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PERFECT MEDICAL HEALTH MANAGEMENT LIMITED

完美醫療健康管理有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1830)

**FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2022**

HIGHLIGHTS

- Revenue increased by 23.9% to a record high of HK\$1,350.0 million.
- EBITDA increased by 11.5% to HK\$469.5 million.
- Net profit after tax increased by 7.2% to HK\$305.2 million. If excluding the government subsidies, the revised net profit after tax increased by 29.8%.
- Basic earnings per share increased by 2.1% to HK24.8 cents.
- Proposed final dividend of HK7.1 cents per share, with annual dividend of HK24.8 cents per share and dividend payout ratio of 100%.
- The Group has extensively expanded its multinational service network in Hong Kong, China, Macau, Australia and Singapore, representing total g.f.a. increased by 39.0% to 322,000 sq.ft.

FINAL RESULTS

The board of directors (the “Board”) of Perfect Medical Health Management Limited (the “Company”) announces the results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2022 (the “FY2022”), together with the comparative figures for the year ended 31 March 2021 (the “FY2021”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	1,349,971	1,089,768
Other income		9,617	56,943
Other (losses)/gains — net		(907)	6,077
Cost of inventories and consumables		(28,321)	(17,914)
Employee benefit expenses	4	(412,677)	(347,162)
Marketing expenses		(182,633)	(153,277)
Depreciation of property, plant and equipment		(76,988)	(55,101)
Depreciation of right-of-use assets	6	(142,058)	(116,155)
Expenses related to short-term leases of stores and offices	6	(6,589)	(2,515)
Other operating expenses		(116,913)	(94,772)
Operating profit		392,502	365,892
Finance costs — net	5	(14,349)	(7,732)
Profit before income tax		378,153	358,160
Income tax expenses	7	(72,908)	(73,526)
Profit for the year attributable to equity holders of the Company		305,245	284,634

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other comprehensive (losses)/income:			
<i>Item that has been reclassified or may be reclassified subsequently to profit or loss:</i>			
Currency translation differences		(3,836)	20,091
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Investments at fair value through other comprehensive income:			
— Fair value losses taken to reserves	12	<u>(84,421)</u>	<u>(30,219)</u>
Total other comprehensive losses for the year, net of tax		<u>(88,257)</u>	<u>(10,128)</u>
Total comprehensive income for the year attributable to equity holders of the Company		<u>216,988</u>	<u>274,506</u>
Earnings per share attributable to equity holders of the Company for the year			
— basic	8	<u>HK24.8 cents</u>	<u>HK24.3 cents</u>
— diluted		<u>HK24.8 cents</u>	<u>HK24.3 cents</u>

CONSOLIDATED BALANCE SHEET

As at 31 March 2022

	Note	2022 HK\$'000	2021 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		250,189	162,385
Right-of-use assets	6	302,411	251,783
Deposits and prepayments		53,633	49,448
Financial assets at fair value through other comprehensive income	12	110,420	309,077
Deferred income tax assets		56,452	53,858
		<u>773,105</u>	<u>826,551</u>
Current assets			
Inventories		5,872	2,799
Trade receivables	10	14,841	77,986
Other receivables, deposits and prepayments		33,013	40,146
Financial assets at fair value through profit or loss		—	34,097
Term deposits with initial terms of over three months		214	214
Pledged bank deposits		9,555	8,802
Cash and cash equivalents		444,599	489,773
		<u>508,094</u>	<u>653,817</u>
Total assets		<u><u>1,281,199</u></u>	<u><u>1,480,368</u></u>

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		123,996	122,289
Reserves		370,270	562,558
		<hr/>	<hr/>
Total equity		494,266	684,847
		<hr/>	<hr/>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		71,304	69,324
Provision for reinstatement costs		17,032	10,708
Lease liabilities	6	175,699	156,001
		<hr/>	<hr/>
		264,035	236,033
		<hr/>	<hr/>
Current liabilities			
Provision for reinstatement costs		2,690	2,458
Trade payables	11	1,592	729
Accruals and other payables		56,818	88,440
Lease liabilities	6	135,373	105,598
Deferred revenue		236,683	316,723
Tax payables		89,742	45,540
		<hr/>	<hr/>
		522,898	559,488
		<hr/>	<hr/>
Total liabilities		786,933	795,521
		<hr/>	<hr/>
Total equity and liabilities		1,281,199	1,480,368
		<hr/>	<hr/>

1 GENERAL INFORMATION

Perfect Medical Health Management Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the provision of medical and aesthetic medical services in Hong Kong (“HK”), the People’s Republic of China (the “PRC”), Macau, Australia and Singapore.

The Company was incorporated in the Cayman Islands on 11 March 2011 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company’s shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 10 February 2012.

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated, and have been approved for issue by the Board of Directors on 30 June 2022.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which are carried at fair value.

As at 31 March 2022, the Group recorded net current liabilities of approximately HK\$14,804,000. Excluding the deferred revenue balances of approximately HK\$236,683,000 that would be recognised as revenue instead of requiring operating cash outflow, the Group had net current assets of approximately HK\$221,879,000 which comprised cash and cash equivalent of approximately HK\$444,599,000. In addition, the Group generated net cash flows of approximately HK\$513,895,000 from its operating activities during the year ended 31 March 2022. Therefore, when taking into account the Group’s financial resources and its internally generated cash, the Directors of the Group are of the opinion that the Group has sufficient capital to meet its liquidity needs for at least twelve months from 31 March 2022.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

(a) New amendments to existing standards adopted by the Group

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendments to HKFRS 16	COVID-19 Related Rent Concession

The adoption of the new amendments listed above did not have material impact on the Group’s accounting policies and consolidated financial statements.

(b) New standards and amendments to existing standards that have been issued but are not effective

Annual Improvements to HKFRSs 2018–2020 Cycle	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41 ⁽¹⁾
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁽¹⁾
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ⁽¹⁾
Amendments to HKAS 37	Onerous Contracts — Costs of Fulfilling a Contract ⁽¹⁾
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations ⁽¹⁾
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current ⁽²⁾
HKFRS 17 and Amendments to HKFRS 17	Insurance Contracts ⁽²⁾
Amendments to Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁽²⁾
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁽²⁾
Amendments to HKAS 8	Definition of Accounting Estimates ⁽²⁾
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction ⁽²⁾
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽³⁾

⁽¹⁾ Effective for the Group for annual periods beginning on or after 1 January 2022

⁽²⁾ Effective for the Group for annual periods beginning on or after 1 January 2023

⁽³⁾ Effective for the Group for annual periods beginning on or after a date to be determined

The Group has not early adopted the above new standards and amendments and is in the process of assessing the impact of those new standards and amendments on the Group's accounting policies and consolidated financial statements.

3 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. As the Group is principally engaged in the provision of medical and aesthetic medical services, which are subject to similar business risk, and resources are allocated based on what is beneficial to the Group in enhancing the value as a whole rather than any specific component, the Group's chief operating decision-maker considers that the performance assessment of the Group should be based on the profit before income tax of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8.

During the years ended 31 March 2022 and 2021, all of the Group's revenue is from contracts with customers and is recognised at a point in time.

The Group primarily operates in Hong Kong as well as, the PRC, Macau, Australia and Singapore (the “**Regions outside Hong Kong**”). Its revenue was derived from the following regions:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	975,146	679,015
Regions outside Hong Kong	374,825	410,753
	<u>1,349,971</u>	<u>1,089,768</u>

The consolidated profits before income tax of the Group, prior to certain intra-group recharges, was attributable to the profits of the following regions:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	237,834	143,686
Regions outside Hong Kong	140,319	214,474
	<u>378,153</u>	<u>358,160</u>

The Group’s total non-current assets other than deferred income tax assets and financial assets at fair value through other comprehensive income were located in the following regions:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	432,269	351,245
Regions outside Hong Kong	173,964	112,371
	<u>606,233</u>	<u>463,616</u>

The Group’s capital expenditures were incurred in the following regions based on where the assets were located:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	101,044	63,356
Regions outside Hong Kong	64,534	12,421
	<u>165,578</u>	<u>75,777</u>

4 EMPLOYEE BENEFIT EXPENSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Wages and salaries	377,920	319,601
Pension costs — defined contribution plans (<i>Note a</i>)	18,135	10,898
Share-based payment expenses	4,583	3,117
Other staff welfares	12,039	13,546
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Total employee benefit expenses (including directors' remunerations)	412,677	347,162
	<hr/> <hr/>	<hr/> <hr/>

(a) Pension costs — defined contribution plans

Hong Kong

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the “MPF Scheme”), which is a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Hong Kong subsidiaries of the Group and its Hong Kong employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The respective monthly contributions made by the Group and the employee are subject to a cap of HK\$1,500 with contributions beyond these amounts being voluntary.

The PRC

As stipulated under the relevant rules and regulations in the PRC, the subsidiaries operating in the PRC contribute to state-sponsored retirement plans for its employees. Depending on the provinces of their registered residences and their current regions of work, the employees contribute their basic salaries, while the subsidiaries contribute the basic salaries of its employees and have no further obligations for the actual payment of pensions or post-retirement benefits beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees.

5 FINANCE COSTS — NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income on bank deposits	1,748	5,412
Interest expenses on lease liabilities	(16,097)	(13,144)
	<hr/>	<hr/>
Finance costs — net	(14,349)	(7,732)
	<hr/> <hr/>	<hr/> <hr/>

6 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) The Group's leasing activities and how these are accounted for

The Group leases various stores and offices. Rental contracts are typically made for fixed periods of 2 to 6 years (2021: 2 to 6 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

(b) Movement of right-of-use assets

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At 1 April	251,783	246,386
Acquisition of leases	197,723	126,671
Depreciation of right-of-use assets	(142,058)	(116,155)
Lease modification due to rent concession	(6,270)	(5,667)
Early termination of leases	(79)	(3,530)
Exchange differences	1,312	4,078
	<u>302,411</u>	<u>251,783</u>
At 31 March	<u>302,411</u>	<u>251,783</u>

(c) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Right-of-use assets		
Properties	<u>302,411</u>	<u>251,783</u>
Lease liabilities		
Non-current	175,699	156,001
Current	<u>135,373</u>	<u>105,598</u>
	<u>311,072</u>	<u>261,599</u>

(d) **Amounts recognised in the consolidated statement of comprehensive income**

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Depreciation of right-of-use assets		
Properties	<u>142,058</u>	<u>116,155</u>
Interest expenses on leases liabilities (<i>Note 5</i>)	<u>16,097</u>	<u>13,144</u>
Expenses related to short-term leases of stores and offices	<u>6,589</u>	<u>2,515</u>
Gain on lease modification due to rent concession	<u>—</u>	<u>(6)</u>
Gain on early termination of leases	<u>(3)</u>	<u>(44)</u>

(e) **During the years ended 31 March 2022 and 2021, the total cash outflows for leases were analysed as below:**

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cash flows from operating activities (<i>Note</i>)		
Payments for short-term leases in respect of stores and offices	<u>6,589</u>	<u>2,515</u>
Cash flows from financing activities		
Payment of interest element of lease liabilities	<u>16,097</u>	<u>13,144</u>
Payment of principal element of lease liabilities	<u>137,724</u>	<u>109,497</u>
	<u>153,821</u>	<u>122,641</u>

Note:

Payments for short-term leases were not shown separately, but included in the line of “profit before income tax” in respect of the net cash generated from operations using the indirect method.

7 INCOME TAX EXPENSES

The Group is not subject to taxation in the Cayman Islands and the British Virgin Islands. Hong Kong profits tax has been provided for at the rate of 16.5% (2021: 16.5%) for the year on the estimated assessable profits arising in or derived from Hong Kong. Companies established and operating in the PRC are subject to PRC corporate income tax at the rate of 25% (2021: 25%). Companies incorporated and operating in Macau are subject to Macau complementary tax, under which taxable income of up to MOP600,000 is exempted from taxation with amounts beyond this amount to be taxed at a fixed rate of 12% for the years ended 31 March 2022 and 2021. Companies incorporated in Australia are subject to Australian income tax at the rate of 25% (2021: 26%). Companies incorporated in Singapore are subject to Singapore income tax at the rate of 17% (2021: 17%).

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income taxation		
— Hong Kong profits tax	35,377	16,944
— PRC and overseas income tax	<u>33,620</u>	<u>50,943</u>
	68,997	67,887
(Over)/under-provision in prior years		
— Hong Kong profits tax	<u>(3,520)</u>	<u>539</u>
Total current income taxation	65,477	68,426
Deferred taxation	<u>7,431</u>	<u>5,100</u>
	<u>72,908</u>	<u>73,526</u>

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the companies within the Group as follows:

	2022	2021
	HK\$'000	HK\$'000
Profit before income tax	<u>378,153</u>	<u>358,160</u>
Tax calculated at the applicable domestic tax rates (<i>Note a</i>)	68,982	71,263
Income not subject to tax	(665)	(4,604)
Expenses not deductible	99	36
Tax effect of unrecognised tax losses	7,302	4,191
Utilisation of tax losses previously not recognised	(4,795)	(3,312)
Effect of PRC withholding taxes	6,130	6,130
Tax credit (<i>Note b</i>)	(545)	(627)
(Over)/under-provision in prior years	(3,520)	539
Others	(80)	(90)
Tax charge	<u>72,908</u>	<u>73,526</u>

Notes:

- (a) The weighted average applicable tax rate for the year ended 31 March 2022 was 18.2% (2021: 19.9%).
- (b) Pursuant to the arrangement between Mainland China and Hong Kong tax authorities on the Avoidance of Double Taxation on Income, the Group is entitled to a Hong Kong profit tax credit for the withholding income tax paid in relation to the royalty income from its PRC companies.

8 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2022	2021
Profit attributable to equity holders of the Company (HK\$'000)	<u>305,245</u>	<u>284,634</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share (thousands of shares)	<u>1,230,628</u>	<u>1,168,988</u>
Basic earnings per share (HK cents)	<u>24.8</u>	<u>24.3</u>

Diluted

Diluted earnings per share is of the same amount as the basic earnings per share. During the years ended 31 March 2022 and 2021, the exercise of the outstanding share options would be anti-dilutive.

9 DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interim, paid, of HK17.7 cents (2021: HK13.0 cents) per ordinary share (<i>notes i and iii</i>)	219,474	159,106
Final, proposed, of HK7.1 cents (2021: HK12.0 cents) per ordinary share (<i>notes ii and iv</i>)	88,038	146,746
Special, proposed, of nil (2021: HK13.0 cents) per ordinary share (<i>notes ii and iv</i>)	—	158,975
	<u>307,512</u>	<u>464,827</u>

Notes:

- (i) At a board meeting held on 30 November 2020, the directors declared an interim dividend for the year ended 31 March 2021 of HK13.0 cents per ordinary share, totalling HK\$159,106,000, which was paid on 12 January 2021 and was reflected as an appropriation of retained earnings for the year ended 31 March 2021.
- (ii) At a board meeting held on 30 June 2021, the directors recommended the payment of a final and special dividend of HK12.0 cents and HK13.0 cents per ordinary share, totalling HK\$146,746,000 and HK\$158,975,000 respectively. The directors proposed a scrip dividend alternative to all shareholders of the Company in respect of these dividend. The Company allotted and issued 18,493,507 new ordinary shares of the Company at HK\$6.476 per share, amounting to a total of approximately HK\$119,764,000 in lieu of dividends pursuant to the scrip scheme set out in the circular of the Company dated 7 September 2021. The dividend, with scrip dividend alternative was reflected as an appropriation of retained earnings and share premium for the year ended 31 March 2022.
- (iii) At a board meeting held on 29 November 2021, the directors declared an interim dividend for the year ended 31 March 2022 of HK17.7 cents per ordinary share, totalling HK\$219,474,000, which was paid on 10 January 2022 and was reflected as an appropriation of retained earnings for the year ended 31 March 2022.
- (iv) At a board meeting held on 30 June 2022, the directors recommended the payment of a final dividend of HK7.1 cents per ordinary share, totalling HK\$88,038,000. The directors proposed a scrip dividend alternative to all Shareholders of the Company in respect of this dividend. The dividend with scrip dividend was not reflected as dividends payable in these consolidated financial statements, but will be reflected as an appropriation of retained earnings and share premium for the year ending 31 March 2023 respectively after receiving the shareholders' approval at the forthcoming annual general meeting and the Stock Exchange's approval for granting the listing of and permission to deal in the new shares to be issued pursuant to the scrip dividend proposal.

10 TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	<u>14,841</u>	<u>77,986</u>

The Group's trade receivables were denominated in the following currencies:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
HK\$	12,145	74,604
RMB	892	1,816
MOP	563	1,566
AUD	27	—
SGD	<u>1,214</u>	<u>—</u>
	<u>14,841</u>	<u>77,986</u>

There is no concentration of credit risk with respect to trade receivables as there is a dispersed number of financial institutions with high individual credit ratings through which the credit card and instalment sales arrangements are entered into.

The credit terms of the Group's trade receivables generally range from 3 days to 180 days (2021: 3 days to 180 days). The ageing analysis of trade receivables by the dates on which the relevant invoices are issued is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Less than 60 days	4,499	70,624
60 days to 90 days	1,107	—
91 days to 120 days	7,358	3,108
121 days to 180 days	<u>1,877</u>	<u>4,254</u>
	<u>14,841</u>	<u>77,986</u>

As at 31 March 2022, trade receivables of approximately HK\$914,000 (2021: HK\$3,804,000) were past due but not impaired because they were mainly related to a number of financial institutions of high individual credit ratings with no recent history of default. The ageing analysis of these trade receivables by the days of overdue repayment is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Less than 60 days	<u>914</u>	<u>3,804</u>

The credit quality of trade receivables neither past due nor impaired has been assessed by reference to historical information about the counterparty default rates. The existing counter-parties do not have significant defaults in the past.

As at 31 March 2022 and 2021, no collateral was received from these counterparties.

As at 31 March 2022 and 2021 and during the years then ended, no trade receivables was impaired.

11 TRADE PAYABLES

Payment terms with majority of the suppliers are on open account. Certain suppliers grant credit period ranging from 30 days to 180 days (2021: 30 days to 180 days).

At 31 March 2022 and 2021, the ageing analysis of trade payables based on invoice date is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Less than 60 days	650	237
60 days to 120 days	485	116
Over 120 days	457	376
	<u>1,592</u>	<u>729</u>

The Group's trade payables were denominated in the following currencies:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
HK\$	938	128
RMB	498	485
MOP	6	41
AUD	150	75
	<u>1,592</u>	<u>729</u>

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At 1 April	309,077	37,232
Additions	234,625	684,286
Fair value losses taken to reserves	(84,421)	(30,219)
Disposals	(354,328)	(388,836)
Exchange differences	5,467	6,614
	<u>110,420</u>	<u>309,077</u>
At 31 March	<u>110,420</u>	<u>309,077</u>
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Equity investments listed in Hong Kong	110,420	207,314
Equity investments listed in the United States of America ("USA")	—	42,280
Exchange traded funds listed in the USA	—	59,483
	<u>110,420</u>	<u>309,077</u>

As at 31 March 2022 and 2021, financial assets at fair value through other comprehensive income comprise equity investments which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

During the year ended and as at 31 March 2022, certain equity investments listed in Hong Kong were pledged for certain banking facilities of the Group in respect of credit card and instalment sales arrangement.

MANAGEMENT DISCUSSION AND ANALYSIS

Perfect Medical Health Management Limited (the “Company”) together with its subsidiaries (collectively, the “Group”) is pleased to announce its annual results for the year ended 31 March 2022.

The world economy was never the same since the first outbreak of the unprecedented Coronavirus Disease 2019 (the “pandemic” or “COVID-19”) in early 2020. In the past two years, government around the world have introduced various counter measures to contain the pandemic, including the long-awaited vaccination program, which on one hand successfully led to a reduction in human activities, but on the other hand, it also caused major disruption to almost every business activity in our everyday’s life. The recent outbreak of the fifth wave of Omicron variant in Hong Kong and China has presented major challenges to our operations. Whilst in the overseas countries such as Singapore and Australia, we began to see a gradual re-opening of border and the resumption in daily social activities in the recent months. There is no sign that the pandemic would fade out in anytime soon.

Despite multiple waves of the pandemic outbreak, the strategy of focusing on the core aesthetic medical and the extension to the medical businesses has enhanced our operating efficiency and strengthened our business presence in our operating regions. As one of the largest aesthetic medical company in Hong Kong since our establishment in 2003, the Group primarily focuses on non-invasive aesthetic medical services and medical services with a mega shop operation mode that offers a broad spectrum of professional services with assurance of utmost safety and efficacy. Our operation encompasses a diversified portfolio of treatments catered to every parts of customers’ body, with a high quality and standardized service that one can enjoy in every of our shops across Hong Kong, China, Macau, Singapore and Australia. At the time of the pandemic, the Group has been expanding strategically in Hong Kong and elsewhere through (i) service centre expansion, (ii) continual organic development of the core aesthetic medical services and (iii) introduction of supplementary and complementary medical services in order to enhance the lifetime value of the customers.

The pandemic outbreak since early 2020 might have dampened every aspects of the economy, but by and large it created a window opportunity to expand into premium locations at reasonable rent that are otherwise not available in last few years. During the year, the Group has geared up its service centre expansion pace in Hong Kong, China and overseas to broaden our scope of operation. Currently, the Group has expanded its penetration in strategic locations at office premises and shopping malls covering a total of 322,000 square feet.

Service Areas:

	Year ended 31 March	
	2022 <i>ft</i> ²	2021 <i>ft</i> ²
Hong Kong	198,000	132,000
Regions outside Hong Kong	<u>124,000</u>	<u>99,000</u>
	<u>322,000</u>	<u>231,000</u>

At the forefront of our operations, the Group has been stepping up its internal cleaning and disinfection measures to create a safe working environment. In order to protect the health of the staff and boost the confidence of its customers, the Group has distributed Rapid Antigen Test kits to the staff for self-tests amid the outbreak of fifth wave of the pandemic. At the same time, the Group continued its implementation of regular preventive measures to combat the pandemic, including enhancing daily cleaning work, regular disinfection, providing alcohol-based hand rub and sanitizing spray in the Company premises, installation of body temperature checking systems, disinfectant carpets and air purifiers at all main entrances and exits. In this way, we hope to connect our staff and their families and the community to fight against the pandemic together.

During the year, the Group continued to maintain a strong cash position with bank and cash balance of approximately HK\$454.4 million and the Group's gearing ratio was nil. We believe the sound financials and the progressive expansion strategy would lead us to a sustainable growth in the long run.

FINANCIALS

Financial Performance

For the year under review, the Group has continued to excel ourselves under the impact of the pandemic in our operating regions. The Group's revenue increased by 23.9% to HK\$1,350.0 million (FY2021: HK\$1,089.8 million), mainly attributable to (i) the resumption of the aesthetic medical business with the recovery of customer patrons amid the mild pandemic situation in the first three quarters of the financial year, (ii) the significant revenue growth from the hair growth treatment services in the medical business, (iii) but was offset by the reduction in operating days in relation to the outbreak of the Omicron variant especially in the last quarter of the fiscal year in both Hong Kong and China.

Revenue:

	Year ended 31 March			
	2022		2021	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Hong Kong	975,146	72.2	679,015	62.3
Regions outside Hong Kong	374,825	27.8	410,753	37.7
	<u>1,349,971</u>	<u>100.0</u>	<u>1,089,768</u>	<u>100.0</u>

Value of sale contract by service type:

	Year ended 31 March	
	2022	2021
	%	%
Aesthetic Medical	66.0	66.3
Medical	17.4	13.6
Beauty and Wellness	16.6	20.1
	<u>100.0</u>	<u>100.0</u>

Customers Spending Pattern:

	Year ended 31 March		
	2022	2021	Change
Average Spending per Client (Note) (HK\$)			
— Aesthetic Medical	26,149	27,152	(3.7%)
— Medical	29,162	31,237	(6.6%)
— Beauty and Wellness	9,371	10,397	(9.9%)

Note: Exclude Singapore operation which newly established in FY2022.

In face of the worrisome of the pandemic outbreak and the potential impact towards our business operation under periodic city lockdown, the Group has implemented strict and effective cost control to mitigate the operating expenses and optimize our operation under this difficult circumstance.

In particular, the employee benefit expenses increased by 18.9% to HK\$412.7 million (FY2021: HK\$347.2 million), in line with the revenue growth. The Group has maintained a tight control in its marketing expenses for the year under review in order to maintain a stable profit of the Company. The marketing expenses increased by 19.1% to HK\$182.6 million (FY2021: 153.3 million) as a result. The rental lease related expenses (Note 1) increased by 25.0% to HK\$164.7 million (FY2021: HK\$131.8 million). The escalation in rental expenses was in line with the expansion in service areas during the year.

Key Cost Components:

	Year ended 31 March		
	2022 HK\$'000	2021 HK\$'000	% Change
Cost of inventories and consumables	28,321	17,914	+58.1%
Employee benefit expenses	412,677	347,162	+18.9%
Marketing expenses	182,633	153,277	+19.1%
Depreciation of property, plant and equipment	76,988	55,101	+39.7%
Rental lease related expenses <i>Note 1</i>	164,744	131,814	+25.0%
Other operating expenses	116,913	94,772	+23.4%
	<u>982,276</u>	<u>800,040</u>	<u>+22.8%</u>

Note 1: The rental lease related expenses include “depreciation of right-of-use assets”, “expenses related to short term leases of stores and offices” and “Interest expenses on lease liabilities”.

At earnings before interest, tax and depreciation of property, plant and equipment (“EBITDA”) level, the Group increased by 11.5% to HK\$469.5 million (FY2021: HK\$421.0 million), representing the EBITDA margin of 34.8% for the year (FY2021: 38.6%). As a result of the abovementioned cost control measures and the smaller amount of one-off government subsidies received during the year, operating profit increased by 7.3% and reached HK\$392.5 million (FY2021: HK\$365.9 million), representing an operating profit margin of 29.1% (FY2021: 33.6%). Profit attributable to equity holders of the Company was HK\$305.2 million, gained 7.2% year-on-year (FY2021: HK\$284.6 million), representing a net profit margin of 22.6% for FY2022 (FY2021: 26.1%). Basic earnings per share was HK24.8 cents (FY2021: HK24.3 cents).

After adjusting for the one-off government subsidies in both years, the adjusted net profit after tax for FY2022 increased by 29.8%.

Dividend and Share Buyback

The Company has been listed in the Stock Exchange since year 2012. In order to reward the shareholders' unwavering support throughout the years of the good and bad, the Board recommends the payment of a final dividend of HK7.1 cents per share to shareholders whose names appear on the register of members of the Company as at 24 August 2022. Together with the interim dividend of HK17.7 cents per share, the total dividend per share is expected to be HK24.8 cents per share for the full year, representing a total dividend payout ratio of 100.0%.

In view of the confidence in the Company's future performance, the Company has bought back a total of 3.1 million shares, equivalent to approximately HK\$21.6 million, in the market to further reward and compensate to the shareholders for their continuous support and trust. In addition, the management has also increased 26.9 million shares during the year, equivalent to HK\$176.5 million.

Business overview

Hong Kong Operation

The economy in Hong Kong enjoyed a prosperous start at the beginning of the financial year. With the increasing vaccination rate and the stringent anti-pandemic measures during the year, we have observed a gradual recovery of the consumption amid the relax of social distancing measures in Hong Kong. However, the emergence of the Omicron variant since January 2022 has impacted on the recovery on the Hong Kong economy, creating a sense of uncertainty in the future economic outlook.

Revenue from Hong Kong Operation increased by 43.6% to HK\$975.1 million (FY2021: HK\$679.0 million), thanks to the significant improvement in revenue contribution in the aesthetic medical and medical businesses as well as the additional revenue contributed from the new service centres established in the past years, but offset by the closure of all service centres for 84 days since January 2022 owing to the Omicron outbreak in the region. As of 31 March 2022, the Group has a well established network of service centres in Hong Kong covering a total of 198,000 square feet. Currently, revenue from Hong Kong Operation accounted for 72.2% (FY2021: 62.3%) of the Group's revenue.

Aesthetic Medical Business

Aesthetic medical business continued to be our core business in Hong Kong. The Group has seized opportunity to expand three service centres in Tsim Sha Tsui, Shatin and Central during September to November 2021 in order to expand our geographical reach and strengthen our market leadership position in Hong Kong. During the year, we witnessed a strong recovery to its aesthetic medical business thanks to the stable pandemic situation for the most part of the year. The new service centre in Central also incorporates the men's specialty clinic offering men's health management service. While

cross border tourism is not feasible at the moment, the Group has been proactively preparing for such cross border consumption in the medical tourism segment, particularly in the Greater Bay Area, through the new shop expansion and current shop revamp.

Medical Business

Leveraging on the strong foundation in the aesthetic medical business in Hong Kong, the Group has consistently reviewed its service portfolio with a view to providing additional value-added services to enhance the customers' stickiness. In the last two years, the Group has made subsequent investments in a range of medical services to boost cross-selling and lower the acquisition cost of the customers. For the year under review, the Group has enjoyed a fruitful result in the medical business segment. The hair growth treatment business has demonstrated a particular success this year. We believe there is a huge market potential for such treatments in Hong Kong in the upcoming future as the hair loss situation worsen for majority of the public nowadays.

Regions outside Hong Kong

Revenue from regions outside Hong Kong decreased by 8.8% to HK\$374.8 million (FY2021: HK\$410.8 million) due to the poor market sentiment and the continual lockdown under the pandemic. Particularly, the service centres in Australia and Macau have been closed for 107 and 26 days respectively during the year. Currently, revenue from regions outside Hong Kong accounted for 27.8% (FY2021: 37.7%) of the Group's revenue.

China and Macau

In China, the economy has resumed its growth momentum in all aspects during the year, supported by the government's "zero-COVID-19" strategy. However, with the resurgence of the pandemic and the appearance of Omicron confirmed case in several provinces across China in the latter part of the financial year, periodic lockdown was reintroduced which essentially hindered the growth in the second half of the year. As for the industry, the government has implemented and updated on related policies to better regulate the industry development, such as the introduction of 《打擊非法醫療美容服務專項整治工作方案》 in June 2021 and 《醫療美容廣告執法指南》 in November 2021. This would forever change the dynamics of the industry towards a more regulated and healthier growth direction and would benefit the well established companies in the industry in the long run.

As one of the pioneers in the aesthetic medical industry in China since 2009, the Group has been focusing on key coastal first tier cities in Southern and Eastern China as well as the country's capital in Beijing, in order to cultivate a premium branding image across China. Currently, the service centres in China differs from the operation mode in Hong Kong, with a key focus on a standardised shop size inside a premium shopping mall and the offering of selected premium energy-based treatments in order to take advantage of the customer flow and enhance the brand awareness in the premium locations in China. With the customers beginning to aware the better quality of the aesthetic services compared to the traditional ones in recent years, the Group has rejuvenated our shop expansion plan during the past two years.

In addition to the current non-invasive, female-focused service centres operating in China, as announced in November 2020, the Group has introduced the Men's Beauty Centre at Super Brand Mall in Shanghai to capture the tremendous market potential for the men's beauty and weight management services in China with satisfactory result.

Subsequently, the Group has been examining on the potential of the full launch of the complementary aesthetic medical and medical services model into China, especially at the time of border closure and the encourage of internal consumption trend in China in recent years. The Group has opened the flagship service centres at AIA Tower, Macau, introducing aesthetic medical, hair growth treatment and men's beauty and weight management services. In July 2021 and August 2021, the Group has introduced the same for the first time inside mainland China, with the setup of the first flagship service centre in prestigious location in Guangzhou and Shanghai incorporating the complementary services model. With the escalating customers' demand on a more all-round and professional aesthetic medical services, we hope the China and Hong Kong operations can foster a stronger operation loop and a synergy to better serve our customers in the Greater Bay Area.

Australia and Singapore

Despite the challenging business environment resulting from the pandemic, the Group views global expansion favourable given the resilient and strong demand for aesthetic medical and medical services. The Group extends its geographical reach to the international space since 2020 with the establishment of our service centres in Sydney and Melbourne, Australia.

In July 2021, the Group entered into the Singapore market with the establishment of the first shop in Wisma Atria, Singapore to tap into the Asian aesthetic medical market. The overall performance was on track during the fiscal year as the Group is trying to establish its presence in the market.

As of 31 March 2022, the Group has an extensive network in China, Macau, Sydney, Melbourne and Singapore, covering a gross service area of approximately 124,000 square feet.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Group continues to maintain a strong financial position with bank and cash balance of approximately HK\$454.4 million as at 31 March 2022 (2021: HK\$498.8 million), without external bank borrowing. The total equity of the Group as at 31 March 2022 was HK\$494.3 million (2021: HK\$684.8 million). The Group generally finances its operation with internally generated cash flows. The Group's gearing ratio as at 31 March 2022 was nil (2021: nil), based on the short-term and long-term interest bearing bank borrowings and the equity attributable to equity holders of the Company. As at 31 March 2022, the Group had net current liabilities of approximately HK\$14.8 million (FY2021: net current assets of HK\$94.3 million). Excluding the deferred revenue balances of HK\$236.7 million that would be recognised as revenue instead of requiring operating cash outflow, the Group had net current assets of HK\$221.9 million.

Net cash generated from operating activities in FY2022 was approximately HK\$513.9 million (FY2021: HK\$597.9 million). With the abundant bank and cash balances on hand, the Group's liquidity position remains strong and it has sufficient financial resources to fund its future expansion and acquisition plans but at the same time to meet its working capital requirement.

Capital Expenditure

The total capital expenditure incurred by the Group during the year ended 31 March 2022 amounted to HK\$165.6 million, which were mainly used in leasehold improvement and equipment in connection with the expansion of service network.

Capital Commitments

As at 31 March 2022 and 2021, the Group had the following capital commitments:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure contracted for but not yet incurred in respect of acquisition of property, plant and equipment	<u>4,530</u>	<u>12,636</u>

Contingent Liabilities

As at 31 March 2022, the Group did not have any significant contingent liabilities.

Foreign Exchange Exposure

The Group principally engages its business operation in Hong Kong, Macau, Mainland China, Australia and Singapore. The Group has subsidiaries operating in Mainland China, Macau, Australia and Singapore, in which most of their transactions are denominated and settled in Chinese Renminbi (“RMB”), Macau Patacas (“MOP”), Australian dollars (“AUD”) and Singapore dollar (“SGD”). In respect of transactions settled in RMB, MOP, AUD and SGD, the Group did not have significant exposure to foreign exchange rate risk during the year due to the transactions being generally denominated in the functional currency of the respective group companies. The Group has not entered into any foreign exchange contract as hedging measures.

Treasury Policies

The Group adopts a prudent approach in the treasury and investment activities. The Group’s surplus funds are mainly invested in fixed and saving deposits in renowned banks, unit trusts as well as listed equity securities in Hong Kong and United States as long-term investments.

The Board will continue to review the Group’s investment portfolio, implement strict risk control to minimise the impact of market volatility and closely monitor the performance of its investments from time to time in order to reduce the possible financial risk related to its investments and maximise value for the Shareholders.

PROSPECTS

Looking ahead, the Omicron variant continued to spread rapidly in the global landscape, adversely impacted on the recovery of the economy in the near future. In view of the changing business environment under the new normal, we have reviewed and successfully fine-tuned our strategy and operation. Thus, the Group achieved a record-high revenue of HK\$1,345.0 million for the year.

In April 2022, the Group has established a new service centre at Mong Kok with the gross service area of approximately 17,000 square feet, encompassing the latest state-of-the-art services. The new service centre would create synergies to the current aesthetic medical operations in the same location and provide additional income stream to the Group. With the announced relaxation of social distancing measures since late April, the Group is well positioned to capture the rebound of customers’ demand in the post-pandemic era. In the future, the Group will continue to adopt its aesthetic medical and medical service model and will gear up its effort both organically and inorganically to offer additional and complementary services to our customers.

In China, the Group will continue to rejuvenate its expansion strategy to further improve the operating efficiency. The Group has established its regional office in Shenzhen, Guangzhou and Shanghai with a view to better understand the operating dynamics and customers' demand in the surrounding areas. In the future, we will continue to look into strategic locations to introduce the aesthetic medical and medical service model to offer a comprehensive service to the customers in the Greater Bay Area and Eastern part in China.

For the international expansion, the Group would focus on keeping up its effort to streamline the current operations in Australia and Singapore. The Group will proceed with its international business development in a prudent and steady manner with relentless dedication to customer satisfaction. We will continue to focus on providing quality services that serves our customers well and enhance our brand awareness.

EMPLOYEES AND REMUNERATION POLICIES

The Group adheres to a strong belief that one of the most valuable assets of a corporation is its employees. The Group values its human resources and recognises the importance of attracting and retaining qualified staff for its continuing success. Maintaining the quality of service from our well-skilled professionals is crucial in strengthening our competitiveness.

The Group employed a total work force of 1,414 employees as at 31 March 2022 (2021: 1,333 employees). The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of the individual. The Group has been constantly reviewing staff remuneration package to ensure it is competitive with relevant industries.

DIVIDENDS

The Directors recommended a payment of a final dividend equivalent to HK7.1 cents per share for the year ended 31 March 2022 subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company to be held on 12 August 2022 (the "AGM") to the Shareholders whose names appear on the register of members of the Company on Wednesday, 24 August 2022. After taking into account an interim dividend of HK17.7 cents per share, a total annual dividend for the year ended 31 March 2022 will amount to HK24.8 cents per share.

The Directors proposed that the Shareholders be given the option to receive the final dividend in new shares in lieu of cash. The scrip dividend proposal is subject to: (1) the approval of the proposed final dividend at the AGM to be held on 12 August 2022; and (2) the Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant to the scrip dividend proposal.

A circular containing details of the scrip dividend proposal will be despatched to the Shareholders together with the form of election for scrip dividend on or about Tuesday, 30 August 2022. It is expected that the final dividend warrants and share certificates for the scrip dividend will be despatched to the Shareholders on or about Friday, 30 September 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 9 August 2022 to Friday, 12 August 2022 (both dates inclusive) during which period no transfer of Shares will be registered. In order to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 8 August 2022.

The proposed final dividend is subject to the approval of the Shareholders at the AGM. The record date for the proposed final dividend is at the close of business on Wednesday, 24 August 2022. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 19 August 2022 to Wednesday, 24 August 2022 (both dates inclusive), during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all relevant transfer document(s) and share certificate(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 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, Hong Kong (if the transfer will be lodged on or after 15 August 2022), for registration no later than 4:30 p.m. on Thursday, 18 August 2022.

Remark: The address of the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, will be changed to 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong with effect from 15 August 2022. For details, please refer to the Company's announcement to be made in due course.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

- (a) During the year ended 31 March 2022, the Company repurchased 3,110,000 of its own shares. The total amount paid for this repurchase was HK\$21,668,000 and was charged to share premium within shareholders' equity. All of the repurchased 3,110,000 shares were cancelled during the year.

Month of repurchase	Number of ordinary Shares repurchased	Purchase price paid per Share		Aggregate consideration paid (including transaction costs) <i>HK\$</i>
		Highest <i>HK\$</i>	Lowest <i>HK\$</i>	
July 2021	1,000,000	8.70	8.10	8,474,000
August 2021	500,000	7.08	6.89	3,511,000
August 2021	610,000	6.46	6.36	3,934,000
September 2021	1,000,000	5.73	5.73	5,749,000
	<u>3,110,000</u>			<u>21,668,000</u>

- (b) During the year ended 31 March 2022, the Company issued 1,695,000 (2021: 4,860,000) shares for proceeds of approximately HK\$14,998,000 (2021: HK\$14,988,000), as a result of the exercise of options. The weighted average exercise price was approximately HK\$8.848 per share (2021: HK\$3.048 per share). As a result, HK\$169,000 (2021: HK\$486,000) was credited to the share capital account and HK\$14,829,000 (2021: HK\$14,502,000), being proceeds received net of the nominal value of the issued Shares were credited to the share premium account. An amount of HK\$4,582,000 (2021: HK\$3,117,000) previously included in share-based compensation reserve was reclassified to the share premium account upon the issuance of options.

Save as disclosed above, during the year ended 31 March 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

On 1 January 2022, the amendments to the Corporate Governance Code (the “New CG Code”) came into effect and the requirements under the New CG code would apply to corporate governance reports for financial year commencing on or after 1 January 2022. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with the New CG Code and align with the latest developments.

During year ended 31 March 2022, the Company has complied with the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), except the issues mentioned in the following paragraphs:

According to the code provision A.2.1 of the CG Code (subsequently rearranged and renumbered as C.2.1 in the New CG Code), the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual. During year ended 31 March 2022, Dr. Au-Yeung Kong is both the chairman of the Board (the “Chairman”) and the chief executive officer of the Company (the “CEO”); therefore, the Group does not at present separate the roles of the Chairman and the CEO.

The Board considered that Dr. Au-Yeung Kong has in-depth knowledge and experience in the medical and aesthetic medical industry and is the appropriate person to manage the Group. Therefore, the roles of the Chairman and the CEO performed by the same individual, Dr. Au-Yeung Kong, is beneficial to the business prospects and management of the Group. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same individual can provide the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. Notwithstanding the above, the Board will review the current structure from time to time. If any candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may consider to make necessary arrangements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”). Specific enquiry has been made to each of the Directors and all Directors have confirmed that they have complied with the Model Code during the year ended 31 March 2022.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) was established on 5 December 2011 with written terms of reference which was revised on 20 March 2012, 15 January 2016 and 28 December 2018 in compliance with the CG Code and is available

on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to review the financial information of the Group, oversee the financial reporting process and risk management and internal control procedures of the Group, and oversee the relationship with the Company's external auditor.

The Audit Committee comprises three independent non-executive directors, namely, Ms. Hsu Wai Man, Helen, Mr. Chi Chi Hung, Kenneth and Ms. Cho Yi Ping. Ms. Hsu Wai Man, Helen is the chairman of the Audit Committee.

The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed with the management about the risk management, internal control and financial reporting matters, including reviewing the financial statements and annual results for the year ended 31 March 2022.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 March 2022 as set out in this preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an 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 PricewaterhouseCoopers on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the Company's website (<https://www.perfectmedical.com/>) and the Stock Exchange's website (<http://www.hkex.com.hk>). The 2022 annual report for the year ended 31 March 2022 containing all the information required by the Listing Rules will be despatched to the Shareholders and available on the same websites in due course.

By order of the Board
Perfect Medical Health Management Limited
Dr. Au-Yeung Kong
Chairman

Hong Kong, 30 June 2022

As at the date of this announcement, the Board comprises Dr. Au-Yeung Kong, Ms. Au-Yeung Wai and Ms. Au-Yeung Hung as executive Directors and Ms. Hsu Wai Man, Helen, Ms. Cho Yi Ping and Mr. Chi Chi Hung, Kenneth as independent non-executive Directors.