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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

INTERIM RESULTS HIGHLIGHTS

- Sales contracts entered into during the period increased by 35.2% from HK$651.1 million for the six months ended 30 September 2017 to HK$880.1 million for the six months ended 30 September 2018.
- Total revenue increased by 38.2% from HK$617.3 million for the six months ended 30 September 2017 to HK$853.1 million for the six months ended 30 September 2018.
- Net profit increased by 60.7% from HK$126.3 million for the six months ended 30 September 2017 to HK$203.0 million for the six months ended 30 September 2018.
- Revenue contributed by the PRC clients increased by 48.5% from HK$220.4 million for the six months ended 30 September 2017 to HK$327.3 million for the six months ended 30 September 2018, representing 38.4% of the total revenue.
- Basic earnings per share for the six months ended 30 September 2018 amounted to 19.7 HK cents (2017: 12.8 HK cents).
- The Board declared an interim dividend of 5.0 HK cents per Share and a special dividend of 10.0 HK cents per Share, i.e. a total of 15.0 HK cents per Share, for the six months ended 30 September 2018, which will be payable in cash.

* *for identification purpose only*

The Board is pleased to announce the unaudited condensed consolidated financial results of the Group for the Reporting Period together with the comparative figures for the corresponding period in 2017 as set out below.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 September
(Expressed in Hong Kong dollars)

	Notes	**2018** *HK$* **(Unaudited)**	2017 *HK$* (Unaudited)
REVENUE	*5*	**853,109,596**	617,318,341
Other net income and gains	*6*	**24,135,879**	14,369,903
Cost of inventories and consumables		**(99,292,452)**	(81,541,695)
Registered practitioner expenses		**(66,253,271)**	(32,726,589)
Employee benefit expenses		**(208,007,936)**	(177,742,754)
Marketing and advertising expenses		**(83,384,502)**	(62,019,708)
Rental and related expenses		**(78,559,093)**	(59,352,278)
Credit card expenses		**(23,181,355)**	(20,173,557)
Depreciation		**(19,549,288)**	(12,391,514)
Charitable donation		**(1,590,000)**	(827,000)
Finance costs	*7*	**(4,634,296)**	(143,889)
Other expenses		**(53,392,709)**	(35,597,089)
Share of profit of joint ventures		**1,501,019**	1,355,305
PROFIT BEFORE TAX	*8*	**240,901,592**	150,527,476
Income tax	*9*	**(37,873,395)**	(24,186,764)
PROFIT FOR THE PERIOD		**203,028,197**	126,340,712
Attributable to:			
Equity shareholders of the Company		**194,240,265**	125,507,939
Non-controlling interests		**8,787,932**	832,773
PROFIT FOR THE PERIOD		**203,028,197**	126,340,712
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY			
Basic and diluted	*10*	**19.7 HK cents**	12.8 HK cents

	2018	2017
	HK$	*HK$*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD		
Other comprehensive income for the period (after tax and reclassification adjustments)	**203,028,197**	126,340,712
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, net of HK$nil tax	**461,814**	360,230
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**203,490,011**	126,700,942
Attributable to:		
Equity shareholders of the Company	**194,702,079**	125,868,169
Non-controlling interests	**8,787,932**	832,773
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**203,490,011**	126,700,942

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 September 2018** *HK$* **(Unaudited)**	As at 31 March 2018 *HK$* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**116,734,868**	100,637,862
Investment properties		**190,400,000**	190,400,000
Goodwill		**95,223,189**	95,223,189
Intangible assets		**106,739,012**	86,861,454
Interest in joint ventures		**46,195,019**	44,694,000
Rental and other deposits	*13*	**48,358,700**	45,204,459
Prepayments	*13*	**8,429,369**	8,175,787
Deferred tax assets		**5,431,792**	2,311,349
Total non-current assets		**617,511,949**	573,508,100
CURRENT ASSETS			
Inventories		**38,319,472**	31,444,495
Trade receivables	*12*	**89,204,122**	68,670,393
Prepayments, deposits and other receivables	*13*	**165,246,940**	86,269,710
Deferred cost	*5*	**59,314,501**	33,904,930
Financial assets at fair value through profit or loss	*14*	**674,420,807**	495,829,752
Pledged time deposits	*15*	**18,364,966**	2,000,740
Time deposits with original maturity over 3 months	*15*	**201,677,929**	395,871,516
Cash and cash equivalents	*15*	**298,116,633**	295,481,085
Total current assets		**1,544,665,370**	1,409,472,621
CURRENT LIABILITIES			
Trade payables	*16*	**12,585,210**	9,438,467
Other payables and accruals	*17*	**62,560,847**	96,786,957
Bank borrowings	*18*	**457,233,683**	461,315,507
Obligations under finance lease		**999,138**	1,709,865
Deferred revenue	*5*	**459,034,347**	452,391,483
Current tax payable		**57,947,594**	17,905,194
Total current liabilities		**1,050,360,819**	1,039,547,473
NET CURRENT ASSETS		**494,304,551**	369,925,148
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,111,816,500**	943,433,248

	Notes	As at 30 September 2018 HK$ (Unaudited)	As at 31 March 2018 HK$ (Audited)
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**2,315,907**	4,274,629
Bank borrowings	*18*	**88,658,447**	97,538,009
Obligations under finance lease		**495,584**	416,627
Provision for reinstatement costs	*17*	**3,690,000**	3,690,000
Total non-current liabilities		**95,159,938**	105,919,265
NET ASSETS		**1,016,656,562**	837,513,983
CAPITAL AND RESERVES			
Share capital	*19*	**9,838**	9,834
Reserves		**996,281,580**	820,838,871
Total equity attributable to equity shareholders of the Company		**996,291,418**	820,848,705
Non-controlling interests		**20,365,144**	16,665,278
TOTAL EQUITY		**1,016,656,562**	837,513,983

NOTES TO THE INTERIM 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 INTERIM FINANCIAL STATEMENTS

The financial information relating to the six months ended 30 September 2018 and 2017 respectively and the year ended 31 March 2018 included in this preliminary announcement of interim results does not constitute the Group's interim financial statements for those periods or year but is derived from those financial statements. The unaudited interim financial statements (the "Interim Financial Statements") have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Interim Financial Statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2018, except for the adoption of the new and amended Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are relevant to and effective for the Group's financial statements for annual period beginning on 1 April 2018. Details of changes in accounting policies are set out in note 3.

The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2018.

The preparation of Interim Financial Statements in conformity with all applicable 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.

The Interim Financial Statements are presented in Hong Kong dollars ("HK$").

3. CHANGES IN ACCOUNTING POLICIES

(a) New and amended standards adopted by the Group

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are being effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers

HKFRS 9 "Financial instruments"

HKFRS 9 replaces HKAS 39 "Financial instruments: recognition and measurement". It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The Group has initially adopted HKFRS 9 from 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

(i) Classification and measurement of financial assets and financial liabilities

HKFRS 9 contains three principal classification and measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL").

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. A debt instrument will be measured at amortised cost if the instrument is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the debt instrument is calculated using the effective interest method.

- For equity instruments, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity instrument is not held for trading and the entity irrevocably elects to designate that instrument as FVOCI. If an equity instrument is designated as FVOCI then only dividend income on that instrument will be recognised in profit or loss. Gains or losses on that instrument will be recognised in other comprehensive income without recycling through profit or loss.

On 1 April 2018, the Group assessed its financial assets based on business models and classified its financial instruments into the appropriate HKFRS 9 categories. All assets and liabilities of the Group had the same carrying amounts in accordance with HKAS 39 and HKFRS 9 on 1 April 2018, which was the date of initial application of HKFRS 9. Thus, there is no change in the measurement categories and carrying amounts for all financial assets and liabilities of the Group.

(ii) Impairment

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit losses ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognizes ECLs earlier than under the incurred loss accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost, including pledged deposits, cash and cash equivalents, bank deposits with original maturities over 3 months and trade and other receivables. The adoption of the new ECL model has no significant impact to the financial statements of the Group. Financial assets measured at fair value are not subject to the ECL assessment.

HKFRS 15 "Revenue from Contracts with Customers"

Provision of services

For the services sold on a prepaid basis, payments received for prepaid packages are recorded as deferred revenue, which is recognised as a contract liability, in the condensed consolidated statement of financial position at the time of receipt. The service period of a prepaid package is generally one-year.

Revenue from the rendering of services is recognized when the services have been rendered to customers.

Deferred revenue is non-refundable and customers may not utilize all of their contracted rights within the service period. Under HKFRS 15, such unutilized service treatments are referred to as breakage. An expected breakage amount in deferred revenue is determined by historical experience and is recognized as revenue in proportion to the pattern of service treatments utilised by the customers. Any residual deferred revenue at the end of the service period is fully recognised in profit or loss.

The adoption of other amendments to standards and interpretation did not have any significant impact to the condensed consolidated interim financial information of the Group.

Sale of goods

The Group sells products to customers through our medical service centres or retail stores. For sales of goods to customers, revenue is recognized when control of the goods has been transferred, which generally coincides with the time when the goods are delivered to customers. Payment of the transaction price is due immediately at the point the customer purchases the goods.

(b) New standards and amendments to standards issued but are not yet effective

A number of new standards and amendments to standards are issued but not yet effective for the current accounting period and have not been adopted by the Group in preparing the Interim Financial Statements.

The Group is in the process of assessing what the impact of these amendments and new standards is expected to be in the period of initial application. So far, the Group has identified some aspects of the new standards which have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

HKFRS 16 "Leases"

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted for entities that adopt HKFRS 15 on or before the date of the initial adoption of HKFRS 16.

Under HKFRS 16, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure lease liability at the present value of the minimum future lease payments and will recognize a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. Lessor accounting remains similar to the current standard.

The Group currently plans to adopt HKFRS 16 initially on 1 April 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting HKFRS 16 will be recognised as an adjustment to the opening balance of retained earnings as at 1 April 2019, with no restatement of comparative information

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

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:

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 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 six months ended 30 September

	The provision of medical, quasi-medical, traditional beauty services and the sale 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$*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Revenue:								
Sales to external customers	**787,581,512**	566,074,178	**65,528,084**	51,244,163	**–**	–	**853,109,596**	617,318,341
Inter-segment sales	**11,870,198**	13,039,094	**2,737,769**	4,466,748	**(14,607,967)**	(17,505,842)	**–**	–
Segment revenue	**799,451,710**	579,113,272	**68,265,853**	55,710,911	**(14,607,967)**	(17,505,842)	**853,109,596**	617,318,341
Segment result	**223,208,379**	151,207,927	**10,447,045**	799,195	**–**	–	**233,655,424**	152,007,122
Bank interest income							**378,358**	66,948
Unrealised fair value gains on financial assets at fair value through profit or loss, net							**(12,612,326)**	1,039,020
Realised gains on disposal of financial assets at fair value through profit or loss, net							**545,752**	–
Rental income from investment properties							**1,267,045**	–
Finance costs							**(4,634,296)**	(143,889)
Others							**24,569,462**	(673,791)
Equity-settled share-based payments							**(2,267,827)**	(1,767,934)
Profit before tax							**240,901,592**	150,527,476

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	2017	**2018**	2017
	HK$	*HK$*	***HK$***	*HK$*
Hong Kong	**795,884,519**	575,234,414	**522,611,344**	489,550,563
Macau	**19,488,585**	18,376,506	**1,269,080**	1,945,758
The PRC	**37,736,492**	23,707,421	**31,411,664**	26,320,184
	853,109,596	617,318,341	**555,292,088**	517,816,505

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

(a) Revenue

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

	For the six months ended 30 September	
	2018	2017
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Revenue		
Medical services	**469,382,847**	311,855,510
Quasi-medical services	**71,804,747**	52,088,992
Health management services	**65,528,084**	51,244,164
Traditional beauty services	**135,272,902**	122,300,853
Skincare, healthcare and beauty products	**42,476,302**	36,798,463
Revenue recognised from unutilised prepaid packages	**68,644,714**	43,030,359
	853,109,596	617,318,341

Deferred balances

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

	As at 30 September 2018 *HK$* **(Unaudited)**	As at 31 March 2018 *HK$* (Audited)
Deferred revenue	**(459,034,347)**	(452,391,483)
Deferred cost	**59,314,501**	33,904,930

The deferred cost primarily related to the costs that occurred in obtaining a contract with a customer recognised as deferred cost in the consolidated statement of financial position for the Reporting Period. Such costs are recognised in profit or loss in the period in which the deferred revenue which they relate to is recognised as revenue.

6. OTHER NET INCOME AND GAINS

	For the six months ended 30 September	
	2018 *HK$* **(Unaudited)**	2017 *HK$* (Unaudited)
Bank interest income	**378,358**	66,948
Dividend income and interest income from unlisted debt investments and certificate of deposits	**10,377,852**	4,171,770
Unrealised fair value gain/(loss) on financial assets at fair value through profit or loss, net	**(12,612,326)**	1,039,020
Realised gains on disposals of financial assets at fair value through profit or loss, net	**545,752**	–
Rental income from investment properties	**1,267,045**	–
Gain on disposal of subsidiaries	**–**	4,645,803
Others	**24,179,198**	4,446,362
	24,135,879	14,369,903

7. FINANCE COSTS

	For the six months ended 30 September	
	2018 *HK$* **(Unaudited)**	2017 *HK$* (Unaudited)
Interests on bank borrowings	**4,618,946**	104,091
Finance charges on obligations under finance lease	**15,350**	39,798
	4,634,296	143,889

8. PROFIT BEFORE TAX

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

	For the six months ended 30 September	
	2018	2017
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Staff costs (including directors' emoluments):*		
Salaries, wages, allowances, bonuses, commission and benefits in kind	**212,880,325**	191,887,547
Pension scheme contributions (defined contribution scheme)	**7,107,383**	4,708,333
	219,987,708	196,595,880
Minimum lease payments under operating leases in respect of:		
Land and buildings	**63,553,336**	49,258,774
Equipment	**220,886**	165,163
Auditors' remuneration	**1,598,000**	704,340
Depreciation	**19,549,288**	12,391,514
Amortisation of intangible assets	**12,672,442**	3,219,915
Foreign exchange differences, net	**2,713,443**	979,885
Rental income from investment properties less direct outgoings HK$193,174 (six months ended 30 September 2017: HK$nil)	**(1,267,045)**	–

* Included in staff costs are employee benefit expenses of HK$208,007,936 (six months ended 30 September 2017: HK$177,742,754) and registered practitioner expenses of HK$11,979,772 (six months ended 30 September 2017: HK$18,853,126) paid/payable to certain registered medical practitioners who are also employees of the Group.

For further details to the grant of awarded shares and share options pursuant to the share award scheme and share option scheme of the Company respectively, please refer to the announcements of the Company dated 26 September 2016, 18 September 2017, 5 December 2017, 11 April 2018, 17 April 2018, 24 May 2018, 10 July 2018, 21 August 2018 and 7 September 2018 respectively.

9. INCOME TAX

Taxation in the condensed consolidated statement of profit or loss represents:

	For the six months ended 30 September	
	2018	2017
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Current — Hong Kong		
Provision for the period	**29,862,703**	23,995,524
Current — Outside Hong Kong		
Provision for the period	**2,931,525**	1,134,455
Deferred tax	**5,079,167**	(943,215)
Tax charge for the period	**37,873,395**	24,186,764

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% (six months ended 30 September 2017: 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.

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

(a) Basic earnings per Share

The calculation of basic earnings per Share attributable to ordinary equity shareholders of the Company is based on the following data:

	For the six months ended 30 September	
	2018	2017
	HK$	*HK$*
	(Unaudited)	(Unaudited)
Earnings for the purposes of basic earnings per Share representing profit for the six months attributable to ordinary equity shareholders of the Company	**194,240,265**	125,507,939

	For the six months ended 30 September	
	2018	2017
Weighted average number of ordinary shares for the purpose of calculating basic earnings per Share	**983,637,243**	980,827,000

(b) Diluted earnings per Share

The calculation of the diluted earnings per Share is based on the profit for the period attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per Share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options into ordinary shares.

The calculated diluted earnings per Share, as rounded to one decimal place in Hong Kong cents, is equal to the basic earnings per Share.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, additions of property, plant and equipment amounted to approximately HK$35,646,294 (six months ended 30 September 2017: HK$70,103,950).

12. TRADE RECEIVABLES

	As at 30 September 2018 *HK$* **(Unaudited)**	As at 31 March 2018 *HK$* (Audited)
Trade receivables	**89,204,122**	68,670,393

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 30 September 2018 *HK$* **(Unaudited)**	As at 31 March 2018 *HK$* (Audited)
Within 1 month	**66,163,106**	54,068,920
1 to 3 months	**14,076,282**	8,551,075
Over 3 months	**8,964,734**	6,050,398
	89,204,122	68,670,393

As at 30 September 2018, none of the trade receivables were individually determined to be impaired (31 March 2018 (audited): 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 30 September 2018 *HK$* (Unaudited)	As at 31 March 2018 *HK$* (Audited)
Prepayments	**96,089,527**	43,342,417
Deposits	**72,671,692**	64,214,477
Other receivables	**53,273,790**	32,093,062
	222,035,009	139,649,956
Portion classified as non-current		
— Rental and other deposits	**(48,358,700)**	(45,204,459)
— Prepayments	**(8,429,369)**	(8,175,787)
Current portion	**165,246,940**	86,269,710

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

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 September 2018 *HK$* (Unaudited)	As at 31 March 2018 *HK$* (Audited)
Financial assets at fair value through profit or loss		
Unlisted fund investments, at fair value, in Hong Kong	**468,049,562**	329,449,514
Unlisted bond investments, at fair value, in Hong Kong	**206,371,245**	166,380,238
	674,420,807	495,829,752

15. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	As at 30 September 2018 HK$ (Unaudited)	As at 31 March 2018 HK$ (Audited)
Cash and cash equivalents	**298,116,633**	295,481,085
Time deposits	**220,042,895**	397,872,256
	518,159,528	693,353,341
Less: Pledged time deposits for banking facilities as security for credit card instalments programme	**(18,364,966)**	(2,000,740)
Time deposits with original maturity over 3 months	**(201,677,929)**	(395,871,516)
	298,116,633	295,481,085

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$14,669,632 (31 March 2018 (audited): HK$16,917,120) 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 30 September 2018 HK$ (Unaudited)	As at 31 March 2018 HK$ (Audited)
Within 1 month	**11,465,656**	8,081,532
1 to 2 months	**242,981**	615,848
2 to 3 months	**207,645**	79,926
Over 3 months	**668,928**	661,161
	12,585,210	9,438,467

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

17. OTHER PAYABLES AND ACCRUALS

	As at 30 September 2018 *HK$* **(Unaudited)**	As at 31 March 2018 *HK$* (Audited)
Other payables	**21,139,480**	34,163,719
Accruals	**38,611,367**	59,813,238
Provision for reinstatement costs	**6,500,000**	6,500,000
	66,250,847	100,476,957
Portion classified as non-current — provision for reinstatement costs	**(3,690,000)**	(3,690,000)
Current portion	**62,560,847**	96,786,957

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 30 September 2018 *HK$* **(Unaudited)**	As at 31 March 2018 *HK$* (Audited)
At the beginning of the period/year	**6,500,000**	5,950,000
Additional provision	**–**	890,000
Amounts utilised during the period/year	**–**	(340,000)
At the end of the period/year	**6,500,000**	6,500,000
Portion classified as current liabilities	**(2,810,000)**	(2,810,000)
Non-current portion	**3,690,000**	3,690,000

18. BANK BORROWINGS

	As at 30 September 2018 *HK$* **(Unaudited)**	As at 31 March 2018 *HK$* (Audited)
The bank borrowings were repayable as follows:		
Within 1 year or on demand	**457,233,683**	461,315,507
After 1 year but within 2 years	**17,855,424**	17,861,585
After 2 years but within 5 years	**53,566,271**	51,011,421
After 5 years	**17,236,752**	28,665,003
	88,658,447	97,538,009
	545,892,130	558,853,516
Secured	**545,892,130**	558,853,516

As at 30 September 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 ranging from 0.68% to 3.47% per annum, respectively.

The Group's bank borrowings of HK$545,892,130 are secured by the Group's financial assets at fair value through profit or loss of HK$443,782,497 and investment properties of HK$121,800,000.

19. SHARE CAPITAL AND DIVIDENDS

(a) Dividends

	For the six months ended 30 September	
	2018	2017
	HK$	*HK$*
Interim, declared — 5.0 HK cents (for the six months ended 30 September 2017: 4.0 HK cents)	**49,188,247**	39,233,080
Special, declared — 10.0 HK cents (for the six months ended 30 September 2017: 8.5 HK cents)	**98,376,495**	83,370,295

At a meeting held on 28 November 2018, the Directors declared an interim dividend of 5.0 HK cents per Share and a special dividend of 10.0 HK cents per Share, i.e. a total of 15.0 HK cents per Share. The interim and special dividends will be paid in cash. These declared dividends are not reflected as dividend payable in this condensed consolidated interim financial information, but will be recognised in Shareholders' equity for the year ending 31 March 2019.

(b) Share capital

	Number of shares	**30 September 2018**
		HK$
Authorised		
Ordinary shares of HK$0.00001 each	38,000,000,000	380,000
Ordinary shares, issued and fully paid		
At 31 March 2018	**983,429,948**	**9,834**
At 30 September 2018	**983,764,948**	**9,838**

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

During the Reporting Period, the Group's contracted sales and total revenue were HK$880.1 million and HK$853.1 million respectively, representing an increase of 35.2% and 38.2% from contracted sales and total revenue for the six months ended 30 September 2017, respectively.

The net profit attributable to equity shareholders of the Company increased significantly by approximately 54.7% from HK$125.5 million for the six months ended 30 September 2017 to HK$194.2 million for the six months ended 30 September 2018. Basic earnings per Share amounted to 19.7 HK cents as compared to 12.8 HK cents for the previous period.

The Board resolved to declare an interim dividend of 5.0 HK cents per Share and a special dividend of 10.0 HK cents per Share in cash.

BUSINESS OVERVIEW

We have successfully evolved into a multi-discipline medical service provider. Preventive and precision medicine continue to be the fundamentals to our medical platform and we will continue the deployment of medical AI to enhance the competitiveness and efficiency of the Group in satisfying the specific needs of the clients.

Medical and health management services continue to be the primary contributor and key growth driver to our revenue and profits. During the Reporting Period, revenue from medical and health management was HK$534.9 million, representing 68.2% of the Recognised Revenue and a significant increase of 47.3% as compared with that of the six months ended 30 September 2017. As at 1 November 2018, we operated 54 clinics and services centres with 80 Registered Practitioners across Hong Kong, Macau and the PRC.

During the Reporting Period, 北京企鵝醫院管理有限公司 ("Tencent Doctorwork") and the Group entered into an agreement to jointly establish primary care clinics in Hong Kong and co-invest and develop IT system to connect medical services across the PRC and Hong Kong. Currently, both parties planned to establish a total of 20 clinics in Hong Kong over the next three years. As at the date of this announcement, two clinics under the brand "企鵝醫生" have commenced operation in Hong Kong.

Business developments

Growth driven by the medical tourism

The PRC Government drives to develop the "Greater Bay Area", aiming to transform Hong Kong, Macau and nine mainland cities into an integrated economic powerhouse, not only competing among the cities globally clusters, but to enhance the development of "Belt and Road Initiative" deployed by the PRC. The High Speed Rail (Guangzhou-Shenzhen-Hong Kong Link) and the Hong Kong-Zhuhai-Macao Bridge have commenced operation in 2018, it is anticipated that opportunities amongst Hong Kong tourism and retail market shall continue to boost.

With the growing demand for reliable and quality medical services from the PRC provided by professional service providers in Hong Kong, and leveraging on widening of the customer spectrum and our dedication in offering service to cater medical tourism, contributions from our PRC clients increased to HK$327.3 million, representing 38.4% of the total revenue during the Reporting Period.

Growth Driven by Integration

With various medical and healthcare facilities coming into operation, the Group has been, and shall continue to, focus on the increase in efficiency and effectiveness by integrating client and service flow between medical disciplines into the unified system.

During the Reporting Period, contracted sales of the chiropractic and orthopedic services was HK$30.3 million, representing an increase of 60.2% comparing to the six months ended 30 September 2017. Riding on the integrated multi-discipline strategy, the Group has been able to deepen in additional medical and wellness needs of the existing clients.

Growth driven by new medical disciplines

In addition to exploring health and wellness needs of our clients across the existing services and products that we are offering, the Group strives to setup new medical disciplines to satisfy the continuous increase in the demand of clients.

During the Reporting Period, the Group and a registered medical practitioner specialised in clinical oncology established a joint venture to extend our clinic service coverage to oncology and ancillary services and to complement the specialty offerings of the Group in Hong Kong.

Occupying the gross floor area of over 27,000 sq.ft., our specialty clinics, oncology and day procedure centres, and a diagnostic and imaging centre in Hong Kong commenced operation in November 2018.

The new clinics and centres are located at 9 Queen's Road Central and Langham Place Mongkok respectively. In addition to the advanced radiology services and aesthetic treatments, the comprehensive range of surgical specialties care offered including but not limited to Cardiothoracic, Ear, Nose and Throat, general surgery, plastic surgery, neurosurgery, orthopaedics and urology. Our advanced radiology services include magnetic resonance imaging (MRI), computed tomography scan (CT Scan), position emission tomography (PET CT), Ultrasound, EOS medical imaging. Our oncology centre and day procedure centre offer services including but not limited to chemotherapy, endoscopy, minor operations and traditional Chinese medicine treatments. Capital expenditures for establishing the clinics and centres are approximately HK$100 million.

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. We have been aiming and will continue to aim to expand our Key Client base and increase their average spending. A period-over-period analysis of certain key metrics of our revenue and clients is set out below:

	For the six months ended 30 September		
	2018	2017	% change
Total revenue (HK$)	**853,109,596**	617,318,341	38.2
Recognised Revenue (HK$)	**784,464,882**	574,287,982	36.6
Recognised Medical Revenue (HK$)	**469,382,847**	311,855,510	50.5
Sales contracts entered into during the period (HK$)	**880,145,430**	651,052,833	35.2
Approximate number of Key Client	**N/A***	N/A*	–
Approximate average spending per Key Client (HK$)	**N/A***	N/A*	–
Number of clients who made at least one purchase of services or products	**45,179**	44,795	0.9
Number of clients who received at least one service session	**63,751**	54,511	17.0
Revenue contributed by PRC clients (%)	**38.4**	35.7	2.7p.p.
Material unfavourable feedback (Compensation and refund) (HK$ million)	**0.13**	0.42	(69.0)
Material unfavourable feedback (Compensation and refund) (% of total revenue)	**0.02%**	0.07%	(0.05 p.p)
Refunds and settlements to legal proceedings and claims (HK$ million)	**–**	–	–
Refunds and settlements to legal proceedings and claims (% of Recognised Medical Revenue)	**–**	–	–

* Key Clients statistics are only available on an annual basis.

For the Reporting Period, (i) approximately 82.6% of our clients who received at least one service session were females, and (ii) approximately 71.9% of our clients who received at least one service session were between the ages of 16 to 45.

Our professionals and other staff

We continued to be a reliable partner to the medical experts, as at 30 September 2018, we had 76 Registered Practitioners, 19 Medical Professionals, 310 relationship managers and 361 Trained Therapists. The following table summarises our Registered Practitioners as at 30 September 2018:

Type of Registered Practitioners	Location	Number of Registered Practitioners
Registered medical practitioners on the General Register	Hong Kong	15
Registered medical practitioners on the Specialist Register		
Anaesthesiology	Hong Kong	3
Cardio-thoracic Surgery	Hong Kong	1
Clinical Microbiology & Infection	Hong Kong	1
Clinical Oncology	Hong Kong	1
General Surgery	Hong Kong	1
Geriatric Medicine	Hong Kong	1
Neurosurgery	Hong Kong	2
Orthopaedic Surgery	Hong Kong	3
Otorhinolaryngology	Hong Kong	1
Paediatrics	Hong Kong	1
Plastic Surgery	Hong Kong	2
Psychiatry	Hong Kong	1
Radiology	Hong Kong	1
Chinese medicine practitioners	Hong Kong	3
Chiropractors	Hong Kong	16
Dentists	Hong Kong	11
PRC Doctors	PRC	9
Macau Doctors	Macau	3
		76

Note: As at 1 November 2018, we had 80 Registered Practitioners.

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. All our staffs are scheduled to attend relevant medical-related trainings regularly to update their knowledge and skill sets. Prior to performing a procedure to a client, we require our Registered Practitioners, Medical Professionals and Trained Therapists to explain the procedures and associated risks and obtain consent in writing. We apply certain medical standards even to our non-medical services, such as recommending our clients to consult with Registered Practitioners prior to receiving any of our services.

Internal Control Measures

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), 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;

- compiling detailed employee guidelines on, inter alia, responsible selling practices (for example, not to harass or pressure clients into purchasing prepaid packages);

- installing 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.

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.

OUTLOOK AND STRATEGIES

Despite increasing medical and healthcare demand and expenditure, quality medical resources remain scarce in the PRC. According to market researches, the recent market size of health and wellness industry in the PRC is approximately RMB10,000 billion with double digit growth in the next five years. The Company is well positioned to capture such immense potential by rectifying the mismatch of medical resources supply and demand via the offering of top notch customer experience.

According to the Hong Kong Immigration Department, there were on average approximately 73,000 passengers took the rail link daily during the National Holiday of the PRC, and the day high during the respective period reached 80,020. As a result of High-Speed Rail coming into operation, travelers from the PRC increased by 19.9% as compared to the same period last year according to the Immigration Department of Hong Kong.

According to Ricky Tse Kam-ting, founding president of the Hong Kong Inbound Tour Operators Association, the rail opening facilitated the PRC tourists to understand Hong Kong further, allowing the city to advertise itself. Although it is expected that less than 10% of the expected tours would take the new rail link, the commencement of the Hong Kong-Zhuhai-Macau bridge operation, would draw attention from mainlanders to the city and enhance economic growth.

The Hong Kong-Zhuhai-Macau bridge commenced operation in October 2018 and marks another milestone for cross-border integration. The PRC Government drives to develop the "Greater Bay Area", aiming to transform Hong Kong, Macau and nine mainland cities into an integrated economic powerhouse, not only competing among the cities globally clusters, but to enhancing the development of "Belt and Road Initiative" deployed by the PRC.

Hong Kong is an international financial, trade and shipping centre. Based on a well-established common law regime, sound rule of law, the accounting and regulatory systems which are of international standard, Hong Kong has efficient governance and excellent professional services, enabling an attractive business environment that connects the worldwide sales network. As an internationalised metropolis with its unique advantage of connecting the mainland and the world, Hong Kong is positioned to enhance the successful development of the Greater Bay Area via cross-border movements of capital, talents, goods and services within the Greater Bay Area. Riding on our strategy to induce medical tourism, our sales remain on a positive upward trend.

We will continue to intensify the preventive and precision medical services by leveraging on IT management and AI technology to transform the medical industry. The Group aspires to become the leader in the medical industry in Asia via market consolidation. The Group will continue to diversify our services and product offerings to fulfil the medical, health and wellness needs of individuals via organic expansion and acquisitions.

The Group welcomes the recent passage of the Private Healthcare Facilities Bill by the Legislative Council. We believe the new ordinance will further protect patient safety and consumer rights. Upholding the stringent industry standards, the Group will continue to expand its professional expertise in medical, aesthetics, and the health and wellness markets to consolidate the Group's leading position in the region.

Hong Kong

With medical efficacy as a foundation, we value the point-of-care. By setting up and establishing centres and clinics with various medical disciplines during the Reporting Period and up to the date of this announcement, the Group strengthen its position as an integrated medical service platform in Hong Kong. In addition to exploring the enhanced medical needs by the existing customers, we are to extend coverage of disciplines that are yet to offer by the Group.

Riding on the ample resources shared by our shareholders and the co-operation with Tencent Doctorwork, the Group gained better access to renowned IT capabilities, medical products and services globally. The Group is well positioned to bring in the pioneered products and services being offered globally to Hong Kong as an entry point to the PRC. The IT system to be jointly developed by the Group and Tencent Doctorwork shall connect medical services across the PRC and Hong Kong including but not limited to onshore consultation delivered by offshore registered practitioners.

The PRC

The Group shall continue to 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 the expansion of our own medical aesthetic clinic in first-tier and selected second-tier cities in the PRC progressively. Further to commencing operation in October 2018, the Group will focus to enhance utilisation and efficiency of our new medical aesthetic clinic in Shenzhen in the near term.

We are exploring acquisition targets as well as partnership opportunities with local medical players in the PRC proactively, 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 38.2% to HK$853.1 million for the six months ended 30 September 2018 primarily contributed by the significant increase of 50.5%, 37.9% and 27.9% of revenue from medical services, quasi-medical services and health management business respectively, which were primarily attributable to (a) the increase in number of medical procedures performed; (b) the contribution and integration from the newly acquired and developed businesses.

Medical services

Our revenue from medical services increased by 50.5% from HK$311.9 million for the six months ended 30 September 2017 to HK$469.4 million for the six months ended 30 September 2018, primarily attributable to the increase in revenue generated from minimally invasive procedures and the increase in the number of, and variety of, energy-based aesthetic medical services provided to clients during the Reporting Period.

Quasi-medical services

Our revenue from quasi-medical services increased by 37.9% from HK$52.1 million for the six months ended 30 September 2017 to HK$71.8 million for the six months ended 30 September 2018, primarily attributable to the increase in the number of, and variety of, energy-based aesthetic medical services provided to clients during the Reporting Period.

Health management services

Our revenue from health management services increased significantly by 27.9% from HK$51.2 million for the six months ended 30 September 2017 to HK$65.5 million for the six months ended 30 September 2018, primarily attributable to the increase in the number of clients obtaining services in our one-stop health management centre.

Traditional beauty services

Our revenue from traditional beauty services increased by 10.6% from HK$122.3 million for the six months ended 30 September 2017 to HK$135.3 million for the six months ended 30 September 2018. While the business scale of traditional beauty services remain stable, its proportion to our total revenue decreased from 19.8% for the six months ended 30 September 2017 to 15.9% for the six months ended 30 September 2018.

Skincare, healthcare and beauty products

Our revenue from the sale of skincare, healthcare and beauty products increased by 15.4% from HK$36.8 million for the six months ended 30 September 2017 to HK$42.5 million for the six months ended 30 September 2018, primarily attributable to the new beauty product line from Switzerland.

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 Condensed Consolidated Financial Statements.

Other net income and gains

For the six months ended 30 September 2018, our other net income and gains was approximately HK$24.1 million (for the six months ended 30 September 2017: HK$14.4 million), representing an increase of 67.4% when compared to the same period last year, primarily due to the increase in interest income as a result of the treasury management during the Reporting Period and the new source of rental income from investment properties.

Cost of inventories and consumables

Our cost of inventories and consumables increased to HK$99.3 million for the six months ended 30 September 2018 (for the six months ended 30 September 2017: HK$81.5 million), representing an increase of 21.8% when compared to the same period last year, primarily attributable to an increase in the volume of medication and service consumables used, yet its proportion to total revenue decreased from 13.2% for the six months ended 30 September 2017 to 11.6% for the six months ended 30 September 2018.

Registered Practitioner expenses

For the six months ended 30 September 2018, we incurred Registered Practitioner expenses of approximately HK$66.3 million (for the six months ended 30 September 2017: HK$32.7 million), representing 7.8% of the total revenue, an increase of 102.8% when compared to the same period last year primarily attributable to the increase in number of Registered Practitioners.

Employee benefit expenses

For the six months ended 30 September 2018, we incurred employee benefit expenses of approximately HK$208.0 million (for the six months ended 30 September 2017: HK$177.7 million), representing 24.4% of the total revenue, an increase of 17.1% when compared to the same period last year. Employee benefit expenses as a proportion to total revenue decreased for the six months ended 30 September 2018 from 30 September 2017, primarily attributable to the increase in productivity of our employees. As at 30 September 2018, we have 1,317 full time employees.

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 six months ended 30 September 2018, the Group incurred marketing and advertising expenses of approximately HK$83.4 million (for the six months ended 30 September 2017: HK$62.0 million), representing 9.8% of total revenue when compared to 10.0% of total revenue for the six months ended 30 September 2017. Such increase was primarily due to an increased level of marketing and advertising activities during the first half of the financial year in conjunction with the newly acquired and developed business such as placing additional billboard advertisements and additional fees paid to advertising agencies.

Rental and related expenses

For the six months ended 30 September 2018, the Group incurred rental and related expenses of approximately HK$78.6 million (for the six months ended 30 September 2017: HK$59.4 million), representing 9.2% of the total revenue, an increase of 32.3% when compared to the same period last year which was in line with the increase in the g.f.a of service centres and clinics from approximately 183,000 sq. ft. as at 30 September 2017 to approximately 233,000 sq. ft. as at 30 September 2018.

Credit card expenses

For the six months ended 30 September 2018, the Group incurred credit card expenses of approximately HK$23.2 million (for the six months ended 30 September 2017: HK$20.2 million), representing 2.7% of the total revenue, an increase of 14.9% when compared to the same period last year and was in line with the increase in sales contracts entered into during the Reporting Period.

Charitable donation expenses

For the six months ended 30 September 2018, the Group incurred donation expenses of approximately HK$1.6 million (for the six months ended 30 September 2017: HK$0.8 million), representing 0.19% of the total revenue.

Other expenses

For the six months ended 30 September 2018, the Group incurred other operating expenses of approximately HK$53.4 million (for the six months ended 30 September 2017: HK$35.6 million), representing 6.3% of the total revenue, an increase of 50.0% when compared to the same period last year, primarily due to the increase in the scale and diversity of the Group's business, professional expenses incurred for acquiring new businesses and ongoing regulatory compliance of the Company as a listed company, and the amortisation of intangible assets with respect to the acquired businesses during the Reporting Period.

Profit before tax

For the six months ended 30 September 2018, the Group had profit before tax of approximately HK$240.9 million (for the six months ended 30 September 2017: HK$150.5 million), representing an increase of 60.1% when compared to the same period last year.

Income tax expense

For the six months ended 30 September 2018, the Group incurred income tax expense of approximately HK$37.9 million, representing an increase of 56.6% when compared to the same period last year and was in line with the increase in profit before tax.

Profit for the period/profit margin

For the six months ended 30 September 2018, the Group recorded profit for the period of approximately HK$203.0 million, representing an increase of 60.7% when compared to the same period last year and a net profit margin of 23.8% (for the six months ended 30 September 2017: 20.5%).

LIQUIDITY AND CAPITAL RESOURCES

Financial Resources

We continue to maintain a strong financial position with cash and cash equivalents and time deposits with original maturity over 3 months of HK$499.8 million as at 30 September 2018. 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 current working capital requirements as well as to fund its budgeted expansion plans in the next financial year.

During the six months ended 30 September 2018, a 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 of our assets and transactions denominated in Renminbi.

Capital Expenditure

Our capital expenditures during the six months ended 30 September 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 expenditure through cash flows generated from operating activities and the net proceeds from the IPO.

Capital Commitment

As at 30 September 2018, there is capital commitment of approximately HK$187.0 million in respect of acquisition of medical practices and property, plant and equipment. Save as disclosed herein, we do not have other material capital commitment.

INDEBTEDNESS

Interest-bearing Bank Borrowings/Gearing Ratio

As at 30 September 2018, the Group had outstanding interest-bearing bank borrowings in the amount of HK$545.9 million. The Group's gearing ratio is 53.7%.

Contingent Liabilities and Guarantees

As at 30 September 2018, 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 for the use of certain credit card equipment. Save as disclosed herein, the Group had no significant contingent liabilities and guarantees as at 30 September 2018.

Charge of Assets

As at 30 September 2018, one of the investment properties of HK$121.8 million and financial assets at fair value through profit or loss of HK$443.8 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.

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 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 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. There is no plan authorised by the Board for other material investments or additions of capital assets as at the date of this announcement.

INTERIM DIVIDEND AND SPECIAL DIVIDEND

The Board declared an interim dividend of 5.0 HK cents per Share and a special dividend of 10.0 HK cents per Share, i.e. a total of 15.0 HK cents per Share, for the Reporting Period, which will be payable to Shareholders whose names appear on the register of members of the Company on Thursday, 20 December 2018. The interim and special dividends will be payable in cash and are expected to paid on or around Friday, 28 December 2018.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining entitlement to the interim and special dividends, the register of members of the Company will be closed from Monday, 17 December 2018 to Thursday, 20 December 2018. In order to qualify for the interim and special dividends, 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 Friday, 14 December 2018.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company has complied with all applicable code provisions as set out in the CG Code, save and except for deviation from code provision A.2.1 which states that 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. Although the dual roles of chairman and chief executive officer by Mr. Tang 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 allows 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.

COMPLIANCE WITH THE MODEL CODE

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. Having made specific enquiry, all the Directors confirmed that they have complied with the required standards set out in the Model Code during 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.

CAPITAL EXPENDITURE AND COMMITMENTS

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 planned application of the net proceeds and actual usage from 1 April 2018 up to 30 September 2018:

	Unutilised net proceeds as at 1 April 2018 (Approximately HK$ in million)	Approximate Percentage of the unutilised net proceeds as at 1 April 2018	Actual usage during the period from 1 April 2018 to 30 September 2018	Unutilised net proceeds balance as at 30 September 2018
i. Establishing and expanding the scale of our medical, aesthetic and beauty service businesses, centres and clinics	151.2	79.5%	151.2	0.0
ii. Acquiring of medical, aesthetic and beauty service businesses, centres and clinics, and entering into of joint ventures	8.0	4.2%	8.0	0.0
iii. Upgrading and improving our information technology systems	31.0	16.3%	3.6	27.4
iv. Working capital and for other general corporate purpose	0.0	0.0%	0.0	0.0
	190.2	100.0%	162.8	27.4

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.

REVIEW OF INTERIM RESULTS

The Audit Committee, which comprises three independent non-executive Directors, has reviewed the unaudited interim condensed consolidated financial statements of the Group for the Reporting Period, and was of the opinion that the preparation of such interim results had been prepared in accordance with the relevant accounting standards and that adequate disclosures have been made in accordance with the requirements of the Listing Rules, the applicable accounting standard and all legal requirements.

The figures in respect of this announcement of the Group's results for the six months ended 30 September 2018 have been reviewed and agreed by the Audit Committee.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

DEFINITION

"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
"Company"	Union Medical Healthcare Limited (香港醫思醫療集團有限公司*), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Director(s)"	the director(s) of the Company
"Greater Bay Area"	city cluster cross the Guangdong-Hong Kong-Macau region, consisting of Hong Kong, Macau and nine cities in Guangdong Province, namely, Dongguan, Foshan, Guangzhou, Huizhou, Jiangmen, Shenzhen, Zhaoqing, Zhongshan and Zhuhai
"Greater China"	the PRC, Hong Kong, Macau and Taiwan
"Group"	the Company and its subsidiaries
"g.f.a"	gross floor area
"Healthcare Professionals"	person(s) registered with the respective boards or councils before he/she is allowed to practise in Hong Kong under the relevant laws of Hong Kong as may be amended, supplemented or otherwise modified from time to time. The 13 healthcare professionals comprise Chinese medicine practitioners, chiropractors, dental hygienists, dentists, medical laboratory technologists, medical practitioners, midwives, nurses, pharmacists, occupational therapists, optometrists, physiotherapists and radiographers

* *for identification purpose only*

"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"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
"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 Professionals"	Healthcare Professionals, excluding Registered Practitioners
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Mr. Tang"	Mr. Tang Chi Fai, the chairman, executive Director and the chief executive officer of the Company
"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
"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"	Revenue includes medical services, quasi-medical services, health management services, traditional beauty services and skincare, healthcare and beauty products

"Registered Practitioner(s)"	registered dentist within the meaning of the Dentists Registration Ordinance (Cap. 156), registered medical practitioner within the meaning of the Medical Registration Ordinance (Cap. 161), registered chiropractor within the meaning of the Chiropractors Registration Ordinance (Cap. 428), listed or registered Chinese medicine practitioner within the meaning of the Chinese Medicine Ordinance (Cap. 549), Macau Doctors and PRC Doctors
"Reporting Period"	six months ended 30 September 2018
"Share(s)"	ordinary share(s) in the share capital of the Company with par value of HK$0.00001 each
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Trained Therapists"	our employees who have completed mandatory internal training developed by our Doctors to provide quasi-medical services and/or traditional beauty services under our internal licensing programme
"HK$"	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, 28 November 2018

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Tang Chi Fai and Mr. Lee Gabriel, two non-executive Directors, namely Mr. Luk Kun Shing Ben and Dr. Wang Daivd Guowei, and three independent non-executive Directors, namely Mr. Ma Ching Nam, Mr. Look Andrew and Mr. Lam Chi Hang Josekin.