

MODERN

HEALTHCARE TECHNOLOGY



2021/22

INTERIM REPORT 中期報告

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 919

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MANAGEMENT DISCUSSION AND ANALYSIS



BUSINESS REVIEW

Hong Kong

The year 2021 so far has proven to be another challenging period after the outbreak of COVID-19 last year. The Consumer Confidence Index issued as part of the Nielsen Global Survey remained at a low level of 65.70 in the second quarter of 2021 comparing with averaged 82.07 from 2006 until 2021, albeit the consumption voucher scheme offered by the Hong Kong government with the intention to boost up the economy. 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 30 beauty and spa service centers with a total gross floor area of approximately 175,000 square feet, decreased by 6.9% when compared with the figure of 188,000 square feet as at 30 September 2020. 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 2021, 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, including "Y.U.E", "Advanced Natural", "Bioline", "BeYu", "Malu Wilz", which can fulfill the needs of customers with different skin types.

During the period under review, our service income and receipts from prepaid beauty packages in Hong Kong amounted to HK\$167,863,000 and HK\$198,204,000 respectively, representing a decrease of 9.5% and increase of 55.3% respectively, as compared to the same period last year.

The decrease of revenue is mainly attributable to the decrease in revenue recognised from the deferred revenue which recorded a big drop due to the closure of our shops in compliance of the COVID-19 anti-epidemic measures in Hong Kong 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\$3,772,000 and HK\$5,077,000 respectively, representing an decrease of 37.4% and 19.1% respectively, as compared to the same period last year.

Management Discussion and Analysis

Singapore

The Group operates a total of 9 beauty and wellness service centres in Singapore, decreased by 1 center compared with the same period last year. Our Singapore operations reported a revenue of HK\$19,477,000. Receipts from sales of prepaid beauty packages amounted to HK\$17,774,000, while revenue from services rendered amounted to HK\$15,922,000, increased by 47.0% and decreased by 11.1% respectively when compared with the same period last year.

The decrease of revenue is mainly attributable to the decrease in revenue recognised from the deferred revenue which recorded a big drop due to the closure of our shops in compliance of the COVID-19 circuit-breaker measures in Singapore 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 2021, revenue of the Group decreased by 5.9% to HK\$205,396,000 as compared to the same period last year due to the weakened economy in different business regions.

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					
Sales mix	2021		2020		Change
	HK\$'000	Percentage of revenue	HK\$'000	Percentage of revenue	
Beauty & facial	139,057	67.7%	156,469	71.7%	-11.1%
Slimming	38,986	19.0%	41,374	19.0%	-5.8%
Spa and massage	9,513	4.6%	11,604	5.3%	-18.0%
Beauty and wellness services	187,556	91.3%	209,447	96.0%	-10.5%
Sales of skincare and wellness products	17,840	8.7%	8,781	4.0%	+103.2%
Total	205,396	100%	218,228	100%	-5.9%

Compared to the same period last year, the Group's revenue from beauty and facial services for ladies decreased by 11.1% to HK\$134,755,000 (2020: HK\$151,510,000), while revenue from beauty and facial services for men decreased by 13.3% to HK\$4,302,000 (2020: HK\$4,959,000). Revenue from the slimming service decreased to HK\$38,986,000 in the period under review, down by approximately 5.8% from approximately HK\$41,374,000 in the same period of 2020.

Meanwhile, spa and massage revenue for the Group in the period under review decreased by 18.0% to HK\$9,513,000. As for the product revenue, it increased by 103.2% to HK\$17,840,000 as compared to the same period last year, which was mainly attributable to the restructuring of our product portfolio in order to suit the customer needs.

Employee benefit expenses

Employee benefit expenses represent the largest component of the Group's operating expenses, increased by approximately 67.8% to HK\$148,561,000, comparing to HK\$88,540,000 for the same period last year. The total headcount of the Group as at 30 September 2021 decreased by 23.8% to 801, as compared to a headcount of 1,051 for the same period last year. The drop of employee benefits expenses and headcount is mainly due to the continuous cost efficiency that we endeavor to pursue. 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.

Management Discussion and Analysis

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

During the period under review, the Group's occupancy costs and depreciation of other properties leases for own use were approximately HK\$40,116,000 (2020: HK\$40,856,000), accounting for approximately 19.5% of our revenue (2020: 18.7%). As of 30 September 2021, the Group operated a total of 33 service centres in Mainland China and Hong Kong with a total weighted average gross floor area of 175,000 square feet, representing a decrease of 6.9% as compared to 188,000 square feet for the same period last year. As of 30 September 2021, the Group had 9 centres (2020: 10 centres) in Singapore, with a total weighted average gross floor area of approximately 19,000 square feet (2020: approximately 20,000 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 53.7% to HK\$11,277,000. Advertising costs decreased to HK\$1,377,000 from HK\$1,658,000 for the same period last year. Advertising cost as a percentage of revenue in 2021 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 decreased by about 3.6% from HK\$5,931,000 in 2020 to approximately HK\$5,720,000 during the period under review. It accounts for 2.8% of our revenue in 2021, as compared to 2.7% 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	
	2021	2020
	HK\$'000	HK\$'000
Audit Fee	2,076	1,968
Administrative expenses (Note)	3,209	2,821
Cleaning, sanitary and laundry	2,998	1,993
Consultancy fee	1,052	1,160
Government rent and rates	1,461	1,805
Insurance	1,504	1,289
Legal and professional fee	1,522	1,856
Repair and maintenance expenses	2,242	1,453
Utilities	3,670	2,130
Other expenses	2,322	8,196
	22,056	24,671

Note: The administrative expenses for each of the periods ended 30 September 2021 and 2020 included motor vehicles expenses, postage and courier expenses, printing and stationary, telephone and fax and transportation expenses.

Management Discussion and Analysis

Net loss/profit

For the six months ended 30 September 2021, the net loss was approximately HK\$41,623,000, as compared to the net profit of HK\$65,938,000 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 HK4.63 cents as compared to the earnings per share of HK7.28 cent for the same period last year.

Interim dividend

No interim dividend had been approved by the Board for the six months ended 30 September 2021 (interim dividend for 2020: nil).

Liquidity, capital structure and treasury policies

During the period under review, we maintained a strong financial position. The total equity of the Group as at 30 September 2021 was HK\$250,178,000. Cash and bank balances as at 30 September 2021 amounted to HK\$184,468,000 (31 March 2021: HK\$234,341,000) with no bank borrowings. The Group generally finances its liquidity requirements through the receipts from sales of prepaid beauty packages and collection of credit card prepayment from banks.

During the period under review, except for the fund required for operation, the majority of the Group's cash was held under fixed and savings deposits in banks at an annualised yield of approximately 0.1%. 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 during the six months ended 30 September 2021 was approximately HK\$57,666,000, which was mainly used for the addition 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\$325,000.

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 2021. The Group had capital commitment of HK\$19,243,000 as at 30 September 2021 (31 March 2021: HK\$330,000) in respect of the acquisition of property and leasehold improvement.

Charges on assets

As of 30 September 2021, the Group had pledged bank deposits of HK\$47,181,000 (31 March 2021: HK\$54,385,000) 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.

Management Discussion and Analysis

Human resources and training

Total employee benefit expenses including directors' emoluments for the period under review amounted to HK\$148,561,000, representing a 67.8% increase as compared to HK\$88,540,000 for the same period last year. The Group had a workforce of 801 staff as of 30 September 2021 (30 September 2020: 1,051 staff), including 636 front-line service centre staff in Hong Kong, 33 in Mainland China and 54 in Singapore. Back office staff totaled 54 in Hong Kong, 5 in Mainland China and 19 in Singapore and Australia. To ensure our service quality, the Group regularly offers appropriate trainings to its staff, including the safe application of the latest beauty technology, exchanging of tips on service techniques, and in-depth introduction of our services and products. The trainings are designed by the Group's senior management, who are also responsible for certain teaching and sharing of experiences. During the training, the Group also encourages its staff to raise questions and express their opinions, which facilitates the interaction between the senior management and the general staff. Meanwhile, the sound communication between the management and the staff enables the management to understand the daily operations of the Group in a more efficient manner.

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

CORPORATE SOCIAL RESPONSIBILITY

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

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

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

Management Discussion and Analysis

OUTLOOK

The COVID-19 epidemic was brought under control during the period under review, and Consumption Voucher Scheme was launched by the Hong Kong SAR government in August to stimulate retail spending. While consumer confidence is rising from the very bottom last year, it is still well below the long-term average. People are still quite prudent in spending their money.

On the other hand, Singapore took the policy to live with the virus by easing its strict COVID-19 measures, which induced the soar of its infection rates since August this year. As such, the possibility of another circuit break measures on the salon shops cannot be ruled out, which may affect the performance on our Singapore business in the second half of the financial year.

In spite of the epidemic uncertainty, the Group will continue to leverage on its excellent services, brand visibility and solid customer base in Hong Kong, Mainland China and Singapore to brave the economic headwind.

On the first day of October this year, our Hong Kong salons have launched a cooling-off period policy which means the customer may choose to claim the refund of the unused services within five working days from the date of his/her purchase.

The Group intends to set this as a good example to the beauty industry which is said to have unscrupulous and aggressive commercial practices carried out by a handful of black sheep. In the long run, we hope to restore the customer confidence and build up a healthy long-term development of the industry.

During the period under review, we have successfully controlled our operating costs particularly the rental costs, as well as focused on the maintenance of a healthy cash position. Looking ahead, despite of the uncertain business environment we are facing, we are still prudently optimistic about the Group's performance in the future.

SUBSEQUENT EVENTS

During the last few days of November this year, a new coronavirus variant called Omicron suddenly emerged and there is a lot of remains unknown about this new variant and its severity, ability to bypass immunity and contagiousness, among other things. As such, some countries such as Japan and Israel even take drastic measures to close their borders completely to all foreigners.

Nonetheless, in face of this new coronavirus variant, our Group will keep close watch to this development and make necessary and prompt response to navigate through the challenges.

CORPORATE INFORMATION

Board of Directors

Dr. Tsang Yue, Joyce (*Chairperson*)

Mr. Yip Kai Wing

Ms. Yeung See Man

Ms. Liu Mei Ling, Rhoda

(*Independent Non-executive Director*)

Dr. Wong Man Hin, Raymond

(*Independent Non-executive Director*)

Mr. Hong Po Kui, Martin

(*Independent Non-executive Director*)

Authorised Representatives

Mr. Yip Kai Wing

Mr. Cheng Chi Ming

Company Secretary

Mr. Cheng Chi Ming

Audit Committee

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

Dr. Wong Man Hin, Raymond

Mr. Hong Po Kui, Martin

Nomination Committee

Dr. Tsang Yue, Joyce (*Chairperson*)

Dr. Wong Man Hin, Raymond

Mr. Hong Po Kui, Martin

Ms. Liu Mei Ling, Rhoda

Remuneration Committee

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

Dr. Tsang Yue, Joyce

Mr. Hong Po Kui, Martin

Ms. Liu Mei Ling, Rhoda

Registered Office

PO Box 309

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Grand Cayman, KY1-1104

Cayman Islands

Head Office and Principal Place of Business in Hong Kong

Workshops Nos. 66-68, 6th Floor

Sino Industrial Plaza

9 Kai Cheung Road

Kowloon Bay, Kowloon

Hong Kong

Auditor

KPMG

Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central

Hong Kong

Share Registrar and Transfer Office

Tricor Investor Services Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

1 Queen's Road Central

Hong Kong

Standard Chartered Bank (Hong Kong) Limited

4-4A Des Voeux Road Central

Hong Kong

Stock Code

919

Investors Relation

Email address:

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CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2021, the interests and short positions of the directors ("the Directors") and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("the SFO") as recorded in the register kept

by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in Shares, underlying Shares and Debentures of the Company

Name	Capacity in which interests are held	Interests in Shares	Total Interests	Approximate Percentage of Issued Share Capital of the Company ¹
Dr. Tsang Yue, Joyce	Founder of a discretionary trust Interest of spouse ²	677,247,942	677,247,942	74.88%
		650,000	650,000	0.07%
Mr. Yip Kai Wing	Beneficial Owner	185,000	185,000	0.02%
Ms. Yeung See Man	Beneficial Owner	172,000	172,000	0.02%

Notes:

- The percentage has been compiled based on the total number of shares of the Company in issue as at 30 September 2021 (i.e. 904,483,942 shares).
- Dr. Tsang Yue, Joyce is the spouse of Dr. Lee Soo Ghee and is deemed to be interested in the shares in which Dr. Lee Soo Ghee is deemed or taken to be interested for the purpose of the SFO.

Save as disclosed above, as at 30 September 2021, none of the Directors and chief executive of the Company nor their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or pursuant to section 352 of the SFO, to be entered in the register referred to therein, or notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed above, at no time during the period under review was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors or chief executive of the Company or any of their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Corporate Governance and Other Information

Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares and Underlying Shares

As at 30 September 2021, the interests or short positions of substantial shareholders and other persons of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company, were as follows:

Long positions of substantial shareholders and other persons in the Shares and underlying Shares of the Company

Name	Capacity in which interests are held	Interests in Shares	Total Interests	Approximate Percentage of Issued Share Capital of the Company ¹
Dr. Tsang Yue, Joyce	Founder of a discretionary trust	677,247,942	677,247,942 ⁴	74.88%
	Interest of spouse ²	650,000	650,000	0.07%
Dr. Lee Soo Ghee	Beneficial owner	650,000	650,000	0.07%
	Interest of spouse ³	677,247,942	677,247,942 ⁴	74.88%
TMF (Cayman) Ltd ⁵	Trustee (other than a bare trustee)	677,247,942	677,247,942 ⁴	74.88%
Kelday International Limited ⁵	Nominee for another person (other than a bare trustee)	677,247,942	677,247,942 ⁴	74.88%
Allied Chance Management Limited ⁵	Interest of corporation controlled by it	677,247,942	677,247,942 ⁴	74.88%
Allied Wealth Limited ⁵	Beneficial owner	209,247,942	209,247,942 ⁶	23.13%
Silver Compass Holdings Corp ⁵	Beneficial owner	367,200,000	367,200,000 ⁶	40.60%
Silver Hendon Enterprises Corp ⁵	Beneficial owner	100,800,000	100,800,000 ⁶	11.14%

Notes:

- The percentage has been compiled based on the total number of shares of the Company in issue as at 30 September 2021 (i.e. 904,483,942 shares).
- Dr. Tsang Yue, Joyce is the spouse of Dr. Lee Soo Ghee and is deemed to be interested in the shares in which Dr. Lee Soo Ghee is deemed or taken to be interested for the purpose of the SFO.
- Dr. Lee Soo Ghee is the spouse of Dr. Tsang Yue, Joyce and is deemed to be interested in the shares in which Dr. Tsang Yue, Joyce is deemed or taken to be interested for the purpose of the SFO.
- These shares were the same parcel of shares held by a trust of which Dr. Tsang Yue, Joyce was the founder. TMF (Cayman) Ltd. was the trustee of the trust. See Note 5.
- Allied Wealth Limited, Silver Compass Holdings Corp. and Silver Hendon Enterprises Corp. are indirect wholly-owned subsidiaries of Allied Chance Management Limited. Allied Chance Management Limited is in turn a direct wholly-owned subsidiary of Kelday International Limited. TMF (Cayman) Ltd. is the ultimate holding company of Allied Chance Management Limited and Kelday International Limited.
- These shares were included in the above-mentioned total interest in shares and underlying shares of 677,247,942. See note 4 and note 5.

Corporate Governance and Other Information

Apart from the above, no other interest or short position in the shares or underlying shares of the Company was recorded in the register required to be kept under section 336 of the SFO as at 30 September 2021.

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 emphasis transparency, accountability and independence.

The Company has adopted the code provisions ("Code Provisions") set out in the Corporate Governance Code ("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 period under review, the Company met the Code Provisions in the Code, except for the deviation from Code provision A.2.1 as discussed in the section headed "Chairperson and Chief Executive Officer" below and from Code Provision E.1.2 as set out in the section headed "Non-Compliance with Code Provision E.1.2" below.

Chairperson and Chief Executive Officer

During the period under review, Dr. Tsang Yue, Joyce was both the Chairperson and Chief Executive Officer of the Company. Code provision A.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 E.1.2

Code Provision E.1.2 provides that the chairman of the board should attend the general meeting. Dr. Tsang Yue, Joyce, the Chairperson of the Board, was absent from the Annual General Meeting of the Company held on 27 August 2021 due to personal reason.

Corporate Governance and Other Information

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.

Corporate Governance and Other Information

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 this interim report for the period under review prior to their approval by the Board.

By Order of the Board

Modern Healthcare Technology Holdings Limited

Dr. Tsang Yue, Joyce

Chairperson and Chief Executive Officer

Hong Kong, 29 November 2021

REVIEW REPORT

**Review report to the board of directors
of Modern Healthcare Technology Holdings Limited**
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 15 to 32 which comprises the consolidated statement of financial position of Modern Healthcare Technology Holdings Limited (the "Company") as of 30 September 2021 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 September 2021 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 November 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 September 2021 – unaudited

	Note	Six months ended 30 September	
		2021 HK\$'000	2020 HK\$'000
Revenue	5	205,396	218,228
Other income	6	3,526	48,689
Cost of inventories sold		(7,581)	(4,081)
Advertising costs		(1,377)	(1,658)
Building management fees		(5,720)	(5,931)
Bank charges		(11,277)	(7,337)
Employee benefit expenses		(148,561)	(88,540)
Depreciation and amortisation		(46,877)	(58,586)
Occupancy costs		(847)	(536)
Other operating expenses		(22,056)	(24,671)
(Loss)/profit from operations		(35,374)	75,577
Interest income		62	554
Fair value change on investment properties		(3,537)	(2,413)
Finance costs	7	(1,230)	(2,546)
Net loss on disposals of subsidiaries		–	(591)
(Loss)/profit before taxation	7	(40,079)	70,581
Income tax expense	8	(1,544)	(4,643)
(Loss)/profit for the period		(41,623)	65,938
Attributable to:			
Equity shareholders of the Company		(41,880)	65,817
Non-controlling interests		257	121
(Loss)/profit for the period		(41,623)	65,938
(Loss)/earnings per share (HK cents)	9		
Basic		(4.63)	7.28
Diluted		(4.63)	7.28

The notes on pages 21 to 32 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 15(a).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 September 2021 – unaudited

	Note	Six months ended 30 September	
		2021 HK\$'000	2020 HK\$'000
(Loss)/profit for the period		(41,623)	65,938
Other comprehensive income for the period (after tax and reclassification adjustments):			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of operations outside Hong Kong		(1,091)	2,036
Other comprehensive income for the period		(1,091)	2,036
Total comprehensive income for the period		(42,714)	67,974
Attributable to:			
Equity shareholders of the Company		(42,971)	67,853
Non-controlling interests		257	121
Total comprehensive income for the period		(42,714)	67,974

The notes on pages 21 to 32 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September 2021 – unaudited

	Note	At 30 September 2021 HK\$'000	At 31 March 2021 HK\$'000
Non-current assets			
Property, plant and equipment	10	164,279	134,186
Investment properties		39,653	43,190
Deposits and prepayments	11	13,332	11,460
Deferred tax assets		902	901
		218,166	189,737
Current assets			
Inventories		7,922	9,553
Trade and other receivables, deposits and prepayments	11	181,960	175,331
Tax recoverable		419	5,695
Pledged bank deposits		47,181	54,385
Bank deposits with original maturity over three months		5,437	5,476
Cash and bank balances	12	179,031	228,865
		421,950	479,305
Current liabilities			
Trade and other payables, deposits received and accrued expenses	13	74,708	73,363
Deferred revenue	14	217,138	183,446
Finance lease payable		800	–
Lease liabilities		63,740	70,795
Tax payable		4,837	3,695
		361,223	331,299
Net current assets		60,727	148,006
Total assets less current liabilities		278,893	337,743

Consolidated Statement of Financial Position

at 30 September 2021 – unaudited

	Note	At 30 September 2021 HK\$'000	At 31 March 2021 HK\$'000
Non-current liabilities			
Lease liabilities		28,090	44,277
Deferred tax liabilities		625	574
		28,715	44,851
NET ASSETS			
		250,178	292,892
CAPITAL AND RESERVES			
Share capital	15(b)	90,448	90,448
Reserves		155,948	198,919
Total equity attributable to equity shareholders of the Company			
		246,396	289,367
Non-controlling interests		3,782	3,525
TOTAL EQUITY			
		250,178	292,892

The notes on pages 21 to 32 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2021 – unaudited

	Attributable to equity shareholders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Exchange reserve HK\$'000	Property revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 April 2020	90,448	318,791	(373,253)	(3,618)	3,552	110,873	146,793	5,317	152,110
Changes in equity for the six months ended 30 September 2020:									
Profit for the period	-	-	-	-	-	65,817	65,817	121	65,938
Other comprehensive income									
- Exchange differences on translation of operation outside Hong Kong	-	-	-	2,036	-	-	2,036	-	2,036
Total comprehensive income	-	-	-	2,036	-	65,817	67,853	121	67,974
Balance at 30 September 2020 and 1 October 2020	90,448	318,791	(373,253)	(1,582)	3,552	176,690	214,646	5,438	220,084
Changes in equity for the six months ended 31 March 2021:									
Profit for the period	-	-	-	-	-	59,906	59,906	(1,913)	57,993
Other comprehensive income									
- Exchange differences on translation of operations outside Hong Kong	-	-	-	912	-	-	912	-	912
- Revaluation surplus upon transfer of property, plant and equipment to investment properties	-	-	-	-	13,903	-	13,903	-	13,903
Total comprehensive income	-	-	-	912	13,903	59,906	74,721	(1,913)	72,808
Balance at 31 March 2021 and 1 April 2021	90,448	318,791	(373,253)	(670)	17,455	236,596	289,367	3,525	292,892
Changes in equity for the six months ended 30 September 2021:									
Loss for the period	-	-	-	-	-	(41,880)	(41,880)	257	(41,623)
Other comprehensive income									
- Exchange differences on translation of operations outside Hong Kong	-	-	-	(1,091)	-	-	(1,091)	-	(1,091)
Total comprehensive income	-	-	-	(1,091)	-	(41,880)	(42,971)	257	(42,714)
Balance at 30 September 2021	90,448	318,791	(373,253)	(1,761)	17,455	194,716	246,396	3,782	250,178

The notes on pages 21 to 32 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 September 2021 – unaudited

	Note	Six months ended 30 September	
		2021 HK\$'000	2020 HK\$'000
Operating activities			
Cash generated from operations		40,474	72,771
Tax paid		(2,383)	(2,018)
Tax refunded		7,251	4
Net cash generated from operating activities		45,342	70,757
Investing activities			
Purchase of property, plant and equipment		(57,666)	(325)
Other cash flows generated from/(used) in investing activities		5,631	(423)
Net cash used in investing activities		(52,035)	(748)
Financing activities			
Capital element of lease rentals paid		(41,715)	(33,372)
Interest element of lease rentals paid		(1,230)	(2,546)
Net cash used in financing activities		(42,945)	(35,918)
Net (decrease)/increase in cash and cash equivalents		(49,638)	34,091
Cash and cash equivalents at the beginning of the period	12	228,865	174,779
Effect of foreign exchange rates changes		(196)	1,359
Cash and cash equivalents at the end of the period	12	179,031	210,229

The notes on pages 21 to 32 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(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, Ugland House, Grand Cayman, KY1-1104 Cayman Islands. The address of its principal place of business is workshop 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 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 financial report 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”). It was authorised for issue on 29 November 2021.

This interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2021, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 March 2022. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 March 2021. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSS”).

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. KPMG’s independent review report to the Board of Directors is included on pages 1 to 2.

The financial information relating to the financial year ended 31 March 2021 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 2021 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 2021.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group:

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

The Group has early adopted Amendments to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021* since year ended 31 March 2021. Apart from this, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 SEGMENT INFORMATION

The Group has two reportable segments as follows:

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

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

The accounting policies of the operating segments are the same as those described in the Group's annual financial statements for the year ended 31 March 2021. Segment profits do not include other income, interest income, fair value changes on investment properties, unallocated costs, which comprise corporate administrative expenses, and income tax expense. Segment assets do not include properties held for corporate uses, investment properties, intangible assets, goodwill, deferred tax assets, tax recoverable and amounts due from related companies. Segment liabilities do not include dividend payable, tax payable, deferred tax liabilities, amounts due to related companies and the ultimate controlling party.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

4 SEGMENT INFORMATION (Continued)

- (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 2021			
Revenue from external customers	187,556	17,840	205,396
Reportable segment (loss)/profit	(36,672)	9,829	(26,843)
As at 30 September 2021			
Reportable segment assets	582,949	16,029	598,978
Reportable segment liabilities	(367,407)	(16,465)	(383,872)
For the six months ended 30 September 2020			
Revenue from external customers	209,447	8,781	218,228
Reportable segment profit	70,315	5,417	75,732
As at 30 September 2020			
Reportable segment assets	628,553	14,050	642,603
Reportable segment liabilities	(439,492)	(11,468)	(450,960)

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 September	
	2021 HK\$'000	2020 HK\$'000
Reportable segment (loss)/profit	(26,843)	75,732
Other income	2,168	5,528
Interest income	62	554
Fair value changes on investment properties	(3,537)	(2,413)
Net loss on disposals of subsidiaries	–	(591)
Unallocated costs	(11,929)	(8,229)
Income tax expense	(1,544)	(4,643)
Consolidated (loss)/profit for the period	(41,623)	65,938

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

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	
	2021 HK\$'000	2020 HK\$'000
Revenue recognised from provision of beauty and wellness services and expiry of prepaid beauty packages	187,556	209,447
Sales of skincare and wellness products	17,840	8,781
	205,396	218,228

6 OTHER INCOME

	Six months ended 30 September	
	2021 HK\$'000	2020 HK\$'000
Government grants (Note)	1,358	43,946
COVID-19-related rent concessions received	77	3,180
Income from provision of domestic helper agency services	1,054	773
Rental income	777	–
Others	260	790
	3,526	48,689

Note: They are benefited from governments and other authorities under COVID-19 related support schemes.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

7 (LOSS)/PROFIT BEFORE TAXATION

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

	Six months ended 30 September	
	2021 HK\$'000	2020 HK\$'000
Directors' remuneration	6,310	4,083
Depreciation		
– Owned property plant and equipment	7,608	18,266
– Right-of-use assets	39,269	40,320
Foreign exchange (gain)/loss, net	(16)	115
Finance costs – interest on lease liabilities	1,230	2,546

8 INCOME TAX EXPENSE

	Six months ended 30 September	
	2021 HK\$'000	2020 HK\$'000
Current tax – Hong Kong Profits Tax	381	670
Current tax – Overseas	1,110	1,472
Deferred taxation	53	2,501
Income tax expense	1,544	4,643

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (30 September 2020: 16.5%) to the six months ended 30 September 2021, 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 2020.

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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

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\$41,880,000 (2020: profit of HK\$65,817,000) and the weighted average number of 904,483,942 ordinary shares (2020: weighted average number of 904,483,942 ordinary shares) in issue during the period. 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 2021 and 2020.

10 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

(a) Right-of-use assets

During the six months ended 30 September 2021, the Group entered into a number of lease agreements for use as service centres, and therefore, recognised the additions to right-of-use assets of HK\$18,574,000 (30 September 2020: HK\$97,335,000).

During the six months ended 30 September 2021, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amount of fixed and variable lease payments for the interim reporting period is summarised below:

Six months ended 30 September 2021				
	Fixed payments HK\$'000	Variable payments HK\$'000	COVID-19-related rent concessions HK\$'000	Total payments HK\$'000
Service centres – Hong Kong	35,515	–	–	35,515
Service centres – Mainland China	1,619	–	–	1,619
Service centres – Singapore	4,658	–	(77)	4,581

Six months ended 30 September 2020				
	Fixed payments HK\$'000	Variable payments HK\$'000	COVID-19-related rent concessions HK\$'000	Total payments HK\$'000
Service centres – Hong Kong	30,095	–	(827)	29,268
Service centres – Mainland China	1,565	–	(259)	1,306
Service centres – Singapore	4,892	–	(2,094)	2,798

(b) Acquisitions

During the six months ended 30 September 2021, the Group acquired items of property, plant and equipment with a cost of approximately HK\$57,666,000 (30 September 2020: HK\$325,000).

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

11 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 September 2021 HK\$'000	At 31 March 2021 HK\$'000
Non-current assets		
Deposits and prepayments	13,332	11,460
Current assets		
Trade receivables, net of loss allowance for expected credit loss	17,538	14,394
Trade deposits retained by banks/credit card companies (note)	133,959	134,040
Rental and other deposits, prepayments and other receivables	30,300	26,628
Amounts due from related companies (note 18(c))	163	269
	181,960	175,331
	195,292	186,791

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 2021 HK\$'000	At 31 March 2021 HK\$'000
0 – 30 days	10,123	9,665
31 – 60 days	2,735	1,547
61 – 90 days	1,334	134
91 – 180 days	3,346	3,048
	17,538	14,394

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 2021: 7 to 180 days) for the credit card settlement from the respective banks/credit card companies.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

12 CASH AND BANK BALANCES

	At 30 September 2021 HK\$'000	At 31 March 2021 HK\$'000
Cash at bank and in hand	179,031	165,223
Short-term bank deposits with original maturity less than three months	–	63,642
Cash and bank balances in the consolidated statement of financial position and cash and cash equivalents in the condensed consolidated cash flow statement	179,031	228,865

13 TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUED EXPENSES

	At 30 September 2021 HK\$'000	At 31 March 2021 HK\$'000
Trade payables	546	525
Other creditors, deposits received and accrued expenses	74,035	72,711
Amount due to the ultimate controlling party (note 18(c))	2	2
Amounts due to related companies (note 18(c))	125	125
	74,708	73,363

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

	At 30 September 2021 HK\$'000	At 31 March 2021 HK\$'000
Within 90 days	537	515
Over 90 days	9	10
	546	525

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

14 DEFERRED REVENUE

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

	At 30 September 2021 HK\$'000	At 31 March 2021 HK\$'000
Within 1 year	217,138	183,446

(b) Movement of deferred revenue:

	At 30 September 2021 HK\$'000	At 31 March 2021 HK\$'000
At the beginning of the period/year	183,446	301,822
Gross receipts from sales of prepaid beauty packages	221,055	292,170
Revenue recognised for provision of beauty and wellness services and expiry of prepaid beauty packages	(187,556)	(411,713)
Exchange differences	193	1,167
At the end of the period/year	217,138	183,446

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

15 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2021 (2020: Nil).

(b) Share capital

Authorised and issued share capital

	At 30 September 2021		At 31 March 2021	
	No. of shares	Amount HK\$'000	No. of shares	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	10,000,000,000	1,000,000	10,000,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK\$0.1 each	904,483,942	90,448	904,483,942	90,448

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per ordinary share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

16 COMMITMENTS

Capital commitments outstanding not provided for in the interim financial report

	At 30 September 2021 HK\$'000	At 31 March 2021 HK\$'000
Contracted but not yet provided for:		
– Acquisition of plant and equipment	19,243	330

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

17 CONTINGENT LIABILITIES

During the course of business, the Group has received complaints and claims concerned with the provision of beauty services in respect of breach of contract, content of advertisement, tenancy dispute and personal injuries in relation to the services provided, including claims of insignificant or unspecified amounts. The directors are of the opinion that the loss or settlement for such complaints and claims have no material financial impact to the Group.

18 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

(a) Key management personnel compensation

	Six months ended 30 September	
	2021 HK\$'000	2020 HK\$'000
Fees	426	426
Salaries and allowances	6,263	3,606
Retirement benefit scheme contributions	47	51
	6,736	4,083

(b) Material related party transactions

In addition to those related party transactions disclosed elsewhere in this interim financial report, the Group had the following material transactions with its related parties during the period under review:

	Note	Six months ended 30 September	
		2021 HK\$'000	2020 HK\$'000
Addition of right-of-use asset from related companies	(i)	–	78,017
Salaries and other benefits in kind paid to related parties:			
– Related party A	(ii)	925	573
– Related party B	(iii)	1,120	878
– Related party C	(iv)	272	134
		2,317	1,585

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

18 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Material related party transactions (Continued)

Notes:

- (i) The amount represented the addition of right-of-use assets during the reporting period. The Group enter three-year rental agreements to related companies mutually agreed by both parties. Dr. Tsang is the member of the related.
- (ii) Related party A is the spouse of a director, Dr. Tsang.
- (iii) Related party B is the son of a director, Dr. Tsang.
- (iv) Related party C is the spouse of a director, Mr. Yip Kai Wing.

(c) Balances with related parties

The amounts due from/to related companies and the ultimate controlling party are unsecured, interest-free and recoverable/repayable on demand. Dr. Tsang is the ultimate controlling party of those related companies.



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