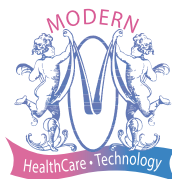


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MODERN HEALTHCARE TECHNOLOGY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 919)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

The Board of Directors (“the Board” or “the Directors”) of Modern Healthcare Technology Holdings Limited (“the Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as “the Group”) for the six months ended 30 September 2020 (“the period under review”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 September 2020 — unaudited

		Six months ended 30 September	
		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	5	218,228	289,221
Other income	6	48,689	3,675
Cost of inventories sold		(4,081)	(9,178)
Advertising costs		(1,658)	(3,001)
Building management fees		(5,931)	(6,682)
Bank charges		(7,337)	(13,594)
Employee benefit expenses		(88,540)	(164,344)
Depreciation and amortisation		(58,586)	(33,101)
Occupancy costs		(536)	(23,942)
Other operating expenses		(24,671)	(31,806)

		Six months ended 30 September	
		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from operations		75,577	7,248
Interest income		554	656
Fair value change on investment properties		(2,413)	178
Finance costs	7	(2,546)	(1,420)
Net loss on disposals of subsidiaries		(591)	—
Profit before taxation	7	70,581	6,662
Income tax expense	8	(4,643)	(1,188)
Profit for the period		65,938	5,474
Attributable to:			
Equity shareholders of the Company		65,817	5,317
Non-controlling interests		121	157
Profit for the period		65,938	5,474
Earnings per share (HK cents)	9		
Basic		7.28	0.59
Diluted		7.28	0.59

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

for the six months ended 30 September 2020 — unaudited

	Six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Profit for the period	65,938	5,474
Other comprehensive income for the period (after tax and reclassification adjustments):		
<i>Item that may be reclassified subsequently to</i> <i>profit or loss:</i>		
Exchange differences on translation of operations outside Hong Kong	2,036	(705)
Other comprehensive income for the period	2,036	(705)
Total comprehensive income for the period	67,974	4,769
Attributable to:		
Equity shareholders of the Company	67,853	4,612
Non-controlling interests	121	157
Total comprehensive income for the period	67,974	4,769

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2020 — unaudited

		At 30 September 2020 <i>HK\$'000</i>	At 31 March 2020 <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		172,458	144,374
Investment properties		11,507	13,920
Intangible assets		1,452	1,343
Goodwill		1,070	1,070
Deposits and prepayments	10	15,835	10,264
Deferred tax assets		1,379	3,863
		<u>203,701</u>	<u>174,834</u>
Current assets			
Inventories		15,177	15,131
Trade and other receivables, deposits and prepayments	10	183,353	188,081
Tax recoverable		8,959	7,929
Pledged bank deposits		54,309	54,092
Bank deposits with original maturity over three months		5,357	5,151
Cash and bank balances		210,229	174,779
		<u>477,384</u>	<u>445,163</u>
Current liabilities			
Trade and other payables, deposits received and accrued expenses	11	78,059	79,702
Deferred revenue	12	239,155	301,822
Lease liabilities		70,090	48,602
Tax payable		6,205	4,910
		<u>393,509</u>	<u>435,036</u>
Net current assets		<u>83,875</u>	<u>10,127</u>
Total assets less current liabilities		<u>287,576</u>	<u>184,961</u>

	At 30 September 2020 <i>HK\$'000</i>	At 31 March 2020 <i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	66,920	32,281
Deferred tax liabilities	<u>572</u>	<u>570</u>
	<u>67,492</u>	<u>32,851</u>
NET ASSETS	<u><u>220,084</u></u>	<u><u>152,110</u></u>
CAPITAL AND RESERVES		
Share capital	90,448	90,448
Reserves	<u>124,198</u>	<u>56,345</u>
Total equity attributable to equity shareholders of the Company	214,646	146,793
Non-controlling interests	<u>5,438</u>	<u>5,317</u>
TOTAL EQUITY	<u><u>220,084</u></u>	<u><u>152,110</u></u>

NOTES TO THE ANNOUNCEMENT

(Expressed in Hong Kong dollars unless otherwise indicated)

1 GENERAL INFORMATION

Modern Healthcare Technology Holdings Limited (“the Company”) was incorporated in the Cayman Islands with limited liability. The address of its registered office is M&C Corporate Services Limited, PO Box 309 GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands. The address of its principal place of business is 6th Floor, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (“the Stock Exchange”).

The Company and its subsidiaries (“the Group”) are principally engaged in the provision of beauty and wellness services and sales of skincare and wellness products. In the opinion of the directors of the Company, Dr. Tsang Yue, Joyce (“Dr. Tsang”), who is a director of the Company, is the ultimate controlling party of the Company.

2 BASIS OF PREPARATION

The interim results set out in this announcement do not constitute the Group’s interim financial report for the six months ended 30 September 2020 but are extracted from the Group’s unaudited interim financial report which has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2020, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 March 2021. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The unaudited interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 March 2020. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 March 2020 that is included in this announcement of the interim results as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

The Group has early adopted Amendments to HKFRS 3, *Definition of a Business* and Amendment to HKFRS 16, *Covid-19-Related Rent Concessions* since the year ended 31 March 2020. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 SEGMENT INFORMATION

The Group has two reportable segments as follows:

Beauty and wellness services — Provision of beauty and wellness services

Skincare and wellness products — Sales of skincare and wellness products

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in the Group's annual financial statements for the year ended 31 March 2020. Segment profits do not include other income, interest income, fair value changes on investment properties, unallocated costs, which comprise corporate administrative expenses, and income tax expense. Segment assets do not include properties held for corporate uses, investment properties, intangible assets, goodwill, deferred tax assets and tax recoverable. Segment liabilities do not include dividend payable, tax payable, deferred tax liabilities, amounts due to related companies and the ultimate controlling party.

- (a) Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the periods is set out below.

	Beauty and wellness services <i>HK\$'000</i>	Skincare and wellness products <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended 30 September 2020			
Revenue from external customers	209,447	8,781	218,228
Reportable segment profit	70,315	5,417	75,732
As at 30 September 2020			
Reportable segment assets	628,553	14,050	642,603
Reportable segment liabilities	<u>(439,492)</u>	<u>(11,468)</u>	<u>(450,960)</u>
For the six months ended 30 September 2019			
Revenue from external customers	270,920	18,301	289,221
Reportable segment profit	7,201	9,211	16,412
As at 30 September 2019			
Reportable segment assets	601,127	17,019	618,146
Reportable segment liabilities	<u>(440,142)</u>	<u>(14,685)</u>	<u>(454,827)</u>

- (b) Reconciliations of reportable segment profit or loss

	Six months ended 30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment profit	75,732	16,412
Other income	5,528	3,675
Interest income	554	656
Fair value changes on investment properties	(2,413)	178
Net loss on disposals of subsidiaries	(591)	—
Unallocated costs	(8,229)	(14,259)
Income tax expense	<u>(4,643)</u>	<u>(1,188)</u>
Consolidated profit for the period	<u>65,938</u>	<u>5,474</u>

5 REVENUE

The principal activities of the Group are the provision of beauty and wellness services and sales of skincare and wellness products.

The amount of each significant category of revenue recognised during the period is as follows:

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Revenue recognised from provision of beauty and wellness services and expiry of prepaid beauty packages	209,447	270,920
Sales of skincare and wellness products	8,781	18,301
	<u>218,228</u>	<u>289,221</u>

6 OTHER INCOME

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Government grants (<i>Note</i>)	43,946	—
COVID-19-related rent concessions received	3,180	—
Income from provision of domestic helper agency services	773	2,462
Net gain on disposals of property, plant and equipment	—	500
Rental income	—	423
Others	790	290
	<u>48,689</u>	<u>3,675</u>

Note: During the six months ended 30 September 2020, the Group successfully applied for funding support from the Government and other authorities. The purpose of those funding is to provide financial support to enterprises under COVID-19 situation.

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Directors' remuneration	4,083	6,196
Depreciation		
— Owned property plant and equipment	18,266	11,022
— Right-of-use assets	40,320	22,079
Foreign exchange loss, net	115	49
Finance costs — interest on lease liabilities	2,546	1,420

8 INCOME TAX EXPENSE

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Current tax — Hong Kong Profits Tax	670	875
Current tax — Overseas	1,472	1,042
Deferred taxation	2,501	(729)
Income tax expense	4,643	1,188

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (30 September 2019: 16.5%) to the six months ended 30 September 2020, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2019.

Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that are expected to be applicable in the relevant jurisdictions.

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the earnings attributable to ordinary equity shareholders of the Company of HK\$65,817,000 (2019: HK\$5,317,000) and the weighted average number of 904,483,942 ordinary shares (2019: weighted average number of 904,483,942 ordinary shares) in issue during the year. Diluted earnings per share is the same as basic earnings per share as there were no dilutive potential shares in issue throughout the periods ended 30 September 2020 and 2019.

10 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 September 2020 <i>HK\$'000</i>	At 31 March 2020 <i>HK\$'000</i>
Non-current assets		
Deposits and prepayments	15,835	10,264
Current assets		
Trade receivables, net of loss allowance for expected credit loss	15,861	21,929
Trade deposits retained by banks/credit card companies (<i>Note</i>)	133,854	133,490
Rental and other deposits, prepayments and other receivables	33,165	32,599
Amounts due from related companies	473	63
	183,353	188,081
	199,188	198,345

Note: Trade deposits represent trade receivables that were retained by the banks/credit card companies in reserve accounts to secure the Group's performance of services to customers who paid for the services by credit cards, in accordance with the merchant agreements entered into between the Group and the respective banks/credit card companies.

At the end of the reporting period, the ageing analysis of trade receivables (net of loss allowance), based on the invoice date, is as follows:

	At 30 September 2020 <i>HK\$'000</i>	At 31 March 2020 <i>HK\$'000</i>
0–30 days	9,261	9,504
31–60 days	487	3,395
61–90 days	1,956	3,693
91–180 days	4,157	5,337
	15,861	21,929

The Group's trading terms with its customers are mainly on credit card settlements. The credit period is generally 7 to 180 days (31 March 2020: 7 to 180 days) for the credit card settlement from the respective banks/credit card companies.

11 TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

	At 30 September 2020 <i>HK\$'000</i>	At 31 March 2020 <i>HK\$'000</i>
Trade payables	743	442
Other payables, deposits received and accrued expenses	77,189	79,171
Amount due to the ultimate controlling party	2	2
Amounts due to related companies	125	87
	<u>78,059</u>	<u>79,702</u>

At the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	At 30 September 2020 <i>HK\$'000</i>	At 31 March 2020 <i>HK\$'000</i>
Within 90 days	520	442
Over 90 days	223	—
	<u>743</u>	<u>442</u>

12 DEFERRED REVENUE

(a) An ageing analysis of deferred revenue, based on the invoice date, is as follows:

	At 30 September 2020 <i>HK\$'000</i>	At 31 March 2020 <i>HK\$'000</i>
Within 1 year	<u>239,155</u>	<u>301,822</u>

(b) Movement of deferred revenue:

	At 30 September 2020 <i>HK\$'000</i>	At 31 March 2020 <i>HK\$'000</i>
At the beginning of the period/year	301,822	297,621
Gross receipts from sales of prepaid beauty packages	146,023	496,257
Revenue recognised for provision of beauty and wellness services and expiry of prepaid beauty packages	(209,447)	(492,327)
Exchange differences	757	271
	<hr/>	<hr/>
At the end of the period/year	239,155	301,822
	<hr/>	<hr/>

13 DIVIDENDS

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2020 (2019: Nil).

BUSINESS REVIEW

Hong Kong

Due to the continuing China-US trade war and COVID-19 epidemic issues, the retail industry of Hong Kong SAR registered a significant decline in sales from mid 2019 onwards. According to statistics released by the Census and Statistics Department, during the first nine months of the year 2020, retail sales in Hong Kong plummeted 30 percent compared with the same period of 2019. As a result, our beauty, slimming and wellness service business in Hong Kong was inevitably affected. Nonetheless, with relentless dedication to customer experience and our excellent service management that facilitates greater quality assurance, our management is confident of the future prospects of our business.

The Group is currently operating 34 beauty and spa service centers with a total gross floor area of approximately 175,000 square feet, decreased by 8.9% when compared with the figure of 192,000 square feet as at 30 September 2019. Various comprehensive high quality beauty, slimming and facial services are offered to the general public including, inter alia, skincare, slimming, hairstyling, cosmetics, manicures, pedicures, electrology and aesthetics services.

With regard to the sales of skincare and wellness products, as of 30 September 2020, the Group had a total of 9 stores under the names of “be Beauty Shop”, locating across Hong Kong, Kowloon and the New Territories. More than 80 varieties of products are available for sale under different series of skincare service, including “Y.U.E”, “Advanced Natural”, “Bioline”, “BeYu”, “Malu Wilz”, which can fulfill the needs of customers with different skin types.

During the period under review, our service income and receipts from prepaid beauty packages in Hong Kong amounted to HK\$185,502,000 and HK\$127,658,000 respectively, representing a decrease of 22.6% and 46.8% respectively, as compared to the same period last year.

Mainland China

Our Mainland China operations are conducted through 2 wholly owned foreign enterprises established respectively in Shanghai and Guangzhou in the People’s Republic of China. These two wholly owned foreign enterprises operate a total of 3 service centres at the two cities referred to. During the period under review, our service income and receipts from prepaid beauty packages in Mainland China amounted to HK\$6,030,000 and HK\$6,276,000 respectively, representing an increase of 1.5% and 15.8% respectively, as compared to the same period last year.

Singapore

The Group operates a total of 10 beauty and wellness service centres in Singapore, decreased by 1 center compared with the same period last year. Our Singapore operations reported a revenue of HK\$19,253,000. Receipts from sales of prepaid beauty packages amounted to HK\$12,089,000, while revenue from services rendered amounted to HK\$17,915,000, decreased by 47.9% and 28.7% respectively when compared with the same period last year.

FINANCIAL REVIEW

Revenue

Revenue of the Group was mainly contributed by the beauty, facial and slimming services. For the six months ended 30 September 2020, revenue of the Group decreased by 24.5% to HK\$218,228,000 as compared to the same period last year due to the weakened economy in different business regions.

Set out below is a breakdown of the revenue of the Group by service lines and product sales during the period under review:

Sales mix	For the six months ended 30 September 2020		2019		Change
	HK\$'000	Percentage	HK\$'000	Percentage	
		of revenue		of revenue	
Beauty & facial	156,469	71.7%	204,860	70.9%	-23.6%
Slimming	41,374	19.0%	50,981	17.6%	-18.8%
Spa and massage	11,604	5.3%	15,079	5.2%	-23.0%
Beauty and wellness services	209,447	96.0%	270,920	93.7%	-22.7%
Sales of skincare and wellness products	8,781	4.0%	18,301	6.3%	-52.0%
Total	218,228	100%	289,221	100%	-24.5%

Compared to the same period last year, the Group's revenue from beauty and facial services for ladies decreased by 24.0% to HK\$151,510,000 (2019: HK\$199,417,000), while revenue from beauty and facial services for men decreased by 8.9% to HK\$4,959,000 (2019: HK\$5,443,000). Revenue from the slimming service decreased to HK\$41,374,000 in the period under review, down by approximately 18.8% from approximately HK\$50,981,000 in the same period of 2019.

Meanwhile, spa and massage revenue for the Group in the period under review decreased by 23.0% to HK\$11,604,000. As for the product revenue, it decreased by 52.0% to HK\$8,781,000 as compared to the same period last year, which was mainly attributed to the restructuring of our product portfolio in order to suit the customer needs.

Employee benefit expenses

Employee benefit expenses represent the largest component of the Group's operating expenses, decreased by approximately 46.1% to HK\$88,540,000, comparing to HK\$164,344,000 for the same period last year. The total headcount of the Group as at 30 September 2020 decreased by 10.9% to 1,051, as compared to a headcount of 1,180 for the same period last year. The drop of employee benefits expenses and headcount is mainly due to the continuous cost efficiency that we endeavor to pursue. In order to attract and retain the talents to enhance the competitive advantages of the Group, elite system has been launched since 2010 to provide comprehensive training to improve the staff's customer services skills. Eminent employees with excellent performance will be entitled to discretionary bonuses offered by the management in recognition of their contribution. Employee benefits expenses accounted for 40.6% of our revenue, as compared to 56.8% for the same period last year.

Occupancy costs and depreciation charge of other properties leased for own use

During the period under review, the Group's occupancy costs and depreciation of other properties leases for own use were approximately HK\$40,856,000 (2019: HK\$46,021,000), accounting for approximately 18.7% of our revenue (2019: 15.9%). As of 30 September 2020, the Group operated a total of 34 service centres in Mainland China and Hong Kong with a total weighted average gross floor area of 188,000 square feet, representing a decrease of 10.0% as compared to 209,000 square feet for the same period last year. As of 30 September 2020, the Group had 10 centres (2019: 11 centres) in Singapore, with a total weighted average gross floor area of approximately 20,000 square feet (2019: approximately 20,000 square feet).

Bank charges, advertising costs and building management fees

Bank charges recorded changes in line with sales of new prepaid beauty packages, which decreased by 46.0% to HK\$7,337,000. Advertising costs decreased to HK\$1,658,000 from HK\$3,001,000 for the same period last year. Advertising cost as a percentage of revenue in 2020 was 0.8% which remained stable compared with that of the same period last year. This reflected the Group's ability to enjoy cost advantage in advertising cost as it could spread such cost across an enlarged service centre network that covers Hong Kong, Mainland China and Singapore. Advertising cost is allocated in an effective way to raise brand awareness and capture a greater market share. Building management fees decreased by about 11.2% from HK\$6,682,000 in 2019 to approximately HK\$5,931,000 during the period under review. It accounts for 2.7% of our revenue in 2020, as compared to 2.3% for the same period last year.

Other operating expenses

Set out below is a breakdown on the other operating expenses of the Group during the period under review (with comparative figures for the same period last year):

	For six months ended	
	30 September	
	2020	2019
	HK\$'000	HK\$'000
Audit fee	1,968	1,802
Administrative expenses (<i>Note</i>)	2,821	3,516
Cleaning, sanitary and laundry	1,993	3,147
Consultancy fee	1,160	2,765
Government rent and rates	1,805	2,454
Insurance	1,289	1,721
Legal and professional fee	1,856	1,338
Repair and maintenance expenses	1,453	3,099
Utilities	2,130	4,684
Other expenses	8,196	7,280
	<u>24,671</u>	<u>31,806</u>

Note: The administrative expenses for each of the periods ended 30 September 2020 and 2019 included motor vehicles expenses, postage and courier expenses, printing and stationary, telephone and fax and transportation expenses.

Net profit

For the six months ended 30 September 2020, the net profit was approximately HK\$65,938,000, as compared to the net profit of HK\$5,474,000 for the same period last year. The Group will continue to expand its business when opportunities arise in order to achieve the long-term value-added objective of maximising shareholders' returns. Basic earnings per share for the period under review was HK7.28 cents as compared to the profit per share of HK0.59 cent for the same period last year.

Interim dividend

No interim dividend had been approved by the Board for the six months ended 30 September 2020 (interim dividend for 2019: nil).

Liquidity, capital structure and treasury policies

During the period under review, we maintained a strong financial position. The total equity of the Group as at 30 September 2020 was HK\$220,084,000. Cash and bank balances as at 30 September 2020 amounted to HK\$210,229,000 (31 March 2020: HK\$174,779,000) with no bank borrowings. The Group generally finances its liquidity requirements through the receipts from sales of prepaid beauty packages and collection of credit card prepayment from banks.

During the period under review, except for the fund required for operation, the majority of the Group's cash was held under fixed and savings deposits in banks at an annualised yield of approximately 0.1%. During the period under review, the Group did not have any other security or capital investments, derivative investments, or hedging on foreign currencies.

Capital expenditure

The total capital expenditure of the Group during the six months ended 30 September 2020 was approximately HK\$325,000, which was mainly used for the addition of leasehold improvements and equipment and machinery in connection with the expansion and integration of its service and retail networks in various regions. The capital expenditure for the same period last year was approximately HK\$16,623,000.

Contingent liabilities and capital commitment

The Group had capital commitment mainly for the acquisition of machinery, equipment and plant. The Board considered that there were no material contingent liabilities as at 30 September 2020. The Group had capital commitment of HK\$437,000 as at 30 September 2020 (31 March 2020: HK\$130,000) in respect of the acquisition of plant and equipment.

Charges on assets

As of 30 September 2020, the Group had pledged bank deposits of HK\$54,309,000 (31 March 2020: HK\$54,092,000) in favour of certain banks to secure banking facilities granted to certain subsidiaries in the Group.

Foreign exchange risk exposures

The Group's transactions were mainly denominated in Hong Kong Dollars. However, the exchange rates of Hong Kong Dollars against foreign currencies also affected the operating costs as the Group expanded its business to Mainland China, Southeast Asian regions and Australia. Therefore, the management will closely assess the foreign currency risk exposures faced by the Group, and will take the necessary actions to properly hedge such exposures.

Human resources and training

Total employee benefit expenses including directors' emoluments for the period under review amounted to HK\$88,540,000, representing a 46.1% decrease as compared to HK\$164,344,000 for the same period last year. The Group had a workforce of 1,051 staff as of 30 September 2020 (30 September 2019: 1,180 staff), including 877 front-line service centre staff in Hong Kong, 35 in Mainland China and 47 in Singapore. Back office staff totaled 70 in Hong Kong, 5 in Mainland China and 17 in Singapore and Australia. To ensure our service quality, the Group regularly offers appropriate trainings to its staff, including the safe application of the latest beauty technology, exchanging of tips on service techniques, and in-depth introduction of our services and products. The trainings are designed by the Group's senior management, who are also responsible for certain teaching and sharing of experiences. During the training, the Group also encourages its staff to raise questions and express their opinions, which facilitates the interaction between the senior management and the general staff. Meanwhile, the sound communication between the management and the staff enables the management to understand the daily operations of the Group in a more efficient manner.

The Group reviews its remuneration policies on a regular basis with reference to the legal framework, market conditions and performance of the Group and individual employees. The Remuneration Committee also reviews the remuneration policies and packages of executive directors and the senior management. Pursuant to the remuneration policies of the Group, employees' remunerations comply with the legal requirements of all jurisdictions in which we operate, and are in line with the market rates.

CORPORATE SOCIAL RESPONSIBILITY

The Group has been providing beauty and facial and slimming services over the years and such extensive experience has guided us to attach great importance to the safety of our services and products. The Group exercises stringent quality control on its products, of which the ingredients and hygienic packaging have all been recognised internationally. The advanced machines used in our services have also passed various safety tests and have attained international safety standards.

In addition, the professionalism of our staff is also a key to service safety. The Group established the Beauty Expert International College in 2002 and our professional teachers have nurtured numerous highly skilled and well-rounded students. The teachers of the college possess years of experience in cosmetology training with different international professional accreditations, while the students can also take a number of internationally recognised examinations in order to acquire experience. The college enables the Group to recruit elites and talents as well as to arrange appropriate trainings or further studies for suitable staff, thus achieve a win-win situation. Upon completing their programme, the students not only have the opportunity to join the Group's professional team, but also are able to explore their career path in other beauty businesses and contribute to the industry.

Concerning environmental protection, as part of our effort to provide a comfortable service environment while strongly support environmental protection, the Group has specific policies stipulating how to minimise the use of air conditioning and reduce our water consumption at service centres.

OUTLOOK

The year of 2020 is a very challenging year for beauty industry. The negative economic outlook and China-US trade tensions followed by the global outbreak of COVID-19 deeply affected the retail sector in Hong Kong. With the anti-epidemic and circuit-breaker measures launched by the Hong Kong and Singapore governments, our shops in Hong Kong were closed from 10 April 2020 to 7 May 2020 and from 17 July 2020 to 27 August 2020, while in Singapore, our shops were closed from 7 April 2020 to 18 June 2020. Nonetheless, the Group were granted subsidy under the Subsidy Scheme for Beauty Parlours under the Anti-epidemic Fund and subsidy of the Employment Support Scheme in Hong Kong. Both subsidies compensated for the loss destined to incur during the shop closure period. The amount of the Employment Support Scheme in Hong Kong for the month of October and November 2020 will be reflected in the second half of the financial period.

During the period under review, our Group manages to retain the number of stores and staff as much as we can, and strive to enhance the operational efficiency in order to achieve long term healthy development for the Group.

In addition, we will continue to reduce our rental expenses and explore some new rental payment models, streamline and automatise the workflow to survive the plight and to adjust our business strategy to achieve a faster turnaround and ride on the wave of the coming recovery.

The Group has established 14 branches of maid employment agencies in different districts in Hong Kong under the name of Kasa Maid Agency Limited and Excellent Quality Maid Agency Limited by the end of September 2020. Leveraging on our solid customer network and our services management that facilitate excellent quality assurance, the Group aspires to develop and expand our business scope to maid agency services which has the potential to be our new growth engine in the future.

Looking ahead, the Group will remain prudent in terms of store opening, emphasising on the improvement of the performance within our shop network. We will continue to optimise our skincare product sourcing strategy to match with customer preferences and market trends.

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

During the period under review, the Company did not redeem, and neither the Company nor any of its subsidiaries purchased or sold, any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to principles of good corporate governance consistent with prudent management and enhancement of shareholder value, which emphasise transparency, accountability and independence.

The Company has adopted the code provisions ("Code Provisions") set out in the Corporate Governance Code ("the Code") as set out in Appendix 14 to the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

During the period under review, the Company met the Code Provisions in the Code, except for the deviation from Code provision A.2.1 as discussed in the section headed "Chairperson and Chief Executive Officer" below and from Code Provision E.1.2 as set out in the section headed "Non-Compliance with Code Provision E.1.2" below.

Chairperson and Chief Executive Officer

During the period under review, Dr. Tsang Yue, Joyce was both the Chairperson and Chief Executive Officer of the Company. Code provision A.2.1 of the Code stipulates that the role of chairperson and chief executive should be separate and should not be performed by the same individual. After reviewing the management structure, the Board is of the opinion that Board decisions are collective decisions of all Directors made by way of voting and not decisions of the Chairperson of the Board alone. Further, there is a clear division of responsibilities between the management of the Board and the day-to-day management of the business of the Company, which relies on the support of the senior management. As such, the power of management of the Company is not concentrated in any one individual. The Board considers that the present structure will not impair the balance of power and authority between the Board and the senior management of the Group.

Non-Compliance with Code Provision E.1.2

Code Provision E.1.2 provides that the Chairman of the Board should attend the general meeting. Dr. Tsang Yue, Joyce, the Chairperson of the Board, was absent from the Annual General Meeting of the Company held on 28 August 2020 due to personal reason.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors of the Company (“the Directors”). Having made specific enquiry of all Directors, all Directors confirmed that they had complied with, and there had been no non-compliance with, the required standard set out in the Model Code and its code of conduct regarding the Directors’ securities transactions during the period under review.

Board Committees

The Board has established the following committees with defined terms of reference, which are on no less exacting terms than those set out in the Code:

- Remuneration Committee
- Nomination Committee
- Audit Committee

Each Committee has authority to engage outside consultants or experts as it considers necessary to discharge the Committee’s responsibilities. Minutes of all committees meetings are circulated to their members. To further reinforce independence and effectiveness, all Audit Committee members are Independent Non-executive Directors (“INEDs”), and the Nomination and Remuneration Committees have been structured with a majority of INEDs as members.

Remuneration Committee

The composition of the Remuneration Committee is as follows:

Independent Non-executive Directors

Dr. Wong Man Hin, Raymond (*Chairman*)
Ms. Liu Mei Ling, Rhoda
Mr. Hong Po Kui, Martin

Executive Director

Dr. Tsang Yue, Joyce

The responsibilities of Remuneration Committee is set out in its written terms of reference which include reviewing and determining the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management according to the policies as prescribed. Such policies are to link total compensation for senior management with the achievement of annual and long term performance goals. By providing total compensation at competitive industry levels for delivering on-target performance, the Group seeks to attract, motivate and retain the key executives essential to its long term success.

Nomination Committee

The composition of the Nomination Committee is as follows:

Executive Director

Dr. Tsang Yue, Joyce (*Chairman*)

Independent Non-executive Directors

Ms. Liu Mei Ling, Rhoda

Dr. Wong Man Hin, Raymond

Mr. Hong Po Kui, Martin

The Board established the Nomination Committee with written terms of reference which cover recommendations to the Board on the appointment of Directors, evaluation of Board composition, assessment of the independence of INEDs and the management of Board succession.

Audit Committee

The composition of the Audit Committee is as follows:

Independent Non-executive Directors

Ms. Liu Mei Ling, Rhoda (*Chairman*)

Dr. Wong Man Hin, Raymond

Mr. Hong Po Kui, Martin

The Audit Committee reviews the Group's financial reporting, internal controls and corporate governance issues and makes relevant recommendations to the Board. All Audit Committee members possess appropriate professional qualifications, accounting or related financial management expertise as required under the Listing Rules. The Audit Committee had reviewed and approved the Group's interim results for the period under review prior to their approval by the Board.

SUBSEQUENT EVENTS

After the end of the period under review, the COVID-19 pandemic still continues and the development of the COVID-19 pandemic is uncertain, the extent of impact of the COVID-19 pandemic on the Group's operations and financial performance cannot be determined as at the date of this announcement. The Group will pay close attention to the development of the COVID-19 pandemic, perform further assessment of its impact and make announcement(s) as and when appropriate.

Publication of the Interim Results and Interim Report

This results announcement is published on the website of the Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk under "Latest Listed Company Information" and on the website of the Company at www.modernhealthcaretech.com under "Investor Relations — Statutory Announcements". The Interim Report will be despatched to the shareholders on or about 18 December 2020 and will be available at the Stock Exchange's and the Company's websites at the same time.

By Order of the Board
Modern Healthcare Technology Holdings Limited
Dr. Tsang Yue, Joyce
Chairperson

Hong Kong, 27 November 2020

As at the date of this announcement, the Board consists of three Executive Directors, Dr. Tsang Yue, Joyce, Mr. Yip Kai Wing and Ms. Yeung See Man and three Independent Non-executive Directors, Ms. Liu Mei Ling, Rhoda, Dr. Wong Man Hin, Raymond and Mr. Hong Po Kui, Martin.