.

## **Medical Insurance**

According to the Medical Claims Statistics 2016 prepared by the Hong Kong Federation of Insurers, the total medical insurance claims already reached HK\$13.56 billion in 2016, out of which HK\$9.55 billion and HK\$4.015 billion were inpatient and outpatient respectively.

## **VHIS**

VHIS is a policy initiative introduced by the Food and Health Bureau (“FHB”) to regulate indemnity in individual hospital insurance plans, where insurance companies and consumers may participate voluntarily. The participating insurance companies participating in VHIS are subject to the supervision and regulation of the Insurance Authority under the Insurance Ordinance. Since April 2019, insurance companies registered as VHIS Providers offering individual indemnity hospital insurance plans that are certified by FHB are required to comply with the rules of the scheme (“Certified Plans”), including the product compliance rules and the code of practice.

It is the objectives of the government to:

- Enhance the protection level of hospital insurance products
- Provide the public with an additional choice of using private healthcare services through hospital insurance
- Relieve the pressure on the public healthcare system in the long run

Compared to many existing indemnity hospital insurance products, Certified Plans under VHIS are more attractive in terms of greater protection and transparency, with key features of the Certified Plans being:

- Irrespective of change in the individual’s health condition after policy inception, the renewal of policy is guaranteed up to the age of 100
- There is a cooling-off period of 21 days whereby an individual can cancel one’s policy and receive full refund of premium
- Premium transparency is offered with premium schedule that is easily accessible on websites of insurance companies
- Unknown pre-existing conditions will be partially covered in 2nd year (25%) and 3rd year (50%) after policy inception and fully covered (100%) afterwards

- Treatment of congenital conditions which have been manifested or diagnosed since the age of 8 will be covered
- Day case procedures such as endoscopy conducted in day centres will be covered
- Prescribed diagnostic imaging tests such as Computed Tomography (CT scan), Magnetic Resonance Imaging (MRI scan) and Positron Emission Tomography (PET scan) conducted during hospital stay or in an outpatient setting will be covered, subject to 30% coinsurance
- Prescribed non-surgical cancer treatments such as radiotherapy, chemotherapy and targeted therapy will be covered
- Psychiatric inpatient treatments in local hospitals will be covered up to the limit of HK\$30,000 per policy year

For taxpayers who purchase Certified Plans for themselves and/or their specified relatives, the premiums paid for a VHIS Policy is eligible for the tax deduction under the Inland Revenue Ordinance (Cap.112). If a VHIS Policy provides both Certified Plan coverage and other insurance protection, only the premiums in relation to the Certified Plan are eligible for the tax deduction.

The government encourages individuals to consider purchasing Certified Plans under the VHIS and be covered when using private healthcare services.

### *The PRC*

According to the International Handbook of Population Aging, the PRC is estimated to have 329 million people aged 65 or older by 2050, including 120 million people aged 80 years or older. According to the report on the work of the government delivered at the 13th National People's Congress of the People's Republic of China on 5 March 2019, the PRC Government aims to continue to increase basic medical insurance and serious disease insurance protection for rural and non-working urban residents. The PRC Government subsidies for resident medical insurance will be raised by an average of RMB30 per person, half of which will be used for serious disease insurance. It will lower and unify the deductible line for serious disease insurance, raise the reimbursement rate from 50 to 60 percent, and further reduce the burden of medical care for people with serious diseases and people living in poverty. Hong Kong is well positioned to capture the growing medical and healthcare demand of this 70 million people (as at the end of 2017) in the Greater Bay Area.

We identified key areas that the PRC Government is actively pursuing:

#### Strengthening the prevention and treatment of serious diseases

- The PRC Government will take action in cancer prevention and treatment, and promote preventive screening, early diagnosis and treatment, and search for breakthroughs in cancer research.

## Improvement in prevention and treatment of common chronic illnesses

- Outpatient medicines for treating high blood pressure and diabetes, et cetera, will be made reimbursable under the medical insurance scheme.

## Convenience in medical bill settlement

- To speedily implement and improve the policy on interprovincial on-the-spot settlement of medical bills through basic medical insurance accounts by enabling patients to use their medical insurance cards for medical treatment in any designated hospitals to settle their bills straight away regardless of the locality.

According to the China Insurance Regulatory Commission, the total overall gross premium income for China's insurance market was RMB3,658.1 billion in 2017, with health insurance premium income accounting for only 12% (RMB438.946 billion) of the market — small-scale when compared to life insurance (58.7%) and property insurance (26.9%). That being said, health insurance is growing at an increased pace; between 2013 and 2017, the health insurance sector grew by 40.6% while the overall insurance market average of 20.7%. EY and CPIC Allianz expect the future of health insurance will be driven by data.

## *Integrated Multi-Discipline Strategy*

The Group will continue its dedication to improve its brands, services and IT. It is the priority of the Group in improving patient care to provide a high degree of patient satisfaction. Our brand shall build on the ongoing positive feedbacks from clients. We will also continue to explore new ways to raise productivity standards through increased digitalisation, innovation and technology.

With reference to the big data gathered in our system, we anticipate that there will be a growing demand for medical specialty services. We look forward to deepening our impact in each of the medical disciplines. By establishing our footprints in the primary care clinics, we are able to secure new clientele who are health conscious and eventually require easy access to further medical and healthcare needs which our eco-system can offer.

Differentiating from the traditional strategy of aggressive expansion via establishment of number of clinics, the Group opts to establish clinics and centres in selective locations in a cautious manner. The Group also enhances the ambiance of our facilities and client convenience through the deployment of medical AI. Simplified preventive analysis of health data supported by enhanced diagnostic equipment shall enhance the competitiveness and efficiency of the Group in satisfying their specific needs.

We will consolidate the market by identifying potential acquisition targets or via an organic expansion. We are exploring acquisition targets as well as partnership opportunities with local medical players in the PRC cautiously, including but not limited to reputable 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 40.5% from HK\$1,307.6 million for the year ended 31 March 2018 to HK\$1,836.8 million for the year ended 31 March 2019 primarily attributable to the significant increase in the revenue generated from medical services as a result of the increase in the number of active clients and their spending during the Reporting Period.

#### *Medical*

Medical represents all medical services (excluding aesthetic medical services and any Beauty and Wellness Services) offered by the Group. Our revenue from medical represents 28.5% of revenue (2018: 22.6%) and increased significantly by 76.8% from HK\$295.7 million for the year ended 31 March 2018 to HK\$522.8 million for the year ended 31 March 2019, primarily attributable to the increase in the variety of medical services that the Group is offering, including but not limited to advanced radiology services, comprehensive range of surgical specialties care offer services in cardiothoracic, ear, nose and throat (ENT), gastroenterology & hepatology general surgery, plastic surgery, neurosurgery, orthopaedics and urology, and an increase in the number of clients receiving medical services.

#### *Aesthetic Medical Services*

Aesthetic medical services represent medical aesthetics and dental services offered by the Group. Our revenue from aesthetic medical services represents 45.5% of revenue (2018: 43.5%) and increased significantly by 46.8% from HK\$569.1 million for the year ended 31 March 2018 to HK\$835.2 million for the year ended 31 March 2019, primarily attributable to the increase in the number of clients obtaining medical aesthetic services, mainly the minimal invasive services, during the Reporting Period.

#### *Beauty and Wellness Services*

Beauty and wellness services represents traditional beauty, haircare and ancillary wellness services. Our revenue from beauty and wellness services represents 21.8% of revenue (2018: 28.2%) and increased slightly by 8.5% from HK\$368.4 million for the year ended 31 March 2018 to HK\$399.8 million for the year ended 31 March 2019, primarily attributable to the Group's integrated multi-discipline strategy to nurture and retain customers.

#### *Skincare, healthcare and beauty products*

Our revenue from the sale of skincare, healthcare and beauty products increased by 5.9% from HK\$74.6 million for the year ended 31 March 2018 to HK\$79.0 million for the year ended 31 March 2019, and represents only 4.3% of our total revenue (2018: 5.7%).

## *Operating Segment Information*

An analysis of the Group's revenue and contribution to results by business segments of the operations for the Reporting Period is set out in note 4.

### **Other net income and gains**

For the year ended 31 March 2019, our other net income and gains were approximately HK\$36.2 million, a decrease of approximately HK\$7.2 million or 16.7% when compared to the year ended 31 March 2018, primarily due to the unrealised and realised fair value losses on financial assets at fair value through profit or loss of HK\$9.2 million.

### **Cost of inventories and consumables**

Our cost of inventories and consumables representing 12.4% of revenue (2018: 12.5%), increased by 39.1% from HK\$163.4 million for the year ended 31 March 2018 to HK\$227.3 million for the year ended 31 March 2019, primarily attributable to an increase in the volume of medication and service consumables used, which was in line with the significant increase in the volume of service procedures performed.

### **Registered practitioner expenses**

For the year ended 31 March 2019, we incurred Registered Practitioner expenses of approximately HK\$207.3 million, representing 11.3% of revenue (2018: 8.4%) an increase of approximately HK\$96.9 million or 87.8% when compared to the year ended 31 March 2018, primarily attributable to an increase in the number of full-time and exclusive Registered Practitioners from 64 as at 31 March 2018 to 87 as at 31 March 2019.

### **Employee benefit expenses and remuneration policy**

For the year ended 31 March 2019, we incurred employee benefit expenses of approximately HK\$446.4 million, representing 24.3% of revenue (2018: 26.1%), an increase of approximately HK\$105.1 million or 30.8% when compared to the year ended 31 March 2018, primarily due to an increase in our overall headcount (excluding Registered Practitioners) from 1,265 as at 31 March 2018 to 1,742 as at 31 March 2019, as well as the increments to employees' salaries.

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.

On page 51 of the 2017/2018 annual report of the Company, it was disclosed that certain share options have been granted to those grantees under the category “employees and consultants”. The Company confirms that all grantees of share options under this category comprises employees of the Group at the material time.

### **Marketing and advertising expenses**

For the year ended 31 March 2019, the Group incurred marketing and advertising expenses of approximately HK\$154.5 million, representing 8.4% of the revenue (2018: 9.7%), an increase of approximately HK\$27.6 million or 21.7% when compared to the year ended 31 March 2018, primarily due to an increased level of marketing and advertising activities in promotion of the Group and our new line businesses.

### **Rental and related expenses**

For the year ended 31 March 2019, the Group incurred rental and related expenses of approximately HK\$175.6 million, representing 9.6% of the revenue (2018: 10.0%), an increase of approximately HK\$44.6 million or 34.1% when compared to the year ended 31 March 2018, primarily due to the increase in the weighted g.f.a. of approximately 32,600 square feets during the Reporting Period as compared to 31 March 2018.

### **Credit card expenses**

For the year ended 31 March 2019, the Group incurred credit card expenses of approximately HK\$46.7 million, representing 2.5% of the revenue (2018: 3.3%), an increase of approximately HK\$4.1 million or 9.5% when compared to the year ended 31 March 2018. Such increase is significantly lower than the increase in sales volume primarily due to the increase in business generated from non-credit card transactions.

### **Other expenses**

For the year ended 31 March 2019, the Group incurred other operating expenses of approximately HK\$113.5 million, an increase of approximately HK\$43.0 million or 61.0% when compared to the year ended 31 March 2018, primarily due to (i) the professional expenses incurred as a result of obtaining relevant services from professional advisers and parties in relation to the transactions entered into by the Group; and (ii) the office expenses incurred as the scale of the business of the Group increased during the Reporting Period.

### **Profit Before Tax**

For the year ended 31 March 2019, the Group has profit before tax of approximately HK\$450.1 million, representing 24.5% of the revenue which remained stable when compared to that of the year ended 31 March 2018.

## **Income Tax Expense**

For the year ended 31 March 2019, the Group incurred income tax expense of approximately HK\$65.6 million, an increase of approximately HK\$13.6 million or 26.1% when compared to the year ended 31 March 2018, primarily due to the increase in profit before tax.

## **Profit for the Year/Profit Margin**

For the year ended 31 March 2019, the Group recorded profit of approximately HK\$384.5 million, representing an increase of HK\$106.4 million or 38.3% when compared to the year ended 31 March 2018, primarily due to our development of new businesses and efficiently leverage on our integrated multi-discipline strategy. Our profit margin remains stable at approximately 20.9%.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Financial Resources**

We continue to maintain a strong financial position with cash and cash equivalents of HK\$367.0 million and with investment-grade financial instruments with high liquidity of HK\$599.8 million as at 31 March 2019. Our working capital was HK\$279.8 million. 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 Reporting Period, the majority of our cash and bank balances were in Hong Kong dollar, and as we continue to expand our operations in the PRC, there will be an increasing amount of our assets and transactions denominated in Renminbi.

### **SUBSEQUENT EVENTS**

On 17 June 2019, the Group entered into a sale and purchase agreement pursuant to which the Group agreed to acquire 60% of the issued share capital of Prime Inspire Limited which principally engaged in provision of marketing services.

## **CAPITAL EXPENDITURE AND COMMITMENTS**

### **Capital Expenditure**

Our capital expenditures during the year ended 31 March 2019 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 expenditures mainly through cash flows generated from operating activities.

### **Capital Commitment**

As at 31 March 2019, we do not have any capital commitments in respect of acquisition of property, plant and equipment.

## **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 approved by the shareholders at the annual general meeting held on 20 August 2018 as well as the applicable Listing Rules. As at 31 March 2019, the remaining unutilised net proceeds balance of HK\$12.4 million would be used for upgrading and improving our information technology systems.

## **INDEBTEDNESS**

### **Interest-bearing Liabilities**

As at 31 March 2019, the Group had outstanding interest-bearing bank borrowings of HK\$497.7 million and obligations under finance leases of HK\$46.8 million.

### **Contingent Liabilities and Guarantees**

As at 31 March 2019, we had contingent liabilities not provided for in our financial statements of HK\$2.0 million in relation to a 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 31 March 2019.

### **Charge of Assets**

As at 31 March 2019, investment properties of HK\$163.0 million and financial assets at fair value through profit or loss of HK\$492.6 million were pledged for certain bank borrowings and the time deposits of HK\$2.0 million were pledged for banking facilities as security for credit card instalments programme.

Also, motor vehicles and operation equipment of HK\$1.4 million and HK\$52.9 million respectively were held under finance leases.

### **Gearing Ratio**

Gearing ratio equals total debt divided by total equity. As at 31 March 2019, the Group had interest-bearing liabilities of HK\$544.5 million and the gearing ratio is 46.7%.

### **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 will consider hedging against significant foreign exchange exposure should such need arise.

## **Interest Rate Risk**

The Group has no significant interest rate risk. Nevertheless, whilst the Group has loan facilities with floating interest rates, our surplus cash is also partially invested into a portfolio of floating rate notes (“FRN”), which shall effectively mitigate the interest rate risk.

## **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 no significant investments held by the Company during the Reporting Period, nor were there any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Reporting Period. Save as disclosed in this announcement, there is no plan authorised by the Board for other material investments or additions of capital assets as at the date of this announcement.

## **ANNUAL GENERAL MEETING**

The 2019 annual general meeting of the Company is proposed to be held on 21 August 2019. A notice convening the AGM will be published and dispatched to the Shareholders in accordance with the requirements of the articles of association of the Company and the Listing Rules in due course.

## **DIVIDEND**

The Board recommends the declaration of a final dividend of 6.5 HK cents per Share and a special dividend of 13.5 HK cents per Share for the year ended 31 March 2019. The proposed final dividend and special dividend, if approved by the Shareholders at the AGM, will be paid on or around 6 September 2019 to the Shareholders whose names appear on the register of members of the Company on 28 August 2019.

## **CLOSURE OF REGISTER OF MEMBERS**

In order to determine the identity of the Shareholders who are entitled to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar 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, Hong Kong for registration no later than 4:30 p.m. on 23 August 2019.

Subject to Shareholders’ approval of the proposed final dividend and special dividend at the AGM, the proposed final dividend and special dividend will be paid on 6 September 2019 to Shareholders whose names appear on the register of members of the Company on 28 August 2019. The register of members of the Company will be closed from 24 August 2019 to 28 August 2019 for the purpose of ascertaining Shareholders’ entitlement to the proposed final dividend and special dividend. All transfers of Shares accompanied by the relevant Share certificates and transfer forms must be lodged with the branch share registrar 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 23 August 2019.

## **CORPORATE GOVERNANCE PRACTICE**

The Board acknowledges the vital importance of good governance to the Group's success and sustainability by providing a framework for the Company to formulate its business strategies and policies, and to enhance its transparency, accountability and shareholder value.

The Board has committed to maintaining statutory and regulatory standards and adhering to the principles of corporate governance emphasising on transparency, independence, accountability, responsibility and fairness.

The Company has adopted the principles as set out in the CG Code contained in Appendix 14 to the Listing Rules. The Company has complied with all code provisions set out in the CG Code during the Review Period, save for the deviation from code provision A.2.1 as disclosed below.

### **Code Provision A.2.1**

Pursuant to Code Provision A.2.1 of the CG Code, 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 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 allow 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 development of the Group, 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.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended 31 March 2019.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

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. Specific enquiry has been made of all the Directors, and the Directors have confirmed that they have complied with the Model Code throughout 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.

## **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.

## **AUDIT COMMITTEE**

The audit committee of the Company has reviewed the consolidated financial statements for the year ended 31 March 2019. The audit committee of the Company has also reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters.

## **SCOPE OF WORK OF KPMG**

The financial figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other and other comprehensive income, and the related notes thereto for the year ended 31 March 2019 as set out in the preliminary announcement have been compared by the Group’s auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group’s draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This annual results announcement of the Company is published on the Company’s website at [www.umhgp.com](http://www.umhgp.com) and Hong Kong Exchanges and Clearing Limited website at [www.hkexnews.hk](http://www.hkexnews.hk). The annual report of the Company for the Reporting Period will be dispatched to the Shareholders and made available on the above websites in due course.

## **DEFINITION**

|                               |                                                                                                           |
|-------------------------------|-----------------------------------------------------------------------------------------------------------|
| “AGM”                         | the annual general meeting of the Company proposed to be held on 21 August 2019                           |
| “Articles of the Association” | the Company’s articles of the association                                                                 |
| “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 |

|                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “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                                                                                                                                                                                                                                                                                                            |
| “Director(s)”              | the director(s) of the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| “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                                                                                                                                                                                                                                                                                    |
| “Group”                    | the Company and its subsidiaries                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| “g.f.a.”                   | gross floor area                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| “Healthcare Professionals” | person(s) registered with the respective boards or councils before he/she is allowed to practise in Hong Kong under the relevant laws of Hong Kong as may be amended, supplemented or otherwise modified from time to time. The 13 healthcare professionals comprise Chinese medicine practitioners, chiropractors, dental hygienists, dentists, medical laboratory technologists, medical practitioners, midwives, nurses, pharmacists, occupational therapists, optometrists, physiotherapists and radiographers |
| “Hong Kong”                | the Hong Kong Special Administrative Region of the People’s Republic of China                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| “IPO”                      | initial public offering of the Shares 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 Professionals”    | Healthcare Professionals, excluding Registered Practitioners                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| “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                                                                                                                                                                                                                                                                                                                                                  |
| “PRC”                        | the People’s Republic of China which, for the purpose of this annual report 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                                                                                                                                                                                                                                    |
| “Registered Practitioner(s)” | registered dentist within the meaning of the Dentists Registration Ordinance (Cap. 156), registered medical practitioner within the meaning of the Medical Registration Ordinance (Cap. 161), registered chiropractor within the meaning of the Chiropractors Registration Ordinance (Cap. 428), listed or registered Chinese medicine practitioner within the meaning of the Chinese Medicine Ordinance (Cap. 549), Macau Doctors and PRC Doctors |
| “Reporting Period”           | financial year ended 31 March 2019                                                                                                                                                                                                                                                                                                                                                                                                                 |
| “Sales Volume”               | being the total sales volume generated from contracted sales entered into, and all products and services offered by the Group                                                                                                                                                                                                                                                                                                                      |
| “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)                                                                                                                                                                                                                                                                                                                                                                                                                              |
| “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                                                                                                                                                                                                                                                  |
| “VHIS”                       | Voluntary Health Insurance Scheme                                                                                                                                                                                                                                                                                                                                                                                                                  |

“HK\$”

Hong Kong dollar, the lawful currency of Hong Kong

“%”

per cent.

By order of the Board  
**Union Medical Healthcare Limited**  
**Raymond Siu**  
*Company Secretary*

Hong Kong, 26 June 2019

*As at the date of this announcement, the executive Directors of the Company are Mr. Tang Chi Fai, and Mr. Lee Gabriel, the non-executive Directors are Mr. Luk Kun Shing Ben and Dr. Wang David Guowei, and the independent non-executive Directors are Mr. Ma Ching Nam, Mr. Look Andrew and Mr. Lam Chi Hang Josekin.*