THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Modern Healthcare Technology Holdings Limited, you should at once hand this circular, together with the accompanying proxy form to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

MODERN HEALTHCARE TECHNOLOGY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 919)

MAJOR AND CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EGM

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Capitalised terms defined in this circular shall have the same meanings when used in this cover.

A letter from the Board is set out on pages 4 to 18 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 19 of this circular. A letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 32 of this circular.

A notice convening the EGM to be held at Portion 2, 12/F., The Center, 99 Queen's Road Central, Central, Hong Kong, on Thursday, 30 March 2023 at 11:30 a.m. is set out on pages EGM-1 and EGM-2 of this circular. A proxy form for the EGM is also enclosed with this circular.

Whether or not you intend to attend and vote at the EGM or any postponed or adjourned meetings in person, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 11:30 a.m. (Hong Kong time) on Tuesday, 28 March 2023 or not less than 48 hours before the time appointed for the holding of the EGM or any postponed or adjourned meeting. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any postponed or adjourned meeting if you so wish, and in such case, the proxy form previously submitted shall be deemed to be revoked.

14 March 2023

CONTENTS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

"2020 Master Lease Agreement"	the agreement dated 20 February 2020 entered into between the Company and Asia Power in respect of the Existing Premises
"2023 Master Lease Agreement"	the agreement dated 22 February 2023 entered into between the Company and Asia Power in respect of the Leasing Arrangements for the three years ending 31 March 2026
"Additional Premises"	the additional premises that may be leased by member(s) of the Group from the Owner(s) during the term of the 2023 Master Lease Agreement, the location of such premises is not yet identified as at the date of this circular
"Annual Caps"	the maximum value of the right-of-use assets represented by the properties that may be leased by the Group from the Owners under the Leasing Arrangements pursuant to the 2023 Master Lease Agreement for the year ending 31 March 2024, the year ending 31 March 2025 and the year ending 31 March 2026 in the amount of HK$119 million, HK$6 million and HK$3 million respectively
"Asia Power"	Asia Power Global Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by a family trust set up by Dr. Tsang
"associate(s)"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors
"Company"	Modern Healthcare Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 919)
"Director(s)"	the director(s) of the Company
"Dr. Tsang"	Dr. Tsang Yue, Joyce, an executive Director, chairperson of the Board and a controlling Shareholder (within the meaning of the Listing Rules)

"EGM"	the extraordinary general meeting of the Company to be held at Portion 2, 12/F., The Center, 99 Queen's Road Central, Central, Hong Kong on Thursday, 30 March 2023 at 11:30 a.m. to consider, and if thought fit, approve, among other matters (if any), the Leasing Arrangements pursuant to the 2023 Master Lease Agreement and the Annual Caps, the notice of which is set out on pages EGM-1 and EGM-2 of this circular
"Existing Lease Agreement(s)"	as defined in "THE 2023 MASTER LEASE AGREEMENT – Background" in the letter from the Board contained in this circular
"Existing Premises"	the properties owned by the Owners in Hong Kong and/or other place(s) in the world currently leased to the Group under the Existing Lease Agreements and are expected to continue to be leased to the Group upon the expiry of the Existing Lease Agreements, details of which are disclosed in the paragraph headed "THE 2023 MASTER LEASE AGREEMENT – Background" in the letter from the Board contained in this circular
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	an independent board committee, comprising all of the independent non-executive Directors, namely, Ms. Liu Mei Ling, Rhoda, Dr. Wong Man Hin, Raymond and Mr. Hong Po Kui, Martin, established to advise the Independent Shareholders in respect of the Leasing Arrangements under the 2023 Master Lease Agreement and the Annual Caps
"Independent Financial Adviser"	Akron Corporate Finance Limited (亞貝隆資本有限公司), a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Leasing Arrangements under the 2023 Master Lease Agreement and the Annual Caps

"Independent Shareholder(s)"	the Shareholder(s) other than those who are required by the Listing Rules to abstain from voting on the resolution approving the Leasing Arrangements under the 2023 Master Lease Agreement and the Annual Caps, being Dr. Tsang and her associates
"Latest Practicable Date"	10 March 2023, being the latest practicable date before the printing of this circular for the purpose of ascertaining certain information contained herein
"Leasing Arrangements"	the leasing of premises (comprising the Existing Premises and, if applicable, the Additional Premises) by the Group from the Owners pursuant to the 2023 Master Lease Agreement by the entering into of a tenancy or lease agreement in respect of such premises between any member of the Group and the relevant Owner
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 March 2023
"Owner(s)"	subsidiaries of Asia Power from time to time which are the legal and beneficial owners of the Existing Premises and may become the legal and beneficial owners of the Additional Premises and "Owner" shall mean any of them
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGD"	Singapore dollars, the lawful currency of Singapore
"Share(s)"	the ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

MODERN HEALTHCARE TECHNOLOGY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 919)

Executive Directors:
Dr. Tsang Yue, Joyce
(Chairperson and Chief Executive Officer)
Mr. Yip Kai Wing
Ms. Yeung See Man

Independent Non-Executive Directors:
Ms. Liu Mei Ling, Rhoda
Dr. Wong Man Hin, Raymond
Mr. Hong Po Kui, Martin

Registered Office:
PO Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Head Office and Principal Place of Business in Hong Kong:
Work Shop Nos. 66-68
6/F Sino Industrial Plaza
9 Kai Cheung Road
Kowloon Bay
Kowloon
Hong Kong

14 March 2023

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 22 February 2023, in which the Company had announced that it had entered into the 2023 Master Lease Agreement with Asia Power to regulate the Leasing Arrangements between the Group and the Owners for the three years ending 31 March 2026.

The purpose of this circular is to provide you with, among other things, details regarding (i) the Leasing Arrangements under the 2023 Master Lease Agreement and the Annual Caps and the transactions contemplated thereunder; (ii) the recommendation from the Independent Board Committee in respect of the Leasing Arrangements under the 2023 Master Lease Agreement and the Annual Caps; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) a notice convening the EGM; and (v) other information as required under the Listing Rules.

THE 2023 MASTER LEASE AGREEMENT

Background

Reference is made to the circular of the Company dated 11 March 2020 in respect of the continuing connected transactions in relation to the 2020 Master Lease Agreement, pursuant to which members of the Group have entered into various individual lease agreements ("**Existing Lease Agreements**", each an "**Existing Lease Agreement**") with the Owners for leasing certain premises from the Owners during the term of the 2020 Master Lease Agreement.

Given that the 2020 Master Lease Agreement and the individual lease agreements entered into pursuant thereto will expire on 31 March 2023 and the Group expects that it will continue to lease the Existing Premises after the expiry of the respective Existing Lease Agreements on 31 March 2023, on 22 February 2023, the Company entered into the 2023 Master Lease Agreement with Asia Power so as to enable the continuance of the Leasing Arrangements between the Group and the Owners for the three years ending 31 March 2026.

Currently, the Existing Premises are being used in the ordinary and usual course of the business of the Group as its operating facilities (including but not limited to offices, retail shops, service centres and warehouses). The Group intends to continue to lease the Existing Premises in Hong Kong and Singapore under the arrangement contemplated under the 2023 Master Lease Agreement. Set out below is certain information on the Existing Premises which are expected to continue to be leased by the Group from the Owners under the 2023 Master Lease Agreement:

Particulars of the Existing Premises	Present usage	Total rental paid/payable for the year ended 31 March 2021	2022	Estimated total rental for the year ending 31 March 2023	Fair market rent (monthly) as at 1 January 2023
		HK$	*HK$*	*HK$*	*HK$*
		(Note 1)	*(Note 1)*	*(Note 1)*	*(Notes 1 and 2)*
Hong Kong Island					
1. Shop and Toilet Area on 1st Floor, Shop and Toilet Area on 2nd Floor, Lift and Staircase (No. 3) and Grease Trap Room on 1st Floor, 1st Floor Staircase for 2nd Floor, Lift and Staircase on 2nd Floor, Lift Machine Room for 1st to 2nd Floors on 3rd Floor, Signage Units Nos. 1 to 8 on Ground Floor, Signage Units Nos. 9 to 14 on 1st Floor, Store and Open Store on Ground Floor, The Grandeur, 47 Jardine's Bazaar, Causeway Bay, Hong Kong	Service centre	4,314,000.00	4,314,000.00	4,314,000.00	344,000.00

Particulars of the Existing Premises	Present usage	Total rental paid/payable for the year ended 31 March 2021 HK$ (Note 1)	2022 HK$ (Note 1)	Estimated total rental for the year ending 31 March 2023 HK$ (Note 1)	Fair market rent (monthly) as at 1 January 2023 HK$ (Notes 1 and 2)
2. 1/F, (including its Flat Roof and Stair-Entrance on Ground Floor), King Kwong Mansion, No. 8 King Kwong Street, Happy Valley, Hong Kong	Service centre	774,000.00	774,000.00	774,000.00	60,000.00
3. Portion B of Basement of Hang Ying House, Nos. 318-328 King's Road, North Point, Hong Kong	Service centre	1,314,000.00	1,314,000.00	1,314,000.00	107,000.00
4. Portion B of Shop C on Ground Floor and Shop E on Basement, King's View Court, 901-907 King's Road, Quarry Bay, Hong Kong	Service centre	2,544,000.00	2,544,000.00	2,544,000.00	200,000.00
5. 3/F., Causeway Bay Commercial Building, Nos. 1-5 Sugar Street, Causeway Bay, Hong Kong	Service centre	2,544,000.00	2,544,000.00	2,544,000.00	231,000.00
6. Room 301-305, 3/F., On Lok Yuen Building, Nos. 25, 27 & 27A Des Voeux Road Central, Hong Kong	Service centre	1,462,800.00	1,462,800.00	1,462,800.00	133,000.00
7. Room 1201-1203, 12/F, Silver Fortune Plaza, No. 1 Wellington Street, Central, Hong Kong	Service centre	1,962,600.00	1,962,600.00	1,962,600.00	162,000.00
8. 5/F., World Trust Tower, No. 50 Stanley Street, Central, Hong Kong	Service centre	1,194,000.00	1,194,000.00	1,194,000.00	97,000.00
9. Unit 2A, 2/F, Winner House, No. 310 King's Road, North Point, Hong Kong	Service centre	1,494,000.00	1,494,000.00	1,494,000.00	120,000.00
10. Unit 2B, 2/F, Winner House, No. 310 King's Road, North Point, Hong Kong *(Note 3)*	Service centre	–	418,000.00	1,254,000.00	97,000.00
Kowloon					
11. Workshop Nos. 11-13, 32B, 33B, 50-71, 78 and store room No. 10 on 6th Floor and Lorry Car Parking Space Nos. 8, 14 and 15 on Basement, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong *(Note 4)*	Office and warehouse	1,631,412.00	1,631,412.00	1,631,412.00	181,000.00

Particulars of the Existing Premises	Present usage	Total rental paid/payable for the year ended 31 March 2021 HK$ (Note 1)	2022 HK$ (Note 1)	Estimated total rental for the year ending 31 March 2023 HK$ (Note 1)	Fair market rent (monthly) as at 1 January 2023 HK$ (Notes 1 and 2)
12. 3/F & 4/F (including Flat Roof) BCC Building, Nos 25-31 Carnarvon Road, Kowloon, Hong Kong	Service centre	3,714,000.00	3,714,000.00	3,714,000.00	302,000.00
13. Units C1, C2, D1, D2, E1 & E2, 16/F, TG Place, No. 10 Shing Yip Street, Kowloon, Hong Kong	Service centre	1,626,000.00	1,626,000.00	1,626,000.00	156,000.00
14. 16/F & Lavatories, Oriental Centre Nos. 67-71 Chatham Road South, Kowloon, Hong Kong	Service centre	1,411,800.00	1,411,800.00	1,411,800.00	128,000.00
15. 1/F, 44-46 Carnarvon Road, Tsim Sha Tsui, Kowloon, Hong Kong	Service centre	178,500.00	714,000.00	714,000.00	52,000.00
New Territories					
16. 18/F, Hou Feng Industrial Building, Nos.1-5 Wing Kin Road, Kwai Chung, New Territories	Warehouse	738,000.00	738,000.00	738,000.00	67,000.00
17. 1st Floor (with flat roof adjacent thereto), Len Fat Mansion, Nos. 56-60, 64-86 Kin Yip Street, Yuen Long, New Territories	Service centre	1,878,000.00	1,878,000.00	1,878,000.00	150,000.00
18. Units B74-B90, B99-B116, B132-B136, 1/F., The Commercial Accommodation of Well On Garden, No. 9 Yuk Nga Lane, Tseung Kwan O, New Territories	Service centre	1,554,000.00	1,554,000.00	1,554,000.00	127,000.00
19. Unit 1, 25/F., North Wing Tuen Mun Parklane Square, No. 2 Tuen Hi Road, Tuen Mun, New Territories *(Note 5)*	Service centre	–	–	540,000.00	53,000.00
20. Unit 4502B, 4503-4506 on Level 45 of Tower II, Metro Plaza, No. 223 Hing Fong Road, Kwai Chung, New Territories *(Note 6)*	Service centre	–	–	805,000.00	112,000.00

Particulars of the Existing Premises	Present usage	Total rental paid/payable for the year ended 31 March 2021 SGD (Note 1)	2022 SGD (Note 1)	Estimated total rental for the year ending 31 March 2023 SGD (Note 1)	Fair market rent (monthly) as at 1 January 2023 SGD (Notes 1 and 2)
Singapore					
21. Blk 218, Bedok North Street 1, #01-19 (Upper Level) Singapore 460218 *(Note 7)*	Service centre	–	12,000.00 (equivalent to approximately HK$71,076.00)	24,000.00 (equivalent to approximately HK$142,152.00)	2,100.00 (equivalent to approximately HK$12,438.30)
		HK$30,335,112.00	HK$31,359,688.00	HK$33,611,764.00	HK$2,891,438.30 per month

Notes:

1. Exclusive of rates, government rent and management fees.

2. The monthly fair rent is based on the opinion of an independent property valuer.

3. The relevant Existing Lease Agreement was entered into in the year ended 31 March 2022.

4. Currently, Workshop 78 comprised in Property 11 has been used by the Group free of charge.

5. The relevant Existing Lease Agreement was entered into in the year ending 31 March 2023.

6. The relevant Existing Lease Agreement was entered into in the year ending 31 March 2023.

7. The relevant Existing Lease Agreement was entered into in the year ended 31 March 2022.

Under the 2023 Master Lease Agreement, Asia Power agrees to procure the Owners to lease both of the Existing Premises and, where applicable, the Additional Premises to the Group subject to the relevant Owner and the designated member of the Group entering into an individual lease agreement in an agreed form. Hence, the terms of each of the individual lease agreement are expected to be more or less the same.

Duration and the right of termination

As regards the Existing Premises, the term of the individual lease agreement will commence on 1 April 2023 and is expected to end on 31 March 2026 (both dates inclusive). As regards the Additional Premises, the term of the individual lease agreement will commence after the monthly rental and other terms have been agreed upon by the relevant Owner and the Group and is also expected to end on 31 March 2026.

The agreed form of the individual lease agreement contains a provision which enables the Group to terminate the individual lease agreement at any time before the expiry of the term of tenancy by (i) giving 60 days' written notice to the Owner or by (ii) paying the Owner one-month rental in lieu of such notice. On the contrary, the Owner is not entitled to early terminate the individual lease agreement by notice.

Monthly rental

The monthly rent of each of the individual lease agreement will be determined with reference to the fair market rent of each of the relevant properties (comprising the Existing Premises and, where applicable, the Additional Premises). As elaborated below, it is the intention of the Group to negotiate for a discount (as compared to the fair rent to be determined by the independent property valuer) for the monthly rental in respect of each property. The fair market rent is the fair rent to be determined by the independent property valuer from time to time.

Depending on the then operation needs of the Group and market conditions, the Group may lease Additional Premises from the Owners and/or switch the leased premises from one location to another location in the future. The Leasing Arrangements contemplated under the 2023 Master Lease Agreement provide the Group with the flexibility to enter into additional individual lease agreement(s) with the relevant Owner(s), during the term of the 2023 Master Lease Agreement, for leasing properties which suit the Group's operational needs, subject always to the fact the individual lease agreement(s) must be on terms which are fair and reasonable and on normal commercial terms or better. As at the Latest Practicable Date, the locations of the Additional Premises have not yet been identified.

Since the Group intends to continue to lease the Existing Premises and may lease Additional Premises from the Owners, as explained above, the Company and Asia Power entered into the 2023 Master Lease Agreement on 22 February 2023 to set out the principal terms and conditions governing the Leasing Arrangements by the Group from the Owners in the future.

Date of the 2023 Master Lease Agreement

22 February 2023

Parties to the 2023 Master Lease Agreement

Asia Power and the Company

The relationship between Asia Power and the Company is more particularly described in the paragraph headed ''INFORMATION OF THE PARTIES AND LISTING RULES IMPLICATIONS'' below.

Subject Matter

Pursuant to the 2023 Master Lease Agreement, the Group will enter into individual lease agreements to lease certain premises from the relevant Owner from time to time during the term of the 2023 Master Lease Agreement. As at the Latest Practicable Date, such premises were expected to include the Existing Premises.

Conditions

The 2023 Master Lease Agreement and the Leasing Arrangements are conditional upon:

1. the passing of an ordinary resolution by the Independent Shareholders at the EGM approving the Leasing Arrangements and the Annual Caps; and

2. (if required) all requisite waivers, consents and approvals from any relevant governments or regulatory authorities in Hong Kong or other jurisdictions (if applicable) or other relevant third parties in connection with the Leasing Arrangements required to be obtained on the part of the Group having been obtained.

If the conditions above shall not have been fulfilled on or before the Long Stop Date, the 2023 Master Lease Agreement shall cease and terminate, save and except for certain provisions in relation to costs and expenses and miscellaneous matters which shall remain in full force and effect.

Duration

Subject to fulfillment of the above conditions on or before the Long Stop Date, the 2023 Master Lease Agreement shall be for a term commencing on 1 April 2023 and ending on 31 March 2026. The 2023 Master Lease Agreement may be terminated by the Company by giving Asia Power at least sixty days' written notice.

Subject to fulfillment of the above conditions on or before the Long Stop Date, each of the leases to be entered into between the Group and the relevant Owners pursuant to the 2023 Master Lease Agreement will have a term commencing on or after 1 April 2023 and expiring on (i) the expiration or earlier termination of its own terms or (ii) 31 March 2026, whichever is earlier.

Rental and Pricing Policies

Pursuant to the 2023 Master Lease Agreement, each individual lease to be entered into shall be on normal commercial terms or better (within the meaning of Chapter 14A of the Listing Rules) and the amount of rental (exclusive of rates, government rent and management fees) under each such lease shall be determined by the parties to such individual lease with reference to the then prevailing market rents on premises owned by independent third parties and comparable in location, area and permitted use ("**Comparable Premises**") provided that before each such individual lease under the 2023 Master Lease Agreement is entered into, the Group shall, at its own costs and expenses, obtain a confirmation from an independent property valuer providing its opinion of the then prevailing market rent of the premises with reference to the market rent of the Comparable Premises and the rent to be set out in the relating Leasing Arrangement shall be no more than such prevailing market rent and the effective date of the opinion shall not be more than three months.

The monthly rent payable under the individual lease agreements shall be paid out of the internal resources of the Group. Such monthly rent will be paid on the first day of each month in advance.

The government rent, rates and management fee under each individual lease under the 2023 Master Lease Agreement will be paid to the government or, as the case may be, the management companies by the relevant tenant direct.

THE ANNUAL CAPS AND BASIS OF DETERMINATION

The Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants applicable to the Group include HKFRS 16 "Leases" which has come into effect on 1 January 2019 and is applicable to financial years starting on or after 1 January 2019. Under HKFRS 16, the Group, as the lessee, shall recognize the total rental payments payable to the relevant Owners under the 2023 Master Lease Agreement as a right-of-use asset and a lease liability in the consolidated statement of the financial position of the Group.

The rental paid by the Group to the subsidiaries of Asia Power under the 2020 Master Lease Agreement for each of the two years ended 31 March 2022 and the rent paid/payable for the year ending 31 March 2023 amounted to approximately HK$30.3 million, HK$31.4 million and HK$33.6 million respectively. The annual caps pursuant to the 2020 Master Lease Agreement for the year ended 31 March 2021, the year ended 31 March 2022 and the year ending 31 March 2023 were HK$115.2 million, HK$7.1 million and HK$3.6 million, respectively. The utilization rate of the premises leased under the 2020 Master Lease Agreement for the year ended 31 March 2021, the year ended 31 March 2022 and the year ending 31 March 2023 were 82.4%, 26.1% and 37.1% respectively.

Based on the opinion of the independent property valuer, the aggregate prevailing monthly rent of the Existing Premises as at 1 January 2023 is HK$2,891,438.30. On such basis, the annual rent for leasing such premises is thus HK$34,697,259.60 and the estimated value of the right-of use asset for the Existing Premises for the year ending 31 March 2024 amounts to approximately HK$99,430,066.

Having considered the current business environment, it is the intention of the Group to negotiate for a discount, which will range from 2-10% but in respect of all the Leasing Arrangements as a whole will not be less than 5% of the aggregate monthly fair rent ("**Discount Range**"), on the monthly rental (as compared to the fair rent as stated above) when the Group enters into the individual leases with the Owners. Asia Power has in principle agreed to giving such discount under the Leasing Arrangements. In determining the discount offered by Asia Power, the Group will, with reference to the market fair rent and the Discount Range, engage in arm's length negotiations with the Owners. Hence, the discount will be fair and reasonable to the Company and Independent Shareholders as a whole.

Taking into account (i) the fact that the Group intends to continue to lease the Existing Premises and may lease Additional Premises, for its own use during the three years ending 31 March 2026; (ii) the estimated value of the Group's right-of-use assets of the Existing Premises which is initially measured on present value basis and calculated by discounting the non-cancellable lease payments for respective connected lease, using the incremental borrowing rate as the discount rate; and (iii) the said aggregate prevailing monthly rent of the Existing Premises, it is expected that the Annual Cap in respect of the Leasing Arrangements as contemplated under the 2023 Master Lease Agreement for the year ending 31 March 2024, the year ending 31 March 2025 and the year ending 31 March 2026 will not exceed HK$119 million, HK$6 million and HK$3 million respectively. These Annual Caps were determined after taking into account (i) the prevailing market rents of the relevant Existing Premises; and (ii) a buffer of approximately 20% for rental payments in respect of Additional Premises which may be leased from the Owners during the term of the 2023 Master Lease Agreement. The Annual Cap for the year ending 31 March 2024 of HK$119 million ("**FY2024 Annual Cap**") is principally determined with reference to the value of the right-of-use assets in respect of the leasing of the Existing Premises for a term of three years of approximately HK$99.4 million, representing approximately 83.5% of the FY2024 Annual Cap. It is the intention of the Group, subject to the then business environment and operational needs of the Group, to lease two Additional Premises in prime areas to capture the business recovery following the improvement in the COVID-19 conditions in each of the three years ending 31 March 2026. Accordingly, the Annual Cap for the year ending 31 March 2025 and the Annual Cap for the year ending 31 March 2026 represent the value of the right-of-use assets of such Additional Premises which may be leased by Group in each of such financial year and with a term ending on 31 March 2026. The Directors consider the Annual Caps are reasonable and sufficient.

INTERNAL CONTROL PROCEDURES

The Group has established internal control procedures as follows:

(1) as regards the individual lease agreement under the 2023 Master Lease Agreement, the determination of the monthly rental will be made reference to the fair rent opinion issued/to be issued by the independent property valuer;

(2) the Group will monitor, on a monthly basis, the performance by the parties to the individual leases to be entered into pursuant to the 2023 Master Lease Agreement from time to time to ensure that the obligations of the relevant parties are properly discharged. For example, the Group will monitor if the relevant members of the Group will duly pay the rent as required under the individual lease agreement and on the other hand, the Group will also monitor the Owners' obligations under the same, such as whether the Owners will keep in good condition and proper repair the structural parts of the relevant properties;

(3) the Group will semi-annually review the amount of the lease liability recognised in the Group's financial statements so as to ensure that the payments made/to be made are within the relevant Annual Caps;

(4) the Group will annually provide the following information: (i) the aggregate rental amount payable by the Group to Asia Power under the Leasing Arrangements; (ii) the right-of-use assets for the corresponding year; and (iii) the status of compliance with the Annual Caps with the audit committee of the Board for consideration;

(5) the audit committee of the Board will in its meetings discuss and assess the implementation of the continuing connected transactions of the Group at least twice a year; and

(6) the auditors of the Group will, in addition to its interim review and year-end audit, conduct annual review of the Leasing Arrangements and confirm to the Board as to whether such Leasing Arrangements are indeed conducted in accordance with the terms of the 2023 Master Lease Agreement and the individual leases in all material aspects, on normal commercial terms and in accordance with the pricing policy of the Group and whether the Annual Caps have been complied with. In addition, the independent non-executive Directors will also provide their annual confirmations with respect to the continuing connected transactions of the Group in the annual reports of the Group.

The Company is satisfied that it has an adequate system of controls to safeguard the Leasing Arrangements, and to provide information for the independent non-executive Directors and auditors to properly review the Leasing Arrangements annually.

Reasons for and benefits of entering into the 2023 Master Lease Agreement

The Group is a renowned beauty salon group in Hong Kong offering comprehensive beauty and wellness services and sales of skincare and wellness products at its network of service centres in Hong Kong, mainland China and Singapore.

Asia Power, which is a company wholly owned by a family trust set up by Dr. Tsang, directly or indirectly owns a number of premises in Hong Kong (including but not limited to the Existing Premises) and other countries in Asia. The Board considers that the entering into of a framework agreement (i.e. the 2023 Master Lease Agreement in the present case) to cater for the Leasing Arrangements offers the Group the flexibility to enter into separate lease agreements with the relevant Owners for leasing certain premises at prevailing market rent or lower from time to time during the period ending 31 March 2026 and allows the Group to switch the leased premises from one location to another and to lease Additional Premises from the Owner(s) so long as the terms of the new leases are fair and reasonable and on normal commercial terms or better, in each case, within the limit set under the Annual Caps.

The Group has entered into master lease agreement with Asia Power since 2011 on successive terms and based on the previous experience, the Board realises that it is inevitable for the Group to increase or reduce the number of the individual leases with the Owners based on the actual market sentiment and the operational needs of the Group. Therefore, the Board considers that the 2023 Master Lease Agreement should be in the form of a framework agreement in order to give flexibility to management of the Group to alter the location of the leased properties with the relevant Owners in view of the ever-changing business environment.

In addition, given that it has been the intention of the Group to continue to lease the Existing Premises from the Owners for its own use and depending on the operational needs of the Group, the Group may lease Additional Premises from the relevant Owner(s) and/or switch the leased premises from one location to another location, the Company considers that the entering into of the 2023 Master Lease Agreement will shelter the Group from any potential disruption to the Group's business which may be resulted from relocation of its existing beauty and wellness centres in the event that the relevant Existing Lease Agreements are not renewed upon their expiry. On the other hand, the 2023 Master Lease Agreement also allows the Group to lease Additional Premises from the Owners at market prices from time to time during the term of the 2023 Master Lease Agreement, which would provide the Group with operational convenience to expand its network of service centres when business opportunities arise.

Furthermore, the Board is of the view that by entering into the 2023 Master Lease Agreement, the Group could avoid treating each Leasing Arrangement as a connected transaction under Chapter 14A of the Listing Rules (taking into account the requirements of HKFRS 16) and accordingly, avoid unnecessary and burdensome administrative costs from complying with the applicable Listing Rules every time when a new individual lease agreement is entered into with the relevant Owner so long as such lease agreement is entered into in accordance with the 2023 Master Lease Agreement, thus bringing business convenience and operational efficiency to the Group.

Given certain properties that may be leased by the Group from the Owner(s) (i.e. the Additional Premises) have not yet been identified as at the date of the 2023 Master Lease Agreement, the Board considers that the Leasing Arrangements contemplated under the 2023 Master Lease Agreement will constitute continuing connected transactions of the Company, which shall be subject to the Annual Caps, under Chapter 14A of the Listing Rules.

Having considered the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the 2023 Master Lease Agreement and the Annual Caps are fair and reasonable and the entering into of the 2023 Master Lease Agreement is in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES AND LISTING RULES IMPLICATIONS

The Company was incorporated in the Cayman Islands with limited liability and its shares are listed on the Stock Exchange. The Group is principally engaged in offering comprehensive beauty and wellness services and sales of skincare and wellness products at its network of service centres in Hong Kong, mainland China, and Singapore.

As at the Latest Practicable Date, Dr. Tsang, being an executive Director, the chairperson of the Board and a controlling Shareholder, was interested in 677,247,942 issued Shares (representing approximately 74.88% of the issued share capital of the Company). The spouse of Dr. Tsang is interested in 650,000 issued Shares (representing approximately 0.072% of the issued share capital of the Company) as at the date of the Latest Practicable Date.

Asia Power is a company incorporated in the British Virgin Islands with limited liability and it is principally engaged in investment holdings. By virtue of Asia Power being wholly owned by a family trust set up by Dr. Tsang, Asia Power is a connected person of the Company and the Leasing Arrangements under the 2023 Master Lease Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of each of the Annual Caps is more than 25%, the Leasing Arrangements are subject to the reporting, annual review, announcement, circular (including independent financial advice) and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, as the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Annual Caps exceeds 25% but is lower than 100%, the Leasing Arrangements also constitutes a major transaction of the Company and is therefore subject to the announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

FINANCIAL EFFECTS OF THE TRANSACTIONS CONTEMPLATED UNDER THE 2023 MASTER LEASE AGREEMENT

Earnings

The Group measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. As a consequence, the Group recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows.

Assets and Liabilities

In accordance with the Hong Kong Financial Reporting Standard 16, the Group, as a lessee, recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months, at the lease commencement date. The lease payments associated with those leases which are not capitalised are recognized as an expense on a systematic basis over the lease term.

Upon the commencement of each individual lease agreement under the 2023 Master Lease Agreement, the Group will recognise a right-of-use asset and the same corresponding amount of lease liability in its statement of financial position. Accordingly, upon implementation of transactions contemplated under each such individual lease agreements, the Directors consider that there will be no significant immediate change to the Group's net asset value.

GENERAL

The Independent Board Committee comprising all of the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the Leasing Arrangements under the 2023 Master Lease Agreement and the Annual Caps. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

A notice convening the EGM to be held at Portion 2, 12/F., The Center, 99 Queen's Road Central, Central, Hong Kong on Thursday, 30 March 2023 at 11:30 a.m. is set out on pages EGM-1 and EGM-2 of this circular. A proxy form for the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, situated at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 11:00 a.m. (Hong Kong time) on Tuesday, 28 March 2023 and in any event not less than 48 hours before the time appointed for holding of the EGM or any postponement adjournments thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any postponement or adjournments thereof should you so wish, and in such case, the proxy form previously submitted shall be deemed to be revoked.

The EGM will be convened at which an ordinary resolution will be proposed to seek the Independent Shareholders' approval of, among other things (if any), the Leasing Arrangements and the Annual Caps. Since Dr. Tsang is materially interested in the 2023 Master Lease Agreement, she and her associates will be required to abstain from voting on the resolution to be proposed at the EGM to approve the 2023 Master Lease Agreement and the Annual Caps. To the best of the Directors' knowledge, information and belief, no other Shareholder is required to abstain from voting on the resolution(s) to approve the Leasing Arrangements and the Annual Caps. Dr. Tsang has also abstained from voting on the resolutions at the Board Meeting convened to approve the 2023 Master Lease Agreement.

To the best of Director's knowledge, information and belief, after making all reasonable enquiries, as at the Latest Practicable Date:

(a) (i) there were no voting trust or other agreements or arrangements or understandings (other than outright sale) entered into by or binding upon Dr. Tsang and her associates; and

(ii) there were no obligations or entitlement of Dr. Tsang and her associates,

whereby Dr. Tsang and her associates had or might have temporarily or permanently passed control over the exercise of the voting right in respect of their Shares to a third party, either generally or on a case-by-case basis; and

(b) there was no discrepancy between the beneficial shareholding interests of Asia Power and Dr. Tsang and their respective associates and the number of Shares in respect of which they would control or would be entitled to exercise control over the voting right at the EGM.

RECOMMENDATION

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, consider that the terms of the 2023 Master Lease Agreement are on normal commercial terms and in ordinary and usual course of business of the Company and the 2023 Master Lease Agreement and transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote for the resolution to be proposed at the EGM to approve the 2023 Master Lease Agreement and the transactions contemplated thereunder and the Annual Caps. The text of the letter from the Independent Board Committee is set out on page 19 of this circular.

Having considered the above-mentioned benefits to the Group's future business development, the Directors consider that the terms of the 2023 Master Lease Agreement are on normal commercial terms and in ordinary and usual course of business of the Company, and the terms of the 2023 Master Lease Agreement and the Annual Caps are fair and reasonable. Hence, the Directors consider that the entering into of the 2023 Master Lease Agreement is in the interests of the Company and the Shareholders as a whole and recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the 2023 Master Lease Agreement and the transactions contemplated thereunder and the Annual Caps.

On behalf of the Board
Modern Healthcare Technology Holdings Limited
Tsang Yue, Joyce
Chairperson

MODERN HEALTHCARE TECHNOLOGY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 919)

14 March 2023

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

This Independent Board Committee has been established to advise you on the terms of the 2023 Master Lease Agreement and transactions contemplated thereunder and the Annual Caps, details of which are set out in the letter from the Board contained in the circular to the Shareholders dated 14 March 2023 ("**Circular**") of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

Having considered the terms of the 2023 Master Lease Agreement and the advice of the Independent Financial Adviser in relation thereto as set out on pages 20 to 32 of the Circular, we are of the opinion that the terms of the 2023 Master Lease Agreement and the Annual Caps are fair and reasonable, on normal commercial terms, in ordinary and usual course of business of the Company and are in the interest of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote for the ordinary resolution to be proposed at the EGM to approve the 2023 Master Lease Agreement and the transactions contemplated thereunder and the Annual Caps.

Yours faithfully,
For and on behalf of the Independent Board Committee

Ms. Liu Mei Ling, Rhoda	**Dr. Wong Man Hin, Raymond**	**Mr. Hong Po Kui, Martin**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

The following is the text of the letter of advice from Akron Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, for the purpose of inclusion into this circular.

Akron Corporate Finance Limited
亚贝隆资本有限公司

14 March 2023

To: The Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Leasing Arrangements under the 2023 Master Lease Agreement and the Annual Caps, details of which are set out under the section headed "Letter from the Board" ("**Letter from the Board**") in the circular of the Company to the Shareholders dated 14 March 2023 ("**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the circular of the Company dated 11 March 2020 in respect of the continuing connected transactions in relation to the 2020 Master Lease Agreement, pursuant to which members of the Group entered into various individual lease agreements with the Owners for leasing certain premises from the Owners during the term of the 2020 Master Lease Agreement.

As stated in the Letter from the Board, given that all such individual leases (if not terminated earlier), together with the 2020 Master Lease Agreement will expire on 31 March 2023 and the Group expects to continue to lease the relevant Existing Premises from the Owners after the expiry of the relevant leases, on 22 February 2023, the Company entered into the 2023 Master Lease Agreement with Asia Power so as to enable the continuance of the Leasing Arrangements between the Group and the Owners for the three years ending 31 March 2026.

Asia Power is the holding company of various companies (being the Owners) holding various properties in Hong Kong and other places in the world.

As at the Latest Practicable Date, Dr. Tsang, being an executive Director, chairperson of the Board and a controlling Shareholder, was interested in 677,247,942 issued Shares (representing approximately 74.88% of the issued share capital of the Company), and the spouse of Dr. Tsang was interested in 650,000 issued Shares (representing approximately 0.072% of the issued share capital of the Company). By virtue of Asia Power being wholly owned by a family trust set up by Dr. Tsang, Asia Power is a connected person of the Company and the Leasing Arrangements under the 2023 Master Lease Agreement will constitute continuing connected transactions of the Company under Chapter l4A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of each of the Annual Caps is more than 25%, the Leasing Arrangements under the 2023 Master Lease Agreement are subject to the reporting, annual review, announcement, circular (including independent financial advice) and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Since Dr. Tsang is materially interested in the 2023 Master Lease Agreement, she and her associates will be required to abstain from voting on the resolution to be proposed at the EGM to approve the 2023 Master Lease Agreement and the Annual Caps.

The Independent Board Committee comprising all of the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the Leasing Arrangements under the 2023 Master Lease Agreement and the Annual Caps. We, Akron Corporate Finance Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

In addition, as the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Annual Caps exceeds 25% but is lower than 100%, the Leasing Arrangements under the 2023 Master Lease Agreement also constitutes a major transaction of the Company and is therefore subject to the announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. Save for this appointment as the Independent Financial Adviser in relation to this transaction and to provide a confirmation in relation to the sufficiency of working capital statement as contained in Appendix I to the Circular ("**Our Engagements**"), there were no other engagements between us and the Group in the past two years. Apart from normal professional fees paid or payable to us in connection with Our Engagements, no other arrangement exists whereby we had received or would receive any fees or benefits from the Company or any parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent in accordance with Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In arriving at our recommendation, we have relied on the statements, information, opinions and representations contained in the Circular and the information, representations and opinions provided to us by the Directors and the management of the Group. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and the management of the Group for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate up to the date of the despatch of the Circular. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to the date of the EGM.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statements contained in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other information or representations the omission of which would make any statements in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Group, nor have we conducted any independent investigation into the business and affairs of the Company, Asia Power or their respective subsidiaries or associates.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely for their consideration of the 2023 Master Lease Agreement and the Annual Caps. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders, we have taken the following principal factors and reasons into consideration for the 2023 Master Lease Agreement and the respective Annual Caps.

1. Background of and reasons for entering into the 2023 Master Lease Agreement

As stated in the Letter from the Board, the Group is a renowned beauty salon group in Hong Kong offering comprehensive beauty and wellness services and sales of skincare and wellness products at its network of service centres in Hong Kong, mainland China and Singapore.

Asia Power is a company incorporated in the British Virgin Islands with limited liability. It is wholly owned by a family trust set up by Dr. Tsang and is principally engaged in investment holdings and thus also a connected person of the Company.

Currently, the Existing Premises are being used in the ordinary and usual course of the business of the Group as its operating facilities (including but not limited to offices, retail shops, service centres and warehouses). As stated in the Letter from the Board, given that the 2020 Master Lease Agreement and the individual lease agreements entered into pursuant thereto will expire on 31 March 2023 and the Group expects that it will continue to lease the Existing Premises after the expiry of the respective Existing Lease Agreements on 31 March 2023, on 22 February 2023, the Company entered into the 2023 Master Lease Agreement with Asia Power so as to enable the continuance of the Leasing Arrangements between the Group and the Owners for the three years ending 31 March 2026.

The Group has entered into master lease agreement with Asia Power since 2011 on successive terms and based on the previous experience, the Board realizes that it is inevitable for the Group to increase or reduce the number of the individual leases with the Owners based on the actual market sentiment and the operational needs of the Group. Therefore, the Board considers that the 2023 Master Lease Agreement should be in the form of a framework agreement rather than an agreement with fixed term in order to give flexibility to management of the Group to alter the location of the leased properties with the relevant Owners in view of the ever-changing business environment.

In addition, given that it has been the intention of the Group to continue to lease the Existing Premises from the Owners for its own use and depending on the operational needs of the Group, the Group may lease Additional Premises from the relevant Owner(s) and/or switch the leased premises from one location to another location, the Company considers that the entering into of the 2023 Master Lease Agreement will shelter the Group from any potential disruption to the Group's business which may be resulted from relocation of its existing beauty and wellness centres in the event that the relevant Existing Lease Agreements are not renewed upon their expiry. On the other hand, the 2023 Master Lease Agreement also allows the Group to lease Additional Premises from the Owners at market prices from time to time during the term of the 2023 Master Lease Agreement, which would provide the Group with operational convenience to expand its network of service centres when business opportunities arise.

Please refer to the Letter from the Board for the location of the Existing Premises, which are expected to continue to be leased by the Group under the 2023 Master Lease Agreement.

We noted from the annual report 2021/22 of the Company that the Group is a leader of the beauty industry in Hong Kong offering professional treatments as well as quality services and products to customers. The Group's business can be divided into 5 business lines, including beauty and facial, sliming, spa and massage, aesthetics services and sales of skincare and wellness products. As at 30 September 2022, according to the interim report 2022/23 of the Company, the Group had a total of thirty beauty and wellness service centers in Hong Kong, 8 stores in Hong Kong for selling skincare and wellness products, 3 service centres in mainland China and 7 beauty and wellness service centres in Singapore. Taking into account the business segments of the Group, we consider that customer experience is very important to the business of the Group. Therefore, the entering into of the 2023 Master Lease Agreement to lease premises as its operating facilities is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. In addition, the 2023 Master Lease Agreement can offer flexibility to the Group to lease Additional Premises from the Owner(s) from time to time at market prices during its term and also to protect the Group from any potential disruption to the Group's business which may be resulted from relocation of its existing beauty and wellness centres in the event that the relevant Existing Lease Agreements are not renewed upon their expiry.

2. Principal terms of the 2023 Master Lease Agreement

Pursuant to the 2023 Master Lease Agreement, the Group will enter into separate lease agreements to lease certain premises from the relevant Owners from time to time during the term of the 2023 Master Lease Agreement. We have reviewed and compared the terms of the 2023 Master Lease Agreement and the 2020 Master Lease Agreement and noted that, save for the annual caps, there is no material difference between the terms of the aforesaid agreements.

As stated in the Letter from the Board and under the 2023 Master Lease Agreement,

(i) the 2023 Master Lease Agreement shall be for a term commencing from 1 April 2023 and ending on 31 March 2026. The individual lease agreement may be terminated by the Company by (i) giving Asia Power at least sixty days' written notice of termination; or by (ii) paying the Owner one-month rental in lieu of such notice. On the contrary, the Owner is not entitled to early terminate the individual lease agreement by notice.

(ii) each of the leases to be entered into between the Group and the relevant Owners pursuant to the 2023 Master Lease Agreement will have a term commencing on or after 1 April 2023 and expiring on (i) the expiration or earlier termination of its own terms; or (ii) 31 March 2026, whichever is earlier;

(iii) each individual lease to be entered into shall be on normal commercial terms or better (within the meaning of Chapter 14A of the Listing Rules);

(iv) the amount of rental (exclusive of rates, government rent and management fees) under each such lease shall be determined by the parties to such individual lease with reference to the then prevailing market rents on premises comparable in location, area and permitted use owned by independent third parties ("**Comparable Premises**") provided that before each such individual lease under the 2023 Master Lease Agreement is entered into, the Group shall, at its own cost and expenses, obtain a confirmation from an independent property valuer providing its opinion of the then prevailing market rent of the premises with reference to the market rent of the Comparable Premises and the rent to be set out in the relating Leasing Arrangement under the 2023 Master Lease Agreement shall be **no more than** such prevailing market rent and the effective date of the opinion shall not be more than three months;

(v) pursuant to the agreed form of the individual tenancy agreement to be entered into by the Group and the relevant Owner(s) appended to the 2023 Master Lease Agreement, the Lessee shall pay the rent to the relevant Owner(s) in Hong Kong dollars in advance on the first day of each and every calendar month during the term of the relevant lease(s); and

(vi) The government rent, rates and management fee under each individual lease under the 2023 Master Lease Agreement will be paid to the government or, as the case may be, the management companies by the relevant tenant direct.

Further details regarding the terms of the 2023 Master Lease Agreement are set out in the Letter from the Board.

(i) Review of the pricing basis under the 2023 Master Lease Agreement

We have discussed with the management of the Group and note that for the purpose of ascertaining the prevailing market rents of the Comparable Premises, the Group shall, at its own cost and expenses, obtain a confirmation from an independent property valuer providing its opinion of the then prevailing market rents, and the rents to be set out in the relevant leasing agreements shall be no more than such prevailing market rents and the valuation date of the opinion shall not be more than three months of the respective tenancy agreements.

We note that such pricing basis is the same as that under the 2020 Master Lease Agreement. In order to review whether such pricing basis is feasible, we have requested the Group to provide (i) ten tenancy agreements entered into between the Group and the Owners under the 2020 Master Lease Agreement ("**Previous Tenancy Agreements**"); and (ii) the relevant valuation reports issued by Roma Appraisals Limited ("**Valuer**"), an independent property valuer appointed by the Group, for ascertaining the then prevailing market rents for the Previous Tenancy Agreements ("**Previous Valuation Reports**"). The aggregate prevailing monthly rent of the premises selected under the ten tenancy agreements as at 1 January 2023, according to the opinion of the independent property valuer, amounted to approximately HK$1.7 million, representing approximately 59.2% of the aggregate prevailing monthly rent of the Existing Premises of HK$2,891,438.30 as at 1 January 2023. Since the samples selected cover majority of the aggregate prevailing monthly rent of the Existing Premises, we consider that those samples would be representative in nature, and adequate and sufficient for assessment purpose.

Based on our review of the Previous Tenancy Agreements and the Previous Valuation Reports, as well as discussion with the management of the Group, we note that (i) the valuation dates as stated in the Previous Valuation Reports are not more than three months prior to the dates of the respective Previous Tenancy Agreements; and (ii) the rent paid under each of the Previous Tenancy Agreements was less than the prevailing market rents as stated in the respective Previous Valuation Reports, both of which are in accordance with the aforementioned pricing policy.

In addition, having considered the current business environment, it is the intention of the Group to negotiate for a discount, which will range from 2-10% but in respect of all the Leasing Arrangements as a whole will not be less than 5% of the aggregate monthly fair rent ("**Additional Discount**"), for the monthly rental (as compared to the fair rents in the relevant property valuation reports) when the Group enters into the individual lease with the respective Owners. We also understand from the management of the Group that Asia Power has in principle agreed to giving such discount under the Leasing Arrangements. Based on our discussion with the management of the Group, we understand that the negotiation on the Additional Discount will be conducted on arm's length basis and since the fair market rent as stated in the relevant valuation report already shows the fair rent of the relevant property and therefore the Additional Discount will be fair and reasonable and to the additional benefit of the Company and the Shareholders as a whole.

As discussed with the Valuer, the valuation of the relevant rental is prepared based on the comparison approach by reference to comparable market rents for Comparable Premises in assessing the market rents of the properties.

We further understand from the Valuer that the Comparable Premises are selected based on the criteria that (i) the relevant comparable transactions were entered into and/or the Comparable Premises involved were close to the valuation date; and (ii) the Comparable Premises were of the same nature, similar size and/or in vicinity to the relevant premises for rental, if not, appropriate adjustment would be made to account for such differences. We have discussed with the Valuer on the above selection criteria and note that the above is in line with the RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors and the International Valuation Standards published by the International Valuation Standards Council, which is an acceptable valuation standard prescribed under the Listing Rules. We consider that the selection criteria are in line with the industry standard and fair and reasonable to reflect the recent market rents of the relevant premises as the Comparable Premises selected are those relevant comparable transactions available in the market and include those offered by the independent third parties.

In light of the above, we consider that actual rent payable by the Group under any individual lease to be entered into pursuant to the 2023 Master Lease Agreement will be on normal commercial terms or better. We also concur with the management of the Group that there are adequate measures in place to ensure that the rents paid by the Group are in accordance with the prevailing market rents, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(ii) Internal control

As stated in the Letter form the Board, the Group has established internal control procedures as follows:

(1) as regards the individual lease agreement of the Leasing Arrangement, the determination of the monthly rental will be made reference to the fair rent opinion issued/to be issued by the independent property valuer;

(2) the Group will monitor, on a monthly basis, the performance by the parties to the individual leases to be entered into pursuant to the 2023 Master Lease Agreement from time to time to ensure that the obligations of the relevant parties are properly discharged. For example, the Group will monitor if the relevant members of the Group will duly pay the rent as required under the individual lease agreement and on the other hand, the Group will also monitor the Owners' obligations under the same, such as whether the Owners will keep in good condition and proper repair the structural parts of the relevant properties;

(3) the Group will semi-annually review the amount of the lease liability recognised in the Group's financial statements so as to ensure that the payments made/to be made are within the relevant Annual Caps;

(4) the Group will annually provide the following information: (i) the aggregate rental amount payable by the Group to Asia Power under the Leasing Arrangements; (ii) the right-of-use assets for the corresponding year; and (iii) the status of compliance with the Annual Caps with the audit committee of the Board for consideration;

(5) the audit committee of the Board will in its meetings discuss and assess the implementation of the continuing connected transactions of the Group at least twice a year; and

(6) the auditors of the Group will, in addition to its interim review and year-end audit, conduct annual review of the Leasing Arrangements and confirm to the Board as to whether such Leasing Arrangements are indeed conducted in accordance with the terms of the 2023 Master Lease Agreement and the individual leases in all material aspects, on normal commercial terms and in accordance with the pricing policy of the Group and whether the Annual Caps have been complied with. In addition, the independent non-executive Directors will also provide their annual confirmations with respect to the continuing connected transactions of the Group in the annual reports of the Group.

The Company is satisfied that it has an adequate system of controls to safeguard the Leasing Arrangements, and to provide information for the independent non-executive Directors and auditors to properly review the Leasing Arrangements annually.

Pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, the continuing connected transactions (including but not limited to the transactions contemplated under the 2023 Master Lease Agreement) are subject to the following annual review requirements:

(1) independent non-executive Directors must review the continuing connected transactions every year and confirm in the annual report whether the transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

   (c) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

(2) the Company must engage its auditors to report on the continuing connected transactions every year. The auditors must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:

   (a) have not been approved by the Board;

   (b) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;

   (c) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and

   (d) have exceeded the cap.

Regarding the above internal control procedures, we have interviewed a leasing officer of the property department of the Company who is responsible for the preparation of individual lease agreement and note that he is familiar with the internal control procedures. The management of the Group also confirms that the independent non-executive Directors and, after further discussion with the auditors, the auditors will comply with the above internal control procedures.

In addition, as mentioned above in our review of the Previous Tenancy Agreements under the 2020 Master Lease Agreement and the Previous Valuation Reports, we note that the rents paid under each of the Previous Tenancy Agreements were indeed not higher than the respective prevailing market rents as stated in the Previous Valuation Reports, i.e. no less favourable to the Group.

Accordingly, based on our interview regarding the internal control procedures and our confirmation with the relevant staff, we consider that the above internal control procedures are enforceable and in place to ensure that the prices paid by the Group are in accordance with the prevailing market prices and no less favourable to the Group.

3. Annual Caps

The table below sets out the Annual Caps for the three years ending 31 March 2026.

	For the year ending 31 March		
	2024	**2025**	**2026**
	(HK$ million)	*(HK$ million)*	*(HK$ million)*
Annual Caps under the 2023 Master Lease Agreement	119	6	3

The rents paid by the Group to the subsidiaries of Asia Power under the 2020 Master Lease Agreement for each of the two years ended 31 March 2022 and the rent paid/payable for the year ending 31 March 2023 amounted to approximately HK$30.3 million, HK$31.4 million and HK$33.6 million respectively. The annual caps pursuant to the 2020 Master Lease Agreement for the year ended 31 March 2021, the year ended 31 March 2022 and the year ending 31 March 2023 were HK$115.2 million, HK$7.1 million and HK$3.6 million respectively ("**Previous Annual Caps**"). The utilization rate of the Previous Annual Caps for premises leased under the 2020 Master Lease Agreement for the year ended 31 March 2021, the year ended 31 March 2022 and the year ending 31 March 2023 were 82.4%, 26.1% and 37.1% respectively. The relatively low utilization of the Previous Annual Caps for the year ended 31 March 2022 and year ending 31 March 2023 was mainly due to there was a delay in the number of properties leased as compared to the original plan of the Company for the year ended 31 March 2022 and the year ending 31 March 2023 as a result of COVID-19 pandemic.

The Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants applicable to the Group include HKFRS 16 "Leases" which has come into effect on 1 January 2019 and is applicable to financial years starting on or after 1 January 2019. Under HKFRS 16, the Group, as the lessee, shall recognize the total rental payments payable to the relevant Owners under the 2023 Master Lease Agreement as a right-of-use asset and a lease liability in the consolidated statement of the financial position of the Group.

Based on the opinion of the independent property valuer, the aggregate prevailing monthly rent of the Existing Premises as at 1 January 2023 is HK$2,891,438.30. On such basis, the annual rent for leasing such premises is thus HK$34,697,259.60 and the estimated value of the right-of-use asset for the Existing Premises for the year ending 31 March 2024 amounts to approximately HK$99,430,066. Such amount is calculated by discounting the estimated total rents of the Existing Premises for the three years ending 31 March 2026 with the discount rate of the Group's incremental borrowing rate in accordance with HKFRS 16.

A buffer of approximately 20%, being approximately HK$19.6 million ("**2024 Buffer**") has been added to such value of the right-of-use asset to cater for new leases for other additional New Premises that may be leased from the Owner(s) for the year ending 31 March 2024. As a result, the Annual Cap for the year ending 31 March 2024 is fixed at HK$119 million.

We have discussed with the management of the Group and understand that the Group intends to continue to lease all the Existing Premises, and the Group would recognize such in its financial statements as right-of-use asset of approximately HK$99.4 million for the year ending 31 March 2024, representing approximately 83.5% of the Annual Cap for the year ending 31 March 2024.

We understand that the Group may also lease Additional Premises, for its own use during the three years ending 31 March 2026 in accordance with the pricing policies as sated in the 2023 Mater Lease Agreement. We understand from the management of the Group that the 20% buffer for the Annual Caps is determined with reference to the Group's intention to rent two additional service centres in prime areas to capture the business recovery following the improvement in the COVID-19 conditions. In order to see if the buffer is fair and reasonable, we have taken into account the annual fair market rents of the Group's certain service centres in Hong Kong and Kowloon, including the one at Sugar Street in Causeway Bay, Hong Kong and the one at BCC Building, Carnarvon Road, Kowloon, with fair annual market rents of approximately HK$2.8 million and HK$3.6 million respectively. Assuming the Group is going to lease these two service centres at similar rents, the Group will recognise the new leases as the right-of-use asset in its financial statements at the commencement date in accordance with the HKFRS 16. The aggregate maximum amount of right-of-use asset for these new leases will amount to approximately HK$18.3 million and the 2024 Buffer would almost been fully utilised.

We understand from the management of the Group that, depending on the business needs of the Group, the number and location of the services centres, offices, retail shops and warehouses may change during the three years ending 31 March 2026. In order to allow flexibility to the Group to enter into additional leasing arrangements with the relevant Owner(s) during the two years ending 31 March 2026 under the 2023 Master Lease Agreement, the Directors have fixed the Annual Caps for the two years ending 31 March 2026 to be HK$6 million and HK$3 million respectively ("**2025 and 2026 Annual Caps**"). We have discussed with the management of the Group and understand that the 2025 and 2026 Annual Caps are set based on the assumption that the Group may further open two mid-sized service centres. Assuming an aggregate annual rental amount of HK$2.4 million (representing a total monthly rents of HK$200,000), which is at a level similar to the existing mid-sized service centres operated by the Group, the aggregate maximum amount to be recognised as right-of-use asset for the two years ending 31 March 2026 is approximately HK$4.7 million and HK$2.4 million respectively and the 2025 and 2026 Annual Caps would almost been used up.

In view of the above and based on our review on the calculation of the Annual Caps, we are of the view that the Annual Caps are determined by the Group after due and careful consideration and concur with the view of the management of the Group that the Annual Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole as they would offer more flexibility to the Group in the Leasing Arrangements with the Owners.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the terms of the 2023 Master Lease Agreement and the Annual Caps are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to recommend the Independent Shareholders to vote for the ordinary resolution to be proposed at the EGM to approve the 2023 Master Lease Agreement and the transactions contemplated thereunder and the Annual Caps.

Yours faithfully,
For and on behalf of
Akron Corporate Finance Limited
Yau Wai
Managing Director

Ms Yau Wai is a responsible officer and sponsor principal of Akron Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance. Ms. Yau has over 18 years of experience in the corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for the three financial years ended 31 March 2020, 31 March 2021 and 31 March 2022 and the six months ended 30 September 2022 have been set out in the following documents respectively:

(a) the annual report of the Company for the year ended 31 March 2020 from pages 46 to 110 (https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0723/2020072300219.pdf);

(b) the annual report of the Company for the year ended 31 March 2021 from pages 41 to 98 (https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0723/2021072300302.pdf);

(c) the annual report of the Company for the year ended 31 March 2022 from pages 42 to 106 (https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0722/2022072200353.pdf); and

(d) the interim report of the Company for the six months ended 30 September 2022 from pages 14 to 32 (https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1221/2022122100347.pdf).

2. INDEBTEDNESS OF THE GROUP

As at the close of business on 31 January 2023, being the latest practicable date for the purpose of this indebtedness statement, the Group had lease liabilities of approximately HK$43.5 million and such lease liabilities were unsecured and not guaranteed.

Save as disclosed above, the Group had not had any loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding.

3. WORKING CAPITAL SUFFICIENCY OF THE GROUP

The Directors are of the opinion that, after taking into account the effects of the Leasing Arrangements contemplated under the 2023 Master Lease Agreement, the internally generated funds and financial resources presently available to the Group, the Group will have sufficient working capital to satisfy its requirements for at least twelve months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group's business operation is principally engaged in beauty and facial, slimming, spa and massage, aesthetics services and sale of skincare and wellness products business.

Despite the uncertain business environment, the Group is adamant to proactively maintain a positive attitude to explore, research and develop more sophisticated and effective health and beauty products and professional treatments, in order to meet the pursuit and demand for beauty and health of our customers.

Parallel to our focus on beauty and slimming business, the Group will also actively seek new investment opportunities. The Group had opened its first Café shop called "GIG Coffee" in Singapore. Leveraging on the Group's strong customer network and services management that facilitate excellent quality assurance in Singapore, the Group aspires to develop and expand its business scope to food and beverage services in Singapore which has the potential to be its new growth engine in the future.

5. NO MATERIAL ADVERSE CHANGE

The Directors confirm that as at the Latest Practicable Date, they were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2022, being the date to which the latest published audited financial statements of the Group were made up.

6. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis of the Group for each of the three years ended 31 March 2020, 2021 and 2022 as principally extracted from the annual reports of the Company for each of the years ended 31 March 2020, 2021 and 2022, respectively. These extracted materials below were prepared prior to the date of this circular and speak as of the date they were originally published, representing the opinion and beliefs made by the then Directors at such time when the related annual report was issued.

For the year ended 31 March 2020

Business Review

Overview

During the financial year ended 31 March 2020 ("**FY2020**" or "**the year under review**"), revenue of the Group amounted to approximately HK$522.6 million, representing a decrease of 9.3% compared with approximately HK$576.0 million for the year ended 31 March 2019 ("**FY2019**" or the "**same period last year**"). The receipts from sales of prepaid beauty packages during the year under review was HK$496.3 million, a decrease of 8.6% over the same period last year. The employees benefit expenses and occupancy costs and depreciation charge of other properties leased for own use decreased by 2.3% to HK$311.7 million and decreased by 19.4% to HK$92.2 million respectively as compared with the same period last year. The Group recorded an operating loss of HK$17.3 million during the year under review (FY2019: operating loss of HK$2.2 million).

Below is the key statistics:

	For the year ended 31 March		
	2020	**2019**	**Change**
Revenue *(HK$ million)*	522.6	576.0	–9.3%
Operating loss margin *(%)*	–3.3	–0.4	–2.9 percentage points
Net loss margin *(%)*	–6.1	–2.2	–3.9 percentage points
Number of shops	55	59	–4
Employee benefit expenses *(HK$ million)*	311.7	319.1	–2.3%
Occupancy costs and depreciation charge of other properties leased for own use:			
– Occupancy costs *(HK$ million)*	43.8	114.5	–61.7%
– Depreciation charge of other properties leased for own use *(HK$ million)*	48.4	–	N/A
	92.2	114.5	–19.4%
Total dividend per ordinary share *(HK cents)*	Nil	Nil	–
Annual dividend pay-out ratio *(%)*	N/A	N/A	–

Hong Kong

The China-US trade tensions and social events in Hong Kong, followed by the global outbreak of COVID-19 has deepened the economic recession in Hong Kong in the first quarter of 2020, with real GDP contracting sharply by 8.9% year-on-year, the steepest for a single quarter on record.

During the financial year ended 31 March 2020, with the restructure of our shop portfolio and streamlined optimisation of our workforce, both the employees benefit expenses and occupancy costs and depreciation charge of properties leased for own use were reduced compared with that of last year. We will continue to ensure the safety and quality of the services and products offered in our beauty and wellness centres.

Revenue for the year under review decreased by 8.1%. Revenue from services rendered and receipts from prepaid beauty packages for the year under review were HK$429.1 million and HK$441.5 million respectively (FY2019: HK$471.2 million and HK$475.4 million). Revenue from sales of skincare and wellness products was HK$22.3 million in FY2020 (FY2019: HK$20.1 million). Our customers in Hong Kong amounted up to a total of approximately 424,000 during the year under review, representing an increase of 1.2% as compared to approximately 419,000 in the same period last year.

Various comprehensive high quality beauty, slimming and facial services are offered to the general public including, *inter alia*, skincare, slimming, hairstyling, cosmetics, manicures, pedicures, electrology, and aesthetics services. In an effort to further strengthen its leading market position, the Group introduced a number of innovative beauty, slimming and anti-aging treatments and machineries during the year under review, such as the Salus Talent which is a therapeutic device for transcutaneous magnetic stimulation. It non-invasively optimises circulation of the nervous system, increases tissue energy conversion, successfully increases muscle mass and at the same time reduces body fat.

In terms of the sales of skincare and wellness products, as of 31 March 2020, the Group had a total of 10 stores under the names of ''be Beauty Shop'', locating across Hong Kong, Kowloon and New Territories. More than 100 varieties of products are available for sale under different series of skincare service, including ''Y.U.E'', ''Advanced Natural'', ''Bioline'', ''BeYu'', ''Malu Wilz'' which can fulfill the needs of customers with different skin types.

Mainland China

During the FY2020, our Mainland China operations are conducted through two wholly owned foreign enterprises established in Shanghai and Guangzhou. These two wholly owned foreign enterprises operate a total of 3 service centres at the two cities referred to. During the year under review, our service income and receipts from prepaid beauty packages in Mainland China amounted to HK$11.1 million and HK$10.7 million respectively, representing a decrease of 29.6% and 17.1% respectively, as compared to the same period last year.

Singapore

During the FY2020, the Group operated a total of 10 beauty and wellness service centres in Singapore (FY2019: 11). During the FY2020, the revenue from operations in Singapore was HK$57.6 million, as compared with HK$60.8 million for the same period last year. Revenue recognised for provision of beauty and wellness services and receipts from sales of prepaid beauty packages in Singapore amounted to HK$52.2 million and HK$44.1 million respectively, as compared with HK$55.3 million and HK$54.4 million for the same period last year.

The Group will proceed with its Singapore business development in a prudent and steady manner. With relentless dedication to customer satisfaction, we will continue to focus on providing quality services that serve our customers well and enhance our brand awareness.

Financial Review

Revenue

Set out below is a breakdown on the revenue of the Group by service lines and product sales during FY2020 (with comparative figures for FY2019):

	For the year ended 31 March				
	2020		**2019**		
Sales mix	*HK$'000*	*Percentage of revenue*	*HK$'000*	*Percentage of revenue*	*Change*
Beauty & facial	372,100	71.2%	453,706	78.8%	–18.0%
Slimming	94,463	18.1%	64,477	11.2%	+46.5%
Spa and massage	25,764	4.9%	24,964	4.3%	+3.2%
Beauty and wellness services	492,327	94.2%	543,147	94.3%	–9.4%
Sales of skincare and wellness products	30,279	5.8%	32,870	5.7%	–7.9%
Total	522,606	100%	576,017	100%	–9.3%

Revenue of the Group was mainly contributed by the beauty, facial and slimming services. The Group's revenue from beauty and wellness services decreased by about 9.4% from approximately HK$543.1 million in FY2019 to approximately HK$492.3 million in FY2020.

The Group reported that the sales of new prepaid beauty packages of the Group amounted to HK$496.3 million, representing a decrease of 8.6% compared with HK$543.2 million for FY2019, while cash and cash equivalents in hand were maintained at a healthy level.

Set out below is an analysis on the deferred revenue:

	For the year ended 31 March								
	2020				2019				
Movement of deferred revenue	Hong Kong	Mainland	Singapore	Total	Hong Kong	Mainland	Taiwan	Singapore and Malaysia	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of the year	261,211	5,850	30,560	297,621	370,697	10,315	832	46,875	428,719
Impact of changes in accounting policy	–	–	–	–	(113,750)	–	–	(13,830)	(127,580)
Exchange differences	–	(118)	389	271	–	(690)	(33)	(1,003)	(1,726)
Gross receipts from sales of prepaid beauty packages	441,457	10,713	44,087	496,257	475,420	12,930	253	54,578	543,181
Revenue recognized for provision of beauty and wellness services and expiry of prepaid beauty package	(429,077)	(11,073)	(52,177)	(492,327)	(471,156)	(15,726)	(677)	(55,588)	(543,147)
Adjustment on disposal of subsidiaries	–	–	–	–	–	(979)	(375)	(472)	(1,826)
At the end of the year	273,591	5,372	22,859	301,822	261,211	5,850	–	30,560	297,621

Employee benefit expenses

Employee benefit expenses (including staff's salaries and bonuses as well as directors' remunerations) represented the largest component of the Group's operating costs. During the year under review, employee benefit expenses decreased by about 2.3% from HK$319.1 million in FY2019 to approximately HK$311.7 million. Employee benefit expenses accounted for 59.6% of our revenue in FY2020, as compared to 55.4% for FY2019. The total headcount of the Group as at 31 March 2020 decreased by 6.9% to 1,087, as compared to a headcount of 1,167 for the FY2019. The decrease of the amount of employee benefits expenses and headcount is mainly due to the continuous cost efficiency that we endeavor to pursue. The Group's remuneration policies are in line with the prevailing market practices and are determined based on the individual performance and experience. For the purpose of motivating and rewarding our staff, discretionary bonus and share options may be granted to eligible employees based on individual performance and the Group's results. The Group introduced the elite system since the first quarter of 2010, whereby excellent staff with outstanding performance may receive discretionary bonus in recognition of their contribution.

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

During the year under review, the Group's occupancy costs and depreciation of other properties leases for own use were approximately HK$92.2 million (2019: HK$114.5 million), accounting for approximately 17.7% of our revenue (2019: 19.9%). As of 31 March 2020, the Group operated a total of 35 service centres in Mainland China and Hong Kong with a total weighted average gross floor area of 209,000 square feet, representing a decrease of 11.4% as compared to 236,000 square feet in FY2019. As of 31 March 2020, the Group had 10 centres in Singapore, with a total weighted average gross floor area of approximately 20,000 square feet (FY2019: approximately 21,000 square feet).

Bank charges, advertising costs and building management fees

Bank charges recorded changes in line with sales of new prepaid beauty packages, which decreased by 5.7% to HK$25.2 million. Advertising costs increased to HK$5.3 million from HK$4.4 million for the same period last year. Advertising cost as a percentage of revenue in FY2020 was 1.0% which remained stable compared with that of the same period last year. This reflected the Group's ability to enjoy cost advantage in advertising cost as it could spread such costs across an enlarged service centre network that covers Hong Kong, Mainland China and Singapore. Advertising cost is allocated in an effective way to raise brand awareness and capture a greater market share. Building management fees decreased by about 6.8% from HK$14.0 million in FY2019 to approximately HK$13.0 million during the year under review. It accounts for 2.5% of our revenue in FY2020, as compared to 2.4% for FY2019.

Other operating expenses

Set out below is a breakdown on the other operating expenses of the Group during FY2020 (with comparative figures for FY2019):

	For the year ended 31 March	
	2020	**2019**
Audit Fee	4,252	3,157
Administrative expenses *(Note)*	6,592	7,377
Cleaning, sanitary and laundry	6,269	5,981
Consultancy fee	4,928	5,680
Government rent and rates	4,587	5,382
Insurance	3,502	3,917
Legal and professional fee	3,402	2,079
Repair and maintenance expenses	6,369	9,216
Utilities	8,374	10,694
Other expenses	8,464	9,749
	56,739	63,232

Note: The administrative expenses for each of the years ended 31 March 2019 and 2020 included motor vehicles expenses, postage and courier expenses, printing and stationary, telephone and fax and transportation expenses.

Net loss

The net loss attributable to equity shareholders of the Company was approximately HK$31.6 million in FY2020, as compared to the net loss attributable to equity shareholders of the Company of HK$13.3 million in FY2019. The Group will continue to expand its business when opportunities arise in order to achieve the long-term value added objective of maximising shareholders' returns.

Dividend per share

The Board did not recommend any final dividend to the shareholders of the Company for the year under review (FY2019: Nil). As no interim dividend had been approved by the Board for the six months ended 30 September 2019, the total dividend for the year ended 31 March 2020 will be nil (FY2019: Nil).

Liquidity, financial resources and capital structure

The Group generally finances its liquidity requirements through the receipts from sales of prepaid beauty packages and settlement of credit card prepayment transactions with banks. During the year under review, we maintained a strong financial position with abundant cash and bank balances of approximately HK$180.0 million (FY2019: HK$188.2 million) with no bank borrowings. Our cash is primarily used as working capital and to finance our normal operating expenses, as well as to pay for the purchase of skincare and wellness products, materials and consumable used in the provision of beauty and wellness services. During the year under review, except for the fund required for operation, the majority of the Group's cash was held under fixed and savings deposits as in line with the Group's prudent treasury policies.

Capital expenditure

The total capital expenditure of the Group (excluding additions to right-of-use assets for leases of properties for own use) during the year under review was approximately HK$20.0 million, as compared to HK$32.6 million for the same period last year. The amount was mainly used for the additions of leasehold improvements, motor vehicles and equipment and machinery in connection with the expansion and integration of its service network in Hong Kong, Mainland China and Singapore.

Contingent liabilities and capital commitment

The Board considered that there was no material contingent liabilities as at 31 March 2020. The Group had capital commitment of HK$0.1 million as at 31 March 2020 (31 March 2019: HK$4.9 million), mainly for the acquisition of plant and equipment.

Charges on assets

As of 31 March 2020, the Group had pledged bank deposits of HK$54.1 million (31 March 2019: HK$53.2 million) in favour of certain banks to secure banking facilities granted to certain subsidiaries in the Group.

Foreign exchange risk exposures

The Group's transactions were mainly denominated in Hong Kong Dollars. However, the exchange rates of Hong Kong Dollars against Renminbi and Singapore Dollars also affected the operating costs as the Group expanded its business to Mainland China and Singapore. The management will closely monitor the risk exposures faced by the Group, and will take necessary actions to minimise potential risks and strike a balance between our exposure and return so as to properly hedge such exposures.

Human resources and training

The Group had a workforce of 1,087 staff as of 31 March 2020 (31 March 2019: 1,167 staff), including 900 front-line service centre staff in Hong Kong, 36 in Mainland China and 60 in Singapore. Back office staff totaled 69 in Hong Kong, 5 in Mainland China, 14 in Singapore and 3 in Australia. The Group reviews its remuneration policies on a regular basis with reference to the legal framework, market conditions and performance of the Group and individual staff. The Remuneration Committee also reviews the remuneration policies and packages of executive directors and the senior management.

Pursuant to the remuneration policies of the Group, employees' remunerations comply with the legal requirements of all jurisdictions in which we operate, and are in line with the market rates. During the year under review, total employee benefit expenses including directors' emoluments amounted to HK$311.7 million, representing a 2.3% decrease as compared to HK$319.1 million in FY2019. To enhance the service quality and core skills of our staff members, the Group regularly organises training programs designed by the Group's senior management for its staff. In addition, the seminars also facilitate the interaction and communication between the Group's management and the general staff.

Outlook

The negative economic outlook and trade tensions between the US and China, as well as the combined impact of the global COVID-19 outbreak, have had a profound impact on the retail and services sector in Hong Kong and Singapore. Our shops in Hong Kong and Singapore are closed from 10 April 2020 to 7 May 2020 and 7 April to 18 June 2020 respectively due to the anti-epidemic and circuit-breaker measures launched by the Hong Kong and Singapore governments. Our performance after the year end period will inevitably be affected. Nonetheless, the Group was or would be granted subsidy under the Subsidy Scheme for Beauty Parlours under the Anti-epidemic Fund and subsidy under the Employment Support Scheme in Hong Kong. Both subsidies reduce the loss destined to incur during the shop closure period.

During the year under review, in order to provide the Group with a more appropriate corporate identity and strategic direction, we have changed the name of the Company to Modern Healthcare Technology Holdings Limited to better reflect and highlight the future strategic business plan to diversify into healthcare and high technological business segments. During the year under review, the Group has acquired the IconX electronic business card application software, which is used as a social networking platform for users to exchange their electronic business cards via QR codes.

In the future, the Group will continue to explore various business opportunities proactively and prudently in order to seek new sources of business income.

Looking ahead, while the road to recovery is challenging, the Group will remain cautious in opening new salons with a focus on improving the performance of services to our customers through our salon network. We will also endeavor to negotiate with the landlords for rent reduction so that the Group's rental cost will be decreased to a reasonably low level in face of the uncertain global and local business environment.

Environmental Policies and Performance

The Group understands that its business has an impact on the environment and recognises the importance of sound environmental management practices and sustainable business operations. It is committed to comply with the relevant environmental standards and policies related to its business operations as set by the relevant governments. The Group has implemented a number of environment-friendly measures in its operations and workplaces including but not limited to retail shops, warehouses and offices. In its day-to-day operations, the Group advocates "paperless office" and actively promotes electronic management information system. It also sets up required equipment in order to arrange different kinds of meeting by using teleconference and video conference, resulting in savings in time and resources. For retail shops, the Group has implemented energy saving practices by using some LED lighting fixtures.

Compliance with Laws and Regulations

The Group recognises the importance of compliance with regulatory requirements and risks of non-compliance with such requirements. The Group has conducted on-going review of the newly enacted laws and regulations affecting the operations of the Group and provides relevant trainings and guidance to the staff. The Group has complied with the relevant laws and regulations of its places of operation that have significant impact on the operations of the Group for the year ended 31 March 2020.

Key Relationships

(a) Employees

The Group believes that employees are a key element to the success of its business, so it strives to maintain a high staff retention rate by providing competitive remuneration package and developing harmonious workplace. To enhance capabilities and effectiveness of its employees in operation, the Group provides them with a comprehensive training program which includes quality service skills, product knowledge and language and interpersonal skills. In addition, the Group would organize regular retail staff gatherings to promote team spirits and award retail staff who had outstanding sales performance.

(b) Consumers

The Group provides direct service to consumers in its retail and salon shops. To ensure continuous improvement of the quality of products and services, the Group regularly conducts internal and external market surveys to interact with consumers and to gain market insights and feedback.

(c) Suppliers

The Group has established long standing cooperation relationship with certain suppliers. It selects its suppliers prudently. The relevant suppliers need to fulfill certain assessment criteria of the Group, including, among others, experience of financial capability, reputation and history of meeting our standards for raw materials or finished products.

(d) Shareholders and Investors

The Board believes effective communication and accurate and timely information disclosure builds the Shareholders' and investors' confidence, and also facilitates the flow of constructive feedback and ideas that are beneficial for investor relations and future corporate development.

Principal risks and uncertainties

1. Macroeconomic changes – The Group's business is sensitive to the general economic conditions and other factors like consumer credit.

2. Regulatory & political risk of business – This includes legal regulation update in Hong Kong, especially the Trade Description Ordinance Chapter 362, Law of Hong Kong, since the Group's business mainly operates in Hong Kong. In addition, the Group would develop markets in Mainland China further, which also bring more risk in relation to regulatory and political changes.

3. Market competition – The Group is under intense pressure to compete on both price and service as large and small, regional or niche competitors attempt to increase market share.

4. Foreign currency risk associated with the Group's investment – The Group may be exposed to transaction and translation (exchange rate) risks, particularly Renminbi, Singapore Dollars and Australian Dollars, and associated financial cost risks.

5. Rising costs of Hong Kong business – This mainly refers to increasing operational cost resulting from uncertain economic environment.

6. Reputation and performance risk of skincare and wellness products business of the Group – The Group's business is dependent on its reputation and quality of service and the Group may lose potential business if the quality of its products and service are called into question.

For the year ended 31 March 2021

Business Review

Overview

During the financial year ended 31 March 2021 ("**FY2021**" or "**the year under review**"), revenue of the Group amounted to approximately HK$431.5 million, representing a decrease of 17.4% compared with approximately HK$522.6 million for the year ended 31 March 2020 ("**FY2020**" or the "**same period last year**"). The receipts from sales of prepaid beauty packages during the year under review was HK$292.2 million, a decrease of 41.1% over the same period last year. The employees benefit expenses and occupancy costs and depreciation charge of other properties leased for own use decreased by 42.0% to HK$180.8 million and decreased by 11.3% to HK$81.8 million respectively as compared with the same period last year. The Group recorded an operating profit of HK$134.0 million during the year under review (FY2020: operating loss of HK$17.3 million).

Below is the key statistics:

	For the year ended 31 March		
	2021	**2020**	**Change**
Revenue *(HK$ million)*	431.5	522.6	–17.4%
Operating profit/(loss) margin *(%)*	31.1	–3.3	+34.4 percentage points
Net profit/(loss) margin *(%)*	28.7	–6.1	+34.8 percentage points
Number of shops	51	55	–4
Employee benefit expenses *(HK$ million)*	180.8	311.7	–42.0%
Occupancy costs and depreciation charge of other properties leased for own use:			
– Occupancy costs *(HK$ million)*	0.6	43.8	–98.6%
– Depreciation charge of other properties leased for own use *(HK$ million)*	81.2	48.4	+67.7%
	81.8	92.2	–11.3%
Total dividend per ordinary share *(HK cents)*	Nil	Nil	–
Annual dividend pay-out ratio *(%)*	N/A	N/A	–
Gearing ratio	N/A	N/A	–

Hong Kong

The China-US trade war and COVID-19 epidemic issues in Hong Kong has deeply dampened the retail industry in Hong Kong. As reflected from the figures released by the Census and Statistics Department, Hong Kong retail sales plunged by a record of 24.3% year on year for 2020, as the coronavirus pandemic undermined consumer sentiment and kept big-spending tourists away.

During the financial year ended 31 March 2021, our shops in Hong Kong were closed for 144 days, from 10 April 2020 to 7 May 2020, from 15 July 2020 to 27 August 2020, and from 8 December 2020 to 17 February 2021 respectively in compliance with the anti-epidemic measures launched by the Hong Kong government. That accounted for approximately 39.5% of the days during the financial year ended 31 March 2021. As a result, our beauty, slimming and wellness service business in Hong Kong was seriously affected. Nonetheless, the Group was granted various COVID-19 related subsidies including subsidy under the Subsidy Scheme for Beauty Parlours under the Anti-epidemic Fund and subsidy of the Employment Support Scheme in Hong Kong. These subsidies compensated for the loss destined to incur during the shop closure period.

Revenue in Hong Kong during FY2021 decreased by 17.5%. Revenue from services rendered and receipts from prepaid beauty packages during FY2021 were HK$358.7 million and HK$246.5 million respectively (FY2020: HK$429.1 million and HK$441.5 million), representing decrease of 16.4% and 44.2% respectively. Revenue from sales of skincare and wellness products was HK$13.6 million in FY2021 (FY2020: HK$22.3 million). Our customers in Hong Kong amounted up to a total of approximately 426,000 during the year under review, representing an increase of 0.5% as compared to approximately 424,000 in the same period last year.

During FY2021, the 17.5% drop of the revenue is much less than the 39.5% days of closure. This is mainly due to service recognised upon the expiration of beauty packages prepaid by the customers in the prior year, which contributed the substantial gain of the Group during FY2021.

Our Group has managed to reshuffle the portfolio of shops in Hong Kong and retain our staff as much as we can, and strive to enhance the operational efficiency in order to achieve long term healthy development for the Group. We will continue to ensure the safety and quality of the services and products offered in our beauty and wellness centres.

In terms of the sales of skincare and wellness products, as of 31 March 2021, the Group had a total of 8 stores under the names of "be Beauty Shop", located across Hong Kong, Kowloon and New Territories. More than 100 varieties of products are available for sale under different series of skincare service, including "Y.U.E", "Advanced Natural", "Bioline", "BeYu", "Malu Wilz", "Dr Plus", "Castille", "Eclat du teint" which can fulfill the needs of customers with different skin types.

Mainland China

During FY2021, our Mainland China operations are conducted through two wholly owned foreign enterprises established in Shanghai and Guangzhou. These two wholly owned foreign enterprises operate a total of 3 service centres in these two cities. During the year under review, our service income and receipts from prepaid beauty packages in Mainland China amounted to HK$12.5 million and HK$13.4 million respectively, representing an increase of 12.5% and 24.7% respectively, as compared to the same period last year.

Singapore

During FY2021, the Group operated a total of 10 beauty and wellness service centres in Singapore (FY2020: 10). During FY2021, the revenue from operations in Singapore was HK$45.9 million, as compared with HK$57.6 million for the same period last year. Revenue recognised for provision of beauty and wellness services and receipts from sales of prepaid beauty packages in Singapore amounted to HK$40.6 million and HK$32.3 million respectively, as compared with HK$52.2 million and HK$44.1 million for the same period last year.

The Group will proceed with its Singapore business development in a prudent and steady manner. With relentless dedication to customer satisfaction, we will continue to focus on providing quality services that serve our customers well and enhance our brand awareness.

Financial Review

Revenue

Set out below is a breakdown on the revenue of the Group by service lines and product sales during FY2021 (with comparative figures for FY2020):

	For the year ended 31 March				
	2021		**2020**		
Sales mix	*HK$'000*	*Percentage of revenue*	*HK$'000*	*Percentage of revenue*	*Change*
Beauty & facial	309,852	71.9%	372,100	71.2%	–16.7%
Slimming	78,434	18.2%	94,463	18.1%	–17.0%
Spa and massage	23,427	5.4%	25,764	4.9%	–9.1%
Beauty and wellness services	411,713	95.5%	492,327	94.2%	–16.4%
Sales of skincare and wellness products	19,738	4.5%	30,279	5.8%	–34.8%
Total	431,451	100%	522,606	100%	–17.4%

Revenue of the Group was mainly contributed by the beauty, facial and slimming services. The Group's revenue from beauty and wellness services decreased by about 16.4% from approximately HK$492.3 million in FY2020 to approximately HK$411.7 million in FY2021.

The Group reported that gross receipts from the sales of new prepaid beauty packages of the Group amounted to HK$292.2 million during FY2021, representing a decrease of 41.1% compared with HK$496.3 million for FY2020, while cash and cash equivalents at year end maintained at a healthy level.

Set out below is an analysis on the deferred revenue:

	For the year ended 31 March							
	2021				2020			
Movement of deferred revenue	**Hong Kong**	**Mainland**	**Singapore**	**Total**	**Hong Kong**	**Mainland**	**Singapore**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of the year	273,591	5,372	22,859	301,822	261,211	5,850	30,560	297,621
Exchange differences	–	48	1,119	1,167	–	(118)	389	271
Gross receipts from sales of prepaid beauty packages	246,531	13,363	32,276	292,170	441,457	10,713	44,087	496,257
Revenue recognised for provision of beauty and wellness services and expiry of prepaid beauty package	(358,684)	(12,460)	(40,569)	(411,713)	(429,077)	(11,073)	(52,177)	(492,327)
At the end of the year	161,438	6,323	15,685	183,446	273,591	5,372	22,859	301,822

Employee benefit expenses

Employee benefit expenses (including staff's salaries and bonuses as well as directors' remunerations) represented the largest component of the Group's operating costs. During the year under review, employee benefit expenses decreased by about 42.0% from HK$311.7 million in FY2020 to approximately HK$180.8 million. Employee benefit expenses accounted for 41.9% of our revenue in FY2021, as compared to 59.6% for FY2020. The total headcount of the Group as at 31 March 2021 decreased by 14.6% to 928, as compared to a headcount of 1,087 for FY2020. The decrease of the amount of employee benefits expenses and headcount is mainly due to the continuous cost efficiency that we endeavor to pursue. The Group's remuneration policies are in line with the prevailing market practices and are determined based on the individual performance and experience. For the purpose of motivating and rewarding our staff, discretionary bonus and share options may be granted to eligible employees based on individual performance and the Group's results. The Group introduced the elite system since the first quarter of 2010, whereby excellent staff with outstanding performance may receive discretionary bonus in recognition of their contribution.

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

During the year under review, the Group's occupancy costs and depreciation of other properties leases for own use were approximately HK$81.8 million (2020: HK$92.2 million), accounting for approximately 19.0% of our revenue (2020: 17.7%). As of 31 March 2021, the Group operated a total of 33 service centres in Mainland China and Hong Kong with a total weighted average gross floor area of 186,000 square feet, representing a decrease of 11.0% as compared to 209,000 square feet in FY2020. As of 31 March 2021, the Group had 10 centres in Singapore, with a total weighted average gross floor area of approximately 20,000 square feet (FY2020: approximately 20,000 square feet).

Bank charges, advertising costs and building management fees

Bank charges recorded changes in line with gross receipts from sales of new prepaid beauty packages, which decreased by 41.6% to HK$14.7 million. Advertising costs decreased to HK$2.9 million from HK$5.3 million for the same period last year. Advertising cost as a percentage of revenue in FY2021 was 0.7% which remained stable compared with that of the same period last year. This reflected the Group's ability to enjoy cost advantage in advertising cost as it could spread such costs across an enlarged service centre network that covers Hong Kong, Mainland China and Singapore. Advertising cost is allocated in an effective way to raise brand awareness and capture a greater market share. Building management fees decreased by about 9.2% from HK$13.0 million in FY2020 to approximately HK$11.8 million during the year under review. It accounts for 2.7% of our revenue in FY2021, as compared to 2.5% for FY2020.

Other operating expenses

Set out below is a breakdown of the other operating expenses of the Group during FY2021 (with comparative figures for FY2020):

	For the year ended 31 March	
	2021	**2020**
	HK$'000	*HK$'000*
Audit Fee	3,964	4,252
Administrative expenses *(Note)*	5,596	6,592
Cleaning, sanitary and laundry	3,993	6,269
Consultancy fee	1,908	4,928
Government rent and rates	3,690	4,587
Insurance	2,877	3,502
Legal and professional fee	3,226	3,402
Repair and maintenance expenses	3,313	6,369
Utilities	4,423	8,374
Other expenses	8,176	8,464
	41,166	56,739

Note: The administrative expenses for each of the years ended 31 March 2020 and 2021 included motor vehicles expenses, postage and courier expenses, printing and stationary, telephone and fax and transportation expenses.

Net profit/loss

The net profit attributable to equity shareholders of the Company was approximately HK$125.7 million in FY2021, as compared to the net loss attributable to equity shareholders of the Company of HK$31.6 million in FY2020. The Group will continue to expand its business when opportunities arise in order to achieve the long-term value added objective of maximising shareholders' returns.

Dividend per share

The Board did not recommend any final dividend to the shareholders of the Company for the year under review (FY2020: Nil). As no interim dividend had been approved by the Board for the six months ended 30 September 2020, the total dividend for the year ended 31 March 2021 will be nil (FY2020: Nil).

Liquidity, financial resources and capital structure

The Group generally finances its liquidity requirements through the gross receipts from sales of prepaid beauty packages and settlement of credit card prepayment transactions with banks. During the year under review, we maintained a strong financial position with abundant cash and bank balances of approximately HK$234.3 million (FY2020: HK$180.0 million) with no bank borrowings. Our cash is primarily used as working capital and to finance our normal operating expenses, as well as to pay for the purchase of skincare and wellness products, materials and consumable used in the provision of beauty and wellness services. During the year under review, except for cash at bank held for daily operation, the majority of the Group's cash was held under fixed and savings deposits as in line with the Group's prudent treasury policies.

Capital expenditure

The total capital expenditure of the Group (excluding additions to right-of-use assets for leases of properties for own use) during the year under review was approximately HK$2.2 million, as compared to HK$20.0 million for the same period last year. The amount was mainly used for the additions of leasehold improvements and equipment and machinery in connection with the expansion and integration of its service network in Hong Kong, Mainland China and Singapore.

Contingent liabilities and capital commitment

The Board considered that there was no material contingent liabilities as at 31 March 2021. The Group had capital commitment of HK$0.3 million as at 31 March 2021 (31 March 2020: HK$0.1 million), mainly for the acquisition of plant and equipment.

Charges on assets

As of 31 March 2021, the Group had pledged bank deposits of HK$54.4 million (31 March 2020: HK$54.1 million) in favour of certain banks to secure banking facilities granted to certain subsidiaries in the Group.

Foreign exchange risk exposures

The Group's transactions were mainly denominated in Hong Kong Dollars. However, the fluctuation in exchange rates of Hong Kong Dollars against Renminbi and Singapore Dollars also affected the operating costs as the Group expanded its business to Mainland China and Singapore. Management will closely monitor the risk exposures faced by the Group, and will take necessary actions to minimise potential risks and strike a balance between our exposure and return so as to properly hedge such exposures.

Human resources and training

The Group had a workforce of 928 staff as of 31 March 2021 (31 March 2020: 1,087 staff), including 752 front-line service centre staff in Hong Kong, 33 in Mainland China and 61 in Singapore. Back office staff totaled 61 in Hong Kong, 5 in Mainland China, 13 in Singapore and 3 in Australia. The Group reviews its remuneration policies on a regular basis with reference to the legal framework, market conditions and performance of the Group and individual staff. The Remuneration Committee also reviews the remuneration policies and packages of executive directors and senior management.

Pursuant to the remuneration policies of the Group, employees' remunerations comply with the legal requirements of all jurisdictions in which we operate and are in line with the market rates. During the year under review, total employee benefit expenses, including directors' emoluments, amounted to HK$180.8 million, representing a 42.0% decrease as compared to HK$311.7 million in FY2020. To enhance the service quality and core skills of our staff, the Group regularly organises training programs designed by the Group's senior management for its staff. In addition, the seminars also facilitate the interaction and communication between the Group's management and the general staff.

Outlook

Our salons were closed for 144 days in Hong Kong and 73 days in Singapore during FY2021 due to the COVID-19 anti-epidemic and circuit-breaker measures respectively. Deferred revenue at the end of FY2021 was HK$183.4 million, which represented 39.2% drop compared with the deferred revenue of HK$301.8 million at the end of FY2020, indicating the deferred revenue of the beauty packages that will be recognised as revenue in the coming financial year ending 31 March 2022 will be much less. This will pose an adverse effect on the financial performance of the coming financial year ending 31 March 2022.

The rise in COVID-19 diagnosed cases in Singapore has driven it back to stricter measures. Any personalised services that require customers to take off their masks are not allowed from 16 May 2021 to 13 June 2021. This has dampened our business which provides facial treatments in Singapore subsequent to FY2021.

Looking ahead, we will continue to reduce our rental expenses and explore some new rental payment models, streamline and automatise the workflow to survive the plight and adjust our business strategy to achieve a faster turnaround and ride on the wave of the coming recovery.

The Group has established 14 branches of maid employment agencies in different districts in Hong Kong under the name of Kasa Maid Agency Limited and Excellent Quality Maid Agency Limited by the end of March 2021. Leveraging on our solid customer network and our services management that facilitate excellent quality assurance, the Group aspires to develop and expand our business scope to maid agency services which has the potential to be our new growth engine in the future.

The Group will remain prudent in terms of store opening, emphasising on the improvement of the performance within our shop network. We will continue to optimise our skincare product sourcing strategy to match with customer preferences and market trends.

Environmental Policies and Performance

The Group understands that its business has an impact on the environment and recognises the importance of sound environmental management practices and sustainable business operations. It is committed to comply with the relevant environmental standards and policies related to its business operations as set by the relevant governments. The Group has implemented a number of environment-friendly measures in its operations and workplaces including but not limited to retail shops, warehouses and offices. In its day-to-day operations, the Group advocates "paperless office" and actively promotes electronic management information system. It also sets up required equipment in order to arrange different kinds of meeting by using teleconference and video conference, resulting in savings in time and resources. For retail shops, the Group has implemented energy saving practices by using some LED lighting fixtures.

Compliance with Laws and Regulations

The Group recognises the importance of compliance with regulatory requirements and risks of non-compliance with such requirements. The Group has conducted on-going review of the newly enacted laws and regulations affecting the operations of the Group and provides relevant trainings and guidance to the staff. The Group has complied with the relevant laws and regulations of its places of operation that have significant impact on the operations of the Group for the year ended 31 March 2021.

Key Relationships

(a) Employees

The Group believes that employees are a key element to the success of its business, so it strives to maintain a high staff retention rate by providing competitive remuneration package and developing harmonious workplace. To enhance capabilities and effectiveness of its employees in operation, the Group provides them with a comprehensive training program which includes quality service skills, product knowledge and language and interpersonal skills. In addition, the Group would organise regular retail staff gatherings to promote team spirits and award retail staff who had outstanding sales performance.

(b) Consumers

The Group provides direct service to consumers in its retail and salon shops. To ensure continuous improvement of the quality of products and services, the Group regularly conducts internal and external market surveys to interact with consumers to gain market insights and feedback.

(c) Suppliers

The Group has established long standing cooperation relationship with certain suppliers. It selects its suppliers prudently. The relevant suppliers need to fulfill certain assessment criteria of the Group, including, among others, financial capability, reputation and history of meeting our standards for raw materials or finished products.

(d) Shareholders and Investors

The Board believes effective communication and accurate and timely information disclosure builds the Shareholders' and investors' confidence, and also facilitates the flow of constructive feedback and ideas that are beneficial for investor relations and future corporate development.

Principal risks and uncertainties

1. Macroeconomic changes – The Group's business is sensitive to the general economic conditions and other factors like consumer credit.

2. Regulatory & political risk of business – This includes legal regulation update in Hong Kong, especially the Trade Description Ordinance Chapter 362, Law of Hong Kong, since the Group's business mainly operates in Hong Kong. In addition, the Group would develop markets in Mainland China further, which also bring more risk in relation to regulatory and political changes.

3. Market competition – The Group is under intense pressure to compete on both price and service as large and small, regional or niche competitors attempt to increase market share.

4. Foreign currency risk associated with the Group's investment – The Group may be exposed to transaction and translation (exchange rate) risks, particularly Renminbi, Singapore Dollars and Australian Dollars, and associated financial cost risks.

5. Rising costs of Hong Kong business – This mainly refers to increasing operational cost resulting from uncertain economic environment.

6. Reputation and performance risk of skincare and wellness products business of the Group – The Group's business is dependent on its reputation and quality of service and the Group may lose potential business if the quality of its products and service are called into question.

For the year ended 31 March 2022

Business Review

Overview

During the financial year ended 31 March 2022 ("**FY2022**" or "**the year under review**"), revenue of the Group amounted to approximately HK$355.6 million, representing a decrease of 17.6% compared with approximately HK$431.5 million for the year ended 31 March 2021 ("**FY2021**" or the "**same period last year**"). The receipts from sales of prepaid beauty packages during the year under review was HK$346.1 million, an increase of 18.4% over the same period last year. The employee benefit expenses and occupancy costs and depreciation charge of other properties leased for own use increased by 38.7% to HK$250.8 million and decreased by 8.1% to HK$75.2 million respectively as compared with the same period last year. The Group recorded an operating loss of HK$72.3 million during the year under review (FY2021: operating profit of HK$134.0 million).

Below is the key statistics:

	For the year ended 31 March		
	2022	**2021**	**Change**
Revenue *(HK$ million)*	355.6	431.5	–17.6%
Operating (loss)/profit margin *(%)*	–20.3	31.1	–51.4 percentage points
Net (loss)/profit margin *(%)*	–19.3	28.7	–48.0 percentage points
Number of shops	48	51	–3
Employee benefit expenses *(HK$ million)*	250.8	180.8	+38.7%
Occupancy costs and depreciation charge of other properties leased for own use:			
– Occupancy costs *(HK$ million)*	–	0.6	–100%
– Depreciation charge of other properties leased for own use *(HK$ million)*	75.2	81.2	–7.4%
	75.2	81.8	–8.1%
Total dividend per ordinary share *(HK cents)*	Nil	Nil	–
Annual dividend pay-out ratio *(%)*	N/A	N/A	–
Gearing ratio	N/A	N/A	–

Hong Kong

During the financial year ended 31 March 2022, the Hong Kong government continued to promulgate a series of anti-epidemic measures such as restriction of cross-border mobility and social distance, the launch of various quarantine policies, and imposition of restrictions on restaurants and various entertainment venues in order to attain the goal of dynamic 'zero infection'. All those measures dampened the consumer sentiment and led to a sharp contraction in private consumption expenditure in Hong Kong.

Amid the sudden spread of coronavirus Omicron variant in Hong Kong starting from the end of December 2021, our shops in Hong Kong were closed for 84 days from 07 January 2022 to 31 March 2022 in compliance with Hong Kong government anti-epidemic measures. That accounted for approximately 23.0% of the days during the financial year ended 31 March 2022. Such temporary closure together with the social distancing policies have posed tremendous interruptions on our business. Nonetheless, leveraging on the industry leadership, good reputation and customer confidence built over years, the Group is confident that these challenges will be overcome effectively.

Revenue in Hong Kong during FY2022 decreased by 18.8%. Revenue from services rendered and receipts from prepaid beauty packages during FY2022 were HK$281.0 million and HK$298.4 million respectively (FY2021: HK$358.7 million and HK$246.5 million), representing decrease of 21.7% and increase of 21.0% respectively. Revenue from sales of skincare and wellness products was HK$21.4 million in FY2022 (FY2021: HK$13.6 million). Our customers in Hong Kong amounted up to a total of approximately 429,000 during the year under review, representing an increase of 0.7% as compared to approximately 426,000 in the same period last year.

Our Group has managed to reshuffle the portfolio of shops in Hong Kong and retain our staff as much as we can, and strive to enhance the operational efficiency in order to achieve long term healthy development for the Group. We will continue to ensure the safety and quality of the services and products offered in our beauty and wellness centres.

In terms of the sales of skincare and wellness products, as of 31 March 2022, the Group had a total of 8 stores under the names of "be Beauty Shop", located across Hong Kong, Kowloon and New Territories. More than 100 varieties of products are available for sale under different series of skincare service, including "Y.U.E", "Advanced Natural", "Malu Wilz", "Dr Plus", "Castille", "Eclat du teint", "p.e.n", "FERRECARE", "Byotea" which can fulfill the needs of customers with different skin types.

Mainland China

During FY2022, our Mainland China operations are conducted through two wholly owned foreign enterprises established in Shanghai and Guangzhou. These two wholly owned foreign enterprises operate a total of 3 service centres in these two cities. During the year under review, our service income and receipts from prepaid beauty packages in Mainland China amounted to HK$8.5 million and HK$9.7 million respectively, representing a decrease of 32.1% and a decrease of 27.4% respectively, as compared to the same period last year.

Singapore

During FY2022, the Group operated a total of 7 beauty and wellness service centres in Singapore (FY2021: 10). During FY2022, the revenue from operations in Singapore was HK$43.9 million, as compared with HK$45.9 million for the same period last year. Revenue recognised for provision of beauty and wellness services and receipts from sales of prepaid beauty packages in Singapore amounted to HK$36.0 million and HK$38.0 million respectively, as compared with HK$40.6 million and HK$32.3 million for the same period last year.

The Group will proceed with its Singapore business development in a prudent and steady manner. With relentless dedication to customer satisfaction, we will continue to focus on providing quality services that serve our customers well and enhance our brand awareness.

Financial Review

Revenue

Set out below is a breakdown on the revenue of the Group by service lines and product sales during FY2022 (with comparative figures for FY2021):

	For the year ended 31 March				
	2022		**2021**		
Sales mix	*HK$'000*	*Percentage of revenue*	*HK$'000*	*Percentage of revenue*	*Change*
Beauty & facial	240,865	67.7%	309,852	71.9%	–22.3%
Slimming	68,432	19.2%	78,434	18.2%	–12.8%
Spa and massage	16,186	4.6%	23,427	5.4%	–30.9%
Beauty and wellness services	325,483	91.5%	411,713	95.5%	–20.9%
Sales of skincare and wellness products	30,108	8.5%	19,738	4.5%	+52.5%
Total	355,591	100%	431,451	100%	–17.6%

Revenue of the Group was mainly contributed by the beauty, facial and slimming services. The Group's revenue from beauty and wellness services decreased by about 20.9% from approximately HK$411.7 million in FY2021 to approximately HK$325.5 million in FY2022.

The Group reported that gross receipts from the sales of new prepaid beauty packages of the Group amounted to HK$346.1 million during FY2022, representing an increase of 18.5% compared with HK$292.2 million for FY2021, while cash and cash equivalents at year end maintained at a healthy level.

Set out below is an analysis on the deferred revenue:

	For the year ended 31 March							
	2022				2021			
Movement of deferred revenue	Hong Kong	Mainland	Singapore	Total	Hong Kong	Mainland	Singapore	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of the year	161,438	6,323	15,685	183,446	273,591	5,372	22,859	301,822
Exchange differences	–	143	(22)	121	–	48	1,119	1,167
Gross receipts from sales of prepaid beauty packages	298,363	9,700	38,036	346,099	246,531	13,363	32,276	292,170
Revenue recognised for provision of beauty and wellness services and expiry of prepaid beauty package	(281,035)	(8,459)	(35,989)	(325,483)	(358,684)	(12,460)	(40,569)	(411,713)
At the end of the year	178,766	7,707	17,710	204,183	161,438	6,323	15,685	183,446

Employee benefit expenses

Employee benefit expenses (including staff's salaries and bonuses as well as directors' remunerations) represented the largest component of the Group's operating costs. During the year under review, employee benefit expenses increased by about 38.7% from HK$180.8 million in FY2021 to approximately HK$250.8 million. Employee benefit expenses accounted for 70.5% of our revenue in FY2022, as compared to 41.9% for FY2021. The total headcount of the Group as at 31 March 2022 decreased by 2.6% to 904, as compared to a headcount of 928 for FY2021. The increase of the amount of employee benefits expenses is mainly due to the number of closure days of our Hong Kong salon shops decreased from 142 days in FY2021 to 84 days in FY2022. The Group's remuneration policies are in line with the prevailing market practices and are determined based on the individual performance and experience. For the purpose of motivating and rewarding our staff, discretionary bonus and share options may be granted to eligible employees based on individual performance and the Group's results. The Group introduced the elite system, whereby excellent staff with outstanding performance may receive discretionary bonus in recognition of their contribution.

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

During the year under review, the Group's occupancy costs and depreciation of other properties leases for own use were approximately HK$75.2 million (2021: HK$81.8 million), accounting for approximately 21.1% of our revenue (2021: 19.0%). As of 31 March 2022, the Group operated a total of 33 service centres in Mainland China and Hong Kong with a total weighted average gross floor area of 176,000 square feet, representing a decrease of 5.4% as compared to 186,000 square feet in FY2021. As of 31 March 2022, the Group had 7 centres in Singapore, with a total weighted average gross floor area of approximately 19,000 square feet (FY2021: approximately 20,000 square feet).

Bank charges, advertising costs and building management fees

Bank charges recorded changes in line with gross receipts from sales of new prepaid beauty packages, which increased by 19.4% to HK$17.6 million. Advertising costs increased to HK$3.1 million from HK$2.9 million for the same period last year. Advertising costs as a percentage of revenue in FY2022 was 0.9% which remained stable compared with that of the same period last year. This reflected the Group's ability to enjoy cost advantage in advertising costs as it could spread such costs across an enlarged service centre network that covers Hong Kong, Mainland China and Singapore. Advertising cost is allocated in an effective way to raise brand awareness and capture a greater market share. Building management fees decreased by about 1.1% from HK$11.8 million in FY2021 to approximately HK$11.7 million during the year under review. It accounts for 3.3% of our revenue in FY2022, as compared to 2.7% for FY2021.

Other operating expenses

Set out below is a breakdown of the other operating expenses of the Group during FY2022 (with comparative figures for FY2021):

	For the year ended 31 March	
	2022	**2021**
	HK$'000	*HK$'000*
Audit Fee	4,042	3,964
Administrative expenses *(Note)*	6,421	5,596
Cleaning, sanitary and laundry	4,645	3,993
Consultancy fee	1,016	1,908
Government rent and rates	3,301	3,690
Insurance	2,196	2,877
Legal and professional fee	2,220	3,226
Repair and maintenance expenses	4,857	3,313
Utilities	6,057	4,423
Other expenses *(Note)*	11,912	8,176
	46,667	41,166

Note: The administrative expenses for each of the years ended 31 March 2021 and 2022 included motor vehicles expenses, postage and courier expenses, printing and stationary, telephone and fax and transportation expenses. The other expenses for each of the years ended 31 March 2021 and 2022 mainly included recruitment, training and internet expenses.

Net loss/profit

The net loss attributable to equity shareholders of the Company was approximately HK$68.8 million in FY2022, as compared to the net profit attributable to equity shareholders of the Company of HK$125.7 million in FY2021. The Group will continue to expand its business when opportunities arise in order to achieve the long-term value added objective of maximising shareholders' returns.

Dividend per share

The Board did not recommend any final dividend to the shareholders of the Company for the year under review (FY2021: Nil). As no interim dividend had been approved by the Board for the six months ended 30 September 2021, the total dividend for the year ended 31 March 2022 will be nil (FY2021: Nil).

Liquidity, financial resources and capital structure

The Group generally finances its liquidity requirements through the gross receipts from sales of prepaid beauty packages and settlement of credit card prepayment transactions with banks. During the year under review, we maintained a strong financial position with cash and bank balances of approximately HK$127.5 million (FY2021: HK$234.3 million) with no bank borrowings. Our cash is primarily used as working capital and to finance our normal operating expenses, as well as to pay for the purchase of skincare and wellness products, materials and consumable used in the provision of beauty and wellness services. During the year under review, except for cash at bank held for daily operation, the majority of the Group's cash was held under fixed and savings deposits as in line with the Group's prudent treasury policies.

Capital expenditure

The total capital expenditure of the Group (excluding additions to right-of-use assets for leases of properties for own use) during the year under review was approximately HK$80.9 million, as compared to HK$2.2 million for the same period last year. The amount was mainly used for the additions of leasehold land and buildings held for own use, leasehold improvements and equipment and machinery in connection with the expansion and integration of its service network in Hong Kong, Mainland China and Singapore.

Contingent liabilities and capital commitment

The Board considered that there was no material contingent liabilities as at 31 March 2022. The Group had capital commitment of HK$0.3 million as at 31 March 2022 (31 March 2021: HK$0.3 million), mainly for the acquisition of plant and equipment.

Charges on assets

As of 31 March 2022, the Group had pledged bank deposits of HK$47.2 million (31 March 2021: HK$54.4 million) in favour of certain banks to secure banking facilities granted to certain subsidiaries in the Group.

Foreign exchange risk exposures

The Group's transactions were mainly denominated in Hong Kong Dollars. However, the fluctuation in exchange rates of Hong Kong Dollars against Renminbi and Singapore Dollars also affected the operating costs as the Group expanded its business to Mainland China and Singapore. Management will closely monitor the risk exposures faced by the Group, and will take necessary actions to minimise potential risks and strike a balance between our exposure and return so as to properly hedge such exposures.

Human resources and training

The Group had a workforce of 904 staff as of 31 March 2022 (31 March 2021: 928 staff), including 732 front-line service centre staff in Hong Kong, 32 in Mainland China and 55 in Singapore. Back office staff totaled 63 in Hong Kong, 5 in Mainland China, 14 in Singapore and 3 in Australia. The Group reviews its remuneration policies on a regular basis with reference to the legal framework, market conditions and performance of the Group and individual staff. The Remuneration Committee also reviews the remuneration policies and packages of executive directors and senior management.

Pursuant to the remuneration policies of the Group, employees' remunerations comply with the legal requirements of all jurisdictions in which we operate and are in line with the market rates. During the year under review, total employee benefit expenses, including directors' emoluments, amounted to HK$250.8 million, representing a 38.7% increase as compared to HK$180.8 million in FY2021. To enhance the service quality and core skills of our staff, the Group regularly organises training programs designed by the Group's senior management for its staff. In addition, the seminars also facilitate the interaction and communication between the Group's management and the general staff.

Outlook

Our salon shops in Hong Kong have been intermittently closed for 246 days in total in compliance with the government's anti-epidemic policies since April 2020. Lots of discontent have been provoked from the beauty industry and the society in the context that no outbreak of COVID-19 has ever been incurred from the beauty salons but which are required to be closed together with those premises with frequent outbreak of infected cases such as party rooms and fitness centres. Despite this one-size-fit-all approach by the Hong Kong Government and the uncertain development of the pandemic ahead, the Group will remain adamant in its business philosophy to provide sophisticated services, excellent-quality-products and highest standard of hygienic environment for its customers.

In October last year, our Hong Kong salons have launched a cooling-off period policy which means the customer may choose to claim the refund of the unused services within five working days from the date of his/her purchase. The Group intends to set this as a good example to the beauty industry which is said to have unscrupulous and aggressive commercial practices carried out by a handful of black sheep. In the long run, we hope to restore the customer confidence and build up a healthy long-term development of the industry.

In August 2021 and February 2022 respectively, the Group has completed the transactions to purchase a retail shop in Tseung Kwan O in Hong Kong with consideration of HK$53,800,000 and approximate gross floor area of 6,030 square feet, and a retail shop in Toa Payoh Central in Singapore with consideration of S$3,200,000 and approximate gross floor area of 1,345 square feet. The properties will be used as beauty salons to be operated by the Group. These acquisitions were to strengthen our strategic retail network and enhance our brand awareness, which is in line with the long-term development plan of the Group.

The subsidies of the fifth and sixth round of Anti-epidemic Fund, and the subsidy of the 2022 Employment Support Scheme in Hong Kong was or will be received after the FY 2022. These amounts of subsidy will be recorded in the financial statements in the coming financial year 2023.

Looking ahead, the retail sector in Hong Kong should continue to recover provided that the local epidemic situation remains stable. The Consumption Voucher Scheme and other measures rolled out by the Hong Kong Government will render further support to consumption demand.

Environmental Policies and Performance

The Group understands that its business has an impact on the environment and recognises the importance of sound environmental management practices and sustainable business operations. It is committed to comply with the relevant environmental standards and policies related to its business operations as set by the relevant governments. The Group has implemented a number of environment-friendly measures in its operations and workplaces including but not limited to retail shops, warehouses and offices. In its day-to-day operations, the Group advocates "paperless office" and actively promotes electronic management information system. It also sets up required equipment in order to arrange different kinds of meeting by using teleconference and video conference, resulting in savings in time and resources. For retail shops, the Group has implemented energy saving practices by using some LED lighting fixtures.

Compliance with Laws and Regulations

The Group recognises the importance of compliance with regulatory requirements and risks of non-compliance with such requirements. The Group has conducted on-going review of the newly enacted laws and regulations affecting the operations of the Group and provides relevant trainings and guidance to the staff. The Group has complied with the relevant laws and regulations of its places of operation that have significant impact on the operations of the Group for the year ended 31 March 2022.

Key Relationships

(a) Employees

The Group believes that employees are a key element to the success of its business, so it strives to maintain a high staff retention rate by providing competitive remuneration package and developing harmonious workplace. To enhance capabilities and effectiveness of its employees in operation, the Group provides them with a comprehensive training program which includes quality service skills, product knowledge and language and interpersonal skills. In addition, the Group would organise regular retail staff gatherings to promote team spirits and award retail staff who had outstanding sales performance.

(b) Consumers

The Group provides direct service to consumers in its retail and salon shops. To ensure continuous improvement of the quality of products and services, the Group regularly conducts internal and external market surveys to interact with consumers to gain market insights and feedback.

(c) Suppliers

The Group has established long standing cooperation relationship with certain suppliers. It selects its suppliers prudently. The relevant suppliers need to fulfill certain assessment criteria of the Group, including, among others, financial capability, reputation and history of meeting our standards for raw materials or finished products.

(d) Shareholders and Investors

The Board believes effective communication and accurate and timely information disclosure builds the Shareholders' and investors' confidence, and also facilitates the flow of constructive feedback and ideas that are beneficial for investor relations and future corporate development.

Principal risks and uncertainties

1. Macroeconomic changes – The Group's business is sensitive to the general economic conditions and other factors like consumer credit.

2. Regulatory & political risk of business – This includes legal regulation update in Hong Kong, especially the Trade Description Ordinance Chapter 362, Law of Hong Kong, since the Group's business mainly operates in Hong Kong. In addition, the Group would develop markets in Mainland China further, which also bring more risk in relation to regulatory and political changes.

3. Market competition – The Group is under intense pressure to compete on both price and service as large and small, regional or niche competitors attempt to increase market share.

4. Foreign currency risk associated with the Group's investment – The Group may be exposed to transaction and translation (exchange rate) risks, particularly Renminbi, Singapore Dollars and Australian Dollars, and associated financial cost risks.

5. Rising costs of Hong Kong business – This mainly refers to increasing operational cost resulting from uncertain economic environment.

6. Reputation and performance risk of skincare and wellness products business of the Group – The Group's business is dependent on its reputation and quality of service and the Group may lose potential business if the quality of its products and service are called into question.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares or Debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or were deemed to have under such provisions of the SFO); (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in Shares, underlying Shares and debentures in the Company

Name of Director	Capacity in which interests are held	Interests in Shares	Approximate Percentage of Issued Share Capital of the Company *(Note 1)*
Dr. Tsang Yue, Joyce	Founder of a discretionary trust *(Notes 2 & 4)*	677,247,942 *(Note 3)*	74.88%
	Interest of spouse	650,000	0.07%
Mr. Yip Kai Wing	Beneficial Owner	185,000	0.02%
Ms. Yeung See Man	Beneficial Owner	172,000	0.02%

Notes:

1. The percentage has been compiled based on the total number of Shares in issue as at the Latest Practicable Date (i.e. 904,483,942 Shares).

2. These 677,247,942 Shares were held by a trust of which Dr. Tsang Yue, Joyce was the founder of a trust and TMF (Cayman) Ltd. was the trustee of the trust.

3. These Shares comprised (i) 209,247,942 Shares directly owned by Allied Wealth Limited; (ii) 367,200,000 Shares directly owned by Silver Compass Holdings Corp.; and (iii) 100,800,000 Shares directly owned by Silver Hendon Enterprises Corp. All such companies are controlled corporations of Dr. Tsang. Dr. Tsang is a director of each of Allied Wealth Limited, Silver Compass Holdings Corp. and Silver Hendon Enterprises Corp.

4. Allied Wealth Limited, Silver Compass Holdings Corp. and Silver Hendon Enterprises Corp. are wholly owned by Asia Gift Company Limited ("**Asia Gift**"), which is in turn wholly owned by Goldlite Development Limited ("**Goldlite**"). Goldlite is wholly owned by Allied Chance Management Limited ("**Allied Chance**"), which is in turn wholly-owned by Kelday International Limited. TMF (Cayman) Ltd. is the ultimate holding company of Kelday International Limited. Dr. Tsang is a director of each of Asia Gift and Goldlite.

(ii) Long positions in shares and underlying shares in the associated corporations

Name of Director	Name of associated corporation	Capacity in which interests are held	Number of share held	Percentage of holding
Dr. Tsang Yue, Joyce	Allied Chance Management Limited *(Note)*	Founder of a discretionary trust	1	100%
Dr. Tsang Yue, Joyce	Goldlite Development Limited *(Note)*	Founder of a discretionary trust	1	100%
Dr. Tsang Yue, Joyce	Asia Gift Company Limited *(Note)*	Founder of a discretionary trust	1	100%

Note: Each of Allied Chance Management Limited, Goldlite Development Limited and Asia Gift Company Limited is a holding company of the Company and is thus an associated corporation of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or pursuant to section 352 of the SFO, to be entered in the register referred to therein, or notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. DIRECTORS' COMPETING INTERESTS

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors or their respective associates had any interests in a business, which competes or is likely to compete either directly or indirectly with the business of the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules, if the Directors were controlling Shareholders.

5. DIRECTORS' INTEREST IN ASSETS, CONTRACTS OR ARRANGEMENTS

Save for the lease agreements relating to the Existing Premises and the 2023 Master Lease Agreement (and the Leasing Arrangements contemplated thereunder) as disclosed in the section headed "Letter from the Board" of this circular, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group, nor had any Director had any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to, any member of the Group since 31 March 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. QUALIFICATION AND CONSENT OF EXPERTS

The following are the qualifications of the expert who has given opinions or advice which is contained or mentioned in this circular:

Name	**Qualification**
Akron Corporate Finance Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
Roma Appraisals Limited ("**Roma**")	Independent property valuer

Each of the Independent Financial Adviser and Roma has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or reference to its name or opinion in the form and context in which it appears.

Each of the Independent Financial Adviser and Roma has confirmed that as at the Latest Practicable Date,

(a) it was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

(b) it did not directly or indirectly, have any interest in any assets which had since 31 March 2021 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. GENERAL

(a) The registered office of the Company is situated at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

(b) The Company's head office and principal place of business in Hong Kong is situated at Work Shop Nos. 66-68, 6th Floor, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong.

(c) The company secretary of the Company is Mr. Cheng Chi Ming.

(d) The Company's share registrar and transfer office in Hong Kong is Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(e) The English text of this circular shall prevail over the Chinese text in the event of conflict or inconsistency between the two.

8. DOCUMENTS ON DISPLAY

Copies of the following documents will be displayed on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (https://www.modernhealthcaretech.com) for a period of 14 days:

(a) the 2023 Master Lease Agreement;

(b) the valuation report provided by Roma;

(c) the letter form the Independent Board Committee, the text of which is set out in this circular;

(d) the letter from the Independent Financial Adviser, the text of which is set out in this circular; and

(e) the written consents referred to in paragraph headed "Qualification and Consent of Experts" of this appendix.

9. LITIGATION

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors, neither the Company nor any member of the Group was engaged in any litigation or claims of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

10. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) had been entered into by the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

(a) the formal sale and purchase agreement dated 8 June 2021 entered into between Most Green Limited as vendor and Spread Fill Limited, a wholly-owned subsidiary of the Company, as purchaser, in relation to purchase of Shop F (including the lavatories thereof) on lower ground level 1 of Commercial accommodation in phase III, Ocean Shares, 88 O King Road, Tseung Kwan O, New Territories, at a consideration of HK$53,800,000 and the related assignment made by the same parties dated 17 August 2021; and

(b) the option to purchase dated 4 August 2021 entered into between Toa Payoh Heng Heng Goldsmith & Jewellers Pte. Ltd., as vendor and Zegna International Pte. Ltd., a wholly-owned subsidiary of the Company, as purchaser, in relation to the purchase of BLK 186 Toa Rayoh Central #01-436 Singapore 310186, at a consideration of S$3,200,000.

MODERN HEALTHCARE TECHNOLOGY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 919)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting ("**EGM**") of Modern Healthcare Technology Holdings Limited ("**Company**") will be held at Portion 2, 12/F., The Center, 99 Queen's Road Central, Central, Hong Kong on Thursday, 30 March 2023 at 11:30 a.m., to consider and, if thought fit, pass the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT**:

(A) the (i) transactions as contemplated under the 2023 Master Lease Agreement (as defined in the circular of the Company dated 14 March 2023 ("**Circular**"), a copy of which is marked "A" and initialled by the chairman of the meeting for identification purpose and has been tabled at the meeting); and (ii) the relevant annual caps for such transactions for the year ending 31 March 2024, the year ending 31 March 2025 and the year ending 31 March 2026 as set out in the Circular be and are hereby approved; and

(B) the directors of the Company be and are hereby authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as they consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the 2023 Master Lease Agreement and to agree to such variation, amendments or waivers or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally different from those as provided in the 2023 Master Lease Agreement) as are, in the opinion of the directors of the Company, in the interest of the Company and its shareholders as a whole."

On behalf of the Board
Modern Healthcare Technology Holdings Limited
Tsang Yue, Joyce
Chairperson

Hong Kong, 14 March 2023

Registered office:
PO Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Head office and principal place of business in Hong Kong:
Work Shop Nos. 66-68
6th Floor, Sino Industrial Plaza
9 Kai Cheung Road
Kowloon Bay
Kowloon
Hong Kong

As at the date of this notice, the Board consists of three Executive Directors, Dr. Tsang Yue, Joyce, Mr. Yip Kai Wing and Ms. Yeung See Man and three Independent Non-executive Directors, Ms. Liu Mei Ling, Rhoda, Dr. Wong Man Hin, Raymond and Mr. Hong Po Kui, Martin.

Notes:

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. Any member of the Company who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares of the Company in respect of which each such proxy is so appointed.

2. A form of proxy is enclosed with this circular. To be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 11:30 a.m. (Hong Kong time) on Tuesday, 28 March 2023 or not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the EGM.

3. Where there are joint holders of any share, any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the EGM the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

4. Pursuant to Rule 13.39(4) of the Listing Rules, any votes of shareholders at a general meeting must be taken by poll (except for those relating purely to a procedural or administrative matter which may be voted on by a show of hands). Therefore, the ordinary resolution to be proposed at the EGM shall be voted by poll.

5. If a gale warning or a black rainstorm warning signal is in force at or at any time after 7:00 a.m. on the date of the meeting, the meeting will be postponed or adjourned. The Company will post an announcement on the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.modernhealthcaretech.com) to notify shareholders of the Company of the date, time and place of the rescheduled meeting.