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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 2022

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 2022 ("FY2022" or "the year under review"), with comparative figures for the year ended 31 March 2021 ("FY2021") as follows. The consolidated results for the year ended 31 March 2022 have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2022

	Note	**2022** *HK$'000*	2021 *HK$'000*
Revenue	*5*	**355,591**	431,451
Other income	*6*	**7,044**	75,422
Cost of inventories sold		**(14,069)**	(13,777)
Advertising costs		**(3,114)**	(2,864)
Building management fees		**(11,710)**	(11,840)
Bank charges		**(17,565)**	(14,707)
Employee benefit expenses	*7(a)*	**(250,803)**	(180,848)
Depreciation and amortisation		**(90,957)**	(107,063)
Occupancy costs	*7(b)*	**–**	(627)
Other operating expenses		**(46,667)**	(41,166)

	Note	2022 HK$'000	2021 HK$'000
(Loss)/profit from operations		**(72,250)**	133,981
Finance costs	*7(c)*	**(2,098)**	(3,560)
Interest income		**124**	725
Fair value change on investment properties		**7,200**	1,990
Impairment loss on goodwill		**–**	(1,070)
Impairment loss on intangible assets		**–**	(1,449)
Net gain/(loss) on disposal of subsidiaries		**362**	(591)
(Loss)/profit before taxation	*7*	**(66,662)**	130,026
Income tax expense	*8*	**(2,042)**	(6,095)
(Loss)/profit for the year		**(68,704)**	123,931
Attributable to:			
Equity shareholders of the Company		**(68,808)**	125,723
Non-controlling interests		**104**	(1,792)
(Loss)/profit for the year		**(68,704)**	123,931
(Loss)/earnings per share (HK cents)	*9*		
Basic		**(7.61)**	13.90
Diluted		**(7.61)**	13.90

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2022

	Note	**2022** **HK$'000**	2021 HK$'000
(Loss)/profit for the year		**(68,704)**	123,931
Other comprehensive income for the year (after tax and reclassification adjustments):			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of foreign operations		**(979)**	2,948
– Revaluation surplus upon transfer of property, plant and equipment to investment properties		**–**	13,903
Other comprehensive income for the year		**(979)**	16,851
Total comprehensive income for the year		**(69,683)**	140,782
Attributable to:			
Equity shareholders of the Company		**(69,787)**	142,574
Non-controlling interests		**104**	(1,792)
Total comprehensive income for the year		**(69,683)**	140,782

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2022

	Note	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment		**150,654**	134,186
Investment properties		**50,390**	43,190
Intangible assets		**–**	–
Goodwill		**–**	–
Deposits and prepayments	*10*	**8,966**	11,460
Deferred tax assets		**1,237**	901
		211,247	189,737
Current assets			
Inventories		**7,833**	9,553
Trade and other receivables, deposits and prepayments	*10*	**173,646**	175,331
Tax recoverable		**3,499**	5,695
Pledged bank deposits		**47,205**	54,385
Bank deposits with original maturity over three months		**5,494**	5,476
Cash and bank balances		**122,039**	228,865
		359,716	479,305
Current liabilities			
Trade and other payables, deposits received and accrued expenses	*11*	**73,818**	73,363
Deferred revenue	*12*	**204,183**	183,446
Lease liabilities		**56,441**	70,795
Tax payable		**4,115**	3,695
		338,557	331,299
Net current assets		**21,159**	148,006
Total assets less current liabilities		**232,406**	337,743

	Note	**2022**	2021
		HK$'000	*HK$'000*
Non-current liabilities			
Lease liabilities		**8,571**	44,277
Deferred tax liabilities		**626**	574
		9,197	44,851
NET ASSETS		**223,209**	292,892
CAPITAL AND RESERVES			
Share capital		**90,448**	90,448
Reserves		**129,132**	198,919
Total equity attributable to equity shareholders of the Company		**219,580**	289,367
Non-controlling interests		**3,629**	3,525
TOTAL EQUITY		**223,209**	292,892

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 2022 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. The 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 2022 comprise the Company and its subsidiaries ("the Group").

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.

Judgement made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in the consolidated financial statements.

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to the financial statements for the current accounting period:

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

There is no impact on the opening balance of equity at 1 April 2021.

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 2022 and 2021 is set out below.

	Beauty and wellness services *HK$'000*	**Skincare and wellness products** *HK$'000*	**Total** *HK$'000*
Year ended 31 March 2022			
Revenue from external customers	**325,483**	**30,108**	**355,591**
Reportable segment (loss)/profit	**(71,185)**	**12,411**	**(58,774)**
Other segment information:			
Additions to property, plant and equipment	**105,021**	**3,025**	**108,046**
Depreciation and amortisation	**85,136**	**5,821**	**90,957**
As at 31 March 2022			
Reportable segment assets	**506,866**	**8,971**	**515,837**
Reportable segment liabilities	**325,280**	**17,606**	**342,886**

	Beauty and wellness services *HK$'000*	Skincare and wellness products *HK$'000*	Total *HK$'000*
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

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

	2022 ***HK$'000***	2021 *HK$'000*
(Loss)/profit		
Reportable segment (loss)/profit	**(58,774)**	145,585
Other income	**7,044**	9,069
Interest income	**124**	725
Fair value change on investment properties	**7,200**	1,990
Net loss on disposal of property, plant and equipment	**–**	(5,878)
Net gain/(loss) on disposal of subsidiaries	**362**	(591)
Unallocated costs	**(22,618)**	(20,874)
Income tax expense	**(2,042)**	(6,095)
Consolidated (loss)/profit for the year	**(68,704)**	123,931
Assets		
Reportable segment assets	**515,837**	619,256
Investment properties	**50,390**	43,190
Deferred tax assets	**1,237**	901
Tax recoverable	**3,499**	5,695
Consolidated total assets	**570,963**	669,042
Liabilities		
Reportable segment liabilities	**342,886**	371,754
Tax payable	**4,115**	3,695
Deferred tax liabilities	**626**	574
Amounts due to related companies	**125**	125
Amount due to the ultimate controlling party	**2**	2
Consolidated total liabilities	**347,754**	376,150

(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	
	2022	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**302,371**	372,326	**132,089**	116,240
PRC	**8,639**	12,651	**4,440**	1,738
Singapore	**43,868**	45,857	**12,802**	15,803
Australia	**713**	617	**1,323**	405
	355,591	431,451	**150,654**	134,186

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:

	2022	2021
	HK$'000	*HK$'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	**325,483**	411,713
Sales of skincare and wellness products	**30,108**	19,738
	355,591	431,451

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 is 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

	2022	2021
	HK$'000	*HK$'000*
Income from provision of domestic helper agency services	**1,935**	2,006
COVID-19-related rent concessions received	**158**	4,357
Rental income	**1,781**	710
Government grants *(note)*	**2,333**	66,353
Others	**837**	1,996
	7,044	75,422

Note: During the years ended 31 March 2022 and 2021, the Group successfully applied for funding support from the Governments and other authorities. The purpose of those funding is to provide financial support to enterprises under COVID-19 situation.

7 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

(a) Employee benefit expenses

	2022	2021
	HK$'000	*HK$'000*
Salaries, wages and other benefits	**238,996**	171,096
Contributions to defined contribution retirement plans	**11,807**	9,752
	250,803	180,848

(b) Other items

	2022	2021
	HK$'000	*HK$'000*
Auditor's remuneration	**4,042**	3,964
Net loss on disposal of property, plant and equipment	**–**	5,878
Occupancy costs		
– Short-term lease payments not included in the measurement of lease liabilities	**–**	627

(c) Finance costs

	2022	2021
	HK$'000	*HK$'000*
Interest on lease liabilities	**2,098**	3,560

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Taxation in the consolidated statement of profit or loss represents:

	2022	2021
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**1,097**	3,923
Over-provision in respect of prior years	**(452)**	(20)
	645	3,903
Current tax – Overseas		
Provision for the year	**1,155**	1,926
Under/(over)-provision in respect of prior years	**511**	(2,733)
	1,666	(807)
Deferred tax		
Originated and reversal of temporary differences	**(269)**	2,999
	2,042	6,095

The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 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 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 2021.

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

9 (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$68,808,000 (2021: earnings attributable to ordinary equity shareholders of the Company of HK$125,723,000) and the weighted average number of 904,483,942 ordinary shares (2021: weighted average number of 904,483,942 ordinary shares) in issue during the year. Diluted (loss)/earnings per share is the same as basic (loss)/earnings per share as there were no dilutive potential shares in issue throughout the years ended 31 March 2022 and 2021.

10 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022	2021
	HK$'000	*HK$'000*
Non-current assets		
Deposits and prepayments	**8,966**	11,460
Current assets		
Trade receivables, net of loss allowance for expected credit loss	**4,763**	14,394
Trade deposits retained by banks/credit card companies *(Note)*	**133,947**	134,040
Rental and other deposits, prepayments and other receivables	**34,285**	26,628
Amounts due from related companies	**651**	269
	173,646	175,331
	182,612	186,791

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:

	2022	2021
	HK$'000	*HK$'000*
0 – 30 days	**216**	9,665
31 – 60 days	**266**	1,547
61 – 90 days	**1,527**	134
91 – 180 days	**2,754**	3,048
	4,763	14,394

Trade receivables are due within 7 – 180 days (2021: 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:

	2022	2021
	HK$'000	*HK$'000*
Neither past due nor impaired	**3,900**	14,001
Less than 30 days past due	**–**	375
31 – 60 days past due	**172**	–
61 – 90 days past due	**484**	1
91 – 180 days past due	**207**	17
	4,763	14,394

(b) Impairment of trade receivables

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

	2022	2021
	HK$'000	*HK$'000*
Balance at 1 April	**–**	828
Impairment losses written off during the year	**–**	(828)
Balance at 31 March	**–**	–

11 TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

	2022	2021
	HK$'000	*HK$'000*
Trade payables	**263**	525
Other payables, deposits received and accrued expenses	**73,428**	72,711
Amount due to the ultimate controlling party	**2**	2
Amounts due to related companies	**125**	125
	73,818	73,363

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:

	2022 *HK$'000*	2021 *HK$'000*
Within 90 days	**254**	515
Over 90 days	**9**	10
	263	525

12 DEFERRED REVENUE

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

	2022 *HK$'000*	2021 *HK$'000*
Within 1 year	**204,183**	183,446

(b) Movement of deferred revenue:

	2022 *HK$'000*	2021 *HK$'000*
At the beginning of the year	**183,446**	301,822
Gross receipts from sales of prepaid beauty packages	**346,099**	292,170
Revenue recognised for provision of beauty and wellness services and expiry of prepaid beauty packages	**(325,483)**	(411,713)
Exchange differences	**121**	1,167
At the end of the year	**204,183**	183,446

The amount of revenue recognised for the year ended 31 March 2022 (2021: year ended 31 March 2021) that was included in deferred revenue as at 1 April 2021 was HK$183,446,000 (1 April 2020: HK$301,822,000).

13 DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 March 2022 (2021: Nil).

BUSINESS REVIEW

Overview

During the financial year ended 31 March 2022 ("FY2022" or "the year under review"), revenue of the Group amounted to approximately HK$355.6 million, representing a decrease of 17.6% compared with approximately HK$431.5 million for the year ended 31 March 2021 ("FY2021" or the "same period last year"). The receipts from sales of prepaid beauty packages during the year under review was HK$346.1 million, an increase of 18.4% over the same period last year. The employee benefit expenses and occupancy costs and depreciation charge of other properties leased for own use increased by 38.7% to HK$250.8 million and decreased by 8.1% to HK$75.2 million respectively as compared with the same period last year. The Group recorded an operating loss of HK$72.3 million during the year under review (FY2021: operating profit of HK$134.0 million).

Below is the key statistics:

	For the year ended 31 March		
	2022	2021	Change
Revenue *(HK$ million)*	**355.6**	431.5	–17.6%
Operating (loss)/profit margin *(%)*	**–20.3**	31.1	–51.4 percentage points
Net (loss)/profit margin *(%)*	**–19.3**	28.7	–48.0 percentage points
Number of shops	**48**	51	–3
Employee benefit expenses *(HK$ million)*	**250.8**	180.8	+38.7%
Occupancy costs and depreciation charge of other properties leased for own use:			
– Occupancy costs *(HK$ million)*	**0**	0.6	–100%
– Depreciation charge of other properties leased for own use *(HK$ million)*	**75.2**	81.2	–7.4%
	75.2	81.8	–8.1%
Total dividend per ordinary share *(HK cents)*	**Nil**	Nil	–
Annual dividend pay-out ratio *(%)*	**N/A**	N/A	–
Gearing ratio	**N/A**	N/A	–

Hong Kong

During the financial year ended 31 March 2022, the Hong Kong government continued to promulgate a series of anti-epidemic measures such as restriction of cross-border mobility and social distance, the launch of various quarantine policies, and imposition of restrictions on restaurants and various entertainment venues in order to attain the goal of dynamic 'zero infection'. All those measures dampened the consumer sentiment and led to a sharp contraction in private consumption expenditure in Hong Kong.

Amid the sudden spread of coronavirus Omicron variant in Hong Kong starting from the end of December 2021, our shops in Hong Kong were closed for 84 days from 07 January 2022 to 31 March 2022 in compliance with Hong Kong government anti-epidemic measures. That accounted for approximately 23.0% of the days during the financial year ended 31 March 2022. Such temporary closure together with the social distancing policies have posed tremendous interruptions on our business. Nonetheless, leveraging on the industry leadership, good reputation and customer confidence built over years, the Group is confident that these challenges will be overcome effectively.

Revenue in Hong Kong during FY2022 decreased by 18.8%. Revenue from services rendered and receipts from prepaid beauty packages during FY2022 were HK$281.0 million and HK$298.4 million respectively (FY2021: HK$358.7 million and HK$246.5 million), representing decrease of 21.7% and increase of 21.0% respectively. Revenue from sales of skincare and wellness products was HK$21.4 million in FY2022 (FY2021: HK$13.6 million). Our customers in Hong Kong amounted up to a total of approximately 429,000 during the year under review, representing an increase of 0.7% as compared to approximately 426,000 in the same period last year.

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 2022, 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", "Malu Wilz", "Dr Plus", "Castille", "Eclat du teint", "p.e.n", "FERRECARE", "Byotea" which can fulfill the needs of customers with different skin types.

Mainland China

During FY2022, 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$8.5 million and HK$9.7 million respectively, representing a decrease of 32.1% and a decrease of 27.4% respectively, as compared to the same period last year.

Singapore

During FY2022, the Group operated a total of 7 beauty and wellness service centres in Singapore (FY2021: 10). During FY2022, the revenue from operations in Singapore was HK$43.9 million, as compared with HK$45.9 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$36.0 million and HK$38.0 million respectively, as compared with HK$40.6 million and HK$32.3 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 FY2022 (with comparative figures for FY2021):

	For the year ended 31 March				
	2022		2021		
Sales mix	***HK$'000***	***Percentage of revenue***	*HK$'000*	*Percentage of revenue*	*Change*
Beauty & facial	**240,865**	**67.7%**	309,852	71.9%	–22.3%
Slimming	**68,432**	**19.2%**	78,434	18.2%	–12.8%
Spa and massage	**16,186**	**4.6%**	23,427	5.4%	–30.9%
Beauty and wellness services	**325,483**	**91.5%**	411,713	95.5%	–20.9%
Sales of skincare and wellness products	**30,108**	**8.5%**	19,738	4.5%	+52.5%
Total	**355,591**	**100%**	431,451	100%	–17.6%

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 20.9% from approximately HK$411.7 million in FY2021 to approximately HK$325.5 million in FY2022.

The Group reported that gross receipts from the sales of new prepaid beauty packages of the Group amounted to HK$346.1 million during FY2022, representing an increase of 18.5% compared with HK$292.2 million for FY2021, while cash and cash equivalents at year end maintained at a healthy level.

Set out below is an analysis on the deferred revenue:

	For the year ended 31 March							
	2022				2021			
Movement of deferred revenue	**Hong Kong**	**Mainland**	**Singapore**	**Total**	Hong Kong	Mainland	Singapore	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of the year	**161,438**	**6,323**	**15,685**	**183,446**	273,591	5,372	22,859	301,822
Exchange differences	**–**	**143**	**(22)**	**121**	–	48	1,119	1,167
Gross receipts from sales of prepaid beauty packages	**298,363**	**9,700**	**38,036**	**346,099**	246,531	13,363	32,276	292,170
Revenue recognised for provision of beauty and wellness services and expiry of prepaid beauty package	**(281,035)**	**(8,459)**	**(35,989)**	**(325,483)**	(358,684)	(12,460)	(40,569)	(411,713)
At the end of the year	**178,766**	**7,707**	**17,710**	**204,183**	161,438	6,323	15,685	183,446

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 increased by about 38.7% from HK$180.8 million in FY2021 to approximately HK$250.8 million. Employee benefit expenses accounted for 70.5% of our revenue in FY2022, as compared to 41.9% for FY2021. The total headcount of the Group as at 31 March 2022 decreased by 2.6% to 904, as compared to a headcount of 928 for FY2021. The increase of the amount of employee benefits expenses is mainly due to the number of closure days of our Hong Kong salon shops decreased from 142 days in FY2021 to 84 days in FY2022. 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, 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$75.2 million (2021: HK$81.8 million), accounting for approximately 21.1% of our revenue (2021: 19.0%). As of 31 March 2022, the Group operated a total of 33 service centres in Mainland China and Hong Kong with a total weighted average gross floor area of 176,000 square feet, representing a decrease of 5.4% as compared to 186,000 square feet in FY2021. As of 31 March 2022, the Group had 7 centres in Singapore, with a total weighted average gross floor area of approximately 19,000 square feet (FY2021: 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 increased by 19.4% to HK$17.6 million. Advertising costs increased to HK$3.1 million from HK$2.9 million for the same period last year. Advertising costs as a percentage of revenue in FY2022 was 0.9% which remained stable compared with that of the same period last year. This reflected the Group's ability to enjoy cost advantage in advertising costs 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 1.1% from HK$11.8 million in FY2021 to approximately HK$11.7 million during the year under review. It accounts for 3.3% of our revenue in FY2022, as compared to 2.7% for FY2021.

Other operating expenses

Set out below is a breakdown of the other operating expenses of the Group during FY2022 (with comparative figures for FY2021):

	For the year ended 31 March	
	2022	2021
	HK$'000	*HK$'000*
Audit Fee	**4,042**	3,964
Administrative expenses *(Note)*	**6,421**	5,596
Cleaning, sanitary and laundry	**4,645**	3,993
Consultancy fee	**1,016**	1,908
Government rent and rates	**3,301**	3,690
Insurance	**2,196**	2,877
Legal and professional fee	**2,220**	3,226
Repair and maintenance expenses	**4,857**	3,313
Utilities	**6,057**	4,423
Other expenses *(Note)*	**11,912**	8,176
	46,667	41,166

Note: The administrative expenses for each of the years ended 31 March 2021 and 2022 included motor vehicles expenses, postage and courier expenses, printing and stationary, telephone and fax and transportation expenses. The other expenses for each of the years ended 31 March 2021 and 2022 mainly included recruitment, training and internet expenses.

Net loss/profit

The net loss attributable to equity shareholders of the Company was approximately HK$68.8 million in FY2022, as compared to the net profit attributable to equity shareholders of the Company of HK$125.7 million in FY2021. 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 (FY2021: Nil). As no interim dividend had been approved by the Board for the six months ended 30 September 2021, the total dividend for the year ended 31 March 2022 will be nil (FY2021: 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 cash and bank balances of approximately HK$127.5 million (FY2021: HK$234.3 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$80.9 million, as compared to HK$2.2 million for the same period last year. The amount was mainly used for the additions of leasehold land and buildings held for own use, 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 2022. The Group had capital commitment of HK$0.3 million as at 31 March 2022 (31 March 2021: HK$0.3 million), mainly for the acquisition of plant and equipment.

Charges on assets

As of 31 March 2022, the Group had pledged bank deposits of HK$47.2 million (31 March 2021: HK$54.4 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 904 staff as of 31 March 2022 (31 March 2021: 928 staff), including 732 front-line service centre staff in Hong Kong, 32 in Mainland China and 55 in Singapore. Back office staff totaled 63 in Hong Kong, 5 in Mainland China, 14 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$250.8 million, representing a 38.7% increase as compared to HK$180.8 million in FY2021. 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 salon shops in Hong Kong have been intermittently closed for 246 days in total in compliance with the government's anti-epidemic policies since April 2020. Lots of discontent have been provoked from the beauty industry and the society in the context that no outbreak of COVID-19 has ever been incurred from the beauty salons but which are required to be closed together with those premises with frequent outbreak of infected cases such as party rooms and fitness centres. Despite this one-size-fit-all approach by the Hong Kong Government and the uncertain development of the pandemic ahead, the Group will remain adamant in its business philosophy to provide sophisticated services, excellent-quality-products and highest standard of hygienic environment for its customers.

In October last year, our Hong Kong salons have launched a cooling-off period policy which means the customer may choose to claim the refund of the unused services within five working days from the date of his/her purchase. The Group intends to set this as a good example to the beauty industry which is said to have unscrupulous and aggressive commercial practices carried out by a handful of black sheep. In the long run, we hope to restore the customer confidence and build up a healthy long-term development of the industry.

In August 2021 and February 2022 respectively, the Group has completed the transactions to purchase a retail shop in Tseung Kwan O in Hong Kong with consideration of HK$53,800,000 and approximate gross floor area of 6,030 square feet, and a retail shop in Toa Payoh Central in Singapore with consideration of S$3,200,000 and approximate gross floor area of 1,345 square feet. The properties will be used as beauty salons to be operated by the Group. These acquisitions were to strengthen our strategic retail network and enhance our brand awareness, which is in line with the long-term development plan of the Group.

The subsidies of the fifth and sixth round of Anti-epidemic Fund, and the subsidy of the 2022 Employment Support Scheme in Hong Kong was or will be received after the FY 2022. These amounts of subsidy will be recorded in the financial statements in the coming financial year 2023.

Looking ahead, the retail sector in Hong Kong should continue to recover provided that the local epidemic situation remains stable. The Consumption Voucher Scheme and other measures rolled out by the Hong Kong Government will render further support to consumption demand.

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 2022.

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 organise 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, 26 August 2022. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 23 August 2022 to Friday, 26 August 2022, 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 (if the transfer will be lodged before 15 August 2022) or 17/F., Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong (if the transfer will be lodged on or after 15 August 2022), for registration not later than 4:30 p.m. on Monday, 22 August 2022.

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 C.2.1 and Code provision F.2.2 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 C.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 F.2.2

Code Provision F.2.2 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 27 August 2021 due to personal reason.

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 and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2022 as set out in the preliminary announcement have been agreed 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. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no assurance has been expressed by KPMG on the preliminary announcement.

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 2022 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 22 July 2022 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, 29 June 2022

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.