

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **MODERN HEALTHCARE TECHNOLOGY HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 919)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022**

The Board of Directors (“the Board” or the “Directors”) of Modern Healthcare Technology Holdings Limited (“the Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as “the Group”) for the six months ended 30 September 2022 (“the period under review”).

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*for the six months ended 30 September 2022 – unaudited*

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2022</b>	<b>2021</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	<b>5</b>	<b>225,588</b>	205,396
Other income	6	<b>31,617</b>	3,526
Cost of inventories sold		<b>(5,358)</b>	(7,581)
Advertising costs		<b>(994)</b>	(1,377)
Building management fees		<b>(5,944)</b>	(5,720)
Bank charges		<b>(10,413)</b>	(11,277)
Employee benefit expenses		<b>(121,991)</b>	(148,561)
Depreciation and amortisation		<b>(41,568)</b>	(46,877)
Occupancy costs		<b>(2,426)</b>	(847)
Other operating expenses		<b>(19,344)</b>	(22,056)

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2022</b>	2021
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit/(loss) from operations</b>		<b>49,167</b>	(35,374)
Interest income		<b>181</b>	62
Fair value change on investment properties		<b>(6,449)</b>	(3,537)
Finance costs	7	<b>(905)</b>	(1,230)
<b>Profit/(loss) before taxation</b>	7	<b>41,994</b>	(40,079)
Income tax expense	8	<b>(1,034)</b>	(1,544)
<b>Profit/(loss) for the period</b>		<b>40,960</b>	(41,623)
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>40,655</b>	(41,880)
Non-controlling interests		<b>305</b>	257
<b>Profit/(loss) for the period</b>		<b>40,960</b>	(41,623)
<b>Earnings/(loss) per share (HK cents)</b>	9		
Basic		<b>4.49</b>	(4.63)
Diluted		<b>4.49</b>	(4.63)

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

for the six months ended 30 September 2022 – unaudited

	Six months ended	
	30 September	
	2022	2021
Note	HK\$'000	HK\$'000
<b>Profit/(loss) for the period</b>	<b>40,960</b>	<b>(41,623)</b>
<b>Other comprehensive income for the period (after tax and reclassification adjustments):</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of operations outside Hong Kong	<u>(2,096)</u>	<u>(1,091)</u>
<b>Other comprehensive income for the period</b>	<b><u>(2,096)</u></b>	<b><u>(1,091)</u></b>
<b>Total comprehensive income for the period</b>	<b><u>38,864</u></b>	<b><u>(42,714)</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>38,559</b>	<b>(42,971)</b>
Non-controlling interests	<b><u>305</u></b>	<b><u>257</u></b>
<b>Total comprehensive income for the period</b>	<b><u>38,864</u></b>	<b><u>(42,714)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2022 – unaudited

		At 30 September 2022 HK\$'000	At 31 March 2022 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		143,668	150,654
Investment properties		43,941	50,390
Deposits and prepayments	10	12,878	8,966
Deferred tax assets		738	1,237
		<u>201,225</u>	<u>211,247</u>
		-----	-----
<b>Current assets</b>			
Inventories		7,693	7,833
Trade and other receivables, deposits and prepayments	10	178,454	173,646
Tax recoverable		3,259	3,499
Pledged bank deposits		47,318	47,205
Bank deposits with original maturity over three months		5,191	5,494
Cash and bank balances		141,747	122,039
		<u>383,662</u>	<u>359,716</u>
		-----	-----
<b>Current liabilities</b>			
Trade and other payables, deposits received and accrued expenses	11	72,256	73,818
Deferred revenue	12	186,932	204,183
Lease liabilities		43,091	56,441
Tax payable		3,741	4,115
		<u>306,020</u>	<u>338,557</u>
		-----	-----
<b>Net current assets</b>		<u>77,642</u>	<u>21,159</u>
		-----	-----
<b>Total assets less current liabilities</b>		<u>278,867</u>	<u>232,406</u>
		-----	-----

	<b>At</b>	<b>At</b>
	<b>30 September</b>	<b>31 March</b>
	<b>2022</b>	<b>2022</b>
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current liabilities</b>		
Lease liabilities	<b>16,164</b>	8,571
Deferred tax liabilities	<b>630</b>	626
	<u>16,794</u>	<u>9,197</u>
<b>NET ASSETS</b>	<b>262,073</b>	223,209
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>90,448</b>	90,448
Reserves	<b>167,691</b>	129,132
<b>Total equity attributable to equity shareholders of the Company</b>	<b>258,139</b>	219,580
Non-controlling interests	<b>3,934</b>	3,629
<b>TOTAL EQUITY</b>	<b>262,073</b>	223,209

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

### **2 BASIS OF PREPARATION**

This interim results set out in this announcement do not constitute the Group’s interim financial report for the six months ended 30 September 2022 but are extracted from the Group’s unaudited interim financial report which has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The financial information relating to the financial year ended 31 March 2022 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2022 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 June 2022.

### **3 CHANGES IN ACCOUNTING POLICIES**

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in the interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

#### 4 SEGMENT INFORMATION

The Group has two reportable segments as follows:

Beauty and wellness services	–	Provision of beauty and wellness services
Skincare and wellness products	–	Sales of skincare and wellness products

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

The accounting policies of the operating segments are the same as those described in the Group's annual financial statements for the year ended 31 March 2022. Segment profits do not include other income, interest income, fair value changes on investment properties, unallocated costs, which comprise corporate administrative expenses, and income tax expense. Segment assets do not include investment properties, deferred tax assets and tax recoverable. Segment liabilities do not include tax payable, deferred tax liabilities, amounts due to related companies and the ultimate controlling party.

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

	<b>Beauty and wellness services</b> <i>HK\$'000</i>	<b>Skincare and wellness products</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>For the six months ended 30 September 2022</b>			
Revenue from external customers	<b>210,394</b>	<b>15,194</b>	<b>225,588</b>
Reportable segment profit	<b>40,632</b>	<b>9,077</b>	<b>49,709</b>
<b>As at 30 September 2022</b>			
Reportable segment assets	<b>531,010</b>	<b>5,939</b>	<b>536,949</b>
Reportable segment liabilities	<b>304,704</b>	<b>13,612</b>	<b>318,316</b>
<b>For the six months ended 30 September 2021</b>			
Revenue from external customers	187,556	17,840	205,396
Reportable segment (loss)/profit	(36,672)	9,829	(26,843)
<b>As at 31 March 2022</b>			
Reportable segment assets	506,866	8,971	515,837
Reportable segment liabilities	325,280	17,606	342,886

(b) **Reconciliations of reportable segment profit or loss**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Reportable segment profit/(loss)	<b>49,709</b>	(26,843)
Other income	<b>8,435</b>	2,168
Interest income	<b>181</b>	62
Fair value changes on investment properties	<b>(6,449)</b>	(3,537)
Unallocated costs	<b>(9,882)</b>	(11,929)
Income tax expense	<b>(1,034)</b>	(1,544)
	<hr/>	<hr/>
Consolidated profit/(loss) for the period	<b>40,960</b>	(41,623)
	<hr/> <hr/>	<hr/> <hr/>

(c) **Reconciliations of reportable segment assets and liabilities**

	<b>At 30 September</b>	<b>At 31 March</b>
	<b>2022</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Assets</b>		
Reportable segment assets	<b>536,949</b>	515,837
Investment properties	<b>43,941</b>	50,390
Deferred tax assets	<b>738</b>	1,237
Tax recoverable	<b>3,259</b>	3,499
	<hr/>	<hr/>
Consolidated total assets	<b>584,887</b>	570,963
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities</b>		
Reportable segment liabilities	<b>318,316</b>	342,886
Tax payable	<b>3,741</b>	4,115
Deferred tax liabilities	<b>630</b>	626
Amounts due to related companies	<b>125</b>	125
Amount due to the ultimate controlling party	<b>2</b>	2
	<hr/>	<hr/>
Consolidated total liabilities	<b>322,814</b>	347,754
	<hr/> <hr/>	<hr/> <hr/>



## 5 REVENUE

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

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

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Revenue recognised from provision of beauty and wellness services and expiry of prepaid beauty packages	210,394	187,556
Sales of skincare and wellness products	15,194	17,840
	<u>225,588</u>	<u>205,396</u>

## 6 OTHER INCOME

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Government grants ( <i>Note</i> )	23,182	1,358
COVID-19-related rent concessions received	1,721	77
Income from provision of domestic helper agency services	1,800	1,054
Net gain on disposals of property, plant and equipment	270	–
Rental income	777	777
Others	3,867	260
	<u>31,617</u>	<u>3,526</u>

*Note:* During the periods ended 30 September 2022 and 2021, the Group successfully applied for funding support from Governments and other authorities. The purpose of those funding is to provide financial support to enterprises under COVID-19 situation.

## 7 PROFIT/(LOSS) BEFORE TAXATION

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

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Directors' remuneration	6,139	6,310
Depreciation		
– Owned property plant and equipment	7,882	7,608
– Right-of-use assets	33,686	39,269
Foreign exchange loss/(gain), net	163	(16)
Finance costs – interest on lease liabilities	905	1,230
	<u>6,139</u>	<u>6,310</u>

## 8 INCOME TAX EXPENSE

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax	346	381
Current tax – Overseas	223	1,110
Deferred taxation	465	53
	<u>1,034</u>	<u>1,544</u>

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (30 September 2021: 16.5%) to the six months ended 30 September 2022, 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 2022.

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

## 9 EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the earnings attributable to ordinary equity shareholders of the Company of HK\$40,655,000 (2021: loss of HK\$41,880,000) 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 earnings/(loss) per share is the same as basic earnings/(loss) per share as there were no dilutive potential shares in issue throughout the periods ended 30 September 2022 and 2021.

## 10 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 September 2022 <i>HK\$'000</i>	At 31 March 2022 <i>HK\$'000</i>
<b>Non-current assets</b>		
Deposits and prepayments	12,878	8,966
<b>Current assets</b>		
Trade receivables, net of loss allowance for expected credit loss	13,449	4,763
Trade deposits retained by banks/credit card companies ( <i>Note</i> )	128,928	133,947
Rental and other deposits, prepayments and other receivables	35,129	34,285
Amounts due from related companies	948	651
	<u>178,454</u>	<u>173,646</u>
	<u>191,332</u>	<u>182,612</u>

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

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

	At 30 September 2022 <i>HK\$'000</i>	At 31 March 2022 <i>HK\$'000</i>
0 – 30 days	6,520	216
31 – 60 days	2,530	266
61 – 90 days	1,705	1,527
Over 90 days	2,694	2,754
	<u>13,449</u>	<u>4,763</u>

The Group's trading terms with its customers are mainly on credit card settlements. The credit period is generally 7 to 180 days (31 March 2022: 7 to 180 days) for the credit card settlement from the respective banks/credit card companies.

## 11 TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

	At 30 September 2022 <i>HK\$'000</i>	At 31 March 2022 <i>HK\$'000</i>
Trade payables	1,168	263
Other creditors, deposits received and accrued expenses	70,961	73,428
Amount due to the ultimate controlling party	2	2
Amounts due to related companies	125	125
	<u>72,256</u>	<u>73,818</u>

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

	At 30 September 2022 <i>HK\$'000</i>	At 31 March 2022 <i>HK\$'000</i>
Within 90 days	1,168	254
Over 90 days	–	9
	<u>1,168</u>	<u>263</u>

## 12 DEFERRED REVENUE

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

	At 30 September 2022 <i>HK\$'000</i>	At 31 March 2022 <i>HK\$'000</i>
Within 1 year	<u>186,932</u>	<u>204,183</u>

(b) Movement of deferred revenue:

	At 30 September 2022 <i>HK\$'000</i>	At 31 March 2022 <i>HK\$'000</i>
At the beginning of the period/year	204,183	183,446
Gross receipts from sales of prepaid beauty packages	194,325	346,099
Revenue recognised for provision of beauty and wellness services and expiry of prepaid beauty packages	(210,394)	(325,483)
Exchange differences	(1,182)	121
	<u>186,932</u>	<u>204,183</u>

## 13 DIVIDENDS

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2022 (2021: Nil).

## **BUSINESS REVIEW**

### **Hong Kong**

After more than 3 months' epidemic containment measures requiring all the salons in Hong Kong to halt operations from 7 January 2022, our shops have resumed operation from 21 April 2022.

According to the survey from the Census and Statistics Department in Hong Kong, the value of total retail sales in Hong Kong during the 6 months ended September 2022 amounted to HK\$171.9 billion. It was up 2.0% compared with the same period in 2021, but was still down 25.7% compared with the same period in 2018, which was the time before the out-break of social event and pandemic. It is still a long way back to the good old days. Nonetheless, with our excellent brand recognition and solid customer base, our management is confident about the future of our business.

The Group is currently operating 30 beauty and wellness service centers in Hong Kong with a total gross floor area of approximately 172,000 square feet, decreased by 1.7% when compared with the figure of 175,000 square feet as at 30 September 2021. Various comprehensive high-quality beauty, slimming and facial services are offered to the general public including, inter alia, skincare, slimming, hairstyling, cosmetics, manicures, pedicures, electrology and aesthetics services.

With regard to the sales of skincare and wellness products, as of 30 September 2022, the Group had a total of 8 stores under the names of "be Beauty Shop", locating across Hong Kong, Kowloon and the New Territories. More than 80 varieties of products are available for sale under different series of skincare service, such as "be", "FERRECCARE", "p.e.n", "Y.U.E", "Advanced Natural", "Malu Wilz", "Byotea", "Care Plus", "Cellnoc", "Mu-lan Spa", "Veribel", "Castille", "IconX", "Dr Plus", "Castille", "Eclat du teint", "Natural Care". The Group launched distributor brands "Malu Wilz", "Byotea", "Castille", "Eclat du teint", "Cellnoc" as well as further promoted our self-owned brands "p.e.n", "be", "FERRECCARE", "Y. U. E.", "Advanced Natural", "Dr Plus", "P.S. LAB", "Natural Care", "Care Plus" with the aim of expanding our product sales business and potential clienteles through providing diversified high quality skincare products.

During the period under review, our service income and receipts from prepaid beauty packages in Hong Kong amounted to HK\$187,929,000 and HK\$171,631,000 respectively, representing an increase of 12.0% and decrease of 13.4% respectively, as compared to the same period last year.

### **Mainland China**

Our Mainland China operations are conducted through 2 wholly owned foreign enterprises established respectively in Shanghai and Guangzhou in the People's Republic of China. These two wholly owned foreign enterprises operate a total of 3 service centres at the two cities referred to. During the period under review, our service income and receipts from prepaid beauty packages in Mainland China amounted to HK\$4,495,000 and HK\$2,875,000 respectively, representing an increase of 19.2% and a decrease of 43.4% respectively, as compared to the same period last year.

## Singapore

The Group operates a total of 7 beauty and wellness service centres in Singapore, decreased by 2 center compared with the same period last year. Our Singapore operations reported a revenue of HK\$21,802,000. Revenue from services rendered amounted to HK\$17,970,000, while receipts from sales of prepaid beauty packages amounted to HK\$19,819,000, increased by 12.9% and 11.5% respectively when compared with the same period last year.

## FINANCIAL REVIEW

### Revenue

Revenue of the Group was mainly contributed by the beauty, facial and slimming services. For the six months ended 30 September 2022, revenue of the Group increased by 9.8% to HK\$225,588,000 as compared to the same period last year.

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

Sales mix	For the six months ended 30 September 2022		2021		Change
	HK\$'000	Percentage of revenue	HK\$'000	Percentage of revenue	
Beauty & facial	154,423	68.4%	139,057	67.7%	+11.1%
Slimming	46,591	20.7%	38,986	19.0%	+19.5%
Spa and massage	9,380	4.2%	9,513	4.6%	-1.4%
Beauty and wellness services	210,394	93.3%	187,556	91.3%	+12.2%
Sales of skincare and wellness products	15,194	6.7%	17,840	8.7%	-14.8%
Total	225,588	100%	205,396	100%	+9.8%

Compared to the same period last year, the Group's revenue from beauty and facial services increased by 11.1% to HK\$154,423,000 (2021: HK\$139,057,000). Revenue from the slimming service increased to HK\$46,591,000 in the period under review, up by approximately 19.5% from approximately HK\$38,986,000 in the same period of 2021.

Meanwhile, spa and massage revenue for the Group in the period under review decreased by 1.4% to HK\$9,380,000. As for the product revenue, it decreased by 14.8% to HK\$15,194,000 as compared to the same period last year, which was mainly attributable to the restructuring of our product portfolio in order to suit the customer needs.

## **Employee benefit expenses**

Employee benefit expenses represent the largest component of the Group's operating expenses, decreased by approximately 17.9% to HK\$121,991,000, comparing to HK\$148,561,000 for the same period last year. The total headcount of the Group as at 30 September 2022 increased by 10.4% to 884, as compared to a headcount of 801 for the same period last year. The drop of the employee benefit expenses is mainly due to the effect of the closure of our shops in Hong Kong under the anti-epidemic policy from 1 April to 20 April in 2022. In order to attract and retain the talents to enhance the competitive advantages of the Group, elite system has been launched since 2010 to provide comprehensive training to improve the staff's customer services skills. Eminent employees with excellent performance will be entitled to discretionary bonuses offered by the management in recognition of their contribution.

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

During the period under review, the Group's occupancy costs and depreciation of other properties leases for own use were approximately HK\$36,112,000 (2021: HK\$40,116,000), accounting for approximately 16.0% of our revenue (2021: 19.5%). As of 30 September 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 172,000 square feet, representing a decrease of 1.7% as compared to 175,000 square feet for the same period last year. As of 30 September 2022, the Group had 7 centres (2021: 9 centres) in Singapore, with a total weighted average gross floor area of approximately 14,000 square feet (2021: approximately 19,000 square feet).

## **Bank charges, advertising costs and building management fees**

Bank charges recorded changes in line with sales of new prepaid beauty packages, which decreased by 7.7% to HK\$10,413,000. Advertising costs decreased to HK\$994,000 from HK\$1,377,000 for the same period last year. Advertising cost as a percentage of revenue in 2022 was 0.4% which remained stable compared with that of the same period last year. This reflected the Group's ability to enjoy cost advantage in advertising cost as it could spread such cost across an enlarged service centre network that covers Hong Kong, Mainland China and Singapore. Advertising cost is allocated in an effective way to raise brand awareness and capture a greater market share. Building management fees increased by about 3.9% from HK\$5,720,000 in 2021 to approximately HK\$5,944,000 during the period under review. It accounts for 2.6% of our revenue in 2022, as compared to 2.8% for the same period last year.

## Other operating expenses

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

	For Six months ended 30 September	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Auditor's remuneration	2,210	2,076
Administrative expenses ( <i>Note</i> )	2,985	3,209
Cleaning, sanitary and laundry	2,835	2,998
Consultancy fee	1,077	1,052
Government rent and rates	1,677	1,461
Insurance	1,530	1,504
Legal and professional fee	1,264	1,522
Repair and maintenance expenses	1,906	2,242
Utilities	3,018	3,670
Other expenses	842	2,322
	<u>19,344</u>	<u>22,056</u>

*Note:* The administrative expenses for each of the periods ended 30 September 2022 and 2021 included motor vehicles expenses, postage and courier expenses, printing and stationary, telephone and fax and transportation expenses.

## Net profit/loss

For the six months ended 30 September 2022, the net profit was approximately HK\$40,960,000, as compared to the net loss of HK\$41,623,000 for the same period last year. The Group will continue to expand its business when opportunities arise in order to achieve the long-term value-added objective of maximising shareholders' returns. Earnings per share for the period under review was HK4.49 cents as compared to the loss per share of HK4.63 cent for the same period last year.

## Interim dividend

No interim dividend had been approved by the Board for the six months ended 30 September 2022 (interim dividend for 2021: nil).



## **Liquidity, capital structure and treasury policies**

During the period under review, we maintained a healthy financial position. The total equity of the Group as at 30 September 2022 was HK\$262,073,000. Cash and bank balances and bank deposits as at 30 September 2022 amounted to HK\$146,938,000 (31 March 2022: HK\$127,533,000) with no bank borrowings. The Group generally finances its liquidity requirements through the receipts from sales of prepaid beauty packages and collection of credit card prepayment from banks.

During the period under review, except for the fund required for operation, the majority of the Group's cash was held under fixed and savings deposits in banks at an annualised yield of approximately 0.2%. During the period under review, the Group did not have any other security or capital investments, derivative investments, or hedging on foreign currencies.

## **Capital expenditure**

The total capital expenditure of the Group (excluding additions to right of use assets) during the six months ended 30 September 2022 was approximately HK\$5,803,000, which was mainly used for the additions of property, leasehold improvements and equipment and machinery in connection with the expansion and integration of its service and retail networks in various regions. The capital expenditure for the same period last year was approximately HK\$57,666,000.

## **Contingent liabilities and capital commitment**

The Group had capital commitment mainly for the acquisition of property and leasehold improvement. The Board considered that there were no material contingent liabilities as at 30 September 2022. The Group had capital commitment of HK\$883,000 as at 30 September 2022 (31 March 2022: HK\$332,000) in respect of the acquisition of plant and equipment.

## **Charges on assets**

As of 30 September 2022, the Group had pledged bank deposits of HK\$47,318,000 (31 March 2022: HK\$47,205,000) in favour of certain banks to secure banking facilities granted to certain subsidiaries in the Group.

## **Foreign exchange risk exposures**

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

## **Human resources and training**

Total employee benefit expenses including directors' emoluments for the period under review amounted to HK\$121,991,000, representing a decrease of 17.9% as compared to HK\$148,561,000 for the same period last year. The Group had a workforce of 884 staff as of 30 September 2022 (30 September 2021: 801 staff), including 703 front-line service centre staff in Hong Kong, 34 in Mainland China and 58 in Singapore. Back office staff totaled 64 in Hong Kong, 6 in Mainland China and 19 in Singapore and Australia. To ensure our service quality, the Group regularly offers appropriate trainings to its staff, including the safe application of the latest beauty technology, exchanging of tips on service techniques, and in-depth introduction of our services and products. The trainings are designed by the Group's senior management, who are also responsible for certain teaching and sharing of experiences. During the training, the Group also encourages its staff to raise questions and express their opinions, which facilitates the interaction between the senior management and the general staff. Meanwhile, the sound communication between the management and the staff enables the management to understand the daily operations of the Group in a more efficient manner.

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

## **CORPORATE SOCIAL RESPONSIBILITY**

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

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

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

## **OUTLOOK**

While the performance of the Group was improved during the period under review, we will remain prudent in face of the uncertain business environment.

According to the government data as of 11 November 2022, Hong Kong's gross domestic product (GDP) shrunk 4.5% in the 3rd quarter of 2022, widening from -1.3% compared with the 2nd quarter of 2022, marking two consecutive quarters of negative growth. The continuous fall of the property prices as a result of rising interest rates has reduced consumer wealth and created a negative effect on consumer spending and consumer confidence. Despite the reopening of the border and the change of quarantine rules to "0+3", the overall retail market is expected to remain weak. The end of the hotel quarantine policy may not bring many visitors, especially short-haul visitors to Hong Kong in the short term.

Nevertheless, the Group is adamant to proactively maintain a positive attitude to explore, research and develop more sophisticated and effective health and beauty products and professional treatments, in order to meet the pursuit and demand for beauty and health of our customers, and in turn achieve stable growth and enhance the performance of the Group's core business.

Parallel to our focus on beauty and slimming business, the Group will also actively seek new investment opportunities. By the end of December 2022, the Group will open its first Café shop called "GIG Coffee" in Singapore. Leveraging on our strong customer network and services management that facilitate excellent quality assurance in Singapore, the Group aspires to develop and expand our business scope to food and beverage services in Singapore which has the potential to be our new growth engine in the future.

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

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

## **CORPORATE GOVERNANCE PRACTICES**

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

The Company has adopted the code provisions ("Code Provisions") set out in the Corporate Governance Code (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.

### **Non-Compliance with 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 26 August 2022 due to personal reason.

### **Model Code for Securities Transactions by Directors**

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

### **Board Committees**

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

- Remuneration Committee
- Nomination Committee
- Audit Committee

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

## **Remuneration Committee**

The composition of the Remuneration Committee is as follows:

### ***Independent Non-executive Directors***

Dr. Wong Man Hin, Raymond (*Chairman*)

Ms. Liu Mei Ling, Rhoda

Mr. Hong Po Kui, Martin

### ***Executive Director***

Dr. Tsang Yue, Joyce

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

## **Nomination Committee**

The composition of the Nomination Committee is as follows:

### ***Executive Director***

Dr. Tsang Yue, Joyce (*Chairman*)

### ***Independent Non-executive Directors***

Ms. Liu Mei Ling, Rhoda

Dr. Wong Man Hin, Raymond

Mr. Hong Po Kui, Martin

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

## **Audit Committee**

The composition of the Audit Committee is as follows:

### ***Independent Non-executive Directors***

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

Dr. Wong Man Hin, Raymond

Mr. Hong Po Kui, Martin

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

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

### **Publication of the Interim Results and Interim Report**

This results announcement is published on the website of the Hong Kong Exchanges and Clearing Limited at [www.hkex.com.hk](http://www.hkex.com.hk) under "Latest Listed Company Information" and on the website of the Company at [www.modernhealthcaretech.com](http://www.modernhealthcaretech.com) under "Investor Relations – Statutory Announcements". The Interim Report will be despatched to the shareholders on or about 21 December 2022 and will be available at the Stock Exchange's and the Company's websites at the same time.

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

Hong Kong, 28 November 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.*