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 2023

HIGHLIGHTS

- Revenue increased by 2.9% to HK$1,389.3 million.
- EBITDA increased by 2.7% to HK$482.3 million.
- Net profit increased by 3.4% to HK$315.6 million, of which 9.5% increase in the second half over the first half of FY2023.
- Net cash generated from operating activities increased by 9.1% to HK$560.6 million.
- Basic earnings per share increased by 2.0% to HK25.3 cents.
- Proposed final and special dividends of HK12.3 and HK4.7 cents per share respectively, totalling HK17.0 cents per share, with annual dividend of HK30.0 cents per share and dividend payout ratio of 118.6%.
- The Group establishes track record of consecutive 8 years at least 100% or more dividend payout ratio.
- The Group pursued a green development to place HK$214.0 million in bank green deposits with the aim of supporting green and sustainable projects.

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 2023 (the "FY2023"), together with the comparative figures for the year ended 31 March 2022 (the "FY2022") as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Note	**2023** *HK$'000*	2022 *HK$'000*
Revenue	3	**1,389,261**	1,349,971
Other income		**28,711**	9,617
Other losses — net		**(1,458)**	(907)
Cost of inventories and consumables		**(32,499)**	(28,321)
Employee benefit expenses	4	**(470,570)**	(412,677)
Marketing expenses		**(150,846)**	(182,633)
Depreciation of property, plant and equipment		**(86,264)**	(76,988)
Depreciation of right-of-use assets	6	**(137,329)**	(142,058)
Expenses related to short-term leases of stores and offices	6	**(6,383)**	(6,589)
Other operating expenses		**(136,559)**	(116,913)
Operating profit		**396,064**	392,502
Finance income	5	**7,915**	1,748
Finance costs	5	**(12,523)**	(16,097)
Finance costs — net	5	**(4,608)**	(14,349)
Profit before income tax		**391,456**	378,153
Income tax expenses	7	**(75,818)**	(72,908)
Profit for the year attributable to equity holders of the Company		**315,638**	305,245

	Note	2023 HK$'000	2022 HK$'000
Other comprehensive (losses)/income:			
Item that has been reclassified or may be reclassified subsequently to profit or loss:			
Currency translation differences		**(16,405)**	(3,836)
Item that will not be reclassified subsequently to profit or loss:			
Investments at fair value through other comprehensive income:			
— Fair value gains/(losses) taken to reserves		**1,352**	(84,421)
Total other comprehensive losses for the year, net of tax		**(15,053)**	(88,257)
Total comprehensive income for the year attributable to equity holders of the Company		**300,585**	216,988
Earnings per share attributable to equity holders of the Company for the year			
— Basic	8	**HK25.3 cents**	HK24.8 cents
— Diluted	8	**HK25.3 cents**	HK24.8 cents

CONSOLIDATED BALANCE SHEET

As at 31 March 2023

	Note	**2023**	2022
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**177,755**	250,189
Right-of-use assets	6	**231,573**	302,411
Deposits and prepayments		**37,185**	53,633
Financial assets at fair value through other comprehensive income	12	**88,963**	110,420
Deferred income tax assets		**8,532**	56,452
		544,008	773,105
Current assets			
Inventories		**8,908**	5,872
Trade receivables	10	**49,741**	14,841
Other receivables, deposits and prepayments		**36,792**	33,013
Term deposits with initial terms of over three months		**210,217**	214
Pledged bank deposits		**7,435**	9,555
Cash and cash equivalents		**439,193**	444,599
		752,286	508,094
Total assets		**1,296,294**	1,281,199

	Note	2023 HK$'000	2022 HK$'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**125,653**	123,996
Reserves		**486,620**	370,270
Total equity		**612,273**	494,266
LIABILITIES			
Non-current liabilities			
Provision for reinstatement costs		**16,086**	17,032
Deferred income tax liabilities		**21,273**	71,304
Lease liabilities	6	**125,876**	175,699
		163,235	264,035
Current liabilities			
Provision for reinstatement costs		**1,768**	2,690
Trade payables	11	**838**	1,592
Accruals and other payables		**66,010**	56,818
Lease liabilities	6	**114,477**	135,373
Deferred revenue		**252,073**	236,683
Tax payables		**85,620**	89,742
		520,786	522,898
Total liabilities		**684,021**	786,933
Total equity and liabilities		**1,296,294**	1,281,199

1 GENERAL INFORMATION

Perfect Medical Health Management Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the provision of medical, aesthetic medical and beauty and wellness 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 28 June 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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 other comprehensive income which are carried at fair value.

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 and accounting guideline adopted by the Group

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Costs of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	COVID-19 Related Rent Concession beyond 30 June 2021
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations
Annual Improvements Project	Annual Improvements to HKFRS 2018–2020

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, amendments to existing standards and interpretation that have been issued but are not effective

HKFRS 17 and Amendments to HKFRS 17	Insurance Contracts[1]
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to Hong Kong Interpretation 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[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 2023
(2) Effective for the Group for annual periods beginning on or after 1 January 2024
(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, amendments to exiting standards and interpretation and is in the process of assessing the impact of these new standards, amendments to existing standards and interpretation 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, aesthetic medical and beauty and wellness 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 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 2023 and 2022, 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 regions outside Hong Kong which include the PRC, Macau, Australia and Singapore (the "Regions outside Hong Kong"). Its revenue was derived from the following regions:

	2023	2022
	HK$'000	*HK$'000*
Hong Kong	**1,040,119**	975,146
Regions outside Hong Kong	**349,142**	374,825
	1,389,261	1,349,971

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

	2023	2022
	HK$'000	*HK$'000*
Hong Kong	**268,693**	237,834
Regions outside Hong Kong	**122,763**	140,319
	391,456	378,153

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:

	2023	2022
	HK$'000	*HK$'000*
Hong Kong	**331,831**	432,269
Regions outside Hong Kong	**114,682**	173,964
	446,513	606,233

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

	2023	2022
	HK$'000	*HK$'000*
Hong Kong	**9,556**	101,044
Regions outside Hong Kong	**10,595**	64,534
	20,151	165,578

4 EMPLOYEE BENEFIT EXPENSES

	2023	2022
	HK$'000	*HK$'000*
Wages and salaries	**429,289**	377,920
Pension costs — defined contribution plans *(Note a)*	**21,748**	18,135
Share-based payment expenses	**4,237**	4,582
Other staff welfares	**15,296**	12,040
Total employee benefit expenses (including directors' remunerations)	**470,570**	412,677

(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 based on their basic salaries, while the subsidiaries contribute also based on 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.

Australia and Singapore

The Group is required to contribute a certain percentage of the salaries of the employees in Australia by joining the superannuation funds and in Singapore under Central Provident Fund, and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the contributions.

5 FINANCE COSTS — NET

	2023	2022
	HK$'000	*HK$'000*
Interest income on bank deposits	**7,915**	1,748
Interest expenses on lease liabilities	**(12,523)**	(16,097)
Finance costs — net	**(4,608)**	(14,349)

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 (2022: 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

	2023	2022
	HK$'000	*HK$'000*
At 1 April	**302,411**	251,783
Acquisition of leases	**82,367**	197,723
Depreciation of right-of-use assets	**(137,329)**	(142,058)
Lease modification due to rent concession	**(3,934)**	(6,270)
Lease modification due to early termination of leases	**(6,555)**	(79)
Exchange differences	**(5,387)**	1,312
At 31 March	**231,573**	302,411

(c) Amounts recognised in the consolidated balance sheet

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

	2023	2022
	HK$'000	*HK$'000*
Right-of-use assets		
Properties	**231,573**	302,411
Lease liabilities		
Non-current	**125,876**	175,699
Current	**114,477**	135,373
	240,353	311,072

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

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

	2023	2022
	HK$'000	*HK$'000*
Depreciation of right-of-use assets		
— Properties	**137,329**	142,058
Interest expenses on leases liabilities *(Note 5)*	**12,523**	16,097
Expenses related to short-term leases of stores and offices	**6,383**	6,589
Gains on lease modification	**494**	3

(e) During the years ended 31 March 2023 and 2022, the total cash outflows for leases were analysed as below:

	2023	2022
	HK$'000	*HK$'000*
Cash flows from operating activities *(Note)*		
Payments for short-term leases in respect of stores and offices	**6,383**	6,589
Cash flows from financing activities		
Payment of interest element of lease liabilities	**12,523**	16,097
Payment of principal element of lease liabilities	**135,680**	137,724
	148,203	153,821

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% (2022: 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% (2022: 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 2023 and 2022. Companies incorporated in Australia are subject to Australian income tax at the rate of 30% (2022: 30%). Companies incorporated in Singapore are subject to Singapore income tax at the rate of 17% (2022: 17%).

	2023	2022
	HK$'000	*HK$'000*
Current income taxation		
— Hong Kong profits tax	**48,740**	35,377
— PRC and overseas income tax	**26,656**	33,620
	75,396	68,997
Over-provision in prior years	**(3,158)**	(3,520)
Total current income taxation	**72,238**	65,477
Deferred taxation	**3,580**	7,431
	75,818	72,908

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:

	2023	2022
	HK$'000	*HK$'000*
Profit before income tax	**391,456**	378,153
Tax calculated at the applicable domestic tax rates *(Note a)*	**68,479**	68,982
Income not subject to tax	**(4,180)**	(665)
Expenses not deductible	**283**	99
Tax effect of unrecognised tax losses	**7,764**	7,302
Utilisation of tax losses previously not recognised	**(1,534)**	(4,795)
Effect of PRC withholding taxes	**6,611**	6,130
Tax credit *(Note b)*	**(359)**	(545)
Over-provision in prior years	**(3,158)**	(3,520)
Others	**1,912**	(80)
Tax charge	**75,818**	72,908

Notes:

(a) The weighted average applicable tax rate for the year ended 31 March 2023 was 17.5% (2022: 18.2%).

(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.

As disclosed in Note 9(ii), the Company granted the scrip dividend option to shareholders and issued 15,350,871 new ordinary shares accordingly. These new shares were included in the calculation of the weighted average number of ordinary shares since the date of their issuance.

	2023	2022
Profit attributable to equity holders of the Company (HK$'000)	**315,638**	305,245
Weighted average number of ordinary shares for the purposes of basic earnings per share (thousands of shares)	**1,249,157**	1,230,628
Basic earnings per share (HK cents)	**25.3**	24.8

Diluted

For the year ended 31 March 2023, the calculation of diluted earnings per share was based on the profit attributable to equity holders of the Company divided by the diluted weighted average number of ordinary shares of 1,249,157,554 in issue during the year. The diluted earnings per share is HK25.3 cents.

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

9 DIVIDENDS

	2023	2022
	HK$'000	*HK$'000*
Interim, paid, of HK13.0 cents (2022: HK17.7 cents) per ordinary share *(notes i and iii)*	**163,545**	219,474
Final, proposed, of HK12.3 cents (2022: HK7.1 cents) per ordinary share *(notes ii and iv)*	**154,554**	88,038
Special proposed, of HK4.7 cents (2022: nil) per ordinary share *(note iv)*	**59,057**	—
	377,156	307,512

Notes:

(i) 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.

(ii) 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 these dividend pursuant to which shareholders have the options to elect payment of the aforementioned final dividend wholly or partly by allotment of ordinary shares. The Company allotted and issued 15,350,871 new ordinary shares of the Company at HK$3.896 per share, amounting to a total of approximately HK$59,807,000 in lieu of dividends pursuant to the scrip scheme set out in the circular of the Company dated 30 August 2022. The dividend, with scrip dividend alternative was reflected as an appropriation of retained earnings and share premium for the year ended 31 March 2023.

(iii) At a board meeting held on 23 November 2022, the directors declared an interim dividend for the year ended 31 March 2023 of HK13.0 cents per ordinary share, totalling HK$163,545,000, which was paid on 30 December 2022 and was reflected as an appropriation of retained earnings for the year ended 31 March 2023.

(iv) At a board meeting held on 28 June 2023, the directors recommended the payment of a final and special dividend of HK12.3 cents and 4.7 cents per ordinary share, totalling HK$154,554,000 and HK$59,057,000 respectively. The 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 2024 respectively after receiving the shareholders' approval at the forthcoming annual general meeting.

10 TRADE RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**49,741**	14,841

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

	2023	2022
	HK$'000	*HK$'000*
HK$	**46,842**	12,145
RMB	**1,607**	892
MOP	**489**	563
AUD	**36**	27
SGD	**767**	1,214
	49,741	14,841

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 (2022: 3 days to 180 days). The ageing analysis of trade receivables by the dates on which the relevant invoices are issued is as follows:

	2023	2022
	HK$'000	*HK$'000*
Less than 60 days	**42,966**	4,499
60 days to 90 days	**3,055**	1,107
91 days to 120 days	**3,570**	7,358
121 days to 180 days	**150**	1,877
	49,741	14,841

As at 31 March 2023, trade receivables of approximately HK$2,998,000 (2022: HK$914,000) were past due but not impaired because they were mainly debtors of high credit ratings with no recent history of default. The ageing analysis of these trade receivables by the days of overdue repayment is as follows:

	2023	2022
	HK$'000	*HK$'000*
Less than 60 days	**2,998**	914

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 2023 and 2022, no collateral was received from these counterparties.

As at 31 March 2023 and 2022 and during the years then ended, no trade receivables were 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 (2022: 30 days to 180 days).

At 31 March 2023 and 2022, the ageing analysis of trade payables based on invoice date is as follows:

	2023	2022
	HK$'000	*HK$'000*
Less than 60 days	**421**	650
60 days to 120 days	**—**	485
Over 120 days	**417**	457
	838	1,592

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

	2023	2022
	HK$'000	*HK$'000*
HK$	**347**	938
RMB	**283**	498
MOP	**74**	6
AUD	**134**	150
	838	1,592

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023	2022
	HK$'000	*HK$'000*
At 1 April	**110,420**	309,077
Additions	**1,539**	234,625
Fair value gains/(losses) taken to reserves	**1,352**	(84,421)
Disposals	**(16,296)**	(354,328)
Exchange differences	**(8,052)**	5,467
At 31 March	**88,963**	110,420

	2023	2022
	HK$'000	*HK$'000*
Equity investments listed in Hong Kong	**88,963**	110,420

As at 31 March 2023 and 2022, 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.

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 2023.

As a home-grown beauty clinic in Hong Kong for over twenty years, the Group has constantly transformed itself to keep up with the ever-changing consumer demand. First established as one of the pioneers as a slimming and beauty consultant in Hong Kong in 2003, the Group has evolved over time with the advancement of technology and breakthrough. To date, the Group is one of the largest aesthetic medical and healthcare management service provider in Hong Kong, providing a full spectrum of energy-based services, hair growth treatment, pain treatment as well as other supplementary services to our customers. With the rise of aesthetic medical in mainland China in recent years, the Group has replicated our time-proven and efficient business model into the Greater Bay Area and the Eastern China, in order to transfer our knowhow and experience in the aesthetic medical industry. And more recently, our geographical reach expands into the international space in Australia and Singapore to fortify our presence as a multinational aesthetic medical corporation. Our dedication to serve as a global aesthetic medical and healthcare consultant has guided us to the success in this low visibility environment under the lingering Covid outbreaks in the past three years.

For the year under review, the Group has experienced a challenging year with the performance being a year of two halves. In the first half year, the emergence of Omicron variant in Hong Kong and mainland China had put significant pressure on the economic sentiment. The economy has significantly improved following the lifting of travel restriction in December 2022 and the mandatory mask-wearing requirements in March 2023 in Hong Kong, as well as the lifting of zero-Covid policy in December 2022 in mainland China. The complete relaxation of Covid restrictions and the resumption to full normalcy in our daily life has boosted the consumer confidence towards the latter part of the fiscal year, positively impacting on our financial performance for the year under review.

As for the global economy, inflation environment, sharp increase in interest rate and the geopolitical tensions around the world have proved to be more persistent than anticipated and the economic conditions have become more fragile. The gradual resumption of normal lifestyle after the reopening has triggered more outbound tourism into favourite tourist spots, which partially disrupted the local consumption from existing and new customers in the near term. The Group has no choice but to continually adjust its development and business strategy to overcome the operation risk under the pandemic.

As reported in the interim results, the Group has taken a prudent approach in our business expansion this year to better respond to the dynamic operating environment and to create shareholder value through careful investment into strategic locations. To stay competitive, the Group has reviewed our cost control and resource deployment to maintain our market leadership position. In this difficult circumstance, the Group remains responsible to the society we live in through maintaining staff stability and wellness and providing superior value to our customers.

As at 31 March 2023, the Group operated a total service area of 294,000 square feet, covering Hong Kong, mainland China, Macau, Australia and Singapore. During the year, the Group has expanded its business penetration with an addition of one shop in Hong Kong and three shops in mainland China in strategic locations.

Service Area:

	As at 31 Mar 2023
	ft²
Hong Kong	**189,000**
Regions outside Hong Kong	**105,000**
	294,000

With the unwavering support from the employees and the loyal customers, we are glad to report that our execution of sustainable and dedicated business expansion strategy has enabled us to deliver a stable profitability in this year.

FINANCIALS

Financial Performance

For the year under review, the Group has recorded a year-on-year increase in both revenue and net profit, completely turnaround from the lackluster performance in the first half year under the pandemic. The Group's revenue increased by 2.9% to HK$1,389.3 million (FY2022: HK$1,350.0 million), as we anticipated a better performance in recent months after the gradual relaxation of all social distancing measures in Hong Kong, compensated the decrease in revenue from regions outside Hong Kong. During the year, the Group had business suspension of 20 days in Hong Kong and in a range of 5 to 61 days in mainland China. The contribution from the aesthetic medical business continued to be our core business for the year, contributing to around 77.4% as measured by the value of sale contract. The average spending per client also maintained at a high level, with average spending for aesthetic medical and medical businesses reaching HK$28,026 and HK$23,451 respectively.

Revenue breakdown by region:

	Year ended 31 March		
	2023	2022	% Change
	HK$million	*HK$million*	
Hong Kong	**1,040.1**	975.1	+6.7%
Regions outside Hong Kong	**349.2**	374.9	(6.9%)
	1,389.3	1,350.0	+2.9%

Value of sale contract by service type:

	Year ended 31 March	
	2023	2022
	%	*%*
Aesthetic Medical	**77.4**	66.0
Medical	**10.6**	17.4
Beauty and Wellness	**12.0**	16.6
	100.0	100.0

Customers Spending Pattern:

	Year ended 31 March		
	2023	2022	Change
Average Spending per Client *(Note) (HK$)*			
— Aesthetic Medical	**28,026**	26,149	+7.2%
— Medical	**23,451**	29,162	(19.6%)
— Beauty and Wellness	**9,507**	9,371	+1.5%

Note: Exclude Singapore operation which newly established in FY2022.

As reported earlier, the Group has taken a live within your means approach towards the cost control and resource deployment to minimise the impact of Covid outbreak to the Group's profitability. In essence, the employee benefit expenses increased by 14.0% to HK$470.6 million (FY2022: HK$412.7 million), as we continued to recruit enough talents for future growth and the lower employee expenses in relation to the suspension of operation in Hong Kong in the last quarter in FY2022. The marketing expenses decreased by 17.4% to HK$150.8 million (FY2022: HK$182.6 million), as a result of the control in advertising and promotional campaign. The rental lease related expenses (note 1) increased by 5.6% to HK$174.0 million (FY2022: HK$164.7 million), due to favourable impact on temporary rental concessions in last year.

Key Cost Components:

	Year ended 31 March		
	2023	2022	% Change
	HK$'000	*HK$'000*	
Cost of inventories and consumables	**32,499**	28,321	+14.8%
Employee benefit expenses	**470,570**	412,677	+14.0%
Marketing expenses	**150,846**	182,633	(17.4%)
Depreciation of property, plant and equipment	**86,264**	76,988	+12.0%
Rental lease related expenses *Note 1*	**173,965**	164,744	+5.6%
Other operating expenses	**118,829**	116,913	+1.6%
	1,032,973	982,276	+5.2%

Note 1: The rental lease related expenses include "depreciation of right-of-use assets", "expenses related to short term leases of stores and offices", "interest expenses on lease liabilities" and "building management fee".

At earnings before interest, tax and depreciation of property, plant and equipment ("EBITDA") level, the EBITDA increased by 2.7% to HK$482.3 million (FY2022: HK$469.5 million), representing the EBITDA margin of 34.7% for the year (FY2022: 34.8%). The operating profit increased by 0.9% to HK$396.1 million (FY2022: HK$392.5 million), representing an operating profit margin of 28.5% (FY2022: 29.1%). Profit attributable to equity holders of the Company was HK$315.6 million, increased by 3.4% year-on-year (FY2022: HK$305.2 million), representing an increase of 0.1% in net profit margin of 22.7% for FY2023 (FY2022: 22.6%). Basic earnings per share was HK25.3 cents (FY2022: HK24.8 cents).

Dividend and Share Buyback

For the year under review, the Board recommends the payment of a final and special dividend of HK12.3 cents and HK4.7 cents per share respectively to shareholders whose names appear on the register of members of the Company as at 22 August 2023. Together with the interim dividend of HK13.0 cents per share, the total dividend per share is expected to be HK30.0 cents per share for the full year, representing a total dividend payout ratio of 118.6%.

During the year, the Company has bought back a total of 2.5 million shares, equivalent to approximately HK$10.0 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 their shareholdings in the Company by an aggregate of 1.3 million shares during the year, equivalent to HK$4.6 million.

BUSINESS OVERVIEW

Hong Kong Operation

In the last three years, the Group has suffered from a series of lockdown and suspension of business in Hong Kong following the outbreak of a couple of waves of pandemic since year 2020, which severely weighed on our business development. The Government has shed light on the road to recovery in April 2022 following the easing of some of the stringent restrictions, paving the way for gradual reopening of Hong Kong to the world. The lifting of the travel restriction in December 2022 and the mandatory mask-wearing requirements in March 2023 has put to a complete end towards the restrictive policy and the resumption to normalcy is expected to provide much support to the battered economy in Hong Kong. Various stimulus measures have been introduced by the Government since then in order to boost international travel and consumer confidence in the region. While there has been a dramatic increase in influx of tourists into Hong Kong in the last quarter of the fiscal year, we expect to take some time for Hong Kong's inhabitants to return to a normal life and to overcome a cautious spending behaviour arising from the economic instability in the last few years.

Revenue from Hong Kong operation increased by 6.7% to HK$1,040.1 million (FY2022: HK$975.1 million), representing a significant rebound from a revenue decrease of 21.5% during the first half year, mainly attributed to the gradual pick up in shop traffic and utilisation in the second half year, compensated the business suspension for 20 days in April 2022 and slower recovery in the first half year. As of 31 March 2023, the Group has a well-established network of service centres in Hong Kong covering a total of 189,000 square feet. Currently, revenue from Hong Kong operation accounted for 74.9% (FY2022: 72.2%) of the Group's revenue. In terms of operating profit, the Group has delivered a stable operating profit margin year-on-year in Hong Kong, thanks to the regain of sales momentum in Hong Kong in the second half year and the experience learnt throughout the last three years on expense control.

Aesthetic Medical Business

Our ecosystem fosters a combination of aesthetic medical and healthcare management services in Hong Kong, aiming to take care the beauty and health elements of our customers throughout their lifecycle. In the past three years, the Group has been a fast mover in Hong Kong with our service area increasing substantially from 125,000 square feet in March 2020 to 189,000 square feet in March 2023. This early investment in service centres under a cheaper rental rate in the pandemic plays an important role towards our organic development in Hong Kong. In the second half year, we observed a progressive improvement in shop traffic and utilisation and the gradual return of new customers in Hong Kong, which positively affecting our profitability in Hong Kong in this year.

During the year, the Group has kept a tight control on its marketing budget to match with the revenue fluctuation. Marketing campaign was launched progressively towards the latter part of the year at online and offline social media following the reopening of Hong Kong to capture the resumption in consumer spending.

Medical Business

As for the medical business, our offering comprises a range of supplementary healthcare management services including hair growth treatment, pain treatment, health screening service and others, to fully collaborate with our aesthetic medical services to form a full range of care towards a customers' lifecycle. During the year, performance was satisfactory as we witnessed an improved utilisation and increasing customer enquiries following the reopening of Hong Kong economy.

Regions outside Hong Kong

Revenue from regions outside Hong Kong decreased by 6.9% to HK$349.2 million (FY2022: HK$374.9 million), owing to the loss of revenue in mainland China throughout the year impacted by the pandemic outbreak in different cities, but helped by the promising results in both Australia and Singapore as we continued to reinforce our presence in the international landscape. Currently, revenue from regions outside Hong Kong accounted for 25.1% (FY2022: 27.8%) of the Group's revenue.

Mainland China and Macau

The ongoing pandemic in the last three years wreaked havoc on the economy in the mainland China. With the implementation of stringent pandemic control and the restrictive movement measures, operations were severely impaired for the most part of the fiscal year. The Government has officially lifted the zero-Covid policy in December 2022 in mainland China, with a view to restoring the economic growth. While it suffered from widespread infection and slow recovery initially, we have witnessed a gradual economic recovery and a substantial rebound in foot traffic since January 2023, enhancing our confidence in further expansion in the mainland China in the coming future.

In FY2023, the Group is glad to report that our business in mainland China recorded a healthy profit throughout the whole year amid the poor economic situation, demonstrating our time-proven business model and long history of establishment since we first entered into China in 2009. Amid the pandemic situation in China, the Group has been selective on shop openings especially when staff training, renovation and customers visit are all unpredictable and difficult. During the year, three shops have been added in Guangzhou, Shanghai and Beijing to strengthen our presence.

Australia and Singapore

In FY2023, our expansion into Australia and Singapore bears fruit since we first entered into the international landscape in year 2020. In particular, our strategy to serve the Asian aesthetic market in Singapore has been outstanding since its establishment in July 2021. With much similarities between the Hong Kong and Singapore market, we are confident in further expansion in the Singapore market in future. For Australia, employee expense was heightened as we continued to cultivate enough talents and specialists for further expansion.

As of 31 March 2023, the Group has an extensive network in mainland China, Macau, Sydney, Melbourne and Singapore, covering a gross service area of approximately 105,000 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 HK$656.8 million as at 31 March 2023 (FY2022: HK$454.4 million), without external bank borrowing. The total equity of the Group as at 31 March 2023 was HK$612.3 million (FY2022: HK$494.3 million). The Group generally finances its operation with internally generated cash flows. The Group's gearing ratio as at 31 March 2023 was nil (FY2022: 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 2023, the Group had net current assets of approximately HK$231.5 million (FY2022: net current liabilities of HK$14.8 million).

Net cash generated from operating activities during the year was HK$560.6 million (FY2022: HK$513.9 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 2023 amounted to HK$20.2 million, which were mainly used in leasehold improvement and equipment in connection with the expansion of service network.

Capital Commitments

	2023	2022
	HK$'000	*HK$'000*
Capital expenditure contracted for but not yet incurred in respect of acquisition of property, plant and equipment	**1,474**	4,530

Contingent Liabilities

As at 31 March 2023, 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 as well as listed equity securities in Hong Kong 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.

As at 31 March 2023, the group pursued a green development to place HK$214.0 million in bank green deposits with the aim of supporting green and sustainable projects.

Charges on the Group's Assets

As at 31 March 2023, some of the Group's banking facilities in respect of credit card and instalment sales arrangement was secured by pledged bank deposits.

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 1,317 employees as at 31 March 2023 (FY2022: 1,414 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.

Material Acquisition and Disposal

Save as disclosed in this announcement, there was no material acquisition and disposal processed by the Group during the year.

Future Plans for Material Investments or Capital Assets

Save as disclosed in this announcement, the Group had no other future plans for material investments or capital assets.

PROSPECTS

For the year ahead, the business environment is expected to be less volatile after the cessation of social distancing measures in Hong Kong and mainland China. With the Government tilting towards business growth this year, we expect a brighter operating environment fueled by resumption of local spending in all of our operating regions and the pent-up demand from tourists from mainland China in Hong Kong. The rebound in the sales momentum will usher in a new phase of development in Hong Kong, as well as in the Greater Bay Area and other parts of mainland China and overseas. In the post-pandemic era, we remained steadfast in our core strategy of "Healthcare + Medical Beauty" to satisfy the individual needs of the consumers.

In Hong Kong, the Government has launched a massive publicity campaign "Hello Hong Kong" to attract tourists and business visitors alike from around the world. Encouraging trends has been witnessed in recent months in terms of retail sales growth and the dramatic increase in tourism, strengthening our confidence in future development. In the coming year, the Group will further increase our market penetration through different store formats to reinforce our market leadership position in Hong Kong.

In mainland China, following the end of zero-Covid policy in December 2022, customers' visit has normalised and is expected to return to around pre-Covid level in foreseeable future. The Company will be cautiously expanding our geographical coverage and replicating our success in the Greater Bay Area and Eastern China in the coming years, taking advantage on our lean and efficient business model.

For the international expansion, the better performance in Singapore and Australia enhanced our confidence in future development in other overseas countries. 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.

DIVIDENDS

The Directors recommended a payment of a final and special dividend of HK12.3 cents and HK4.7 cents per share respectively for the year ended 31 March 2023 subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company to be held on 11 August 2023 (the "AGM") to the Shareholders whose names appear on the register of members of the Company on Tuesday, 22 August 2023. After taking into account an interim dividend of HK13.0 cents per share, a total annual dividend for the year ended 31 March 2023 will amount to HK30.0 cents per share.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 8 August 2023 to Friday, 11 August 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Monday, 7 August 2023.

The proposed final and special dividend is subject to the approval of the Shareholders at the AGM. The record date for the proposed final and special dividend is at the close of business on Tuesday, 22 August 2023. For determining the entitlement to the proposed final and special dividend, the register of members of the Company will be closed from Friday, 18 August 2023 to Tuesday, 22 August 2023 (both dates inclusive), during which period no transfer of Shares will be registered. In order to qualify for the proposed final and special 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 17 August 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

(a) During the year ended 31 March 2023, the Company repurchased 2,500,000 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 2,500,000 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)
		Highest	Lowest	
		HK$	*HK$*	*HK$*
July 2022	1,000,000	4.1	3.9	3,978,260
November 2022	52,000	3.28	3.22	168,410
December 2022	1,448,000	4.15	3.86	5,844,140
	2,500,000			9,990,810

(b) During the year ended 31 March 2023, the Company issued 3,720,000 (2022: 1,695,000) shares for proceeds of approximately HK$14,997,000 (2022: HK$14,998,000), as a result of the exercise of options. The weighted average exercise price was approximately HK$4.031 per share (2022: HK$8.848 per share). As a result, HK$372,000 (2022: HK$169,000) was credited to the share capital account and HK$14,625,000 (2022: HK$14,829,000), being proceeds received net of the nominal value of the issued Shares were credited to the share premium account. An amount of HK$4,237,000 (2022: HK$4,582,000) 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 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

During year ended 31 March 2023, the Company has complied with the Corporate Governance Code (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 C.2.1 of the 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 2023, 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 2023.

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 2023.

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 2023 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 audited 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 2023 annual report for the year ended 31 March 2023 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, 28 June 2023

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