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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 2018**

#### **ANNUAL RESULTS HIGHLIGHTS OF THE YEAR**

- Sale contracts entered into during the year increased by 44.2% from HK\$969.8 million for the year ended 31 March 2017 to HK\$1,398.7 million for the year ended 31 March 2018.
- Total revenue increased by 35.5% from HK\$964.9 million for the year ended 31 March 2017 to HK\$1,307.6 million for the year ended 31 March 2018.
- Net profit increased by 36.7% from HK\$203.5 million for the year ended 31 March 2017 to HK\$278.1 million for the year ended 31 March 2018.
- Revenue contributed by the PRC clients as a percentage to the total revenue increased from 25% for the year ended 31 March 2017 to 36% for the year ended 31 March 2018.
- Our number of Key Clients increased by 32.7% from approximately 16,200 for the year ended 31 March 2017 to approximately 21,500 for the year ended 31 March 2018.
- Our number of Registered Practitioners increased by 45.5% from 44 for the year ended 31 March 2017 to 64 for the year ended 31 March 2018.
- Basic earnings per share for the year ended 31 March 2018 amounted to 28.5 HK cents (2017: 21.0 HK cents).
- The Board recommended the declaration of a final dividend of 5.0 HK cents per Share and a special dividend of 9.5 HK cents per Share in cash for the year ended 31 March 2018.

\* For identification purposes 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

For the year ended 31 March

(Expressed in Hong Kong dollars)

	Notes	2018 HK\$	2017 HK\$
<b>REVENUE</b>	5	<b>1,307,639,358</b>	964,927,119
Other net income and gains	6	<b>43,427,750</b>	27,484,976
Cost of inventories and consumables		<b>(163,402,642)</b>	(130,478,323)
Registered practitioner expenses		<b>(110,382,274)</b>	(77,483,595)
Employee benefit expenses		<b>(341,276,031)</b>	(277,865,036)
Marketing and advertising expenses		<b>(126,932,303)</b>	(68,460,929)
Rental and related expenses		<b>(130,929,094)</b>	(88,818,003)
Credit card expenses		<b>(42,662,867)</b>	(29,723,676)
Depreciation		<b>(34,559,879)</b>	(27,465,740)
Charitable donation		<b>(4,777,050)</b>	(3,134,000)
Finance costs	7	<b>(563,988)</b>	(338,449)
Other expenses		<b>(70,499,245)</b>	(44,004,253)
Share of profits/(losses) of joint ventures		<b>5,071,909</b>	(31,909)
		<hr/>	<hr/>
<b>PROFIT BEFORE TAX</b>	8	<b>330,153,644</b>	244,608,182
Income tax	9	<b>(52,017,353)</b>	(41,111,965)
		<hr/>	<hr/>
<b>PROFIT FOR THE YEAR</b>		<b>278,136,291</b>	203,496,217
		<hr/>	<hr/>
Attributable to:			
Equity shareholders of the Company		<b>279,223,799</b>	200,702,539
Non-controlling interests		<b>(1,087,508)</b>	2,793,678
		<hr/>	<hr/>
		<b>278,136,291</b>	203,496,217
		<hr/>	<hr/>
<b>EARNINGS PER SHARE</b>	10		
ATTRIBUTABLE TO EQUITY			
SHAREHOLDERS OF THE COMPANY			
Basic and diluted		<b>28.5 HK cents</b>	21.0 HK cents
		<hr/>	<hr/>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the year ended 31 March*

*(Expressed in Hong Kong dollars)*

	<b>2018</b> <i>HK\$</i>	2017 <i>HK\$</i>
<b>PROFIT FOR THE YEAR</b>	<b>278,136,291</b>	203,496,217
Other comprehensive income for the year (after tax and reclassification adjustments)		
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	<u>(847,809)</u>	<u>27,716</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><b>277,288,482</b></u>	<u>203,523,933</u>
Attributable to:		
Equity shareholders of the Company	<b>278,375,990</b>	200,730,255
Non-controlling interests	<u>(1,087,508)</u>	<u>2,793,678</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><b>277,288,482</b></u>	<u>203,523,933</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March

(Expressed in Hong Kong dollars)

	<i>Notes</i>	<b>2018</b> <i>HK\$</i>	2017 <i>HK\$</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>11</i>	<b>100,637,862</b>	70,178,513
Investment properties	<i>11</i>	<b>190,400,000</b>	–
Goodwill		<b>95,223,189</b>	36,657,111
Intangible assets		<b>86,861,454</b>	35,906,450
Interest in joint ventures		<b>44,694,000</b>	25,122,091
Rental and other deposits	<i>14</i>	<b>45,204,459</b>	23,589,387
Prepayments and other deposits	<i>14</i>	<b>8,175,787</b>	7,884,968
Deferred tax assets		<b>2,311,349</b>	1,461,626
		<hr/>	<hr/>
Total non-current assets		<b>573,508,100</b>	200,800,146
<b>CURRENT ASSETS</b>			
Inventories	<i>12</i>	<b>31,444,495</b>	19,116,280
Trade receivables	<i>13</i>	<b>68,670,393</b>	52,142,746
Prepayments, deposits and other receivables	<i>14</i>	<b>86,269,710</b>	60,729,829
Deferred cost	<i>5</i>	<b>33,904,930</b>	5,361,965
Financial assets at fair value through profit or loss	<i>15</i>	<b>495,829,752</b>	499,745,689
Pledged time deposits	<i>16</i>	<b>2,000,740</b>	2,000,000
Time deposits with original maturity over 3 months	<i>16</i>	<b>395,871,516</b>	158,712,370
Cash and cash equivalents	<i>16</i>	<b>295,481,085</b>	200,644,165
		<hr/>	<hr/>
Total current assets		<b>1,409,472,621</b>	998,453,044
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>17</i>	<b>9,438,467</b>	6,468,211
Other payables and accruals	<i>18</i>	<b>96,786,957</b>	54,927,417
Bank borrowings	<i>19</i>	<b>461,315,507</b>	–
Obligations under finance lease		<b>1,709,865</b>	342,714
Deferred revenue	<i>5</i>	<b>452,391,483</b>	327,894,405
Current tax payable		<b>17,905,194</b>	11,428,555
		<hr/>	<hr/>
Total current liabilities		<b>1,039,547,473</b>	401,061,302
<b>NET CURRENT ASSETS</b>		<b>369,925,148</b>	597,391,742
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>943,433,248</b>	798,191,888

	<i>Notes</i>	<b>2018</b> <b>HK\$</b>	2017 <b>HK\$</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>4,274,629</b>	3,107,841
Bank borrowings	<i>19</i>	<b>97,538,009</b>	–
Obligations under finance lease		<b>416,627</b>	581,724
Provision for reinstatement costs	<i>18</i>	<b>3,690,000</b>	4,650,000
		<hr/>	<hr/>
Total non-current liabilities		<b>105,919,265</b>	8,339,565
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>837,513,983</b>	789,852,323
		<hr/> <hr/>	<hr/> <hr/>
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>20</i>	<b>9,834</b>	9,808
Reserves		<b>820,838,871</b>	778,450,348
		<hr/>	<hr/>
<b>Total equity attributable to equity shareholders of the Company</b>		<b>820,848,705</b>	778,460,156
<b>Non-controlling interests</b>		<b>16,665,278</b>	11,392,167
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>837,513,983</b>	789,852,323
		<hr/> <hr/>	<hr/> <hr/>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **1. CORPORATE INFORMATION**

The Group is principally engaged in the provision of medical and healthcare services. 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 Suites 7–9, L21 Langham Place Office Tower, 8 Argyle Street, Mong Kok, Hong Kong.

### **2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The financial information relating to the years ended 31 March 2018 and 2017 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements.

The consolidated financial statements for the year ended 31 March 2018 comprise the Group and the Group's interest in joint ventures.

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 has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. Adoption of these developments does not result in a significant impact of the Group's results of operations and financial position for the current or comparative periods nor any significant change in the Group's accounting policies. Except for the early adoption of HKFRS 15, Revenue from Contracts with Customers, in the year ended 31 March 2017, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

#### 4. OPERATING SEGMENT INFORMATION

For management purpose, the Group is organised into business unit based on their services and products and has two reportable operating segments as follows:

- (a) the provision of medical, quasi-medical, traditional beauty services and the sale of skincare, healthcare and beauty products; and
- (b) the provision of health management services.

##### **Segment results, assets and liabilities**

For the purposes of assessing segment performance and allocating resources between segments, the Group's management monitors the results attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interest in joint ventures, financial assets at fair value through profit or loss and deferred tax assets. Segment liabilities include trade payables, other payables and accruals.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment revenue and expenses include the Group's share of revenue and expenses arising from the activities of the Group's joint ventures. However, other than reporting inter-segment sales, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income, realised gains/(losses) on disposal of financial assets at fair value through profit or loss, finance costs and head office and corporate expenses are excluded from such measurement.

For the purposes of monitoring segment performance and allocating resources between segments: (a) all assets are allocated to operating segments other than unallocated assets, cash and cash equivalents and deferred tax assets; and (b) all liabilities are allocated to operating segments other than tax payable, deferred tax liabilities and other head office and corporate liabilities as these liabilities are managed on a group basis.

	The provision of medical beauty, quasi-medical, traditional beauty and the sales of skincare, healthcare and beauty products		The provision of health management services		Elimination		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Revenue:</b>								
Sales to external customers	1,201,995,960	913,616,536	105,643,398	51,310,583	-	-	1,307,639,358	964,927,119
Inter-segment sales	20,966,227	19,303,867	14,766,361	1,384,458	(35,732,588)	(20,688,325)	-	-
Segment revenue	<u>1,222,962,187</u>	<u>932,920,403</u>	<u>120,409,759</u>	<u>52,695,041</u>	<u>(35,732,588)</u>	<u>(20,688,325)</u>	<u>1,307,639,358</u>	<u>964,927,119</u>
<b>Segment result</b>	<b>308,317,278</b>	<b>233,130,878</b>	<b>6,883,963</b>	<b>296,385</b>	<b>-</b>	<b>-</b>	<b>315,201,241</b>	<b>233,427,263</b>
Bank interest income							3,590,543	2,820,796
Interest income from listed debt investments and certificate of deposits							5,007,194	1,701,330
Unrealised fair value gains on financial assets at fair value through profit or loss, net							1,373,671	183,225
Realised gains on disposal of financial assets at fair value through profit or loss, net							-	1,095,488
Equity-settled share-based payments							(3,723,916)	(14,859,281)
Others							8,704,911	20,239,361
Profit before tax							<u>330,153,644</u>	<u>244,608,182</u>

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties, other property, plant and equipment, intangible assets, goodwill and interest in joint ventures ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on (i) the physical location of the asset, in the case of property, plant and equipment, (ii) the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and (iii) the location of operations, in the case of interest in joint ventures.

#### Information about geographical areas

	Revenue from external customers		Specified non-current assets	
	2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$
Hong Kong	1,203,554,848	908,753,309	474,918,305	149,970,056
Macau	39,846,571	37,090,514	1,736,980	2,216,685
The PRC	64,237,939	19,083,296	30,674,405	12,832,705
	<u>1,307,639,358</u>	<u>964,927,119</u>	<u>507,329,690</u>	<u>165,019,446</u>



### Information about major customers

Since no revenue derived from sales to a single customer of the Group has individually accounted for over 10% of the Group's total revenue during each of the reporting periods presented, no information about major customers in accordance with HKFRS 8 *Operating Segments* is presented.

## 5. REVENUE

Revenue represents the value of medical, quasi-medical, health management and traditional beauty services rendered and the net invoiced value of good sold, after allowances for returns and trade discounts. An analysis of revenue and deferred balance is as follows:

	For the year ended 31 March	
	2018 HK\$	2017 HK\$
<b>Revenue</b>		
Medical services	675,516,271	501,829,649
Quasi-medical services	108,024,073	96,416,968
Health management services	105,643,398	51,310,583
Traditional beauty services	238,376,743	175,362,952
Skincare, healthcare and beauty products	74,550,372	61,899,875
Revenue recognised from unutilised prepaid packages	105,528,501	78,107,092
	<u>1,307,639,358</u>	<u>964,927,119</u>

Since all the revenue comprises income from the provision of medical, quasi-medical, health management, traditional beauty services and sales of skincare, healthcare and beauty products transferred to customers at a point in time, no revenue is derived from services transferred over time.

### Deferred balances

The following table provides information about deferred liabilities from contract with customers and related deferred cost.

	31 March	31 March
	2018 HK\$	2017 HK\$
Deferred revenue	(452,391,483)	(327,894,405)
Deferred cost	<u>33,904,930</u>	<u>5,361,965</u>

The deferred cost primarily related to the incremental costs of obtaining a contract with a customer, which represent sales commissions and bonus paid or payable to the staff and agencies calculated, are recognised as deferred costs in the consolidated statement of financial position. Such costs are recognised in profit or loss in the period in which the deferred revenue to which they relate is recognised as revenue.

## 6. OTHER NET INCOME AND GAINS

	For the year ended 31 March	
	2018	2017
	HK\$	HK\$
Bank interest income	3,590,543	2,820,796
Dividend income from investment funds and interest income from listed debt investments and certificate of deposits	5,007,194	1,701,330
Write back on provision for penalty	–	11,379,562
Unrealised fair value gains on financial assets at fair value through profit or loss, net	1,373,671	183,225
Realised gains on disposals of financial assets at fair value through profit or loss, net	–	1,095,488
Imputed interest income on non-current rental deposits	–	328,801
Revaluation gain on investment properties	10,235,597	–
Rental income from investment properties less direct outgoings of HK\$120,566 (2017: HK\$nil)	770,417	–
Others	22,450,328	9,975,774
	<u>43,427,750</u>	<u>27,484,976</u>

## 7. FINANCE COSTS

	For the year ended 31 March	
	2018	2017
	HK\$	HK\$
Interest on bank borrowings	532,795	–
Finance charges on obligations under finance lease	31,193	1,165
Imputed interest expense on non-current rental deposits	–	337,284
	<u>563,988</u>	<u>338,449</u>

## 8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the year ended 31 March	
	2018	2017
	HK\$	HK\$
Staff costs (including directors' emoluments):*		
Salaries, wages, allowances, bonuses, commission and benefits in kind	382,451,562	287,674,052
Equity-settled share-based payment expenses	3,723,916	14,859,281
Pension scheme contributions (defined contribution scheme)	15,040,566	10,261,430
	<u>401,216,044</u>	<u>312,794,763</u>
Minimum lease payments under operating leases in respect of:		
Land and buildings	109,166,221	71,630,060
Equipment	333,350	269,837
Auditors' remuneration	2,567,740	2,873,395
Depreciation	34,559,879	27,465,740
Impairment of goodwill	–	282,940
Amortisation of intangible assets	3,064,918	1,708,016
Loss on disposals and write-off of property, plant and equipment	3,929,950	1,404,863
Foreign exchange differences, net	398,450	632,870
	<u>109,166,221</u>	<u>71,630,060</u>

\* Included in staff costs are employee benefit expenses of HK\$341,276,031 (2017: HK\$277,865,036) and registered practitioner expenses of HK\$59,940,013 (2017: HK\$34,929,727) paid/payable to certain registered medical practitioners who are also employees of the Group.

## 9. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Taxation in the consolidated statement of profit or loss represents:

	For the year ended 31 March	
	2018 HK\$	2017 HK\$
Current — Hong Kong		
Provision for the year	51,871,677	38,076,163
(Over)/under-provision in respect of prior years	(3,026,879)	1,336,399
	<u>48,844,798</u>	<u>39,412,562</u>
Current — Outside Hong Kong		
Provision for the year	<u>5,129,431</u>	<u>2,390,983</u>
Deferred tax	<u>(1,956,876)</u>	<u>(691,580)</u>
Tax charge for the year	<u><u>52,017,353</u></u>	<u><u>41,111,965</u></u>

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% (2017: 16.5%) on the estimated assessable profits for the year. Taxes on profits assessable outside Hong Kong have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

### Basic earnings per Share

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\$279,223,799 (2017: HK\$200,702,539) and the weighted average of 981,261,572 ordinary Shares (2017: 964,770,157 ordinary Shares) in issue during the year, calculated as follows:

Weighted average number of ordinary Shares:

	For the year ended 31 March	
	2018	2017
Issued/deemed issued ordinary Shares at the beginning of the financial year	980,827,000	980,000,000
Effect of ordinary Shares issued	–	788,482
Effect of purchase of Shares held for share award scheme	–	(16,018,325)
Effect of share options exercised	25,541	–
Effect of shares issued under scrip dividend scheme	<u>409,031</u>	<u>–</u>
Weighted average number of ordinary Shares at 31 March	<u><u>981,261,572</u></u>	<u><u>964,770,157</u></u>

### Diluted earnings per Share

The diluted earnings per Share is the same as basic earnings per Share as there were no dilutive potential ordinary Shares in existence during the years ended 31 March 2018 and 2017.

## 11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$	Furniture and fixtures HK\$	Operation equipment HK\$	Office equipment HK\$	Computers HK\$	Motor vehicles HK\$	Sub-total HK\$	Investment properties HK\$	Total HK\$
<b>Cost:</b>									
At 1 April 2016	63,145,302	4,306,579	52,334,076	2,142,498	5,121,823	566,305	127,616,583	-	127,616,583
Additions	9,296,019	1,042,361	18,891,024	441,700	779,136	1,747,630	32,197,870	-	32,197,870
Business combinations	5,122,093	1,638,767	1,025,599	37,364	-	-	7,823,823	-	7,828,823
Disposals	(901,958)	(135,857)	(1,519,515)	-	-	-	(2,557,330)	-	(2,557,330)
Exchange adjustment	(198,265)	(85,656)	-	-	-	-	(283,921)	-	(283,921)
At 31 March 2017	<u>76,463,191</u>	<u>6,766,194</u>	<u>70,731,184</u>	<u>2,621,562</u>	<u>5,900,959</u>	<u>2,313,935</u>	<u>164,797,025</u>	<u>-</u>	<u>164,797,025</u>
At 1 April 2017	76,463,191	6,766,194	70,731,184	2,621,562	5,900,959	2,313,935	164,797,025	-	164,797,025
Additions	40,996,876	7,567,953	6,965,911	2,028,022	211,911	3,716,474	61,487,147	180,164,403	241,651,550
Business combinations	2,645,974	206,503	2,502,334	155,280	197,692	1,575,636	7,283,419	-	7,283,419
Disposals	(3,592,853)	(593,630)	(659,076)	(4,798)	-	(686,200)	(5,536,557)	-	(5,536,557)
Exchange adjustment	329,358	157,557	-	-	-	-	486,915	-	486,915
Fair value adjustment	-	-	-	-	-	-	-	10,235,597	10,235,597
At 31 March 2018	<u>116,842,546</u>	<u>14,104,577</u>	<u>79,540,353</u>	<u>4,800,066</u>	<u>6,310,562</u>	<u>6,919,845</u>	<u>228,517,949</u>	<u>190,400,000</u>	<u>418,917,949</u>
<b>Accumulated depreciation</b>									
At 1 April 2016	31,514,170	1,904,553	31,461,442	1,416,219	2,136,352	28,315	68,461,051	-	68,461,051
Charge for the year	15,411,957	1,142,024	9,539,773	288,423	927,430	156,133	27,465,740	-	27,465,740
Written back on disposals	(609,729)	(63,305)	(479,433)	-	-	-	(1,152,467)	-	(1,152,467)
Exchange adjustment	(140,209)	(15,603)	-	-	-	-	(155,812)	-	(155,812)
At 31 March 2017	<u>46,176,189</u>	<u>2,967,669</u>	<u>40,521,782</u>	<u>1,704,642</u>	<u>3,063,782</u>	<u>184,448</u>	<u>94,618,512</u>	<u>-</u>	<u>94,618,512</u>
At 1 April 2017	46,176,189	2,967,669	40,521,782	1,704,642	3,063,782	184,448	94,618,512	-	94,618,512
Charge for the year	18,657,521	2,493,117	10,834,290	644,104	956,092	974,755	34,559,879	-	34,559,879
Written back on disposals	(929,835)	-	(483,947)	-	-	(192,825)	(1,606,607)	-	(1,606,607)
Exchange adjustment	260,230	48,073	-	-	-	-	308,303	-	308,303
At 31 March 2018	<u>64,164,105</u>	<u>5,508,859</u>	<u>50,872,125</u>	<u>2,348,746</u>	<u>4,019,874</u>	<u>966,378</u>	<u>127,880,087</u>	<u>-</u>	<u>127,880,087</u>
<b>Net book value:</b>									
At 31 March 2018	<u>52,678,441</u>	<u>8,595,718</u>	<u>28,668,228</u>	<u>2,451,320</u>	<u>2,290,688</u>	<u>5,953,467</u>	<u>100,637,862</u>	<u>190,400,000</u>	<u>291,037,862</u>
At 31 March 2017	<u>30,287,002</u>	<u>3,798,525</u>	<u>30,209,402</u>	<u>916,920</u>	<u>2,837,177</u>	<u>2,129,487</u>	<u>70,178,513</u>	<u>-</u>	<u>70,178,513</u>

## 12. INVENTORIES

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

	As at 31 March	
	2018	2017
	HK\$	HK\$
Skincare, healthcare and beauty products	10,359,335	5,440,773
Consumables and other supplies	21,085,160	13,675,507
	<u>31,444,495</u>	<u>19,116,280</u>

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

	Year ended 31 March	
	2018	2017
	HK\$	HK\$
Carrying amount of inventories sold and consumed	<u>163,402,642</u>	<u>130,478,323</u>

## 13. TRADE RECEIVABLES

	As at 31 March	
	2018	2017
	HK\$	HK\$
Trade receivables	<u>68,670,393</u>	<u>52,142,746</u>

The Group's trading terms with its customers are mainly on credit card settlements. The credit period is generally 1 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	
	2018	2017
	HK\$	HK\$
Within 1 month	54,068,920	41,988,028
1 to 3 months	8,551,075	4,865,166
Over 3 months	6,050,398	5,289,552
	<u>68,670,393</u>	<u>52,142,746</u>

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

	<b>As at 31 March</b>	
	<b>2018</b>	2017
	<i>HK\$</i>	<i>HK\$</i>
Neither past due nor impaired	<b>52,733,726</b>	38,791,121
Less than 3 months past due	<b>14,130,582</b>	12,790,901
3 to 6 months past due	<b>502,916</b>	313,509
7 to 12 months past due	<b>534,554</b>	135,377
More than 1 year past due	<b>768,615</b>	111,838
	<b><u>68,670,393</u></b>	<u>52,142,746</u>

At 31 March 2018, none of the trade receivables were individually determined to be impaired (2017: 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.

#### **14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	<b>As at 31 March</b>	
	<b>2018</b>	2017
	<i>HK\$</i>	<i>HK\$</i>
Prepayments	<b>43,342,417</b>	42,234,973
Deposits	<b>64,214,477</b>	39,824,059
Other receivables	<b>32,093,062</b>	10,145,152
	<b>139,649,956</b>	92,204,184
Portion classified as non-current		
— Rental and other deposits	<b>(45,204,459)</b>	(23,589,387)
— Prepayments	<b>(8,175,787)</b>	(7,884,968)
Current portion	<b><u>86,269,710</u></b>	<u>60,729,829</u>

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

## 15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 March	
	2018	2017
	<i>HK\$</i>	<i>HK\$</i>
<b>Financial assets at fair value through profit or loss</b>		
Unlisted fund investments, at fair value, in Hong Kong	329,449,514	–
Unlisted bond investments, at fair value, in Hong Kong	166,380,238	15,012,489
Certificate of deposits, at fair value, in Hong Kong	–	459,733,200
Coupon note, at fair value, in Hong Kong	–	25,000,000
	<u>495,829,752</u>	<u>499,745,689</u>

Certificate of deposits earn interest at fixed rates from creditworthy banks with no recent history of default.

## 16. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	As at 31 March	
	2018	2017
	<i>HK\$</i>	<i>HK\$</i>
Cash and cash equivalents	295,481,085	200,644,165
Time deposits	397,872,256	160,712,370
	<u>693,353,341</u>	<u>361,356,535</u>
Less: Pledged time deposits for banking facilities as security for credit card instalments programme	(2,000,740)	(2,000,000)
Time deposits with original maturity over 3 months	<u>(395,871,516)</u>	<u>(158,712,370)</u>
	<u>295,481,085</u>	<u>200,644,165</u>

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\$16,917,120 (2017: HK\$9,036,583) 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.

## 17. TRADE PAYABLES

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

	As at 31 March	
	2018	2017
	HK\$	HK\$
Within 1 month	8,081,532	5,422,769
1 to 2 months	615,848	404,531
2 to 3 months	79,926	7,155
Over 3 months	661,161	633,756
	<u>9,438,467</u>	<u>6,468,211</u>

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

## 18. OTHER PAYABLES AND ACCRUALS

	As at 31 March	
	2018	2017
	HK\$	HK\$
Other payables	34,163,719	16,541,678
Accruals	59,813,238	37,085,739
Provision for reinstatement costs	6,500,000	5,950,000
	<u>100,476,957</u>	<u>59,577,417</u>
Portion classified as non-current — provision for reinstatement costs	<u>(3,690,000)</u>	<u>(4,650,000)</u>
Current portion	<u>96,786,957</u>	<u>54,927,417</u>

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	
	2018	2017
	HK\$	HK\$
At the beginning of year	5,950,000	5,270,000
Additional provision	890,000	1,110,000
Amounts utilised during the year	<u>(340,000)</u>	<u>(430,000)</u>
At the end of year	6,500,000	5,950,000
Portion classified as current liabilities	<u>(2,810,000)</u>	<u>(1,300,000)</u>
Non-current portion	<u>3,690,000</u>	<u>4,650,000</u>



## 19. BANK BORROWINGS

	As at 31 March	
	2018	2017
	HK\$	HK\$
Secured	<u>558,853,516</u>	<u>–</u>

As at 31 March 2018, the bank borrowings of the Group carried variable interest rate at Prime Rate +0.55% per annum and ranging from HIBOR+0.88% to HIBOR+1.25% per annum and fixed interest rates generally ranging from 0.28% to 1.16% per annum, respectively.

The Group's bank borrowings of HK\$557.8 million are secured by the Group's financial assets at fair value through profit or loss of HK\$479.6 million and investment properties of HK\$121.8 million.

## 20. SHARE CAPITAL, RESERVES AND DIVIDENDS

### (a) Dividends

#### (i) Dividends payable by the Company to equity shareholders:

	As at 31 March	
	2018	2017
	HK\$	HK\$
Interim dividends declared and paid of 12.50 HK cents per ordinary Share (2017: 7.50 HK cents per ordinary Share)	122,609,938	73,562,024
Final dividend and special dividend proposed after the end of the Reporting Period of 14.50 HK cents per ordinary Share) (2017: 12.90 HK cents per ordinary Share)	<u>142,640,117</u>	<u>126,526,683</u>
	<u>265,250,055</u>	<u>200,088,707</u>

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

#### (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	As at 31 March	
	2018	2017
	HK\$	HK\$
Final dividend in respect of the previous financial year, approved and paid during the year, of 12.90 HK cents per Share (2017: 1.91 HK cents per Share)	<u>126,526,683</u>	<u>18,733,796</u>

(b) Share capital

	31 March 2018		31 March 2017	
	<i>Number of Shares</i>	<i>HK\$</i>	<i>Number of Shares</i>	<i>HK\$</i>
<b>Authorised</b>				
Ordinary Shares of HK\$0.00001 each	<b>38,000,000,000</b>	<b>380,000</b>	38,000,000,000	380,000
<b>Ordinary Shares, issued and fully paid</b>				
At 1 April	<b>980,827,000</b>	<b>9,808</b>	980,000,000	9,800
Exercise of share options ( <i>Note</i> )	<b>72,500</b>	<b>1</b>	–	–
Issue of shares upon scrip dividend of 2016/17 interim and special dividends	<b>2,530,448</b>	<b>25</b>	–	–
Issuance of new Shares	–	–	827,000	8
At 31 March	<b>983,429,948</b>	<b>9,834</b>	980,827,000	9,808

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.

(Note) During the Reporting Period, the Company issued 67,500 Shares and 5,000 Shares upon exercise of share options by the relevant Grantee at exercise prices of HK\$3.03 and HK\$3.50 respectively under the 2016 Share Option Scheme. These new Shares ranked pari passu in all respects with other Shares in issue.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS OVERVIEW

We have evolved into a leading medical service provider in Hong Kong, achieving strong business growth while maintaining our margins. According to a report conducted by Frost and Sullivan, we are the largest medical aesthetic service provider in Hong Kong in terms of revenue in 2017. We are well-positioned to broaden the coverage of medical disciplines. As at 31 May 2018, inclusive of our two flagships in Hong Kong and five clinics in the PRC, we operate 54 clinics and service centres occupying an aggregate of approximately 200,000 square feet of floor area with 73 Registered Practitioners across Hong Kong, the PRC and Macau. During the Reporting Period, our revenue and net profit increased significantly by 35.5% and 36.7% from the previous year to HK\$1,307.6 million and HK\$278.1 million respectively.

The Board resolved to recommend a final dividend of 5.0 HK cents per Share and a special dividend of 9.5 HK cents per Share in cash, i.e. a total of 14.5 HK cents per Share, subject to the approval of the shareholders at the forthcoming AGM.

### Business Developments

As a leading medical service provider in Hong Kong, during the Reporting Period, the Group obtained Hong Kong Top Service Brand Award 2017 and became a partner with Asia Miles, Asia's leading travel and lifestyle rewards programme, in which the clients of our health management centre re:HEALTH, dental centre UMH DENTAL CARE and chiropractic services centre SPINE Central can enjoy rewards.

#### *Growth driven by medical tourism*

Leveraging on the widening of the customer spectrum and our capability to offer medical tourism services, contributions from our PRC clients to our Recognised Revenue increased to 36% (2017: 25%) during the Reporting Period.

#### *Growth driven by integration and multi-discipline strategy*

Further to the acquisition of the largest chiropractic services chain in Hong Kong in October 2016, the Group commenced offering a one-stop solution to pain management in our multi-service flagship store in Langham Place, Mong Kok, Hong Kong from August 2017 onwards. The pain management services contributed to approximately 8.2% of medical services (2017: 4.0%) during the Reporting Period.

#### *Growth driven by merger and acquisition*

The Group will continue to diversify our services and product offerings to fulfil the medical, health and wellness needs of individuals via merger and acquisitions, with a focus in specialty clinics. During the Reporting Period, we acquired clinics in dentistry and neurosurgery in Hong Kong, which supplements the service offerings of the Group.

## **Contracted sales**

Contracted sales, which refers to sales contracts entered into during the Reporting Period, is an important factor affecting our results of operations. Contracted sales are, 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. Contracted sales increased significantly by 44.2%, from HK\$969.8 million for the year ended 31 March 2017 to HK\$1,398.7 million for the year ended 31 March 2018, and the number of clients who made at least one purchase of services or products during the respective periods were 52,446 and 81,055 respectively, representing an increase of 54.5%.

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

- big data and CRM System
- integrated multi-discipline sales and marketing strategy
- service floor area
- number and types of services and products
- number of Registered Practitioners
- retention of clients
- marketing channels
- quality of services
- efforts in PRC tourists to Hong Kong

## **Client Growth and Diversity**

Our revenue is significantly affected by the number of clients who receive our services, in particular the number of Key Clients. As at 31 March 2018, we have approximately 21,500 Key Clients, of which approximately 71.2% of them were recurring clients.

During the Reporting Period, approximately 83.7% and 56.7% of our clients who received at least one service session were females and between the ages of 26 to 55, respectively.

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

	<b>For the year ended 31 March</b>		
	<b>2018</b>	2017	% change
Total revenue (HK\$)	<b>1,307,639,358</b>	964,927,119	35.5
Sales contracts entered into during the year (HK\$)	<b>1,398,705,821</b>	969,770,195	44.2
Approximate number of Key Clients	<b>21,500</b>	16,200	32.7
Number of clients who made at least one purchase of services or products	<b>81,055</b>	52,446	54.5
Revenue contributed by PRC clients (%)	<b>36%</b>	25%	11p.p.
Material unfavourable feedback (Compensation and refund) (HK\$ million)	<b>0.9</b>	1.5	(43.2)
Material unfavourable feedback (Compensation and refund) (% of total Revenue)	<b>0.07%</b>	0.16%	(0.09p.p.)
Refunds and settlements to legal proceedings and claims (HK\$ million)	–	0.10	N/A
Refunds and settlements to legal proceedings and claims (% of Recognised Medical Revenue)	<u>–</u>	<u>0.02%</u>	<u>N/A</u>

## Our Professionals and Other Staff

We continued to be a reliable partner to the medical experts. As at 31 March 2018, we had 64 Registered Practitioners, 42 medical assistants, 295 relationship managers and 361 Trained Therapists. The following table summarises our Registered Practitioners as at 31 March 2018:

Type of Registered Practitioners	Location	Number of Registered Practitioners
Plastic Surgeons	Hong Kong	1
Anesthesiologists	Hong Kong	3
Pathologists	Hong Kong	1
Dentists	Hong Kong	14
Paediatrics	Hong Kong	1
Psychiatrists	Hong Kong	2
Neurosurgeons	Hong Kong	1
Orthopaedics	Hong Kong	1
Hong Kong Doctors who are General Practitioners	Hong Kong	13
Registered Chiropractors	Hong Kong	13
Chinese Medicine Practitioners (including one Listed Chinese Medicine Practitioner & one Registered Chinese Medicine Practitioner)	Hong Kong	3
PRC Doctors	PRC	8
Macau Doctors	Macau	3
		<hr/>
		64
		<hr/> <hr/>

## 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 medical related operations, as well as participate in our senior management. Both our Registered Practitioners and supporting staff are scheduled to attend medical related trainings regularly to update their knowledge and skill sets. Before performing any procedure to a client, we require our Registered Practitioners and Trained Therapists to explain the procedures and associated risks therein and obtain a written consent and acknowledgement as set out in a designated form to be signed by our client. We apply certain medical standards even to our non-medical services, such as recommending our clients to consult doctors before receiving any of our services.

### *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 refer to 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), in order 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;
- adopting detailed employee guidelines on, inter alia, responsible selling practices (for example, not to harass or push clients in purchasing prepaid packages);
- having 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.

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 have been able to improve our scores from such client phone surveys since the implementation of such programme.

### *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 request.

### **Information Technology Infrastructure**

During the Reporting Period, we have further improved and upgraded the sophistication of our information technology systems and big data 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.

### **OUTLOOK AND STRATEGIES**

Artificial intelligence ("AI") in medicine and health represent a collection of multiple technologies enabling machines to sense, comprehend, act and learn so they can perform administrative, clinical medical and healthcare functions. The use of algorithms and software to approximate human cognition in the analysis of complicated medical data without direct human input can be used to analyse relationships between prevention or treatment techniques and patient outcomes precisely.

AI research within medicine has been growing rapidly globally. The evolution of digital capacity together with the enhancement in medical equipment shall uncover complicated associations and is expected to enhance preventive and precision medicine.

Preventive and precision medicine is the core to our medical platform. Differentiating from the strategy of aggressive expansion via establishment of clinics, the Group focuses on enhancing the ambiance of our facilities and convenience to our clients through the deployment of medical AI. Simplified preventive analysis of health data supported by enhanced diagnostic equipment shall enhance the competitiveness and efficiency of the Group in satisfying specific needs of our clients.

### **Hong Kong**

Based on the total healthcare expenditure research conducted by Frost and Sullivan, the Hong Kong medical service market revenue shall increase from HK\$139.6 billion in 2016 to HK\$178.2 billion in 2021. According to the Hong Kong private health market report published by Bupa and conducted by Asia Care Group, the out of pocket health expenditure in Hong Kong shall increase from HK\$43 billion in 2013/14 to HK\$94 billion in 2024/25.

With medical efficacy as a foundation, we are committed to offering the top notch consumer experiences.



On 16 May 2018, the Group announced of its strategic collaboration with Tencent Doctorwork in establishing clinics in Hong Kong. Tencent Doctorwork is a subsidiary of Tencent Holdings Limited (SEHK stock code: 700, (“Tencent”)), an internet and medical platform jointly funded by Tencent, Medlinker and Sequoia Capital China, offering quality, safe and comprehensive health management services for individuals and their families. Backed by the advanced capability of medical IT of Tencent, we anticipate that the clinics to be jointly established with Tencent Doctorwork will be the state-of-art intelligent clinics in Hong Kong serving the neighbourhood.

By establishing our footprints in primary care clinics, we are able to secure new clientele who are health conscious and eventually require easy access to further medical and healthcare needs which our eco-system can offer. We look forward to deepening our impact in each of the medical disciplines. With reference to the big data gathered in our system, we anticipate that there will be a growing demand for medical specialty services, and we will consolidate the market by identifying potential acquisition targets or via an organic expansion.

We have commenced renovation of our specialty clinics, oncology and day surgery centre, and a diagnostic and imaging centre at 9 Queen’s Road Central and Langham Place, and 2 primary care clinics, all of which are expected to be in operation in 2018.

In addition to the advanced radiology services and aesthetic treatments, the comprehensive range of surgical specialties care offer services potentially including but not limited to cardiothoracic, Otorhinolaryngology, general surgery, plastic surgery, neurosurgery, orthopaedics and urology. Our advanced radiology services shall include magnetic resonance imaging (MRI), computed tomography scan (CT Scan), polyethylene terephthalate (PET CT), ultrasound and EOS medical imaging. Our oncology centre and day surgery centre offer services potentially including but not limited to chemotherapy, endoscopy, minor operations and traditional Chinese medicine treatments. Capital investment for establishing the above clinics and centres occupying approximately 27,000 square feet of floor area are expected to be over HK\$100 million.

## **The PRC**

According to the PRC central government’s annual work report in 2017, the PRC is planning to develop a city cluster in the Greater Bay Area. By 2030, the Greater Bay Area is expected to play a leading role in advanced manufacturing, innovation, shipping, trade and finance. According to the Commissioner of the Ministry of Foreign Affairs of the PRC in Hong Kong, Mr. Xie Feng, Hong Kong has an irreplaceable role in ensuring that the Greater Bay Area reaches its full potential.

Hong Kong is the PRC's most internationalised metropolis with its unique advantage of connecting the mainland and the world. Enhanced cross-border movements of capital, people, goods and services within the Greater Bay Area are essential for the region's successful development.

We focus on capturing the special medical and healthcare needs in Hong Kong that could not be met in the PRC by medical tourism.

We will continue with the expansion of our own medical aesthetic clinics and we anticipate that our medical aesthetic clinics in Shenzhen are expected to be opened by the end of 2018. We are exploring acquisition targets as well as partnership opportunities with local medical players in the PRC cautiously, including but not limited to reputable medical service and healthcare service providers, suppliers and investors, to fuel our sustainable growth in this market with immense potential.

## **FINANCIAL REVIEW**

### **Revenue**

Our revenue increased by 35.5% from HK\$964.9 million for the year ended 31 March 2017 to HK\$1,307.6 million for the year ended 31 March 2018 primarily attributable to the significant increase in the revenue generated from medical services and health management services delivered as a result from the significant increase in the number of active clients during the Reporting Period.

#### *Medical services*

Our revenue from medical services increased by 34.6% from HK\$501.8 million for the year ended 31 March 2017 to HK\$675.5 million for the year ended 31 March 2018, primarily attributable to the increase in the variety of medical services that the Group is offering and an increase of over 50% of the number of clients receiving medical services during the Reporting Period.

#### *Quasi-medical services*

Our revenue from quasi-medical services increased by 12.0% from HK\$96.4 million for the year ended 31 March 2017 to HK\$108.0 million for the year ended 31 March 2018, primarily attributable to the increase in the number of and variety of energy-based aesthetic medical devices offered to clients during the Reporting Period.

#### *Traditional beauty services*

Our revenue from traditional beauty services increased by 35.9% from HK\$175.4 million for the year ended 31 March 2017 to HK\$238.4 million for the year ended 31 March 2018, primarily attributable to the Group's integrated multi-discipline strategy to nurture and retain the new customers to become our Key Clients, in particular the PRC clients.

### *Health management services*

Our revenue from health management services increased by 105.9% from HK\$51.3 million for the year ended 31 March 2017 to HK\$105.6 million for the year ended 31 March 2018. The provision of health screening and management services was newly launched in May 2016. The significant increase was primarily attributable to the increase of approximately 190% in the number of Key Clients obtaining services in our one-stop health management centre from the year ended 31 March 2017 to the year ended 31 March 2018.

### *Skincare, healthcare and beauty products*

Our revenue from the sale of skincare, healthcare and beauty products increased by 20.5% from HK\$61.9 million for the year ended 31 March 2017 to HK\$74.6 million for the year ended 31 March 2018, and steadily represents 6.2% of our Recognised Revenue (2017: 7.0%).

### *Operating Segment Information*

An analysis of the Group's revenue and contribution to results by business segments of the operations for the Reporting Period is set out in note 4 to the consolidated financial statements.

### **Other net income and gains**

During the Reporting Period, our other net income and gains were approximately HK\$43.4 million, an increase of approximately HK\$15.9 million or 58.0% when compared to the year ended 31 March 2017, primarily due to the revaluation gain on investment properties of HK\$10.2 million.

### **Cost of inventories and consumables**

Our cost of inventories and consumables, representing 12.5% of revenue (2017: 13.5%), increased from HK\$130.5 million for the year ended 31 March 2017 to HK\$163.4 million for the year ended 31 March 2018, primarily attributable to an increase in the volume of medication and service consumables used, which was in line with the significant increase in the volume of service procedures performed.

### **Registered practitioner expenses**

For the year ended 31 March 2018, we incurred Registered Practitioner expenses of approximately HK\$110.4 million, an increase of approximately HK\$32.9 million or 42.5% when compared to the year ended 31 March 2017, primarily attributable to an increase in the number of Registered Practitioners from 44 as at 31 March 2017 to 64 as at 31 March 2018.

## **Employee benefit expenses and remuneration policy**

For the year ended 31 March 2018, we incurred employee benefit expenses of approximately HK\$341.3 million, an increase of approximately HK\$63.4 million or 22.8% when compared to the year ended 31 March 2017, primarily due to an increase in our overall headcount (excluding Registered Practitioners) from 808 as at 31 March 2017 to 1,265 as at 31 March 2018, as well as the increments to employees' salaries.

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 and a share award scheme are 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 2018, the Group incurred marketing and advertising expenses of approximately HK\$126.9 million, an increase of approximately HK\$58.5 million or 85.4% when compared to the year ended 31 March 2017, primarily due to an increased level of marketing and advertising activities in promotion of the Group and our new business.

## **Rental and related expenses**

For the year ended 31 March 2018, the Group incurred rental and related expenses of approximately HK\$130.9 million, an increase of approximately HK\$42.1 million or 47.4% when compared to the year ended 31 March 2017, primarily due to the increase in the g.f.a. of approximately 40,000 square feet during the Reporting Period as compared to 31 March 2017.

## **Credit card expenses**

For the year ended 31 March 2018, the Group incurred credit card expenses of approximately HK\$42.7 million, an increase of approximately HK\$12.9 million or 43.5% when compared to the year ended 31 March 2017, primarily due to the increase in contracted sales generated during the Reporting Period, resulting in higher credit card expenses incurred.

## **Other expenses**

For the year ended 31 March 2018, the Group incurred other operating expenses of approximately HK\$70.5 million, an increase of approximately HK\$26.5 million or 60.2% when compared to the year ended 31 March 2017, primarily due to (i) the professional expenses incurred as a result of obtaining relevant services from professional advisers and parties in relation to the transactions entered into by the Group; and (ii) the office expenses incurred as the scale of the business of the Group increased during the Reporting Period.

## **Profit Before Tax**

For the year ended 31 March 2018, the Group has profit before tax of approximately HK\$330.2 million, representing 25.2% of the revenue which remained stable when compared to that of the year ended 31 March 2017.

## **Income Tax Expense**

For the year ended 31 March 2018, the Group incurred income tax expense of approximately HK\$52.0 million, an increase of approximately HK\$10.9 million or 26.5% when compared to the year ended 31 March 2017, primarily due to a significant increase in profit before tax.

## **Profit for the Year/Profit Margin**

For the year ended 31 March 2018, the Group recorded profit for the year of approximately HK\$278.1 million, an increase of HK\$74.6 million or 36.7% when compared to the year ended 31 March 2017, primarily due to our development of new businesses and efficient leverage on our integrated multi-discipline strategy. Our profit margin remains stable at approximately 21.3%.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Financial Resources**

We continue to maintain a strong financial position with cash and cash equivalents of HK\$295.5 million as at 31 March 2018. Our working capital was HK\$369.9 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 Reporting Period, the majority of our cash and bank balances were in Hong Kong dollar, and as we continue to expand our operations in the PRC, there will be an increasing amount of our assets and transactions denominated in Renminbi.

## **CAPITAL EXPENDITURE AND COMMITMENTS**

### **Capital Expenditure**

Our capital expenditures during the year ended 31 March 2018 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 expenditures through cash flows generated from operating activities.

### **Capital Commitment**

As at 31 March 2018, we do not have any capital commitments in respect of acquisition of property, plant and equipment.

## Use of Proceeds from IPO

The net proceeds from the IPO were approximately HK\$703.4 million, after deducting the underwriting fees and commission and related expenses paid and payable by us in connection with the IPO. We have applied, and will continue to apply the net proceeds from the IPO in accordance with the proposed reallocation as approved by the shareholders at the annual general meeting held on 22 August 2017 as well as the applicable Listing Rules. The below table sets out the actual usage of the net proceeds from 1 October 2017 to 31 March 2018:

	Unutilised net proceeds as at 1 October 2017 (Approximately HK\$ in million)	Approximate Percentage of the unutilised net proceeds as at 1 October 2017	Actual usage during the period from 1 October 2017 to 31 March 2018	Unutilised net proceeds balance as at 31 March 2018
i. Establishing and expanding the scale of our medical, aesthetic and beauty service businesses, centres and clinics	269.2	72.3%	118.0	151.2
ii. Acquiring of medical, aesthetic and beauty service businesses, centres and clinics, and entering into of joint ventures	50.0	13.4%	42.0	8.0
iii. Upgrading and improving our information technology systems	33.5	9.0%	2.5	31.0
iv. Working capital and for other general corporate purpose	19.7	5.3%	19.7	0.0
	<u>372.4</u>	<u>100.0%</u>	<u>182.2</u>	<u>190.2</u>

## **INDEBTEDNESS**

### **Interest-bearing Bank Borrowings**

As at 31 March 2018, the Group had outstanding interest-bearing bank borrowings of HK\$558.9 million.

### **Contingent Liabilities and Guarantees**

As at 31 March 2018, we had contingent liabilities not provided for in our financial statements of HK\$2.0 million in relation to a bank guarantee given to a credit card institution for the use of certain credit card equipment. Save as disclosed herein, the Group had no significant contingent liabilities and guarantees as at 31 March 2018.

### **Charge of Assets**

As at 31 March 2018, one of the investment properties of HK\$121.8 million and financial assets at fair value through profit or loss of HK\$479.6 million were pledged for certain bank borrowings and the time deposits of HK\$2.0 million were pledged for banking facilities as security for credit card instalments programme.

### **Gearing Ratio**

Gearing ratio equals total debt divided by total equity. As at 31 March 2018, the Group had interest-bearing liabilities of HK\$558.9 million and the gearing ratio is 66.7%.

### **Foreign Currency Risk**

The Group undertakes certain operating transactions in foreign currencies, which expose 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 will consider 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 has not entered into interest rate swaps to mitigate 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, there were no significant investments held by the Company during the Reporting Period, nor were 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.

## **ANNUAL GENERAL MEETING**

The 2018 annual general meeting of the Company is proposed to be held on 20 August 2018. 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 5.0 HK cents per Share and a special dividend of 9.5 HK cents per Share for the year ended 31 March 2018. The proposed final dividend and special dividend, if approved by the Shareholders at the AGM, will be paid on 6 September 2018 to the Shareholders whose names appear on the register of members of the Company on 28 August 2018.

## **CLOSURE OF REGISTER OF MEMBERS**

In order to determine the identity of the Shareholders who are 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 14 August 2018.

Subject to Shareholders' approval of the proposed final dividend and special dividend at the AGM, the proposed final dividend and special dividend will be paid on 6 September 2018 to Shareholders whose names appear on the register of members of the Company on 28 August 2018. The register of members of the Company will be closed from 24 August 2018 to 28 August 2018 for the purpose of ascertaining Shareholders' entitlement to the proposed final dividend and special 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 23 August 2018.



## **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**

Pursuant to Code Provision A.2.1 of the CG Code, 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 2018.

## **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 Reporting 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 Reporting Period.

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

During the Reporting 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 of the Company has reviewed the consolidated financial statements for the year ended 31 March 2018. The audit committee of the Company 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 2018 had been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 March 2018 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.

## **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](http://www.umhgp.com) and Hong Kong Exchanges and Clearing Limited website at [www.hkexnews.hk](http://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 20 August 2018
“Articles of the Association”	the Company’s articles of the association
“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
“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
“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
“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 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”	the People’s Republic of China which, for the purpose of this annual report and unless the context suggests otherwise, excludes Hong Kong, Macau and Taiwan
“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 Revenue”	total revenue excluding revenue recognised from unutilised prepaid packages
“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”	financial year ended 31 March 2018
“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**  
**Gabriel LEE**  
*Executive Director*

Hong Kong, 27 June 2018

*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, Mr. Look Andrew and Mr. Lam Chi Hang Josekin.*