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Union Medical Healthcare Limited

香港醫思醫療集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2138)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2016

ANNUAL RESULTS

HIGHLIGHTS OF THE YEAR

- Total revenue increased by 13.5% from HK\$621.1 million for the year ended 31 March 2015 to HK\$704.9 million for the year ended 31 March 2016. Our recognised revenue increased by 18.8% from HK\$381.0 million for the year ended 31 March 2015 to HK\$452.8 million for the year ended 31 March 2016.
- The adjusted net profit attributable to equity shareholders of the Company was HK\$182.8 million (excluding the one-off listing expenses in an amount of HK\$34.2 million) for the year ended 31 March 2016, representing an increase of 1.6% from the adjusted net profit attributable to equity shareholders of the Company of HK\$180.0 million (excluding the one-off listing expenses in an amount of HK\$5.6 million) for the year ended 31 March 2015. The unadjusted net profit attributable to equity shareholders of the Company (including the one-off listing expenses) was HK\$148.7 million, representing a decrease of 14.8% as compared with the unadjusted net profit attributable to equity shareholders of the Company of HK\$174.4 million (including the one-off listing expenses) for the year ended 31 March 2015.
- Basic earnings per share for the year ended 31 March 2016 amounted to HK\$0.20 (2015: HK\$0.24).
- The Board recommended the declaration of a final dividend of HK\$0.0191 per share for the year ended 31 March 2016, representing 12.6% of the net profit for the year attributable to equity shareholders of the Company.

* for identification purpose only

The Board is pleased to announce the consolidated financial results of the Group for the Reporting Period together with the comparative figures for the corresponding prior period as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March
(Expressed in Hong Kong dollars)

	Notes	2016 HK\$	2015 HK\$
REVENUE	5	704,937,348	621,089,610
Other net income and gains	5	3,671,483	5,705,724
Cost of inventories and consumables		(70,687,271)	(47,585,730)
Registered practitioner expenses		(52,774,291)	(46,264,988)
Employee benefit expenses		(192,360,798)	(166,770,568)
Marketing and advertising expenses		(38,018,257)	(23,928,266)
Rental and related expenses		(62,165,511)	(65,831,133)
Credit card expenses		(22,995,785)	(21,699,957)
Depreciation		(24,068,889)	(17,707,725)
Finance costs	6	(411,762)	(889,683)
Listing expenses		(34,185,568)	(5,626,645)
Other expenses		(26,532,909)	(19,893,840)
PROFIT BEFORE TAX	7	184,407,790	210,596,799
Income tax	8	(35,099,392)	(35,819,037)
PROFIT FOR THE YEAR		149,308,398	174,777,762
Attributable to:			
Equity shareholders of the Company		148,663,969	174,415,159
Non-controlling interests		644,429	362,603
		149,308,398	174,777,762
EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY SHAREHOLDERS OF THE COMPANY	9	0.20	0.24
PROFIT FOR THE YEAR		149,308,398	174,777,762
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, net of HK\$Nil tax		11,633	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		149,320,031	174,777,762
Attributable to:			
Equity shareholders of the Company		148,675,602	174,415,159
Non-controlling interests		644,429	362,603
		149,320,031	174,777,762

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March
(Expressed in Hong Kong dollars)

	Notes	2016 HK\$	2015 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	10	59,155,532	52,181,050
Goodwill		3,421,318	1,773,481
Intangible assets		1,311,093	351,757
Rental deposits	13	13,817,893	13,036,497
Prepayments and other deposits	13	8,200,000	10,225,540
Deferred tax assets		637,917	–
Total non-current assets		86,543,753	77,568,325
CURRENT ASSETS			
Inventories	11	17,883,209	13,671,161
Trade receivables	12	32,484,344	22,123,781
Prepayments, deposits and other receivables	13	42,344,444	34,165,388
Financial assets at fair value through profit or loss	14	103,516,892	27,263,284
Amount due from the Controlling Shareholder		–	160,990,296
Current tax recoverable		16,072,807	–
Pledged time deposits	15	2,000,000	2,000,000
Time deposits with original maturity over 3 months	15	500,000,000	–
Cash and cash equivalents	15	354,717,582	129,884,745
Total current assets		1,069,019,278	390,098,655
CURRENT LIABILITIES			
Trade payables	16	5,214,323	3,929,798
Other payables and accruals	17	96,694,780	66,915,316
Deferred revenue	18	312,891,746	347,467,876
Current tax payable		6,235,989	40,199,031
Total current liabilities		421,036,838	458,512,021
NET CURRENT ASSETS/(LIABILITIES)		647,982,440	(68,413,366)
TOTAL ASSETS LESS CURRENT LIABILITIES		734,526,193	9,154,959

	Notes	2016 HK\$	2015 HK\$
NON-CURRENT LIABILITIES			
Deferred tax liabilities		139,109	1,951,098
Other payables and accruals	17	–	1,000,000
Provision for reinstatement costs	17	3,110,000	3,250,000
Total non-current liabilities		3,249,109	6,201,098
NET ASSETS		731,277,084	2,953,861
TOTAL EQUITY			
Total equity attributable to equity shareholders of the Company	19		
Share capital		9,800	–
Reserves		731,360,424	3,691,430
Non-controlling interests		731,370,224 (93,140)	3,691,430 (737,569)
TOTAL EQUITY		731,277,084	2,953,861

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at Units A & B, 6/F, Hop Hing Industrial Building, 704 Castle Peak Road, Lai Chi Kok, Kowloon, Hong Kong.

Pursuant to a group reorganisation (the "Reorganisation"), the Company became the holding company of companies now comprising the Group on 18 September 2015. The Company's shares were listed on the Main Board of Stock Exchange on 11 March 2016.

The Company is an investment holding company. The Group is principally engaged in the provision of medical, quasi-medical, traditional beauty services, the sale of skincare and beauty products, and investment holding.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated annual results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 March 2016 but are extracted from those financial statements.

The consolidated financial statements for the year ended 31 March 2016 comprise the Company and its subsidiaries.

The Company was incorporated in the Cayman Islands on 7 July 2015. As part of the Reorganisation, the entire issued share capital of Union (Group) Investment Limited ("UGIL") was transferred to Union Health Services, a wholly-owned subsidiary of the Company, which was in turn controlled by the Controlling Shareholder ("the Share Transfer"). Upon the completion of the Share Transfer, the Company and Union Health Services became the parent companies of UGIL and its subsidiaries, and the holding companies of the Group.

The companies that took part in the Share Transfer were controlled by the same ultimate equity shareholder before and after the Share Transfer and there were no changes in the business and operations of UGIL and its subsidiaries. The Share Transfer only involved incorporating the Company and Union Health Services with no prior substantive operations as the holding companies of UGIL and the Group. Accordingly, the Share Transfer has been accounted for using a principle similar to that for a reverse acquisition with UGIL treated as the acquirer for accounting purposes. The financial statements have been prepared and presented as a continuation of the consolidated financial statements of UGIL and its subsidiaries, with the assets and liabilities of the Group recognised and measured at their historical carrying amounts prior to the Share Transfer, and as if the group structure upon completion of the Share Transfer had been in existence at the beginning of the reporting period presented.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as otherwise stated in the accounting policies.

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

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

3. CHANGES IN ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants (“HKICPA”) has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- *Annual Improvements to HKFRSs 2010-2012 Cycle*
- *Annual Improvements to HKFRSs 2011-2013 Cycle*

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

4. STATEMENT OF COMPLIANCE

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

5. REVENUE, OTHER NET INCOME AND GAINS

Revenue represents the value of medical, quasi-medical and traditional beauty services rendered and the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other net income and gains is as follows:

	For the year ended 31 March	
	2016	2015
	HK\$	HK\$
Revenue		
Medical services	275,668,382	218,981,051
Quasi-medical services	74,073,840	62,642,169
Traditional beauty services	65,042,514	66,882,296
Skincare and beauty products	38,031,475	32,520,109
Revenue recognised from unutilised prepaid packages	252,121,137	240,063,985
	704,937,348	621,089,610
Other net income and gains		
Bank interest income	305,454	82,225
Interest income from listed debt investments and certificate of deposits	1,014,988	653,584
Other interest income	–	419,852
Commission income	–	377,694
Dividend income from listed equity and unlisted fund investments	–	1,679,754
Management fee income	–	263,076
Unrealised fair value gains on financial assets at fair value through profit or loss, net	–	1,295,637
Realised losses on disposals of financial assets/liabilities at fair value through profit or loss, net	(1,209,090)	(834,222)
Imputed interest income on non-current rental deposits	577,412	306,868
Others	2,982,719	1,461,256
	3,671,483	5,705,724

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) revenue from the rendering of services, when the services have been rendered to customers. Receipts in respect of unutilised prepaid packages for which the relevant services have not been rendered are deferred and recognised as deferred revenue in the statement of financial position. Any unutilised prepaid packages at the end of the service period are fully recognised in profit or loss;
- (b) revenue from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, which generally coincides with the time when the goods are delivered to customers;
- (c) income from the sale of financial investments, when the relevant contract notes are executed on the transaction dates;
- (d) commission income and management fee income, when the relevant services are rendered;
- (e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and
- (f) dividend income, when the shareholders' right to receive payment has been established.

6. FINANCE COSTS

	For the year ended 31 March	
	2016	2015
	HK\$	HK\$
Interest on bank overdraft	544	–
Interest on bank borrowings	–	465,525
Imputed interest expense on non-current rental deposits	411,218	424,158
	411,762	889,683

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the year ended 31 March	
	2016 HK\$	2015 HK\$
Employee benefit expenses (including directors' emoluments):*		
Salaries, wages, allowances, bonuses, commission and benefits in kind	211,565,936	180,685,287
Pension scheme contributions (defined contribution scheme)	7,039,202	6,425,281
	218,605,138	187,110,568
Minimum lease payments under operating leases in respect of:		
Land and buildings	49,519,995	52,822,949
Equipment	225,802	89,538
Auditors' remuneration	1,668,965	1,150,000
Depreciation	24,068,889	17,707,725
Amortisation of intangible assets	572,520	445,145
Loss of disposals and write-off of property, plant and equipment	1,032,361	620,861
Foreign exchange differences, net	(74,324)	186,812
Trade receivables written off as uncollectible	11,951	–

* During the year ended 31 March 2016, included in "Employee benefit expenses" are also registered practitioner expenses of HK\$26,244,340 (2015: HK\$20,340,000) paid/payable to certain registered medical practitioners who are also employees of the Group.

8. INCOME TAX

Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	For the year ended 31 March	
	2016	2015
	HK\$	HK\$
Current – Hong Kong		
Charge for the year	35,165,609	34,825,462
Under-provision in respect of prior years	1,165,004	–
	36,330,613	34,825,462
Current – Elsewhere		
Charge for the year	1,218,685	342,096
Deferred tax	(2,449,906)	651,479
Tax charge for the year	35,099,392	35,819,037

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Hong Kong Profits Tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity shareholders of the Company of HK\$148,663,969 (2015: HK\$174,415,159) and the weighted average of 749,095,890 ordinary shares (2015: the deemed weighted average number of 735,000,000 ordinary shares of the Company based on the number of outstanding shares before the IPO (see note 19(b))).

Weighted average number of ordinary shares:

	For the year ended 31 March	
	2016	2015
Deemed issued ordinary shares before the IPO	735,000,000	735,000,000
Effect of ordinary shares issued upon the IPO (note 19(b)(iv))	14,095,890	–
Weighted average number of ordinary shares at 31 March	749,095,890	735,000,000

There were no dilutive potential ordinary shares during the year and therefore, diluted earnings per share are not presented.

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Furniture and fixtures HK\$	Operation equipment HK\$	Office equipment HK\$	Computers HK\$	Motor vehicle HK\$	Total HK\$
Year ended 31 March 2016							
At 1 April 2015:							
Cost	44,324,151	2,990,176	48,576,003	2,606,840	3,313,382	–	101,810,552
Accumulated depreciation	(17,936,245)	(1,888,058)	(26,507,864)	(1,489,009)	(1,808,326)	–	(49,629,502)
Net carrying amount	26,387,906	1,102,118	22,068,139	1,117,831	1,505,056	–	52,181,050
At 1 April 2015, net of accumulated depreciation	26,387,906	1,102,118	22,068,139	1,117,831	1,505,056	–	52,181,050
Additions	17,543,964	2,084,434	7,676,328	193,585	2,168,529	566,305	30,233,145
Disposals and write-off	(15,452)	(120,561)	(680,470)	(152,126)	(63,752)	–	(1,032,361)
Business combination	1,937,393	245,852	–	–	–	–	2,183,245
Depreciation provided during the year	(14,149,461)	(642,377)	(8,191,363)	(433,011)	(624,362)	(28,315)	(24,068,889)
Exchange adjustment	(73,218)	(267,440)	–	–	–	–	(340,658)
At 31 March 2016, net of accumulated depreciation	31,631,132	2,402,026	20,872,634	726,279	2,985,471	537,990	59,155,532
At 31 March 2016:							
Cost	63,145,302	4,306,579	52,334,076	2,142,498	5,121,823	566,305	127,616,583
Accumulated depreciation	(31,514,170)	(1,904,553)	(31,461,442)	(1,416,219)	(2,136,352)	(28,315)	(68,461,051)
Net carrying amount	31,631,132	2,402,026	20,872,634	726,279	2,985,471	537,990	59,155,532

	Leasehold improvements HK\$	Furniture and fixtures HK\$	Operation equipment HK\$	Office equipment HK\$	Computers HK\$	Total HK\$
Year ended 31 March 2015						
At 1 April 2014:						
Cost	32,759,865	2,592,804	40,822,604	2,171,005	2,591,739	80,938,017
Accumulated depreciation	(11,355,184)	(1,435,089)	(20,957,994)	(1,094,709)	(1,354,275)	(36,197,251)
Net carrying amount	21,404,681	1,157,715	19,864,610	1,076,296	1,237,464	44,740,766
At 1 April 2014, net of accumulated depreciation	21,404,681	1,157,715	19,864,610	1,076,296	1,237,464	44,740,766
Additions	14,547,795	382,710	9,104,850	358,295	662,859	25,056,509
Disposals and write-off	(620,861)	-	-	-	-	(620,861)
Business combination	401,422	14,662	159,953	77,540	58,784	712,361
Depreciation provided during the year	(9,345,131)	(452,969)	(7,061,274)	(394,300)	(454,051)	(17,707,725)
At 31 March 2015, net of accumulated depreciation	26,387,906	1,102,118	22,068,139	1,117,831	1,505,056	52,181,050
At 31 March 2015:						
Cost	44,324,151	2,990,176	48,576,003	2,606,840	3,313,382	101,810,552
Accumulated depreciation	(17,936,245)	(1,888,058)	(26,507,864)	(1,489,009)	(1,808,326)	(49,629,502)
Net carrying amount	26,387,906	1,102,118	22,068,139	1,117,831	1,505,056	52,181,050

11. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	As at 31 March 2016 HK\$	2015 HK\$
Skincare and beauty products	3,177,581	4,121,390
Consumables and other supplies	14,705,628	9,549,771
	17,883,209	13,671,161

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	As at 31 March 2016 HK\$	2015 HK\$
Carrying amount of inventories sold and consumed	70,687,271	47,585,730

12. TRADE RECEIVABLES

	As at 31 March	
	2016	2015
	HK\$	HK\$
Trade receivables	32,484,344	22,123,781

The Group's trading terms with its customers are mainly on credit card settlements. The credit period is generally 5 to 120 days for the credit card settlements from the respective financial institutions. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables, based on the invoice date, is as follows:

	As at 31 March	
	2016	2015
	HK\$	HK\$
Within 1 month	26,249,632	12,016,914
1 to 3 months	4,065,694	6,944,378
Over 3 months	2,169,018	3,162,489
	32,484,344	22,123,781

The ageing analysis of the trade receivables based on the payment due date and net of provision is as follows:

	As at 31 March	
	2016	2015
	HK\$	HK\$
Neither past due nor impaired	27,093,828	19,159,954
Less than 3 months past due	4,068,655	2,469,328
3 to 6 months past due	687,861	130,041
7 to 12 months past due	392,787	271,165
More than 1 year past due	241,213	93,293
	32,484,344	22,123,781

At 31 March 2016, none of the trade receivables were individually determined to be impaired (2015: HK\$Nil).

Trade receivables that were neither past due nor impaired relate to a number of receivables due from financial institutions in respect of credit card settlements for whom there was no recent history of default.

Trade receivables that were past due but not impaired also relate to a number of financial institutions that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 March	
	2016	2015
	HK\$	HK\$
Prepayments	27,211,102	24,369,204
Deposits	31,967,628	29,917,669
Other receivables	5,183,607	3,140,552
	64,362,337	57,427,425
Portion classified as non-current		
– Rental deposits	(13,817,893)	(13,036,497)
– Prepayments and other deposits	(8,200,000)	(10,225,540)
Current portion	42,344,444	34,165,388

The above assets are neither past due nor impaired. The financial assets included in the above balance relate to receivables for which there were no recent history of default.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 March	
	2016	2015
	HK\$	HK\$
Financial assets at fair value through profit or loss		
Listed debt instruments, at market value Hong Kong	–	27,263,284
Unlisted fund investments, at fair value		
Hong Kong	85,499,126	–
Certificate of deposits, at fair value		
Hong Kong	18,017,766	–
	103,516,892	27,263,284

15. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	As at 31 March	
	2016	2015
	HK\$	HK\$
Cash and cash equivalents	352,428,805	119,769,188
Time deposits	504,288,777	12,115,557
	856,717,582	131,884,745
Less: Pledged time deposits for banking facilities as security for credit card instalments programme	(2,000,000)	(2,000,000)
Time deposits with original maturity over 3 months	(500,000,000)	–
	354,717,582	129,884,745

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying period from one day to one year depending on the Group's immediate cash requirements, and earn interest at the respective time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

Included in cash and cash equivalents, HK\$3,346,862 (2015: HK\$Nil) are denominated in Renminbi and deposited with the banks in the PRC. These deposits are not freely convertible and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

16. TRADE PAYABLES

An ageing analysis of the trade payables, based on the invoice date, is as follows:

	As at 31 March	
	2016	2015
	HK\$	HK\$
Within 1 month	5,084,524	3,318,653
1 to 2 months	80,159	370,734
2 to 3 months	–	51,280
Over 3 months	49,640	189,131
	5,214,323	3,929,798

The trade payables are non-interest-bearing and generally have payment terms within 60 days.

17. OTHER PAYABLES AND ACCRUALS

	As at 31 March	
	2016	2015
	HK\$	HK\$
Other payables	5,896,845	8,186,844
Accruals	88,637,935	58,238,472
Provision for reinstatement costs	5,270,000	4,740,000
	99,804,780	71,165,316
Portion classified as non-current		
– provision for reinstatement costs	(3,110,000)	(3,250,000)
– other payables and accruals	–	(1,000,000)
Current portion	96,694,780	66,915,316

Other payables are non-interest-bearing and have an average payment term of three months.

The provision for reinstatement costs represents management's best estimate of the Group's liabilities of the costs of dismantling and removing the leasehold improvements and restoring the sites on which they are located.

The movements in the provision for reinstatement costs are as follows:

	As at 31 March	
	2016	2015
	HK\$	HK\$
At the beginning of year	4,740,000	3,960,000
Additional provision	1,010,000	1,060,000
Amounts utilised during the year	(480,000)	(280,000)
At the end of year	5,270,000	4,740,000
Portion classified as current liabilities	(2,160,000)	(1,490,000)
Non-current portion	3,110,000	3,250,000

18. DEFERRED REVENUE

	As at 31 March	
	2016	2015
	HK\$	HK\$
Deferred revenue	312,891,746	347,467,876

The movements in deferred revenue are as follows:

	As at 31 March	
	2016	2015
	HK\$	HK\$
At the beginning of year	347,467,876	396,168,765
Sales contracts entered into during the year	671,822,226	574,557,313
Revenue recognised upon the provision of services	(414,784,736)	(348,505,516)
Revenue recognised upon the retail sales of products	(37,280,066)	(30,180,860)
Refunds	(2,450,010)	(4,507,841)
Revenue recognised from unutilised prepaid packages	(252,121,137)	(240,063,985)
Exchange adjustment	237,593	–
At the end of year	312,891,746	347,467,876

19. SHARE CAPITAL AND DIVIDENDS

(a) Dividends

- (i) Dividends payable by the Company and UGIL (prior to the Reorganisation completed on 18 September 2015) to equity shareholders:

	As at 31 March	2015
	2016	HK\$
	HK\$	HK\$
Interim dividends declared	124,441,636	154,903,200

These dividends represented dividend declared prior to the IPO of the Group. The rate of dividend per share is not presented as it does not indicate the rate at which future dividend will be declared after the IPO.

- (ii) Dividends payable to equity shareholders of the Company attributable to the year after the IPO:

	As at 31 March	2015
	2016	HK\$
	HK\$	HK\$
Final dividend proposed after the end of the Reporting Period of 1.91 cents per ordinary share (2015: Nil cents per ordinary share)	18,733,796	–

The final dividend proposed after the end of the Reporting Period has not been recognised as a liability at the end of the Reporting Period.

(b) Share capital

	Number of shares	31 March 2016 HK\$
Authorised		
Ordinary shares of HK\$0.00001 each	38,000,000,000	380,000
Ordinary shares, issued and fully paid		
At 7 July 2015 (date of incorporation)	–	–
Issuance of new shares before IPO and share sub-division (note 19(b)(i))	100	–
Effect of share sub-division (note 19(b)(ii))	99,900	1
Issuance of new shares before IPO but after share sub-division (note 19(b)(ii))	1,099,900,000	10,999
Repurchase of shares before IPO but after share sub-division (note 19(b)(iii))	(365,000,000)	(3,650)
Shares issued under IPO (note 19(b)(iv))	245,000,000	2,450
At 31 March 2016	980,000,000	9,800

- (i) The Company is an exempted company with limited liability incorporated in the Cayman Islands on 7 July 2015 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each, 1 nil paid share was issued to Mr. Tang Chi Fai. There was no authorised and issued capital as at 31 March 2015 since the Company has not been incorporated on 31 March 2015.

On 18 September 2015, additional 99 shares were issued to Mr. Tang Chi Fai. All shares together with the 1 nil paid share issued on the date of incorporation were then transferred to Union Medical Care Holding Limited and were fully paid-up on 18 September 2015.

- (ii) On 19 February 2016, the Company underwent a share sub-division whereby each of the issued or unissued ordinary shares of par value of HK\$0.01 each was sub-divided into 1,000 shares of par value of HK\$0.00001 each. Upon completion of the share sub-division, the authorised share capital was HK\$380,000, dividing into 38,000,000,000 shares of par value of HK\$0.00001 each, and 100,000 shares were issued and allotted. On the same date, a total of 1,099,900,000 shares were further allotted and issued, at par.
- (iii) On 26 February 2016, the Company repurchased 365,000,000 shares at par, the Company's issued shares consisted of 735,000,000 shares of par value of HK\$0.00001 each.
- (iv) On 11 March 2016, the Company issued 245,000,000 shares with a par value of HK\$0.00001 each, at price of HK\$3.03 per share by way of a global initial public offering to Hong Kong and international investors. Net proceeds from such issue amounted to HK\$703,437,478 (after offsetting share issuance expenses of HK\$38,912,522) of which HK\$2,450 and HK\$703,435,028 were recorded in share capital and share premium respectively.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

During the Reporting Period, we continued to maintain our leading market position, as the largest aesthetic medical service provider in Hong Kong in terms of revenue. We are well-positioned to further extend our leading position in the growing aesthetic medical service market in Hong Kong and broaden the types of services that we offer, as well as to continue our expansion in the rest of the Greater China. Medical services continue to be the primary contributor to our revenue and profits.

Business developments

During the Reporting Period, we opened our first aesthetic medical clinic in Guangzhou in June 2015. Within 9 months since its opening, we achieved HK\$8.9 million in revenue with capital expenditure of HK\$3.1 million. Our business in medical tourism sector has experienced an increase and our PRC clients contributed to 14% of revenue during the Reporting Period. Such increase is primarily due to our marketing and sales effort, and cooperation with hotel groups and travel agencies.

As at 31 March 2016, we had two flagship and eight standard aesthetic medical centres, three aesthetic surgery centres and three standalone dental offices in Hong Kong. Our flagship aesthetic medical centres are located in office towers of popular shopping malls, namely the World Trade Centre and Langham Place, which are located in the commercial districts of Causeway Bay and Mong Kok in Hong Kong, respectively. We also had two aesthetic medical clinic and one beauty service centre in Macau and one aesthetic medical clinic in Guangzhou, the PRC.

We are also in the process of establishing several additional aesthetic medical clinics in the PRC, including one in Shanghai, one in Guangzhou and one in Shenzhen, all of which are anticipated to be opened in calendar year 2016.

Contracted sales

Contracted sales, meaning sales contracts entered into during the Reporting Period, is an important factor affecting our results of operations. Contracted sales is, in turn, primarily driven by the number of clients who have made at least one purchase during a financial period and the average spending per client. For the years ended 31 March 2015 and 2016, contracted sales were HK\$574.6 million and HK\$671.8 million respectively, and the number of clients who made at least one purchase of services or products during the respective periods were 23,592 and 32,159 respectively.

We have achieved a strong and solid growth of contracted sales due to our ability to maintain and grow our client spending and number of clients who made purchases, especially our Key Clients (i.e. the clients who have, in the relevant financial year, contributed at least HK\$5,000 to our revenue from services provided and visited our service centres and/or clinics for at least four times).

We will continue to aim to grow our Key Client base and increase their average spending through improvements in the following areas:

- our number of service centres (including dental offices) and clinics;
- the strength and reputation of our brands;
- our number and types of services and products;
- our acquisition of other businesses and our retention of the clients of such acquired businesses;
- the number of our Registered Practitioners;
- the available aggregate g.f.a. for providing services to clients;
- the success of our marketing efforts;
- the quality of our services;
- our ability to keep up with the changes in our clients' and potential clients' preferences by introducing services and products that match such preferences; and
- visits by PRC tourists to Hong Kong.

Client growth and diversity

Our revenue is significantly affected by the number of clients who received our services, in particular the number of Key Clients. As at 31 March 2016, over 62% of our Key Clients have more than 3 years of relationship with us.

A year-over-year analysis of certain key metrics of our revenue and clients are set out below:

	For the year ended 31 March		
	2016	2015	Increase by
Total Revenue (HK\$)	704,937,348	621,089,610	13.5%
Recognised Revenue (HK\$)	452,816,211	381,025,625	18.8%
Recognised Medical Revenue (HK\$)	275,668,382	218,981,051	25.9%
Sales contracts entered into during the year (HK\$)	671,822,226	574,557,313	16.9%
Adjusted Net Profit attributable to equity shareholders of the Company (HK\$(excluding the one-off listing expenses))	182,849,537	180,041,804	1.6%
Approximate number of Key Clients	9,400	8,400	11.9%
Approximate Average spending per Key Clients (HK\$)	51,000	49,000	4.1%
Approximate number of minimally invasive procedures	47,680	33,500	42.3%
Approximate number of energy-based procedures performed by Doctors	8,593	6,100	40.9%
Number of clients who made at least one purchase of services or products	32,159	23,592	36.3%
Number of clients who received at least one service session	32,053	25,959	23.5%
Revenue contributed by PRC clients (%)	14%	9%	–
Material Unfavourable Feedback (Compensation and Refund) (HK\$million)	1.0	1.2	-17%
Material Unfavourable Feedback (Compensation and Refund) (% of total Revenue)	0.14%	0.19%	–
Refunds and settlements to legal proceedings and claims (HK\$million)	0.16	0.3	-47%
Refunds and settlements to legal proceedings and claims (% of total Revenue)	0.06%	0.14%	–

The number of Key Clients who had their unutilised prepaid packages expired in the year ended 31 March 2014 was 3,689 (out of approximately 7,200), of which 2,647 (or approximately 72%) made at least one purchase in the year ended 31 March 2015.

The number of Key Clients who had their unutilised prepaid packages expired in the year ended 31 March 2015 was 5,881 (out of approximately 8,400), of which 4,887 (or approximately 83%) made at least one purchase in the year ended 31 March 2016.

Our clients were predominately females. For the year ended 31 March 2016, approximately 90% of our clients who received at least one service session were females.

We served clients of different age groups, and were not reliant on clients from any particular age group. For the year ended 31 March 2016, approximately 69% of our clients who received at least one service session were between the ages of 16 to 45.

Information technology infrastructure

During the Reporting Period, we have further improved and upgraded the sophistication of our information technology systems to better accommodate our clients' use of mobile internet applications, enhance efficiency and standardisation of operations among service and sales competence to further improve our service qualities and sales revenue. In terms of business intelligence, we have also implemented the SAP enterprise software since April 2016 to allow detailed and instant tracking of our client's redemption pattern, which provides us with more sophisticated ways to recognise revenue and estimate forfeit income.

Our professionals and other staff

The following table summarises the number of our Registered Practitioners who worked full-time for our Group as at 31 March 2016:

Number of Registered Practitioners	Type of Registered Practitioners
1	Plastic Surgeons (in Hong Kong)
1	Anaesthesiologist (in Hong Kong)
1	Clinical Microbiologist (in Hong Kong)
9	Hong Kong Doctors who are General Practitioners
5	Dentists (in Hong Kong)
2	Chinese Medicine Practitioners (in Hong Kong)
3	Macau Doctors
1	PRC Doctor
<hr/>	
23	

As at 31 March 2016, we also had 219 Trained Therapists, being employees who have completed mandatory internal training developed by our doctors to provide quasi-medical services and/or traditional beauty services under our internal licensing programme. As at 31 May 2016, our team of Registered Practitioners has increased to 28.

Internal Control Protocols

Work safety and risk management

Professionalism and safety have always been our core values. Our experienced and well-trained Registered Practitioners perform and oversee all medically related operations, as well as participate in our senior management. Both our Registered Practitioners and supporting staff are scheduled to attend medically related trainings regularly to update their knowledge and skill sets. Prior to performing a procedure to a client, we require our Registered Practitioners and Trained Therapists to explain the procedures and associated risks and obtain consent in a new form. We apply certain medical standards even to our non-medical services, such as recommending our clients to consult with doctors prior to receiving any of our services.

Selling practices and unutilised prepaid packages

Internal Control Measures Regarding Selling Practices and Unutilised Prepaid Packages

We have implemented a series of internal control measures, including a number of measures that reference applicable “best practice” guidelines issued by governmental bodies (such as the Hong Kong Consumer Council and the Commerce and Economic Development Bureau of Hong Kong), to help prevent our staff from engaging in coercive selling practices, such as:

- adopting a refund policy which includes a seven-day cooling-off period whereby our clients are allowed to request a full refund within seven days of purchase of any prepaid packages;
- adopting a policy that commission is not paid to our sales staff for contracted sales which are subsequently refunded;
- establishing procedures for recording and handling complaints;
- having written terms and conditions with clients;
- sharing media reports of forced selling cases with our staff to highlight the potential adverse consequences of such practices;
- proactively seeking clarification of the Trade Description Ordinance from the relevant government authorities and organising a seminar provided by the officers of the Hong Kong Customs and Excise Department relating to the Trade Description Ordinance for our staff;
- detailed employee guidelines on, inter alia, responsible selling practices (for example, not to harass or pressure clients into purchasing prepaid packages);
- video and voice recording devices in consultation rooms to monitor staff behaviour during consultations; and
- offering our employees compensation incentives which are linked to the actual utilisation of prepaid packages by the clients.

To help prevent our staff from engaging in coercive selling practices, we have implemented a series of internal control measures. For example, we have adopted a refund policy which includes a seven-day cooling-off period whereby our clients are allowed to request a full refund within seven days of purchase of any prepaid packages.

We have a client phone survey system in order to further our active solicitation of client feedback. Our client service team calls clients who have received our services on the previous day (excluding those who had already completed such survey in the past 30 days) on every working day. The survey is conducted based on a questionnaire where we ask clients to give us scores (out of five points) for 14 categories, such as level-of-care, attitude of staff and brand image. We compile the scores through our integrated information technology infrastructure and review such scores to identify targets for improvement. We had surveyed 8,884 and 9,360 clients for the years ended 31 March 2015 and 2016 respectively. We have been able to improve our scores from such client phone surveys since the implementation of such programme.

The number of Key Clients who had their unutilised prepaid packages expired in the year ended 31 March 2015 was 5,881 (out of approximately 9,400), of which 4,887 (or approximately 83%) made at least one purchase in the year ended 31 March 2016.

Other claims and compliance

In order to provide top-quality and safe services to our clients, we encourage clients to provide feedback through client satisfaction surveys and face-to-face discussions. Where a client requests for a refund or a product return, our Registered Practitioners will participate in investigation of such requests. During the Reporting Period, there were 11 complaints filed against us with the Hong Kong Consumer Council as compared to 16 complaints for the year ended 31 March 2015. As at the date of this announcement, no formal court proceedings have commenced in respect of the recent medical incident as disclosed in the Prospectus under the section headed "Business – Legal Proceedings, Claims and Compliance – Claims and litigation – Claims and threatened litigation made by clients – Recent medical incident".

We refer to our previous late filing of profits tax returns as disclosed in the Prospectus under the section headed "Business – Legal Proceedings, Claims and Compliance – Non-compliance incidents – Inland Revenue Ordinance", we understand that the Inland Revenue Department is currently considering our settlement proposal.

Outlook and Strategies

According to the Report on April 2016 Monthly Survey of Retail Sales issued by the Hong Kong Census and Statistics Department, (i) the value of total sales in April 2016 was provisionally estimated at HK\$35.2 billion, decreased by 7.5% compared with April 2015, and (ii) after netting out the effect of price changes over the same period, the volume of total retail sales in April 2016 decreased by 7.6% compared with April 2015. While the volume of our service procedures performed for the month ended April 2016 increased compared with the month ended April 2015, and our contracted sales and recognised revenue for the month ended 30 April 2016 increased by double digit percentage compared with the month ended 30 April 2015.

Our retail sales remain on a relatively consistent upward trend as we continue to benefit from an steady increase in sales to both local residents and the PRC tourists.

We will continue to focus on growing our aesthetic medical services and intend to continue expanding the range of services that we offer in order to better serve our clients, as well as capture additional revenue streams. We anticipate that we will maintain a steady profit growth.

We will further extend our market leading position in Hong Kong through both organic growth and acquisitions. We intend to leverage our number of Key Clients and raise client spending as well as attract new clients by broadening the types of services that we offer. Among others, we are exploring and developing other lines of relatively profitable discretionary medical services, such as aesthetic medical hair-growth services and health-screening services. We also intend to expand our operations in the Greater China by growing our newly established aesthetic medical clinics, acquiring suitable targets and forming joint ventures in strategically targeted cities. We will develop dermatological services and product offerings and continue expanding our dental services business in Hong Kong and rest of the Greater China. We will also further invest in our information technology infrastructure.

FINANCIAL REVIEW

In spite of the domestic economic downturn, the Company had achieved stable operating performance for the Reporting Period.

Revenue

Our revenue increased by 13.5% from HK\$621.1 million for the year ended 31 March 2015 to HK\$704.9 million for the year ended 31 March 2016 primarily attributable to (i) the increase in revenue generated from minimally invasive procedures performed from HK\$125.8 million for the year ended 31 March 2015 to HK\$178.4 million for the year ended 31 March 2016; and (ii) substantial increase in marketing effort. Our recognised revenue increased by 18.8% from HK\$381.0 million for the year ended 31 March 2015 to HK\$452.8 million for the year ended 31 March 2016 and our revenue from unutilised prepaid packages increased by 5.0% from HK\$240.1 million for the year ended 31 March 2015 to HK\$252.1 million for the year ended 31 March 2016.

Medical services

Our revenue from medical services increased by 25.9% from HK\$219.0 million for the year ended 31 March 2015 to HK\$275.7 million for the year ended 31 March 2016, primarily attributable to the increase in revenue generated from minimally invasive procedures performed and dental services during the year ended 31 March 2016.

Quasi-medical services

Our revenue from quasi-medical services increased by 18.2% from HK\$62.6 million for the year ended 31 March 2015 to HK\$74.1 million for the year ended 31 March 2016, primarily attributable to the increase in the number of and variety of energy-based aesthetic medical devices provided to clients during the year ended 31 March 2016.

Traditional beauty services

Our revenue from traditional beauty services decreased by 2.8% from HK\$66.9 million for the year ended 31 March 2015 to HK\$65.0 million for the year ended 31 March 2016, primarily attributable to the Group's business strategy to focus on our medical services, quasi-medical services business and significant marketing effort for skincare and beauty products.

Skincare and beauty products

Our revenue from the sale of skincare and beauty products increased by 16.9% from HK\$32.5 million for the year ended 31 March 2015 to HK\$38.0 million for the year ended 31 March 2016, primarily attributable to significant marketing effort for such products during the Reporting Period.

Operating segment information

The Group is principally engaged in the provision of medical, quasi-medical and traditional beauty services and sale of skincare and beauty products in Hong Kong, Macau and the PRC. Information reported to the Group's management for the purpose of resources allocation and performance assessment focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Other net income and gains

For the year ended 31 March 2016, our other net income and gains was approximately HK\$3.7 million, a decrease of approximately HK\$2.0 million or 35.7% when compared to the year ended 31 March 2015, primarily due to the disposal of listed equity and unlisted fund investments during the Reporting Period.

Cost of inventories and consumables

Our cost of inventories and consumables increased from HK\$47.6 million for the year ended 31 March 2015 to HK\$70.7 million for the year ended 31 March 2016, primarily attributable to an increase in the volume of medication and service consumables used, which was in line with the increase in the volume of service procedures performed. Our cost of inventories and consumables grew at a higher rate as compared to that of revenue from services provided due to the increase in promotion activities to expand our market shares, along with an increase in product sales.

Registered Practitioner expenses

For the year ended 31 March 2016, we incurred registered practitioner expenses of approximately HK\$52.8 million, an increase of approximately HK\$6.5 million or 14.1% when compared to the year ended 31 March 2015, primarily attributable to an increase in the number of Registered Practitioners from 20 as at 31 March 2015 to 23 as at 31 March 2016.

Employee benefit expenses and remuneration policy

For the year ended 31 March 2016, we incurred employee benefit expenses of approximately HK\$192.4 million, an increase of approximately HK\$25.6 million or 15.3% when compared to the year ended 31 March 2015, primarily due to increase in our overall headcount (excluding Registered Practitioners) from 563 as at 31 March 2015 to 693 as at 31 March 2016, as well as the increments to employee's salary.

The Group is aware of the importance of human resources and is dedicated to retaining competent and talented employees by offering them competitive remuneration packages. Their salaries and bonuses were determined by reference to their duties, work experience, performance and prevailing market practices. The Group also participates in the Mandatory Provident Fund scheme in Hong Kong, and provides employees with medical insurance coverage. A Share Option Scheme is in place to reward individual employees for their outstanding performance and contribution to the success of the Group.

Marketing and advertising expenses

For the year ended 31 March 2016, the Group incurred marketing and advertising expenses of approximately HK\$38.0 million, an increase of approximately HK\$14.1 million or 58.9% when compared to the year ended 31 March 2015, primarily due to an increased level of marketing and advertising activities such as sponsoring a television programme, placing additional billboard advertisements and additional fees paid to advertising agencies.

Rental and related expenses

For the year ended 31 March 2016, the Group incurred rental and related expenses of approximately HK\$62.2 million, a decrease of approximately HK\$3.7 million or 5.6% when compared to the year ended 31 March 2015, primarily due to the decrease in the aggregate average g.f.a of service centres and clinics, which was 101,156 sq. ft. as at 31 March 2016 as compared to 102,703 sq. ft. as at 31 March 2015.

Credit card expenses

For the year ended 31 March 2016, the Group incurred credit card expenses of approximately HK\$23.0 million, an increase of approximately HK\$1.3 million or 6.0% when compared to the year ended 31 March 2015, primarily due to increase in contracted sales generated during the Reporting Period, resulting in higher credit card expenses incurred.

Other expenses

For the year ended 31 March 2016, the Group incurred other operating expenses of approximately HK\$26.5 million, an increase of approximately HK\$6.6 million or 33.4% when compared to the year ended 31 March 2015, primarily due to the opening of 2 new centres, new hired key personnel and implementation of new information technology systems during the Reporting Period.

Profit before tax

For the year ended 31 March 2016, the Group incurred profit before tax of approximately HK\$184.4 million, a decrease of approximately HK\$26.2 million or 12.4% when compared to the year ended 31 March 2015, primarily due to increase in overall headcount, listing expenses and marketing and advertising expenses during the year ended 31 March 2016. Should the listing expenses of HK\$34.2 million be excluded, our profit before tax would be HK\$218.6 million for the year ended 31 March 2016, representing an increase of 1.1% compared to the year ended 31 March 2015.

Income tax expense

For the year ended 31 March 2016, the Group incurred income tax expense of approximately HK\$35.1 million, a decrease of approximately HK\$0.7 million or 2.0% when compared to the year ended 31 March 2015, primarily due to decrease in profit before tax, and partially offset by increase in listing expenses which is non-deductible in nature.

Profit for the year/profit margin

For the year ended 31 March 2016, the Group recorded profit for the year of approximately HK\$149.3 million, a decrease of HK\$25.5 million or 14.6% when compared to the year ended 31 March 2015, primarily due to (i) listing expenses of approximately HK\$34.2 million, (ii) our strong cash sales and high commission pay-out, and (iii) our development of new business segments. Our profit margin was reduced from 28.1% for the year ended 31 March 2015 to 21.2% for the year ended 31 March 2016. Should the listing expenses of HK\$34.2 million be excluded, our profit for the year would be HK\$183.5 million for the year ended 31 March 2016, representing an increase of 1.7% compared to the year ended 31 March 2015.

LIQUIDITY AND CAPITAL RESOURCES

Financial Resources

We continue to maintain a strong financial position with cash and cash equivalents of HK\$354.7 million as at 31 March 2016. During the Reporting Period, we received net proceeds from IPO of HK\$703.4 million. Our working capital was HK\$648.0 million. Based on our steady cash inflow from operations, coupled with sufficient cash and bank balances, we have adequate liquidity and financial resources to meet the working capital requirements as well as to fund its budgeted expansion plans in the next financial year.

During the year ended 31 March 2016, the majority of our cash and bank balances were in Hong Kong dollar, and as we expand our operations in the PRC, there will be an increasing amount our assets and transactions denominated in Renminbi.

Cash Flow Analysis

The table below sets forth the information as extracted from the consolidated cash flow statements the Group for the period indicated:

	For the year ended 31 March		% change
	2016 (HK\$ in thousands)	2015 (HK\$ in thousands)	
Net cash generated from operating activities	76,196	158,558	-51.9
Net cash (used in)/generated from investing activities	(604,944)	17,832	N/A
Net cash generated from/(used in) financing activities	753,656	(121,327)	N/A
Net increase in cash and cash equivalents	224,908	55,063	308.5
Cash and cash equivalents at beginning of the year	129,885	74,822	73.6
Effect of changes in foreign exchange rates	(75)	–	N/A
Cash and cash equivalents at the end of the year	354,718	129,885	173.1

Our cash and cash equivalents at the end of the year was approximately HK\$354.7 million as at 31 March 2016, as compared to approximately HK\$129.9 million as at 31 March 2015, the increase is primarily due to the net proceeds received from IPO partially offset by increase in time deposit with original maturity over 3 months.

Net Cash Generated from Operating Activities

For the year ended 31 March 2016, our net cash generated from operating activities was HK\$76.2 million, which was primarily attributable to increase in Hong Kong profits tax paid and listing expenses paid during the Reporting Period.

Net Cash Used In Investing Activities

For the year ended 31 March 2016, our net cash used in investing activities was HK\$604.9 million, which was primarily attributable to increase in time deposit with original maturity over 3 months and increase in purchases of financial assets designated as financial assets at fair value through profit or loss.

Net Cash Generated from Financing Activities

For the year ended 31 March 2016, our net cash generated from financing activities was HK\$753.7 million, primarily due to the cash proceeds generated from the IPO of HK\$742.4 million.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital Expenditure

Our capital expenditures during the year ended 31 March 2016 were primarily related to purchases of operation equipment, which primarily included medical, dental and beauty devices, and expenditure in leasehold improvements. We have financed our capital expenditure through cash flows generated from operating activities.

Capital commitment

As at 31 March 2016, we do not have any capital commitments in respect of acquisition of property, plant and equipment.

Use of proceeds from the IPO

The net proceeds from the listing were approximately HK\$703.4 million, after deducting the underwriting fees and commission and related total expenses paid and payable by us in connection with the IPO. We have, and will continue to utilise the net proceeds from the IPO for the purposes consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. Since the Company has only become a listed company on the Stock Exchange on 11 March 2016, the net proceeds from the IPO were unutilised and remained the same at 31 March 2016.

INDEBTEDNESS

Interest-bearing Bank Borrowings

As at 31 March 2016, the Group had no outstanding interest-bearing bank borrowings.

Contingent Liabilities and Guarantees

As at 31 March 2016, we had contingent liabilities not provided for in our financial statements of HK\$2.0 million in relation to bank guarantee given to a credit card institution the use of certain credit card equipment. Save as disclosed herein, the Group had no significant contingent liabilities and guarantees as at 31 March 2016.

Pledge of Assets

As at 31 March 2016, there was no charge on the assets of the Group except for the time deposits of HK\$2.0 million pledged for banking facilities as security for credit card instalments programme.

Gearing Ratio

As at 31 March 2016, the Group had no interest-bearing liabilities. The Group's gearing ratio was nil as at 31 March 2016.

Foreign currency risk

The Group undertakes certain operating transactions in foreign currencies, which exposes the Group to foreign currency risk, mainly pertaining to the risk of fluctuations in the Hong Kong dollar and U.S. dollar against Renminbi.

The Group has not used any derivative contracts to hedge against its exposure to currency risk. The management manages the currency risk by closely monitoring the movement of the foreign currency rates and considers hedging against significant foreign exchange exposure should such need arise.

Interest rate risk

The Group has no significant interest rate risk. The Group currently does not have specific policies in place to manage our interest rate risk and have not entered into interest rate swaps to avoid the interest rate risk, but will closely monitor the interest rate risk in the future.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement and the Prospectus, there were no significant investments held by the Company during the Reporting Period, nor was there any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Reporting Period. Save as disclosed in this announcement and the Prospectus, there is no plan authorised by the Board for other material investments or additions of capital assets as at the date of this announcement.

OTHER INFORMATION

ANNUAL GENERAL MEETING

The 2016 annual general meeting of the Company is proposed to be held on 21 September 2016. A notice convening the AGM will be published and dispatched to the Shareholders in accordance with the requirements of the articles of association of the Company and the Listing Rules in due course.

DIVIDEND

The Board recommends the declaration of a final dividend of HK\$0.0191 per Share for the year ended 31 March 2016. The proposed final dividend, if approved by the Shareholders at the AGM, will be paid on 12 October 2016 to the Shareholders whose names appear on the register of members of the Company on 28 September 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 14 September 2016 to 21 September 2016 (both days inclusive), during which period no transfer of Shares will be effected, in order to determine the identity of the Shareholders who are entitled to attend and vote at the AGM. To be entitled to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 13 September 2016.

Subject to Shareholders' approval of the proposed final dividend at the AGM, the proposed final dividend will be paid on 12 October 2016, to Shareholders whose names appear on the register of members of the Company on 28 September 2016. The register of members of the Company will be closed on 28 September 2016 in order to qualify for the proposed final dividend. All transfers of Shares accompanied by the relevant Share certificates and transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 27 September 2016.

CORPORATE GOVERNANCE PRACTICE

The Board acknowledges the vital importance of good governance to the Group's success and sustainability by providing a framework for the Company to formulate its business strategies and policies, and to enhance its transparency, accountability and shareholder value.

The Board has committed to maintaining statutory and regulatory standards and adhering to the principles of corporate governance emphasising on transparency, independence, accountability, responsibility and fairness.

The Company has adopted the principles as set out in the CG Code contained in Appendix 14 to the Listing Rules. The Company has complied with all code provisions set out in the CG Code during the Review Period, save for the deviation from code provision A.2.1 as disclosed below.

Code Provision A.2.1

The roles of chairman and chief executive officer of the Company should be separate and should not be performed by the same individual. The role of chairman and chief executive officer of the Company have been performed by Mr. Tang Chi Fai ("Mr. Tang"). Although the dual roles of chairman and chief executive officer is a deviation from the code provision A.2.1 of the CG Code, the Board considers that having Mr. Tang acting as both the chairman and chief executive officer of the Company provides a strong and consistent leadership to the Company and allow the Company to have more effective planning and management. Further, in view of Mr. Tang's extensive experience in the industry, personal profile and role in the Group and the historical development of the Group as mentioned in the Prospectus under the section headed "Our History, Reorganisation and Corporate Structure", the Board considers that it is appropriate and beneficial to the business prospects of the Group that Mr. Tang continues to act as both the chairman and chief executive officer of the Company. The Board intends to regularly review the operations of the Company under Mr. Tang's leadership, and does not believe that this arrangement will have a negative influence on the balance of power between the Board and the management of the Group.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended 31 March 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Specific enquiry has been made of all the Directors, and the Directors have confirmed that they have complied with the Model Code throughout the Review Period.

Senior management, executives and staff who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code for securities transactions. No incident of non-compliance with the Model Code by such employees was noted by the Company during the Review Period.

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

During the Review Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's financial statements for the year ended 31 March 2016. The Audit Committee has also reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters.

SCOPE OF WORK OF KPMG

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2016 had been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the Reporting Period, the Company allotted and issued 827,000 new shares with a par value of HK\$0.00001 each at a price of HK\$3.03 per share under over-allotment options of the IPO.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement of the Company is published on the Company's website at www.umhgp.com and Hong Kong Exchanges and Clearing Limited website at www.hkexnews.hk. The annual report of the Company for the Reporting Period will be dispatched to the Shareholders and made available on the above websites in due course.

DEFINITION

“AGM”	the annual general meeting of the Company proposed to be held on 21 September 2016
“Anaesthesiologist(s)”	registered medical practitioner(s) who is (are) registered under the Specialist Register of the Hong Kong Medical Council for anaesthesiology kept in accordance with the Medical Registration Ordinance
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules, as amended from time to time
“China” or “PRC”	the People’s Republic of China which, for the purpose of this announcement and unless the context suggests otherwise, excludes Hong Kong, Macau and Taiwan
“Chinese Medicine Ordinance”	the Chinese Medicine Ordinance (Chapter 549 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Chinese Medicine Practitioner(s)”	the Registered Chinese Medicine Practitioner and the Listed Chinese Medicine Practitioner who are employed by our Group
“Clinical Microbiologist”	a Hong Kong Doctor who is registered under the Specialist Register of the Hong Kong Medical Council for clinical microbiology and infection kept in accordance with the Medical Registration Ordinance
“Company”	Union Medical Healthcare Limited, an exempted company incorporated in the Cayman Islands with limited liability
“Dentist(s)”	person(s) who is (are) registered on the General Register kept in accordance with the Dentists Registration Ordinance
“Dentists Registration Ordinance”	the Dentists Registration Ordinance (Chapter 156 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Director(s)”	the director(s) of the Company
“Doctor(s)”	collectively, Hong Kong Doctors, Macau Doctors and PRC Doctors, and each, a “Doctor”
“General Practitioner(s)”	Hong Kong Doctor(s) who is (are) not a Specialist(s)
“General Register”	the register of registered medical practitioners kept by the Hong Kong Medical Council, as specified in the Medical Registration Ordinance
“Greater China”	the PRC, Hong Kong, Macau and Taiwan
“Group”	the Company and its subsidiaries
“g.f.a”	gross floor area
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Hong Kong Doctors” or “registered medical practitioner(s)”	person(s) who is (are) qualified to practise medicine, surgery and midwifery in Hong Kong and is (are) registered as registered medical practitioner(s) of the Hong Kong Medical Council under the General Register or the Specialist Register kept in accordance with the Medical Registration Ordinance
“IPO”	initial public offering of the Shares on the Main Board of the Stock Exchange
“Key Client(s)”	a client who has, in the relevant financial year, contributed at least HK\$5,000 to our revenue from service provided and visited our service centres and/or clinics for at least four times
“Listed Chinese Medicine Practitioner(s)”	person(s) who is (are) listed as listed Chinese medicine practitioner(s) maintained by the Chinese Medicine Council of Hong Kong kept in accordance with the Chinese Medicine Ordinance
“Listing Date”	11 March 2016, being the date on which the Shares were first listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Macau Doctor(s)”	doctor(s) licensed by and registered with the department of health in Macau (澳門特別行政區政府衛生局)
“Medical Registration Ordinance”	the Medical Registration Ordinance (Chapter 161 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Plastic Surgeon(s)”	Hong Kong Doctor(s) who is (are) registered under the Specialist Register of the Hong Kong Medical Council for plastic surgery kept in accordance with the Medical Registration Ordinance
“PRC Doctor(s) ”	medical practitioner(s) with the qualification of a doctor (醫師) or assistant doctor (執業助理醫師) under the PRC Law on Medical Practitioners (中華人民共和國執業醫師法) and is practicing at a medical or healthcare institution
“Prospectus”	the prospectus dated 1 March 2016 issued by the Company
“Recognised Medical Revenue”	Revenue comprises aesthetic surgical procedures, minimally invasive procedures and energy-based procedures performed by Doctors and general consultation services, as well as dental, Chinese medical and ophthalmological services.
“Recognised Revenue”	Revenue includes medical services, quasi-medical services, traditional beauty services and skincare and beauty products
“Registered Chinese Medicine Practitioner(s) ”	person(s) who is (are) registered as registered Chinese medicine practitioner(s) of the Chinese Medicine Council of Hong Kong under the Register of Chinese Medicine Practitioners kept in accordance with the Chinese Medicine Ordinance
“Registered Practitioner(s)”	Doctor(s), Chinese Medicine Practitioner(s) and/or Dentist(s)
“Reporting Period”	year ended 31 March 2016

“Review Period”	the period since 11 March 2016, being the date when the Company was listed on the Main Board of Stock Exchange to 31 March 2016
“Share(s)”	ordinary share(s) in the share capital of the Company with par value of HK\$0.00001 each
“Shareholder(s)”	holder(s) of Share(s)
“Specialist Register”	the register of registered medical practitioners who are Specialists and kept by the Hong Kong Medical Council, as specified in the Medical Registration Ordinance
“Specialist(s)”	Hong Kong Doctor(s) who is (are) registered under the Specialist Register of the Hong Kong Medical Council kept in accordance with the Medical Registration Ordinance
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trade Descriptions Ordinance”	the Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Trained Therapists”	our employees who are trained in accordance with our internal guidelines to provide quasi-medical services and/or traditional beauty services
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent.

By Order of the Board
Union Medical Healthcare Limited
Lee Gabriel
Executive Director

Hong Kong, 13 June 2016

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Tang Chi Fai, Mr. Lee Gabriel, Mr. Luk Kun Shing Ben and Mr. Yeung Chin Wan, and three independent non-executive Directors, namely Mr. Ma Ching Nam, Dr. Yu Ka Fai Alexis and Mr. Look Andrew.