MODERN HEALTHCARE TECHNOLOGY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 919)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

The Board of Directors ("the Board" or the "Directors") of Modern Healthcare Technology Holdings Limited ("the Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as "the Group") for the six months ended 30 September 2023 ("the period under review").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 September 2023 – unaudited

		Six months ended 30 September	
		2023	2022
	Note	***HK$'000***	*HK$'000*
Revenue	*5*	**211,343**	225,588
Other income	*6*	**3,424**	31,617
Cost of inventories sold		**(5,648)**	(5,358)
Advertising costs		**(1,576)**	(994)
Building management fees		**(6,118)**	(5,944)
Bank charges		**(11,581)**	(10,413)
Employee benefit expenses		**(154,926)**	(121,991)
Depreciation and amortisation		**(37,867)**	(41,568)
Other operating expenses		**(26,683)**	(21,770)

	Note	Six months ended 30 September 2023 HK$'000	2022 HK$'000
(Loss)/profit from operations		**(29,632)**	49,167
Interest income		**1,788**	181
Fair value change on investment properties		**1,612**	(6,449)
Finance costs	*7*	**(3,023)**	(905)
(Loss)/profit before taxation	*7*	**(29,255)**	41,994
Income tax credit/(expense)	*8*	**686**	(1,034)
(Loss)/profit for the period		**(28,569)**	40,960
Attributable to:			
Equity shareholders of the Company		**(28,802)**	40,655
Non-controlling interests		**233**	305
(Loss)/profit for the period		**(28,569)**	40,960
(Loss)/earnings per share (HK cents)	*9*		
Basic		**(3.18)**	4.49
Diluted		**(3.18)**	4.49

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 September 2023 – unaudited

		Six months ended 30 September	
		2023	2022
	Note	***HK$'000***	*HK$'000*
(Loss)/profit for the period		**(28,569)**	40,960
Other comprehensive income for the period (after tax and reclassification adjustments):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of operations outside Hong Kong		**(1,506)**	(2,096)
Other comprehensive income for the period		**(1,506)**	(2,096)
Total comprehensive income for the period		**(30,075)**	38,864
Attributable to:			
Equity shareholders of the Company		**(30,308)**	38,559
Non-controlling interests		**233**	305
Total comprehensive income for the period		**(30,075)**	38,864

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 September 2023 – unaudited

	Note	At 30 September 2023 HK$'000	At 31 March 2023 HK$'000
Non-current assets			
Property, plant and equipment		**198,957**	128,826
Investment properties		**46,512**	44,900
Intangible assets		**–**	–
Goodwill		**–**	–
Deposits and prepayments	*10*	**18,092**	5,313
Deferred tax assets		**111**	423
		263,672	179,462
Current assets			
Inventories		**8,616**	7,819
Trade and other receivables, deposits and prepayments	*10*	**126,863**	145,486
Tax recoverable		**545**	3,206
Pledged bank deposits		**26,373**	47,846
Bank deposits with original maturity over three months		**5,458**	5,620
Cash and bank balances		**199,206**	171,910
		367,061	381,887
Current liabilities			
Trade and other payables, deposits received and accrued expenses	*11*	**69,998**	71,532
Deferred revenue	*12*	**269,094**	242,762
Lease liabilities		**53,463**	25,777
Tax payable		**1,219**	2,431
		393,774	342,502
Net current (liabilities)/assets		**(26,713)**	39,385
Total assets less current liabilities		**236,959**	218,847

	Note	At 30 September 2023 HK$'000	At 31 March 2023 HK$'000
Non-current liabilities			
Lease liabilities		**62,548**	14,333
Deferred tax liabilities		**606**	634
		63,154	14,967
NET ASSETS		**173,805**	203,880
CAPITAL AND RESERVES			
Share capital		**90,448**	90,448
Reserves		**79,014**	109,322
Total equity attributable to equity shareholders of the Company		**169,462**	199,770
Non-controlling interests		**4,343**	4,110
TOTAL EQUITY		**173,805**	203,880

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

2 BASIS OF PREPARATION

This interim results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 September 2023 but are extracted from the Group's unaudited interim financial report which has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The financial information relating to the financial year ended 31 March 2023 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2023 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 June 2023.

3 CHANGES IN ACCOUNTING POLICIES

(a) New and amended HKFRS

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

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

(b) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Government of the Hong Kong SAR (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will eventually abolish the statutory right of an employer to reduce its long service payment ("LSP") and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the mandatory provident fund ("MPF") scheme (also known as the "offsetting mechanism"). The Government has subsequently announced that the Amendment Ordinance will come into effect from 1 May 2025 (the "Transition Date"). Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 and recognise such deemed contributions as reduction of current service cost in the period the related service is rendered, and any impact from ceasing to apply the practical expedient is recognised as a catch-up adjustment in profit or loss with a corresponding adjustment to the LSP liability during the year ended 31 March 2023.

In this interim financial report and in prior periods, consistent with the HKICPA guidance the Group has been accounting for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed employee contributions towards the LSP. However, the Group has been applying the above-mentioned practical expedient.

The Group has assessed the implications of this new guidance on the above accounting policies and has decided to change those accounting policies to conform with the guidance. The management has commenced the processes on implementing the change including additional data collection and impact assessment. However, the impact of the change is not reasonably estimable at the time this interim financial report is authorised for issue, as the Group has yet to fully complete its assessment of the impact of the HKICPA guidance. The Group expects to adopt this guidance in its annual financial statements for the year ending 31 March 2024.

4 SEGMENT INFORMATION

The Group has two reportable segments as follows:

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

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

The accounting policies of the operating segments are the same as those described in the Group's annual financial statements for the year ended 31 March 2023. Segment profits do not include other income, interest income, fair value changes on investment properties, unallocated costs, which comprise corporate administrative expenses, and income tax 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, amounts due to related companies and the ultimate controlling party.

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

	Beauty and wellness services *HK$'000*	**Skincare and wellness products** *HK$'000*	**Total** *HK$'000*
For the six months ended 30 September 2023			
Revenue from external customers	**194,885**	**16,458**	**211,343**
Reportable segment (loss)/profit	**(31,626)**	**9,064**	**(22,562)**
As at 30 September 2023			
Reportable segment assets	**572,571**	**10,994**	**583,565**
Reportable segment liabilities	**435,323**	**19,740**	**455,063**
For the six months ended 30 September 2022			
Revenue from external customers	210,394	15,194	225,588
Reportable segment profit	40,632	9,077	49,709
As at 31 March 2023			
Reportable segment assets	502,500	10,320	512,820
Reportable segment liabilities	334,488	19,789	354,277

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

	Six months ended 30 September	
	2023 *HK$'000*	2022 *HK$'000*
(Loss)/profit		
Reportable segment (loss)/profit	**(22,562)**	49,709
Other income	**3,424**	8,435
Interest income	**1,788**	181
Fair value changes on investment properties	**1,612**	(6,449)
Unallocated costs	**(13,517)**	(9,882)
Income tax credit/(expense)	**686**	(1,034)
Consolidated (loss)/profit for the period	**(28,569)**	40,960

(c) Reconciliations of reportable segment assets and liabilities

	At 30 September 2023 *HK$'000*	At 31 March 2023 *HK$'000*
Assets		
Reportable segment assets	**583,565**	512,820
Investment properties	**46,512**	44,900
Deferred tax assets	**111**	423
Tax recoverable	**545**	3,206
Consolidated total assets	**630,733**	561,349
Liabilities		
Reportable segment liabilities	**455,063**	354,277
Tax payable	**1,219**	2,431
Deferred tax liabilities	**606**	634
Amounts due to related companies	**38**	125
Amount due to the ultimate controlling party	**2**	2
Consolidated total liabilities	**456,928**	357,469

5 REVENUE

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

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

	Six months ended 30 September	
	2023 *HK$'000*	2022 *HK$'000*
Revenue recognised from provision of beauty and wellness services and expiry of prepaid beauty packages	**194,885**	210,394
Sales of skincare and wellness products	**16,458**	15,194
	211,343	225,588

6 OTHER INCOME

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
Government grants *(Note)*	**–**	23,182
COVID-19-related rent concessions received	**–**	1,721
Income from provision of domestic helper agency services	**1,331**	1,800
Net gain on disposals of property, plant and equipment	**–**	270
Rental income	**777**	777
Others	**1,316**	3,867
	3,424	31,617

Note: During the period ended 30 September 2022, the Group successfully applied for funding support from Governments and other authorities. The purpose of those funding is to provide financial support to enterprises under COVID-19 situation. There were no government grants for COVID-19 received during the period ended 30 September 2023.

7 (LOSS)/PROFIT BEFORE TAXATION

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

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
Directors' remuneration	**9,581**	6,139
Depreciation		
– Owned property plant and equipment	**4,760**	7,882
– Right-of-use assets	**33,107**	33,686
Foreign exchange loss, net	**165**	163
Finance costs – interest on lease liabilities	**3,023**	905

8 INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax	**(1,091)**	346
Current tax – Overseas	**133**	223
Deferred taxation	**272**	465
Income tax (credit)/expense	**(686)**	1,034

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (30 September 2022: 16.5%) to the six months ended 30 September 2023, 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 2023.

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

9 (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$28,802,000 (2022: profit of HK$40,655,000) 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)/earnings per share is the same as basic (loss)/earnings per share as there were no dilutive potential shares in issue throughout the periods ended 30 September 2023 and 2022.

10 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 September 2023	At 31 March 2023
	HK$'000	*HK$'000*
Non-current assets		
Deposits and prepayments	**18,092**	5,313
Current assets		
Trade receivables, net of loss allowance for expected credit loss	**15,530**	14,615
Trade deposits retained by banks/credit card companies *(Note)*	**88,354**	102,539
Rental and other deposits, prepayments and other receivables	**22,965**	28,140
Amounts due from related companies	**14**	192
	126,863	145,486
	144,955	150,799

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

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

	At 30 September 2023	At 31 March 2023
	HK$'000	*HK$'000*
0 – 30 days	**8,211**	6,796
31 – 60 days	**2,394**	2,291
61 – 90 days	**1,383**	1,886
Over 90 days	**3,542**	3,642
	15,530	14,615

The Group's trading terms with its customers are mainly on credit card settlements. The credit period is generally 7 to 180 days (31 March 2023: 7 to 180 days) for the credit card settlement from the respective banks/credit card companies.

11 TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

	At 30 September 2023	At 31 March 2023
	HK$'000	*HK$'000*
Trade payables	**1,052**	1,323
Other creditors, deposits received and accrued expenses	**68,906**	70,082
Amount due to the ultimate controlling party	**2**	2
Amounts due to related companies	**38**	125
	69,998	71,532

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

	At 30 September 2023	At 31 March 2023
	HK$'000	*HK$'000*
Within 90 days	**976**	1,314
Over 90 days	**76**	9
	1,052	1,323

12 DEFERRED REVENUE

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

	At 30 September 2023	At 31 March 2023
	HK$'000	*HK$'000*
Within 1 year	**269,094**	242,762

(b) Movement of deferred revenue:

	At 30 September 2023	At 31 March 2023
	HK$'000	*HK$'000*
At the beginning of the period/year	**242,762**	204,183
Gross receipts from sales of prepaid beauty packages	**222,378**	412,077
Revenue recognised for provision of beauty and wellness services and expiry of prepaid beauty packages	**(194,885)**	(373,444)
Exchange differences	**(1,161)**	(54)
At the end of the period/year	**269,094**	242,762

13 DIVIDENDS

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2023 (2022: Nil).

14 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of other operating expenses and items of investing activities in the condensed consolidated cash flow statement disclosed in the interim financial report for the six months ended 30 September 2023.

BUSINESS REVIEW

Hong Kong

During the period under review, with the cancellation of containment measures and resumption of the normal travelling clearance in Hong Kong and Mainland China at the end of last year, together with the stimulation measures such as the launch of the consumption voucher scheme 2023, the economy rebounded strongly in the first half of 2023. However, a higher-than-expected US policy rate could lead to tighter-than-expected domestic financial conditions in Hong Kong, dampening its investment and consumption sentiment. Nevertheless, leveraging on our excellent service management that facilitate greater quality assurance, our management is confident of the further prospects of our business.

The Group is currently operating 29 beauty and wellness service centers in Hong Kong with a total gross floor area of approximately 165,100 square feet, decreased by 4.0% when compared with the figure of 172,000 square feet as at 30 September 2022. Various comprehensive high quality beauty, slimming and facial services are offered to the general public including, inter alia, skincare, slimming, hairstyling, cosmetics, manicures, pedicures, electrology and aesthetics services.

With regard to the sales of skincare and wellness products, as of 30 September 2023, the Group had a total of 8 stores under the names of “be Beauty Shop”, locating across Hong Kong, Kowloon and the New Territories. More than 80 varieties of products are available for sale under different series of skincare service, such as “be”, “FERRECARE”, “p.e.n”, “Y.U.E”, “Advanced Natural”, “Malu Wilz”, “Byotea”, “Care Plus”, “Cellnoc”, “Castille”, “Dr Plus”, “Eclat du teint”, “Natural Care”. The Group launched distributor brands “Malu Wilz”, “Byotea”, “Castille”, “Cellnoc”, “Eclat du teint”, as well as further promoted our self-owned brands “p.e.n”, “be”, “FERRECARE”, “Y. U. E.”, “Advanced Natural”, “Dr Plus”, “Natural Care”, “Care Plus” with the aim of expanding our product sales business and potential clienteles through providing diversified high quality skincare products.

During the period under review, our service income and receipts from prepaid beauty packages in Hong Kong amounted to HK$171,582,000 and HK$198,399,000 respectively, representing a decrease of 8.7% and an increase of 15.6% respectively, as compared to the same period last year.

Mainland China

Our Mainland China operations are conducted through 2 wholly owned foreign enterprises established respectively in Shanghai and Guangzhou in the People’s Republic of China. These two wholly owned foreign enterprises operate a total of 3 service centres at the two cities referred to. During the period under review, our service income and receipts from prepaid beauty packages in Mainland China amounted to HK$2,669,000 and HK$3,153,000 respectively, representing a decrease of 40.6% and an increase of 9.7% respectively, as compared to the same period last year.

Singapore

The Group operates a total of 7 beauty and wellness service centres in Singapore, number of shops remains the same compared with the same period last year. Our Singapore operations reported a revenue of HK$24,675,000. Revenue from services rendered amounted to HK$20,635,000, while receipts from sales of prepaid beauty packages amounted to HK$20,827,000, increased by 14.8% and 5.1% respectively when compared with the same period last year.

FINANCIAL REVIEW

Revenue

Revenue of the Group was mainly contributed by the beauty, facial and slimming services. For the six months ended 30 September 2023, revenue of the Group decreased by 6.3% to HK$211,343,000 as compared to the same period last year.

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

	For the six months ended 30 September				
	2023		2022		
Sales mix	***HK$'000***	***Percentage of revenue***	*HK$'000*	*Percentage of revenue*	**Change**
Beauty & facial	**144,447**	**68.3%**	154,423	68.4%	**–6.5%**
Slimming	**42,846**	**20.3%**	46,591	20.7%	**–8.0%**
Spa and massage	**7,592**	**3.6%**	9,380	4.2%	**–19.1%**
Beauty and wellness services	**194,885**	**92.2%**	210,394	93.3%	**–7.4%**
Sales of skincare and wellness products	**16,458**	**7.8%**	15,194	6.7%	**+8.3%**
Total	**211,343**	**100%**	225,588	100%	**–6.3%**

Compared to the same period last year, the Group's revenue from beauty and facial services decreased by 6.5% to HK$144,447,000 (2022: HK$154,423,000). Revenue from the slimming service decreased to HK$42,846,000 in the period under review, down by approximately 8.0% from approximately HK$46,591,000 in the same period of 2022.

Meanwhile, spa and massage revenue for the Group in the period under review decreased by 19.1% to HK$7,592,000. As for the product revenue, it increased by 8.3% to HK$16,458,000 as compared to the same period last year.

Employee benefit expenses

Employee benefit expenses represent the largest component of the Group's operating expenses, increased by approximately 27.0% to HK$154,926,000, comparing to HK$121,991,000 for the same period last year. The total headcount of the Group as at 30 September 2023 increased by 0.5% to 888, as compared to a headcount of 884 for the same period last year. The increase of the amount of employee benefits expenses is mainly due to the effect of the closure of our shops in Hong Kong under the anti-epidemic policy from 1 April to 20 April in 2022. In order to attract and retain the talents to enhance the competitive advantages of the Group, elite system has been launched since 2010 to provide comprehensive training to improve the staff's customer services skills. Eminent employees with excellent performance will be entitled to discretionary bonuses offered by the management in recognition of their contribution.

Depreciation charge of other properties leased for own use

During the period under review, the Group's depreciation of other properties leases for own use were approximately HK$33,107,000 (2022: HK$33,686,000), accounting for approximately 15.7% of our revenue (2022: 14.9%). As of 30 September 2023, the Group operated a total of 32 service centres in Mainland China and Hong Kong with a total weighted average gross floor area of 165,100 square feet, representing a decrease of 4.0% as compared to 172,000 square feet for the same period last year. As of 30 September 2023, the Group had 7 centres (2022: 7 centres) in Singapore, with a total weighted average gross floor area of approximately 14,600 square feet (2022: approximately 14,000 square feet).

Bank charges, advertising costs and building management fees

Bank charges recorded changes in line with sales of new prepaid beauty packages, which increased by 11.2% to HK$11,581,000. Advertising costs increased to HK$1,576,000 from HK$994,000 for the same period last year. Advertising cost as a percentage of revenue in 2023 was 0.7% which remained stable compared with that of the same period last year. This reflected the Group's ability to enjoy cost advantage in advertising cost as it could spread such cost across an enlarged service centre network that covers Hong Kong, Mainland China and Singapore. Advertising cost is allocated in an effective way to raise brand awareness and capture a greater market share. Building management fees increased by about 2.9% from HK$5,944,000 in 2022 to approximately HK$6,118,000 during the period under review. It accounts for 2.9% of our revenue in 2023, as compared to 2.6% for the same period last year.

Other operating expenses

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

	For six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
Audit Fee	**2,195**	2,210
Administrative expenses *(Note)*	**3,467**	2,985
Cleaning, sanitary and laundry	**3,213**	2,835
Consultancy fee	**1,147**	1,077
Government rent and rates	**1,826**	1,677
Insurance	**1,675**	1,530
Legal and professional fee	**983**	1,264
Repair and maintenance expenses	**4,718**	1,906
Utilities	**3,926**	3,018
Other expenses	**3,533**	3,268
	26,683	21,770

Note: The administrative expenses for each of the periods ended 30 September 2023 and 2022 included motor vehicles expenses, postage and courier expenses, printing and stationary, telephone and fax and transportation expenses.

Net loss/profit

For the six months ended 30 September 2023, the net loss was approximately HK$28,569,000, as compared to the net profit of HK$40,960,000 for the same period last year. The Group will continue to expand its business when opportunities arise in order to achieve the long-term value-added objective of maximising shareholders' returns. Loss per share for the period under review was HK3.18 cents as compared to the earnings per share of HK4.49 cents for the same period last year.

Interim dividend

No interim dividend had been approved by the Board for the six months ended 30 September 2023 (interim dividend for 2022: nil).

Liquidity, capital structure and treasury policies

During the period under review, we maintained a healthy financial position. The total equity of the Group as at 30 September 2023 was HK$173,805,000. Cash and bank balances and bank deposits as at 30 September 2023 amounted to HK$204,664,000 (31 March 2023: HK$177,530,000) with no bank borrowings. The Group generally finances its liquidity requirements through the receipts from sales of prepaid beauty packages and collection of credit card prepayment from banks.

During the period under review, except for the fund required for operation, the majority of the Group's cash was held under fixed and savings deposits in banks at an annualized yield of approximately 1.6%. During the period under review, the Group did not have any other security or capital investments, derivative investments, or hedging on foreign currencies.

Capital expenditure

The total capital expenditure of the Group (excluding additions to right of use assets) during the six months ended 30 September 2023 was approximately HK$756,000, which was mainly used for the additions of property, leasehold improvements and equipment and machinery in connection with the expansion and integration of its service and retail networks in various regions. The capital expenditure for the same period last year was approximately HK$5,803,000.

Contingent liabilities and capital commitment

The Group had capital commitment mainly for the acquisition of property and leasehold improvement. The Board considered that there were no material contingent liabilities as at 30 September 2023. The Group had capital commitment of HK$460,000 as at 30 September 2023 (31 March 2023: HK$2,100,000) in respect of the acquisition of plant and equipment.

Charges on assets

As of 30 September 2023, the Group had pledged bank deposits of HK$26,373,000 (31 March 2023: HK$47,846,000) in favour of certain banks to secure banking facilities granted to certain subsidiaries in the Group.

Foreign exchange risk exposures

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

Human resources and training

Total employee benefit expenses including directors' emoluments for the period under review amounted to HK$154,926,000, representing an increase of 27.0% as compared to HK$121,991,000 for the same period last year. The Group had a workforce of 888 staff as of 30 September 2023 (30 September 2022: 884 staff), including 708 frontline service centre staff in Hong Kong, 32 in Mainland China and 63 in Singapore. Back office staff totaled 59 in Hong Kong, 5 in Mainland China and 21 in Singapore and Australia. To ensure our service quality, the Group regularly offers appropriate trainings to its staff, including the safe application of the latest beauty technology, exchanging of tips on service techniques, and in-depth introduction of our services and products. The trainings are designed by the Group's senior management, who are also responsible for certain teaching and sharing of experiences. During the training, the Group also encourages its staff to raise questions and express their opinions, which facilitates the interaction between the senior management and the general staff. Meanwhile, the sound communication between the management and the staff enables the management to understand the daily operations of the Group in a more efficient manner.

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

CORPORATE SOCIAL RESPONSIBILITY

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

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

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

OUTLOOK

Delta Fund Management Company Limited as our wholly owned subsidiary was granted the license by Security and Futures Commission in March this year to carry out the Type 1, Type 4 and Type 9 regulated activities. It is expected that fund management service income will be generated in the first quarter of 2024.

According to Deloitte's 2021 International Wealth Management Centre Rankings, Hong Kong ranks third in overall competitiveness among the world's leading wealth management centres. The Directors are optimistic on the future of Hong Kong's fund management industry, underpinned by Hong Kong's experienced talent pool, financial product diversity, open market environment, robust regulatory framework and the ongoing development of the Guangdong-Hong Kong-Macao Greater Bay Area.

The Group aspires to develop and expand our business scope to fund management business which has the potential to be our new growth engine in the future.

In November 2023, our Group has acquired 100% shares of Singapore Spa Institute Pte. Ltd. which has been engaged in Singapore for many years in the provision of consultancy, training and assessment in the spa industry, with a particular focus on spa therapists' knowledge and skills. Singapore Spa Institute Pte. Ltd. offers full qualifications, certifiable courses, short courses and even company-specific contextualized training systems. Together with our long-established Beauty Expert International Academy in Hong Kong, our goal is to raise the professionalism and standards of the spa, beauty and wellness industry through our quality training and education in both Hong Kong and Singapore to the benefit of our Group and the society as a whole.

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

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

CORPORATE GOVERNANCE PRACTICES

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

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

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

Chairperson and Chief Executive Officer ("CEO")

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

Non-Compliance with Code Provision F.2.2

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

Dr. Tsang Yue, Joyce, the Chairperson of the Board, was absent from the Annual General Meeting of the Company held on 28 August 2023 due to personal reason.

Model Code for Securities Transactions by Directors

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

Board Committees

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

- Remuneration Committee
- Nomination Committee
- Audit Committee

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

Remuneration Committee

The composition of the Remuneration Committee is as follows:

Independent Non-executive Directors

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

Executive Director

Dr. Tsang Yue, Joyce

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

Nomination Committee

The composition of the Nomination Committee is as follows:

Executive Director

Dr. Tsang Yue, Joyce *(Chairman)*

Independent Non-executive Directors

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

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

Audit Committee

The composition of the Audit Committee is as follows:

Independent Non-executive Directors

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

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

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

Publication of the Interim Results and Interim Report

This results announcement is published on the website of the Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk under "Latest Listed Company Information" and on the website of the Company at www.modernhealthcaretech.com under "Investor Relations – Statutory Announcements". The Interim Report will be despatched to the shareholders on or about 21 December 2023 and will be available at the Stock Exchange's and the Company's websites at the same time.

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

Hong Kong, 28 November 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 and Mr. Lam Tak Leung.