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MODERN HEALTHCARE TECHNOLOGY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 919)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

The Board of Directors ("the Board") of MODERN HEALTHCARE TECHNOLOGY HOLDINGS LIMITED ("the Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as "the Group") for the year ended 31 March 2023 ("FY2023" or "the year under review"), with comparative figures for the year ended 31 March 2022 ("FY2022") as follows. The consolidated results for the year ended 31 March 2023 have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2023

	Note	**2023** *HK$'000*	2022 *HK$'000*
Revenue	*5*	**406,327**	355,591
Other income	*6*	**34,493**	7,044
Cost of inventories sold		**(11,605)**	(14,069)
Advertising costs		**(3,051)**	(3,114)
Building management fees		**(11,950)**	(11,710)
Bank charges		**(21,604)**	(17,565)
Employee benefit expenses	*7(a)*	**(274,892)**	(250,803)
Depreciation and amortisation		**(87,235)**	(90,957)
Other operating expenses		**(42,400)**	(46,667)

	Note	**2023** **HK$'000**	2022 HK$'000
Loss from operations		**(11,917)**	(72,250)
Finance costs	*7(c)*	**(1,771)**	(2,098)
Interest income		**891**	124
Fair value change on investment properties		**(5,490)**	7,200
Net gain on disposal of subsidiaries		**–**	362
Loss before taxation	*7*	**(18,287)**	(66,662)
Income tax expense	*8*	**(1,839)**	(2,042)
Loss for the year		**(20,126)**	(68,704)
Attributable to:			
Equity shareholders of the Company		**(20,607)**	(68,808)
Non-controlling interests		**481**	104
Loss for the year		**(20,126)**	(68,704)
Loss per share (HK cents)	*9*		
Basic		**(2.28)**	(7.61)
Diluted		**(2.28)**	(7.61)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2023

	Note	**2023** **HK$'000**	2022 HK$'000
Loss for the year		**(20,126)**	(68,704)
Other comprehensive income for the year (after tax and reclassification adjustments):			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of foreign operations		**797**	(979)
Other comprehensive income for the year		**797**	(979)
Total comprehensive income for the year		**(19,329)**	(69,683)
Attributable to:			
Equity shareholders of the Company		**(19,810)**	(69,787)
Non-controlling interests		**481**	104
Total comprehensive income for the year		**(19,329)**	(69,683)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Note	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment		**128,826**	150,654
Investment properties		**44,900**	50,390
Intangible assets		**–**	–
Goodwill		**–**	–
Deposits and prepayments	*10*	**5,313**	8,966
Deferred tax assets		**423**	1,237
		179,462	211,247
Current assets			
Inventories		**7,819**	7,833
Trade and other receivables, deposits and prepayments	*10*	**145,486**	173,646
Tax recoverable		**3,206**	3,499
Pledged bank deposits		**47,846**	47,205
Bank deposits with original maturity over three months		**5,620**	5,494
Cash and bank balances		**171,910**	122,039
		381,887	359,716
Current liabilities			
Trade and other payables, deposits received and accrued expenses	*11*	**71,532**	73,818
Deferred revenue	*12*	**242,762**	204,183
Lease liabilities		**25,777**	56,441
Tax payable		**2,431**	4,115
		342,502	338,557
Net current assets		**39,385**	21,159
Total assets less current liabilities		**218,847**	232,406

	Note	2023 HK$'000	2022 HK$'000
Non-current liabilities			
Lease liabilities		**14,333**	8,571
Deferred tax liabilities		**634**	626
		14,967	9,197
NET ASSETS		**203,880**	223,209
CAPITAL AND RESERVES			
Share capital		**90,448**	90,448
Reserves		**109,322**	129,132
Total equity attributable to equity shareholders of the Company		**199,770**	219,580
Non-controlling interests		**4,110**	3,629
TOTAL EQUITY		**203,880**	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, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The address of its principal place of business is Work Shop Nos. 66-68, 6th Floor, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("the Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are provision of beauty and wellness services and the sales of skincare and wellness products. In the opinion of the directors of the Company, Dr. Tsang Yue, Joyce ("Dr. Tsang"), who is a director of the Company, is the ultimate controlling party of the Company.

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The consolidated results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 March 2023 but are extracted from those financial statements.

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

The consolidated financial statements for the year ended 31 March 2023 comprise the Company and its subsidiaries ("the Group").

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

3 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to HKFRS 3 (Revised), *Business Combinations: Reference to the conceptual framework*
- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*
- Annual Improvements to HKFRSs 2018-2020 Cycle

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 SEGMENT INFORMATION

The Group has two reportable segments as follows:

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

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Segment profits do not include other income, interest income and fair value changes on investment properties, unallocated costs, which comprise corporate administrative expenses, and income tax credit/expense. Segment assets do not include investment properties, deferred tax assets and tax recoverable. Segment liabilities do not include tax payable, deferred tax liabilities and amounts due to related companies and the ultimate controlling party.

(a) Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2023 and 2022 is set out below.

	Beauty and wellness services *HK$'000*	**Skincare and wellness products** *HK$'000*	**Total** *HK$'000*
Year ended 31 March 2023			
Revenue from external customers	**373,444**	**32,883**	**406,327**
Reportable segment (loss)/profit	**(42,201)**	**14,903**	**(27,298)**
Other segment information:			
Additions to property, plant and equipment	**63,394**	**3,859**	**67,253**
Depreciation and amortisation	**81,967**	**5,268**	**87,235**
As at 31 March 2023			
Reportable segment assets	**502,500**	**10,320**	**512,820**
Reportable segment liabilities	**334,488**	**19,789**	**354,277**

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

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

	2023 ***HK$'000***	2022 *HK$'000*
Loss		
Reportable segment loss	**(27,298)**	(58,774)
Other income	**34,493**	7,044
Interest income	**891**	124
Fair value change on investment properties	**(5,490)**	7,200
Net gain on disposal of subsidiaries	**–**	362
Unallocated costs	**(20,883)**	(22,618)
Income tax expense	**(1,839)**	(2,042)
Consolidated loss for the year	**(20,126)**	(68,704)
Assets		
Reportable segment assets	**512,820**	515,837
Investment properties	**44,900**	50,390
Deferred tax assets	**423**	1,237
Tax recoverable	**3,206**	3,499
Consolidated total assets	**561,349**	570,963
Liabilities		
Reportable segment liabilities	**354,277**	342,886
Tax payable	**2,431**	4,115
Deferred tax liabilities	**634**	626
Amounts due to related companies	**125**	125
Amount due to the ultimate controlling party	**2**	2
Consolidated total liabilities	**357,469**	347,754

(c) Geographic information

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

	Revenue from external customers		**Specified non-current assets**	
	2023	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**350,572**	302,371	**95,528**	132,089
PRC	**8,727**	8,639	**2,552**	4,440
Singapore	**45,716**	43,868	**29,542**	12,802
Australia	**1,312**	713	**1,204**	1,323
	406,327	355,591	**128,826**	150,654

5 REVENUE

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

The amount of each significant category of revenue is as follows:

	2023	2022
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Revenue recognised from provision of beauty and wellness services and expiry of prepaid beauty packages	**373,444**	325,483
Sales of skincare and wellness products	**32,883**	30,108
	406,327	355,591

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

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

6 OTHER INCOME

	2023	2022
	HK$'000	*HK$'000*
Income from provision of domestic helper agency services	**2,806**	1,935
COVID-19-related rent concessions received	**1,721**	158
Rental income	**1,553**	1,781
Government grants *(note)*	**23,730**	2,333
Net gain on disposal of property, plant and equipment	**270**	–
Others	**4,413**	837
	34,493	7,044

Note: During the years ended 31 March 2023 and 2022, the Group successfully applied for funding support from the Governments and other authorities. The purpose of those funding is to provide financial support to enterprises under COVID-19 situation.

7 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Employee benefit expenses

	2023	2022
	HK$'000	*HK$'000*
Salaries, wages and other benefits	**261,914**	238,996
Contributions to defined contribution retirement plans	**12,978**	11,807
	274,892	250,803

(b) Other items

	2023	2022
	HK$'000	*HK$'000*
Auditor's remuneration	**4,164**	4,042

(c) Finance costs

	2023	2022
	HK$'000	*HK$'000*
Interest on lease liabilities	**1,771**	2,098

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Taxation in the consolidated statement of profit or loss represents:

	2023	2022
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**499**	1,097
Over-provision in respect of prior years	**(208)**	(452)
	291	645
Current tax – Overseas		
Provision for the year	**936**	1,155
(Over)/under-provision in respect of prior years	**(179)**	511
	757	1,666
Deferred tax		
Originated and reversal of temporary differences	**791**	(269)
	1,839	2,042

The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2022.

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

9 LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$20,607,000 (2022: HK$68,808,000) and the weighted average number of 904,483,942 ordinary shares (2022: weighted average number of 904,483,942 ordinary shares) in issue during the year. Diluted loss per share is the same as basic loss per share as there were no dilutive potential shares in issue throughout the years ended 31 March 2023 and 2022.

10 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023	2022
	HK$'000	*HK$'000*
Non-current asset		
Deposits and prepayments	**5,313**	8,966
Current assets		
Trade receivables, net of loss allowance for expected credit loss	**14,615**	4,763
Trade deposits retained by credit card/banks companies *(Note)*	**102,539**	133,947
Rental and other deposits, prepayments and other receivables	**28,140**	34,285
Amounts due from related companies	**192**	651
	145,486	173,646
	150,799	182,612

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

(a) Ageing analysis

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

	2023	2022
	HK$'000	*HK$'000*
0 – 30 days	**6,796**	216
31 – 60 days	**2,291**	266
61 – 90 days	**1,886**	1,527
91 – 180 days	**3,642**	2,754
	14,615	4,763

Trade receivables are due within 7 – 180 days (2022: 7 – 180 days) from the date of billing.

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

	2023	2022
	HK$'000	*HK$'000*
Neither past due nor impaired	**13,474**	3,900
Less than 30 days past due	**136**	–
31 – 60 days past due	**377**	172
61 – 90 days past due	**58**	484
91 – 180 days past due	**570**	207
	14,615	4,763

(b) Impairment of trade receivables

No expected credit loss allowance was provided in respect of trade receivables during the years end 31 March 2023 and 2022.

11 TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

	2023	2022
	HK$'000	*HK$'000*
Trade payables	**1,323**	263
Other payables, deposits received and accrued expenses	**70,082**	73,428
Amount due to the ultimate controlling party	**2**	2
Amounts due to related companies	**125**	125
	71,532	73,818

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

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

	2023	2022
	HK$'000	*HK$'000*
Within 90 days	**1,314**	254
Over 90 days	**9**	9
	1,323	263

12 DEFERRED REVENUE

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

	2023	2022
	HK$'000	*HK$'000*
Within 1 year	**242,762**	204,183

(b) Movement of deferred revenue:

	2023	2022
	HK$'000	*HK$'000*
At the beginning of the year	**204,183**	183,446
Gross receipts from sales of prepaid beauty packages	**412,077**	346,099
Revenue recognised for provision of beauty and wellness services and expiry of prepaid beauty packages	**(373,444)**	(325,483)
Exchange differences	**(54)**	121
At the end of the year	**242,762**	204,183

The amount of revenue recognised for the year ended 31 March 2023 (2022: year ended 31 March 2022) that was included in deferred revenue as at 1 April 2022 was HK$204,183,000 (1 April 2021: HK$183,446,000).

13 DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 March 2023 (2022: Nil).

BUSINESS REVIEW

Overview

During the financial year ended 31 March 2023 ("FY2023" or "the year under review"), revenue of the Group amounted to approximately HK$406.3 million, representing an increase of 14.3% compared with approximately HK$355.6 million for the year ended 31 March 2022 ("FY2022" or the "same period last year"). The receipts from sales of prepaid beauty packages during the year under review was HK$412.1 million, an increase of 19.1% over the same period last year. The employee benefit expenses and occupancy costs and depreciation charge of other properties leased for own use increased by 9.6% to HK$274.9 million and decreased by 4.5% to HK$71.8 million respectively as compared with the same period last year. The Group recorded an operating loss of HK$11.9 million during the year under review (FY2022: operating loss of HK$72.3 million).

Below is the key statistics:

	For the year ended 31 March		
	2023	2022	Change
Revenue *(HK$ million)*	**406.3**	355.6	+14.3%
Operating loss margin *(%)*	**–2.9**	–20.3	+17.4 percentage points
Net loss margin *(%)*	**–5.0**	–19.3	+14.3 percentage points
Number of shops	**46**	48	–2
Employee benefit expenses *(HK$ million)*	**274.9**	250.8	+9.6%
Occupancy costs and depreciation charge of other properties leased for own use:			
– Occupancy costs *(HK$ million)*	**–**	–	–
– Depreciation charge of other properties leased for own use *(HK$ million)*	**71.8**	75.2	–4.5%
	71.8	75.2	–4.5%
Total dividend per ordinary share *(HK cents)*	**Nil**	Nil	–
Annual dividend pay-out ratio *(%)*	**N/A**	N/A	–
Gearing ratio	**N/A**	N/A	–

Hong Kong

According to the survey from the Census and Statistics Department in Hong Kong, for the first 4 months of 2023 taken together, it was provisionally estimated that the value of total retail sales increased by 21.7% compared with the same period in 2022. While this showed that the Hong Kong economy is recovering after three years of strict pandemic restrictions, slowing global growth and tighter financing conditions have negative impact on consumer confidence. Nonetheless, leveraging on the industry leadership, good reputation and customer confidence built over years, the Group is confident that these challenges will be overcome effectively.

Revenue in Hong Kong during FY2023 increased by 15.9%. Revenue from services rendered and receipts from prepaid beauty packages during FY2023 were HK$327.0 million and HK$364.5 million respectively (FY2022: HK$281.0 million and HK$298.4 million), representing increase of 16.4% and increase of 22.2% respectively. Revenue from sales of skincare and wellness products was HK$23.5 million in FY2023 (FY2022: HK$21.4 million). Our customers in Hong Kong amounted up to a total of approximately 433,000 during the year under review, representing an increase of 0.9% as compared to approximately 429,000 in the same period last year.

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

In terms of the sales of skincare and wellness products, as of 31 March 2023, the Group had a total of 9 stores under the names of "be Beauty Shop", located across Hong Kong, Kowloon and New Territories. More than 100 varieties of products are available for sale under different series of skincare service, including "Y.U.E", "Advanced Natural", "be", "Care Plus", "Cellnoc", "Malu Wilz", "Dr Plus", "Castille", "Eclat du teint", "p.e.n", "FERRECARE", "Byotea", "Mu-lan Spa", "Natural Care", "Veribel" which can fulfill the needs of customers with different skin types.

Mainland China

During FY2023, our Mainland China operations are conducted through two wholly owned foreign enterprises established in Shanghai and Guangzhou. These two wholly owned foreign enterprises operate a total of 3 service centres in these two cities. During the year under review, our service income and receipts from prepaid beauty packages in Mainland China amounted to HK$8.7 million and HK$5.8 million respectively, representing an increase of 2.6% and a decrease of 39.9% respectively, as compared to the same period last year.

Singapore

During FY2023, the Group operated a total of 6 beauty and wellness service centres in Singapore (FY2022: 7). During FY2023, the revenue from operations in Singapore was HK$45.7 million, as compared with HK$43.9 million for the same period last year. Revenue recognised for provision of beauty and wellness services and receipts from sales of prepaid beauty packages in Singapore amounted to HK$37.7 million and HK$41.7 million respectively, as compared with HK$36.0 million and HK$38.0 million for the same period last year.

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

Financial Review

Revenue

Set out below is a breakdown on the revenue of the Group by service lines and product sales during FY2023 (with comparative figures for FY2022):

	For the year ended 31 March				
	2023		2022		
Sales mix	***HK$'000***	***Percentage of revenue***	*HK$'000*	*Percentage of revenue*	*Change*
Beauty & facial	**274,627**	**67.6%**	240,865	67.7%	+14.0%
Slimming	**82,450**	**20.3%**	68,432	19.2%	+20.5%
Spa and massage	**16,367**	**4.0%**	16,186	4.6%	+1.1%
Beauty and wellness services	**373,444**	**91.9%**	325,483	91.5%	+14.7%
Sales of skincare and wellness products	**32,883**	**8.1%**	30,108	8.5%	+9.2%
Total	**406,327**	**100%**	355,591	100%	+14.3%

Revenue of the Group was mainly contributed by the beauty, facial and slimming services. The Group's revenue from beauty and wellness services increased by about 14.7% from approximately HK$325.5 million in FY2022 to approximately HK$373.4 million in FY2023.

The Group reported that gross receipts from the sales of new prepaid beauty packages of the Group amounted to HK$412.1 million during FY2023, representing an increase of 19.1% compared with HK$346.1 million for FY2022, while cash and cash equivalents at year end maintained at a healthy level.

Set out below is an analysis on the deferred revenue:

	For the year ended 31 March							
	2023				2022			
Movement of deferred revenue	**Hong Kong** ***HK$'000***	**Mainland** ***HK$'000***	**Singapore** ***HK$'000***	**Total** ***HK$'000***	Hong Kong *HK$'000*	Mainland *HK$'000*	Singapore *HK$'000*	Total *HK$'000*
At beginning of the year	**178,766**	**7,707**	**17,710**	**204,183**	161,438	6,323	15,685	183,446
Exchange differences	**–**	**(577)**	**523**	**(54)**	–	143	(22)	121
Gross receipts from sales of prepaid beauty packages	**364,533**	**5,829**	**41,715**	**412,077**	298,363	9,700	38,036	346,099
Revenue recognised for provision of beauty and wellness services and expiry of prepaid beauty package	**(327,034)**	**(8,679)**	**(37,731)**	**(373,444)**	(281,035)	(8,459)	(35,989)	(325,483)
At the end of the year	**216,265**	**4,280**	**22,217**	**242,762**	178,766	7,707	17,710	204,183

Employee benefit expenses

Employee benefit expenses (including staff's salaries and bonuses as well as directors' remunerations) represented the largest component of the Group's operating costs. During the year under review, employee benefit expenses increased by about 9.6% from HK$250.8 million in FY2022 to approximately HK$274.9 million. Employee benefit expenses accounted for 67.7% of our revenue in FY2023, as compared to 70.5% for FY2022. The total headcount of the Group as at 31 March 2023 decreased by 3.1% to 876, as compared to a headcount of 904 for FY2022. The increase of the amount of employee benefits expenses is mainly due to the number of closure days of our Hong Kong salon shops decreased from 84 days in FY2022 to 20 days in FY2023. The Group's remuneration policies are in line with the prevailing market practices and are determined based on the individual performance and experience. For the purpose of motivating and rewarding our staff, discretionary bonus and share options may be granted to eligible employees based on individual performance and the Group's results. The Group introduced the elite system, whereby excellent staff with outstanding performance may receive discretionary bonus in recognition of their contribution.

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

During the year under review, the Group's occupancy costs and depreciation of other properties leases for own use were approximately HK$71.8 million (2022: HK$75.2 million), accounting for approximately 17.7% of our revenue (2022: 21.1%). As of 31 March 2023, the Group operated a total of 31 service centres in Mainland China and Hong Kong with a total weighted average gross floor area of 168,000 square feet, representing a decrease of 4.5% as compared to 176,000 square feet in FY2022. As of 31 March 2023, the Group had 6 centres in Singapore, with a total weighted average gross floor area of approximately 13,000 square feet (FY2022: approximately 19,000 square feet).

Bank charges, advertising costs and building management fees

Bank charges recorded changes in line with gross receipts from sales of new prepaid beauty packages, which increased by 23.0% to HK$21.6 million. Advertising costs amounted to HK$3.1 million which remain the same as compared for the same period last year. Advertising costs as a percentage of revenue in FY2023 was 0.8% which remained stable compared with that of the same period last year. This reflected the Group's ability to enjoy cost advantage in advertising costs as it could spread such costs across an enlarged service centre network that covers Hong Kong, Mainland China and Singapore. Advertising cost is allocated in an effective way to raise brand awareness and capture a greater market share. Building management fees increased by about 2.0% from HK$11.7 million in FY2022 to approximately HK$12.0 million during the year under review. It accounts for 2.9% of our revenue in FY2023, as compared to 3.3% for FY2022.

Other operating expenses

Set out below is a breakdown of the other operating expenses of the Group during FY2023 (with comparative figures for FY2022):

	For the year ended 31 March	
	2023	2022
	HK$'000	*HK$'000*
Audit Fee	**4,164**	4,042
Administrative expenses *(Note)*	**5,971**	6,421
Cleaning, sanitary and laundry	**6,097**	4,645
Consultancy fee	**2,407**	1,016
Government rent and rates	**3,452**	3,301
Insurance	**2,848**	2,196
Legal and professional fee	**2,601**	2,220
Repair and maintenance expenses	**4,241**	4,857
Utilities	**6,222**	6,057
Other expenses *(Note)*	**4,397**	11,912
	42,400	46,667

Note: The administrative expenses for each of the years ended 31 March 2022 and 2023 included motor vehicles expenses, postage and courier expenses, printing and stationary, telephone and fax and transportation expenses. The other expenses for each of the years ended 31 March 2022 and 2023 mainly included recruitment, training and internet expenses.

Net loss

The net loss attributable to equity shareholders of the Company was approximately HK$20.6 million in FY2023, as compared to the net loss attributable to equity shareholders of the Company of HK$68.8 million in FY2022. The Group will continue to expand its business when opportunities arise in order to achieve the long-term value added objective of maximising shareholders' returns.

Dividend per share

The Board did not recommend any final dividend to the shareholders of the Company for the year under review (FY2022: Nil). As no interim dividend had been approved by the Board for the six months ended 30 September 2022, the total dividend for the year ended 31 March 2023 will be nil (FY2022: Nil).

Liquidity, financial resources and capital structure

The Group generally finances its liquidity requirements through the gross receipts from sales of prepaid beauty packages and settlement of credit card prepayment transactions with banks. During the year under review, the Group maintained a healthy financial position with cash and bank balances of approximately HK$177.5 million (FY2022: HK$127.5 million) with no bank borrowings. The Group's cash is primarily used as working capital and to finance our normal operating expenses, as well as to pay for the purchase of skincare and wellness products, materials and consumable used in the provision of beauty and wellness services. During the year under review, except for cash at bank held for daily operation, the majority of the Group's cash was held under fixed and savings deposits as in line with the Group's prudent treasury policies.

Capital expenditure

The total capital expenditure of the Group (excluding additions to right-of-use assets for leases of properties for own use) during the year under review was approximately HK$14.3 million, as compared to HK$80.9 million for the same period last year. The amount was mainly used for leasehold improvements and equipment and machinery in connection with the expansion and integration of its service network in Hong Kong, Mainland China and Singapore.

Contingent liabilities and capital commitment

The Board considered that there was no material contingent liabilities as at 31 March 2023. The Group had capital commitment of HK$2.1 million as at 31 March 2023 (31 March 2022: HK$0.3 million), mainly for the acquisition of plant and equipment.

Charges on assets

As of 31 March 2023, the Group had pledged bank deposits of HK$47.8 million (31 March 2022: HK$47.2 million) in favour of certain banks to secure banking facilities granted to certain subsidiaries in the Group.

Foreign exchange risk exposures

The Group's transactions were mainly denominated in Hong Kong Dollars. However, the fluctuation in exchange rates of Hong Kong Dollars against Renminbi and Singapore Dollars also affected the operating costs as the Group expanded its business to Mainland China and Singapore. Management will closely monitor the risk exposures faced by the Group, and will take necessary actions to minimise potential risks and strike a balance between our exposure and return so as to properly hedge such exposures.

Human resources and training

The Group had a workforce of 876 staff as of 31 March 2023 (31 March 2022: 904 staff), including 698 front-line service centre staff in Hong Kong, 31 in Mainland China and 62 in Singapore. Back office staff totalled 60 in Hong Kong, 5 in Mainland China, 17 in Singapore and 3 in Australia. The Group reviews its remuneration policies on a regular basis with reference to the legal framework, market conditions and performance of the Group and individual staff. The Remuneration Committee also reviews the remuneration policies and packages of executive directors and senior management.

Pursuant to the remuneration policies of the Group, employees' remunerations comply with the legal requirements of all jurisdictions in which we operate and are in line with the market rates. During the year under review, total employee benefit expenses, including directors' emoluments, amounted to HK$274.9 million, representing an increase of 9.6% as compared to HK$250.8 million in FY2022. To enhance the service quality and core skills of our staff, the Group regularly organises training programs designed by the Group's senior management for its staff. In addition, the seminars also facilitate the interaction and communication between the Group's management and the general staff.

Outlook

On 9 March 2023, Security and Futures Commission has granted the license under the Securities and Futures Ordinance, Cap. 571 to Delta Fund Management Company Limited (the "Licensee"), which is the wholly owned subsidiary of the Company. The Licensee is licensed to carry on the following regulated activities (the "New Business Activities"): Type 1: Dealing in Securities Type 4: Advising on Securities Type 9: Asset Management. The license is granted on the following conditions: For Type 1 regulated activity, the licensee shall only engage in activities in relation to introducing persons to other securities dealers, in order that such persons may: (a) effect dealings in securities; or (b) make offers to deal in securities. For Type 9 regulated activity, the licensee shall only provide services to professional investors.

Having considered that the policymakers in Hong Kong have introduced a number of regulatory reforms and incentives to drive the further growth of the asset management sector and to increase Hong Kong's attractiveness as a fund domicile, together with the ongoing development of the Greater Bay Area, the ever-expanding stock and bond connect schemes, Hong Kong's strategic regional location and Hong Kong's role as a bridge between mainland China and the rest of the world, the Directors are of the view that the New Business Activities represent a good opportunity for the Group to broaden its income streams.

In December 2022, the Group has opened 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. The GIG Coffee is well received by the Singapore customers for our extensive food menu, excellent food qualities and comprehensive service with our refreshing and healthy image. There is plan afoot for opening our second GIG Coffee by the end of December 2023.

Looking ahead, parallel to our focus on beauty and slimming business, the Group will also actively seek new investment opportunities. The Group will persistently uphold the principles of quality products, professional services and honest operation.

Environmental Policies and Performance

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

Compliance with Laws and Regulations

The Group recognises the importance of compliance with regulatory requirements and risks of non-compliance with such requirements. The Group has conducted on-going review of the newly enacted laws and regulations affecting the operations of the Group and provides relevant trainings and guidance to the staff. The Group has complied with the relevant laws and regulations of its places of operation that have significant impact on the operations of the Group for the year ended 31 March 2023.

Key Relationships

(a) Employees

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

(b) Consumers

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

(c) Suppliers

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

(d) Shareholders and Investors

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

Principal risks and uncertainties

1. Macroeconomic changes – The Group's business is sensitive to the general economic conditions and other factors like consumer credit.

2. Regulatory & political risk of business – This includes legal regulation update in Hong Kong, especially the Trade Description Ordinance Chapter 362, Law of Hong Kong, since the Group's business mainly operates in Hong Kong. In addition, the Group would develop markets in Mainland China further, which also bring more risk in relation to regulatory and political changes.

3. Market competition – The Group is under intense pressure to compete on both price and service as large and small, regional or niche competitors attempt to increase market share.

4. Foreign currency risk associated with the Group's investment – The Group may be exposed to transaction and translation (exchange rate) risks, particularly Renminbi, Singapore Dollars and Australian Dollars, and associated financial cost risks.

5. Rising costs of Hong Kong business – This mainly refers to increasing operational cost resulting from uncertain economic environment.

6. Reputation and performance risk of skincare and wellness products business of the Group – The Group's business is dependent on its reputation and quality of service and the Group may lose potential business if the quality of its products and service are called into question.

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

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

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting ("AGM") is scheduled to be held on Monday, 28 August 2023. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 23 August 2023 to Monday, 28 August 2023, both days inclusive, during which period no transfer of Share will be effected. In order to be eligible to attend and vote at the AGM, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, 17/F., Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 22 August 2023.

CORPORATE GOVERNANCE PRACTICE

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

The Company has adopted the code provisions ("Code Provisions") set out in the Corporate Governance Code (taking effect from 1 April 2012) (the "Code") as set out in Appendix 14 to the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

During the year under review, the Company met the Code Provisions in the Code, except for the deviation from Code provision C.2.1 and Code provision F.2.2 as set out below.

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER ("CEO")

During the year under review, Dr. Tsang Yue, Joyce ("Dr. Tsang") was both the Chairperson and CEO of the Company. Code provision C.2.1 of the Code stipulates that the role of chairperson and chief executive should be separate and should not be performed by the same individual. After reviewing the management structure, the Board is of the opinion that Board decisions are collective decisions of all Directors made by way of voting and not decisions of the Chairperson of the Board alone. Further, there is a clear division of responsibilities between the management of the Board and the day-to-day management of the business of the Company, which relies on the support of the senior management. As such, the power of management of the Company is not concentrated in any one individual. The Board considers that the present structure will not impair the balance of power and authority between the Board and the senior management of the Group.

CODE PROVISION F.2.2

Code Provision F.2.2 provides that the chairman of the board should attend the annual general meeting.

Dr. Tsang Yue, Joyce, the Chairperson of the Board, was absent from the Annual General Meeting of the Company held on 26 August 2022 and the Extraordinary General Meeting of the Company held on 30 March 2023 due to personal reason.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

AUDIT COMMITTEE

The composition of the Audit Committee is as follows:

Independent Non-executive Director

Ms. Liu Mei Ling, Rhoda *(Chairperson)*
Dr. Wong Man Hin, Raymond
Mr. Hong Po Kui, Martin

The Audit Committee has reviewed and approved the Group's annual results for the year ended 31 March 2023 prior to their approval by the Board.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of the Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk under "Latest Listed Company Information" and on the website of the Company at www.modernhealthcaretech.com under "Investor Relations – Statutory Announcements". The Annual Report and the Notice of Annual General Meeting will be despatched to the shareholders on or about 26 July 2023 and will be available at the Stock Exchange's and the Company's websites at the same time.

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

Hong Kong, 28 June 2023

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.