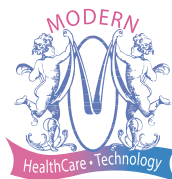


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MODERN HEALTHCARE TECHNOLOGY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 919)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

The Board of Directors (“the Board”) of MODERN HEALTHCARE TECHNOLOGY HOLDINGS LIMITED (“the Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as “the Group”) for the year ended 31 March 2021 (“FY2021” or “the year under review”), with comparative figures for the year ended 31 March 2020 (“FY2020”) as follows. The consolidated results for the year ended 31 March 2021 have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2021

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
Revenue	5	431,451	522,606
Other income	6	75,422	6,858
Cost of inventories sold		(13,777)	(18,917)
Advertising costs		(2,864)	(5,346)
Building management fees		(11,840)	(13,046)
Bank charges		(14,707)	(25,182)
Employee benefit expenses	7(a)	(180,848)	(311,732)
Depreciation and amortisation		(107,063)	(71,930)
Occupancy costs		(627)	(43,843)
Other operating expenses		(41,166)	(56,739)

		2021	2020
	Note	HK\$'000	HK\$'000
Profit/(loss) from operations		133,981	(17,271)
Finance costs	7(b)	(3,560)	(2,896)
Interest income		725	1,541
Fair value change on investment properties		1,990	110
Impairment loss on goodwill		(1,070)	—
Impairment loss on property, plant and equipment		—	(9,933)
Impairment loss on intangible assets		(1,449)	—
Net (loss)/gain on disposal of subsidiaries		(591)	809
Profit/(loss) before taxation	7	130,026	(27,640)
Income tax expense	8	(6,095)	(4,389)
Profit/(loss) for the year		123,931	(32,029)
Attributable to:			
Equity shareholders of the Company		125,723	(31,590)
Non-controlling interests		(1,792)	(439)
Profit/(loss) for the year		123,931	(32,029)
Earnings/(loss) per share (HK cents)	9		
Basic		13.90	(3.49)
Diluted		13.90	(3.49)

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

For the year ended 31 March 2021

	2021	2020
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the year	123,931	(32,029)
Other comprehensive income for the year (after tax and reclassification adjustments):		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
— Exchange differences on translation of foreign operations	2,948	(2,867)
— Revaluation surplus upon transfer of property, plant and equipment to investment properties	13,903	—
Other comprehensive income for the year	16,851	(2,867)
Total comprehensive income for the year	140,782	(34,896)
Attributable to:		
Equity shareholders of the Company	142,574	(34,457)
Non-controlling interests	(1,792)	(439)
Total comprehensive income for the year	140,782	(34,896)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	<i>Note</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		134,186	144,374
Investment properties		43,190	13,920
Intangible assets		—	1,343
Goodwill		—	1,070
Deposits and prepayments	<i>10</i>	11,460	10,264
Deferred tax assets		901	3,863
		<hr/>	<hr/>
		189,737	174,834
		<hr/>	<hr/>
Current assets			
Inventories		9,553	15,131
Trade and other receivables, deposits and prepayments	<i>10</i>	175,331	188,081
Tax recoverable		5,695	7,929
Pledged bank deposits		54,385	54,092
Bank deposits with original maturity over three months		5,476	5,151
Cash and bank balances		228,865	174,779
		<hr/>	<hr/>
		479,305	445,163
		<hr/>	<hr/>
Current liabilities			
Trade and other payables, deposits received and accrued expenses	<i>11</i>	73,363	79,702
Deferred revenue	<i>12</i>	183,446	301,822
Lease liabilities		70,795	48,602
Tax payable		3,695	4,910
		<hr/>	<hr/>
		331,299	435,036
		<hr/>	<hr/>
Net current assets		148,006	10,127
		<hr/>	<hr/>
Total assets less current liabilities		337,743	184,961
		<hr/>	<hr/>

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		44,277	32,281
Deferred tax liabilities		<u>574</u>	<u>570</u>
		44,851	32,851
NET ASSETS		<u>292,892</u>	<u>152,110</u>
CAPITAL AND RESERVES			
Share capital		90,448	90,448
Reserves		<u>198,919</u>	<u>56,345</u>
Total equity attributable to equity shareholders of the Company		289,367	146,793
Non-controlling interests		<u>3,525</u>	<u>5,317</u>
TOTAL EQUITY		<u>292,892</u>	<u>152,110</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 PO Box 309 GT, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The address of its principal place of business is Work Shop Nos. 66–68, 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 is an investment holding company. The principal activities of its subsidiaries are provision of beauty and wellness services and the 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 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The consolidated results set out in this announcement do not constitute the Group’s consolidated financial statements for the year ended 31 March 2021 but are extracted from those financial statements.

The 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. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 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 these financial statements.

The consolidated financial statements for the year ended 31 March 2021 comprise the Company and its subsidiaries (“the Group”).

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the investment properties are stated at their fair values as explained in the accounting policies set out below.

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 the following amendments to HKFRSs that are first effective or available for early adoption for the current accounting year of the Group:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*
- Amendment to HKAS 1 and HKAS 8, *Definition of Material*

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. During the year ended 31 March 2021, the Group has early applied Amendment to HKFRS 16, *Covid-19-Related Rent Concessions* beyond 30 June 2021. Apart from the above mentioned, 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. Segment profits do not include other income, interest income and fair value changes on investment properties, unallocated costs, which comprise corporate administrative expenses, and income tax credit/expense. Segment assets do not include properties held for corporate uses, investment properties, deferred tax assets and tax recoverable. Segment liabilities do not include tax payable, deferred tax liabilities and 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 years ended 31 March 2021 and 2020 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>
Year ended 31 March 2021			
Revenue from external customers	411,713	19,738	431,451
Reportable segment profit	139,826	5,759	145,585
Other segment information:			
Additions to property, plant and equipment	117,070	5,076	122,146
Depreciation and amortisation	103,479	3,584	107,063
As at 31 March 2021			
Reportable segment assets	607,129	12,127	619,256
Reportable segment liabilities	352,737	19,017	371,754

	Beauty and wellness services <i>HK\$'000</i>	Skincare and wellness products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2020			
Revenue from external customers	492,327	30,279	522,606
Reportable segment (loss)/profit	(20,168)	11,518	(8,650)
Other segment information:			
Additions to property, plant and equipment	55,093	6,423	61,516
Depreciation and amortisation	68,200	3,730	71,930
As at 31 March 2020			
Reportable segment assets	561,132	19,485	580,617
Reportable segment liabilities	<u>441,374</u>	<u>20,944</u>	<u>462,318</u>

(b) Reconciliations of reportable segment profit/(loss), assets and liabilities

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit/(loss)		
Reportable segment profit/(loss)	145,585	(8,650)
Other income	9,069	6,858
Interest income	725	1,541
Fair value change on investment properties	1,990	110
Net loss on disposal of property, plant and equipment	(5,878)	—
Net loss on disposal of subsidiaries	(591)	—
Unallocated costs	(20,874)	(27,499)
Income tax expense	(6,095)	(4,389)
	<u>123,931</u>	<u>(32,029)</u>
Consolidated profit/(loss) for the year	<u>123,931</u>	<u>(32,029)</u>
Assets		
Reportable segment assets	619,256	580,617
Properties held for corporate use	—	13,668
Investment properties	43,190	13,920
Deferred tax assets	901	3,863
Tax recoverable	5,695	7,929
	<u>669,042</u>	<u>619,997</u>
Consolidated total assets	<u>669,042</u>	<u>619,997</u>
Liabilities		
Reportable segment liabilities	371,754	462,318
Tax payable	3,695	4,910
Deferred tax liabilities	574	570
Amounts due to related companies	125	87
Amount due to the ultimate controlling party	2	2
	<u>376,150</u>	<u>467,887</u>
Consolidated total liabilities	<u>376,150</u>	<u>467,887</u>

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's property, plant and equipment ("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 asset is based on the physical location of the asset, in the case of property, plant and equipment. Specified non-current assets do not include investment properties, intangible assets, goodwill, deferred tax assets and deposits.

	Revenue from external customers		Specified non-current assets	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Hong Kong (place of domicile)	372,326	451,329	116,240	121,904
PRC	12,651	11,281	1,738	4,169
Singapore	45,857	57,588	15,803	18,065
Australia	617	2,408	405	236
	<u>431,451</u>	<u>522,606</u>	<u>134,186</u>	<u>144,374</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 is as follows:

	2021 HK\$'000	2020 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Revenue recognised from provision of beauty and wellness services and expiry of prepaid beauty packages	411,713	492,327
Sales of skincare and wellness products	<u>19,738</u>	<u>30,279</u>
	<u>431,451</u>	<u>522,606</u>

Since all the revenue comprises revenue recognised from provision of beauty and wellness services and expiry of prepaid beauty packages and sales of skincare and wellness products transferred to customers at a point in time, no revenue derived from services transferred over time.

Disaggregation of revenue from contracts with customers by geographical segment is disclosed in note 4(c).

6 OTHER INCOME

	2021 HK\$'000	2020 HK\$'000
Income from provision of domestic helper agency services	2,006	2,152
COVID-19-related rent concessions received	4,357	1,200
Net gain on disposal of property, plant and equipment	—	560
Rental income	710	423
Government grants (<i>note</i>)	66,353	167
Others	1,996	2,356
	<u>75,422</u>	<u>6,858</u>

Note: During the year ended 31 March 2021, 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/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging:

(a) Employee benefit expenses

	2021 HK\$'000	2020 HK\$'000
Salaries, wages and other benefits	171,096	295,466
Contributions to defined contribution retirement plans	9,752	16,266
	<u>180,848</u>	<u>311,732</u>

(b) Other items

	2021 HK\$'000	2020 HK\$'000
Finance costs — interest on lease liabilities	3,560	2,896
Auditor's remuneration	3,964	4,252
Net loss on disposal of property, plant and equipment	5,878	—
Occupancy costs		
— Short-term leases and other leases with remaining lease term ending on or before 31 March 2020	—	43,843
— Short-term lease payments not included in the measurement of lease liabilities	627	—
	<u>627</u>	<u>—</u>

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
Provision for the year	3,923	1,499
(Over)/under-provision in respect of prior years	<u>(20)</u>	<u>1,063</u>
	3,903	2,562
Current tax — Overseas		
Provision for the year	1,926	1,768
(Over)/under-provision in respect of prior years	<u>(2,733)</u>	<u>59</u>
	(807)	1,827
Deferred tax		
Originated and reversal of temporary differences	<u>2,999</u>	<u>—</u>
	<u>6,095</u>	<u>4,389</u>

The provision for Hong Kong Profits Tax for 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year, 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 millions 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 2020.

The provision for Hong Kong Profits Tax for 2021 is taken into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2020–21 subject to a maximum reduction of HK\$20,000 for each business (2020: a maximum reduction of HK\$20,000 was granted for the year of assessment 2019/20 and was taken into account in calculating the provision for 2020).

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

9 EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the earnings attributable to ordinary equity shareholders of the Company of HK\$125,723,000 (2020: loss attributable to ordinary equity shareholders of the Company of HK\$31,590,000) and the weighted average number of 904,483,942 ordinary shares (2020: weighted average number of 904,483,942 ordinary shares) in issue during the year. Diluted earnings/(loss) per share is the same as basic earnings/(loss) per share as there were no dilutive potential shares in issue throughout the years ended 31 March 2020 and 2021.

10 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 HK\$'000	2020 HK\$'000
Non-current assets		
Deposits and prepayments	11,460	10,264
Current assets		
Trade receivables, net of loss allowance for expected credit loss	14,394	21,929
Trade deposits retained by banks/credit card companies (<i>Note</i>)	134,040	133,490
Rental and other deposits, prepayments and other receivables	26,628	32,599
Amounts due from related companies	269	63
	175,331	188,081
	186,791	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 banks/credit card companies.

(a) Ageing analysis

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

	2021 HK\$'000	2020 HK\$'000
0–30 days	9,665	9,504
31–60 days	1,547	3,395
61–90 days	134	3,693
91–180 days	3,048	5,337
	14,394	21,929

Trade receivables are due within 7–180 days (2020: 7–180 days) from the date of billing.

The ageing analysis of the trade receivables based on the payment due date and net of allowance for expected credit losses is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Neither past due nor impaired	14,001	21,070
Less than 30 days past due	375	574
31–60 days past due	—	264
61–90 days past due	1	17
91–180 days past due	17	4
	<u>14,394</u>	<u>21,929</u>

(b) Impairment of trade receivables

The movement in the expected credit loss allowance in respect of trade receivables during the year is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Balance at 1 April	828	828
Impairment losses written off during the year	<u>(828)</u>	<u>—</u>
Balance at 31 March	<u>—</u>	<u>828</u>

11 TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	525	442
Other payables, deposits received and accrued expenses	72,711	79,171
Amount due to the ultimate controlling party	2	2
Amounts due to related companies	<u>125</u>	<u>87</u>
	<u>73,363</u>	<u>79,702</u>

All of the trade and other payables, deposit received and accrued expenses are expected to be settled or recognised as income within one year or are repayable on demand.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 90 days	515	442
Over 90 days	<u>10</u>	<u>—</u>
	<u>525</u>	<u>442</u>

12 DEFERRED REVENUE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 year	<u>183,446</u>	<u>301,822</u>

(b) Movement of deferred revenue:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At the beginning of the year	301,822	297,621
Gross receipts from sales of prepaid beauty packages	292,170	496,257
Revenue recognised for provision of beauty and wellness services and expiry of prepaid beauty packages	(411,713)	(492,327)
Exchange differences	<u>1,167</u>	<u>271</u>
At the end of the year	<u>183,446</u>	<u>301,822</u>

13 DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 March 2021 (2020: Nil).

BUSINESS REVIEW

Overview

During the financial year ended 31 March 2021 (“FY2021” or “the year under review”), revenue of the Group amounted to approximately HK\$431.5 million, representing a decrease of 17.4% compared with approximately HK\$522.6 million for the year ended 31 March 2020 (“FY2020” or the “same period last year”). The receipts from sales of prepaid beauty packages during the year under review was HK\$292.2 million, a decrease of 41.1% over the same period last year. The employees benefit expenses and occupancy costs and depreciation charge of other properties leased for own use decreased by 42.0% to HK\$180.8 million and decreased by 11.3% to HK\$81.8 million respectively as compared with the same period last year. The Group recorded an operating profit of HK\$134.0 million during the year under review (FY2020: operating loss of HK\$17.3 million).

Below is the key statistics:

	For the year ended 31 March		
	2021	2020	Change
Revenue (<i>HK\$ million</i>)	431.5	522.6	-17.4%
Operating profit/(loss) margin (%)	31.1	-3.3	+34.4 percentage points
Net profit/(loss) margin (%)	28.7	-6.1	+34.8 percentage points
Number of shops	51	55	-4
Employee benefit expenses (<i>HK\$ million</i>)	180.8	311.7	-42.0%
Occupancy costs and depreciation charge of other properties leased for own use:			
— Occupancy costs (<i>HK\$ million</i>)	0.6	43.8	-98.6%
— Depreciation charge of other properties leased for own use (<i>HK\$ million</i>)	81.2	48.4	+67.7%
	81.8	92.2	-11.3%
Total dividend per ordinary share (<i>HK cents</i>)	Nil	Nil	—
Annual dividend pay-out ratio (%)	N/A	N/A	—
Gearing ratio	N/A	N/A	—

Hong Kong

The China-US trade war and COVID-19 epidemic issues in Hong Kong has deeply dampened the retail industry in Hong Kong. As reflected from the figures released by the Census and Statistics Department, Hong Kong retail sales plunged by a record of 24.3 per cent year on year for 2020, as the coronavirus pandemic undermined consumer sentiment and kept big-spending tourists away.

During the financial year ended 31 March 2021, our shops in Hong Kong were closed for 144 days, from 10 April 2020 to 7 May 2020, from 15 July 2020 to 27 August 2020, and from 8 December 2020 to 17 February 2021 respectively in compliance with the anti-epidemic measures launched by the Hong Kong government. That accounted for approximately 39.5% of the days during the financial year ended 31 March 2021. As a result, our beauty, slimming and wellness service business in Hong Kong was seriously affected. Nonetheless, the Group was granted various COVID-19 related subsidies including subsidy under the Subsidy Scheme for Beauty Parlours under the Anti-epidemic Fund and subsidy of the Employment Support Scheme in Hong Kong. These subsidies compensated for the loss destined to incur during the shop closure period.

Revenue in Hong Kong during the FY2021 decreased by 17.5%. Revenue from services rendered and receipts from prepaid beauty packages during the FY2021 were HK\$358.7 million and HK\$246.5 million respectively (FY2020: HK\$429.1 million and HK\$441.5 million), representing decrease of 16.4% and 44.2% respectively. Revenue from sales of skincare and wellness products was HK\$13.6 million in FY2021 (FY2020: HK\$22.3 million). Our customers in Hong Kong amounted up to a total of approximately 426,000 during the year under review, representing an increase of 0.5% as compared to approximately 424,000 in the same period last year.

During the FY2021, the 17.5% drop of the revenue is much less than the 39.5% days of closure. This is mainly due to service recognised upon the expiration of beauty packages prepaid by the customers in the prior year, which contributed the substantial gain of the Group during the FY2021.

Our Group has managed to reshuffle the portfolio of shops in Hong Kong and retain our staff as much as we can, and strive to enhance the operational efficiency in order to achieve long term healthy development for the Group. We will continue to ensure the safety and quality of the services and products offered in our beauty and wellness centres.

In terms of the sales of skincare and wellness products, as of 31 March 2021, the Group had a total of 8 stores under the names of “be Beauty Shop”, located across Hong Kong, Kowloon and New Territories. More than 100 varieties of products are available for sale under different series of skincare service, including “Y.U.E”, “Advanced Natural”, “Bioline”, “BeYu”, “Malu Wilz”, “Dr Plus”, “Castille”, “Eclat du teint” which can fulfill the needs of customers with different skin types.

Mainland China

During FY2021, our Mainland China operations are conducted through two wholly owned foreign enterprises established in Shanghai and Guangzhou. These two wholly owned foreign enterprises operate a total of 3 service centres in these two cities. During the year under review, our service income and receipts from prepaid beauty packages in Mainland China amounted to HK\$12.5 million and HK\$13.4 million respectively, representing a increase of 12.5% and 24.7% respectively, as compared to the same period last year.

Singapore

During FY2021, the Group operated a total of 10 beauty and wellness service centres in Singapore (FY2020: 10). During FY2021, the revenue from operations in Singapore was HK\$45.9 million, as compared with HK\$57.6 million for the same period last year. Revenue recognised for provision of beauty and wellness services and receipts from sales of prepaid beauty packages in Singapore amounted to HK\$40.6 million and HK\$32.3 million respectively, as compared with HK\$52.2 million and HK\$44.1 million for the same period last year.

The Group will proceed with its Singapore business development in a prudent and steady manner. With relentless dedication to customer satisfaction, we will continue to focus on providing quality services that serve our customers well and enhance our brand awareness.

Financial Review

Revenue

Set out below is a breakdown on the revenue of the Group by service lines and product sales during FY2021 (with comparative figures for FY2020):

	For the year ended 31 March				
	2021		2020		Change
	HK\$'000	Percentage of revenue	HK\$'000	Percentage of revenue	
Sales mix					
Beauty & facial	309,852	71.9%	372,100	71.2%	-16.7%
Slimming	78,434	18.2%	94,463	18.1%	-17.0%
Spa and massage	23,427	5.4%	25,764	4.9%	-9.1%
Beauty and wellness services	411,713	95.5%	492,327	94.2%	-16.4%
Sales of skincare and wellness products	19,738	4.5%	30,279	5.8%	-34.8%
Total	431,451	100%	522,606	100%	-17.4%

Revenue of the Group was mainly contributed by the beauty, facial and slimming services. The Group's revenue from beauty and wellness services decreased by about 16.4% from approximately HK\$492.3 million in FY2020 to approximately HK\$411.7 million in FY2021.

The Group reported that gross receipts from the sales of new prepaid beauty packages of the Group amounted to HK\$292.2 million during FY2021, representing a decrease of 41.1% compared with HK\$496.3 million for FY2020, while cash and cash equivalents at year end maintained at a healthy level.

Set out below is an analysis on the deferred revenue:

Movement of deferred revenue	For the year ended 31 March							
	2021				2020			
	Hong Kong HK\$'000	Mainland HK\$'000	Singapore HK\$'000	Total HK\$'000	Hong Kong HK\$'000	Mainland HK\$'000	Singapore HK\$'000	Total HK\$'000
At beginning of the year	273,591	5,372	22,859	301,822	261,211	5,850	30,560	297,621
Exchange differences	—	48	1,119	1,167	—	(118)	389	271
Gross receipts from sales of prepaid beauty packages	246,531	13,363	32,276	292,170	441,457	10,713	44,087	496,257
Revenue recognised for provision of beauty and wellness services and expiry of prepaid beauty package	(358,684)	(12,460)	(40,569)	(411,713)	(429,077)	(11,073)	(52,177)	(492,327)
At the end of the year	<u>161,438</u>	<u>6,323</u>	<u>15,685</u>	<u>183,446</u>	<u>273,591</u>	<u>5,372</u>	<u>22,859</u>	<u>301,822</u>

Employee benefit expenses

Employee benefit expenses (including staff's salaries and bonuses as well as directors' remunerations) represented the largest component of the Group's operating costs. During the year under review, employee benefit expenses decreased by about 42.0% from HK\$311.7 million in FY2020 to approximately HK\$180.8 million. Employee benefit expenses accounted for 41.9% of our revenue in FY2021, as compared to 59.6% for FY2020. The total headcount of the Group as at 31 March 2021 decreased by 14.6% to 928, as compared to a headcount of 1,087 for the FY2020. The decrease of the amount of employee benefits expenses and headcount is mainly due to the continuous cost efficiency that we endeavor to pursue. The Group's remuneration policies are in line with the prevailing market practices and are determined based on the individual performance and experience. For the purpose of motivating and rewarding our staff, discretionary bonus and share options may be granted to eligible employees based on individual performance and the Group's results. The Group introduced the elite system since the first quarter of 2010, whereby excellent staff with outstanding performance may receive discretionary bonus in recognition of their contribution.

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

During the year under review, the Group's occupancy costs and depreciation of other properties leases for own use were approximately HK\$81.8 million (2020: HK\$92.2 million), accounting for approximately 19.0% of our revenue (2020: 17.7%). As of 31 March 2021, the Group operated a total of 33 service centres in Mainland China and Hong Kong with a total weighted average gross floor area of 186,000 square feet, representing a decrease of 11.0% as compared to 209,000 square feet in FY2020. As of 31 March 2021, the Group had 10 centres in Singapore, with a total weighted average gross floor area of approximately 20,000 square feet (FY2020: approximately 20,000 square feet).

Bank charges, advertising costs and building management fees

Bank charges recorded changes in line with gross receipts from sales of new prepaid beauty packages, which decreased by 41.6% to HK\$14.7 million. Advertising costs decreased to HK\$2.9 million from HK\$5.3 million for the same period last year. Advertising cost as a percentage of revenue in FY2021 was 0.7% 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 costs 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 9.2% from HK\$13.0 million in FY2020 to approximately HK\$11.8 million during the year under review. It accounts for 2.7% of our revenue in FY2021, as compared to 2.5% for FY2020.

Other operating expenses

Set out below is a breakdown of other operating expenses of the Group during FY2021 (with comparative figures for FY2020):

	For the year ended	
	31 March	
	2021	2020
	HK\$'000	HK\$'000
Audit Fee	3,964	4,252
Administrative expenses (<i>Note</i>)	5,596	6,592
Cleaning, sanitary and laundry	3,993	6,269
Consultancy fee	1,908	4,928
Government rent and rates	3,690	4,587
Insurance	2,877	3,502
Legal and professional fee	3,226	3,402
Repair and maintenance expenses	3,313	6,369
Utilities	4,423	8,374
Other expenses	8,176	8,464
	41,166	56,739

Note: The administrative expenses for each of the years ended 31 March 2020 and 2021 included motor vehicles expenses, postage and courier expenses, printing and stationery, telephone and fax and transportation expenses.

Net profit/loss

The net profit attributable to equity shareholders of the Company was approximately HK\$125.7 million in FY2021, as compared to the net loss attributable to equity shareholders of the Company of HK\$31.6 million in FY2020. 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.

Dividend per share

The Board did not recommend any final dividend to the shareholders of the Company for the year under review (FY2020: Nil). As no interim dividend had been approved by the Board for the six months ended 30 September 2020, the total dividend for the year ended 31 March 2021 will be nil (FY2020: Nil).

Liquidity, financial resources and capital structure

The Group generally finances its liquidity requirements through the gross receipts from sales of prepaid beauty packages and settlement of credit card prepayment transactions with banks. During the year under review, we maintained a strong financial position with abundant cash and bank balances of approximately HK\$234.3 million (FY2020: HK\$180.0 million) with no bank borrowings. Our cash is primarily used as working capital and to finance our normal operating expenses, as well as to pay for the purchase of skincare and wellness products, materials and consumable used in the provision of beauty and wellness services. During the year under review, except for cash at bank held for daily operation, the majority of the Group's cash was held under fixed and savings deposits as in line with the Group's prudent treasury policies.

Capital expenditure

The total capital expenditure of the Group (excluding additions to right-of-use assets for leases of properties for own use) during the year under review was approximately HK\$2.2 million, as compared to HK\$20.0 million for the same period last year. The amount was mainly used for the additions of leasehold improvements and equipment and machinery in connection with the expansion and integration of its service network in Hong Kong, Mainland China and Singapore.

Contingent liabilities and capital commitment

The Board considered that there was no material contingent liabilities as at 31 March 2021. The Group had capital commitment of HK\$0.3 million as at 31 March 2021 (31 March 2020: HK\$0.1 million), mainly for the acquisition of plant and equipment.

Charges on assets

As of 31 March 2021, the Group had pledged bank deposits of HK\$54.4 million (31 March 2020: HK\$54.1 million) 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 fluctuation in exchange rates of Hong Kong Dollars against Renminbi and Singapore Dollars also affected the operating costs as the Group expanded its business to Mainland China and Singapore. Management will closely monitor the risk exposures faced by the Group, and will take necessary actions to minimise potential risks and strike a balance between our exposure and return so as to properly hedge such exposures.

Human resources and training

The Group had a workforce of 928 staff as of 31 March 2021 (31 March 2020: 1,087 staff), including 752 front-line service centre staff in Hong Kong, 33 in Mainland China and 61 in Singapore. Back office staff totaled 61 in Hong Kong, 5 in Mainland China, 13 in Singapore and 3 in Australia. 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 staff. The Remuneration Committee also reviews the remuneration policies and packages of executive directors and 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. During the year under review, total employee benefit expenses, including directors' emoluments, amounted to HK\$180.8 million, representing a 42.0% decrease as compared to HK\$311.7 million in FY2020. To enhance the service quality and core skills of our staff, the Group regularly organises training programs designed by the Group's senior management for its staff. In addition, the seminars also facilitate the interaction and communication between the Group's management and the general staff.

OUTLOOK

Our salons were closed for 144 days in Hong Kong and 73 days in Singapore during the FY2021 due to the COVID-19 anti-epidemic and circuit-breaker measures respectively. Deferred revenue at the end of the FY2021 was HK\$183.4 million, which represented 39.2% drop compared with the deferred revenue of HK\$301.8 million at the end of FY2020, indicating the deferred revenue of the beauty packages that will be recognized as revenue in the coming financial year ending 31 March 2022 will be much less. This will pose an adverse effect on the financial performance of the coming financial year ending 31 March 2022.

The rise in COVID-19 diagnosed cases in Singapore has driven it back to stricter measures. Any personalised services that require customers to take off their masks are not allowed from 16 May 2021 to 13 June 2021. This has dampened our business which provides facial treatments in Singapore subsequent to FY2021.

Looking ahead, 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 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 March 2021. 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.

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.

Environmental Policies and Performance

The Group understands that its business has an impact on the environment and recognises the importance of sound environmental management practices and sustainable business operations. It is committed to comply with the relevant environmental standards and policies related to its business operations as set by the relevant governments. The Group has implemented a number of environment-friendly measures in its operations and workplaces including but not limited to retail shops, warehouses and offices. In its day-to-day operations, the Group advocates “paperless office” and actively promotes electronic management information system. It also sets up required equipment in order to arrange different kinds of meeting by using teleconference and video conference, resulting in savings in time and resources. For retail shops, the Group has implemented energy saving practices by using some LED lighting fixtures.

Compliance with Laws and Regulations

The Group recognises the importance of compliance with regulatory requirements and risks of non-compliance with such requirements. The Group has conducted on-going review of the newly enacted laws and regulations affecting the operations of the Group and provides relevant trainings and guidance to the staff. The Group has complied with the relevant laws and regulations of its places of operation that have significant impact on the operations of the Group for the year ended 31 March 2021.

Key Relationships

(a) Employees

The Group believes that employees are a key element to the success of its business, so it strives to maintain a high staff retention rate by providing competitive remuneration package and developing harmonious workplace. To enhance capabilities and effectiveness of its employees in operation, the Group provides them with a comprehensive training program which includes quality service skills, product knowledge and language and interpersonal skills. In addition, the Group would organize regular retail staff gatherings to promote team spirits and award retail staff who had outstanding sales performance.

(b) Consumers

The Group provides direct service to consumers in its retail and salon shops. To ensure continuous improvement of the quality of products and services, the Group regularly conducts internal and external market surveys to interact with consumers to gain market insights and feedback.

(c) Suppliers

The Group has established long standing cooperation relationship with certain suppliers. It selects its suppliers prudently. The relevant suppliers need to fulfill certain assessment criteria of the Group, including, among others, financial capability, reputation and history of meeting our standards for raw materials or finished products.

(d) Shareholders and Investors

The Board believes effective communication and accurate and timely information disclosure builds the Shareholders' and investors' confidence, and also facilitates the flow of constructive feedback and ideas that are beneficial for investor relations and future corporate development.

Principal risks and uncertainties

1. Macroeconomic changes — The Group's business is sensitive to the general economic conditions and other factors like consumer credit.
2. Regulatory & political risk of business — This includes legal regulation update in Hong Kong, especially the Trade Description Ordinance Chapter 362, Law of Hong Kong, since the Group's business mainly operates in Hong Kong. In addition, the Group would develop markets in Mainland China further, which also bring more risk in relation to regulatory and political changes.

3. Market competition — The Group is under intense pressure to compete on both price and service as large and small, regional or niche competitors attempt to increase market share.
4. Foreign currency risk associated with the Group's investment — The Group may be exposed to transaction and translation (exchange rate) risks, particularly Renminbi, Singapore Dollars and Australian Dollars, and associated financial cost risks.
5. Rising costs of Hong Kong business — This mainly refers to increasing operational cost resulting from uncertain economic environment.
6. Reputation and performance risk of skincare and wellness products business of the Group — The Group's business is dependent on its reputation and quality of service and the Group may lose potential business if the quality of its products and service are called into question.

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

During the year 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.

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting ("AGM") is scheduled to be held on Friday, 27 August 2021. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 24 August 2021 to Friday, 27 August 2021, both days inclusive, during which period no transfer of Share will be effected. In order to be eligible to attend and vote at the AGM, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 23 August 2021.

CORPORATE GOVERNANCE PRACTICE

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 (taking effect from 1 April 2012) (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 year under review, the Company met the Code Provisions in the Code, except for the deviation from Code provision A.2.1 and Code provision E.1.2 as set out below.

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER (“CEO”)

During the year under review, Dr. Tsang Yue, Joyce (“Dr. Tsang”) was both the Chairperson and CEO 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.

CODE PROVISION E.1.2

Code Provision E.1.2 provides that the chairman of the board should attend the annual 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.

COMPANY SECRETARY

Owing to the Covid-19 pandemic and the short period of time of taking up the position before 31 March 2021, the Company Secretary of the Company was unable to take not less than 15 hours of relevant professional training during the year under review as required under Rule 3.29 of the Listing Rules. The Company Secretary will take the outstanding hours of the relevant professional training as soon as possible.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group’s consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 March 2021 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.

AUDIT COMMITTEE

The composition of the Audit Committee is as follows:

Independent Non-executive Director

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

Dr. Wong Man Hin, Raymond

Mr. Hong Po Kui, Martin

The Audit Committee has reviewed and approved the Group's annual results for the year ended 31 March 2021 prior to their approval by the Board.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL 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 Annual Report and the Notice of Annual General Meeting will be despatched to the shareholders on or about 23 July 2021 and will be available at the Stock Exchange's and the Company's websites at the same time.

On behalf of the Board,
DR. TSANG YUE, JOYCE
Chairperson & Chief Executive Officer

Hong Kong, 28 June 2021

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.