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Human Health Holdings Limited

盈健醫療集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1419)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

HIGHLIGHTS

- The Group's revenue for the Interim Period of FY2017 was approximately HK\$224.6 million, representing a decrease of approximately HK\$4.0 million or 1.7% from the Interim Period of FY2016.
- Gross profit for the Interim Period of FY2017 was approximately HK\$106.2 million, representing a decrease of approximately HK\$1.1 million or 1.0% from the Interim Period of FY2016. Gross profit margin increased to approximately 47.3% for the Interim Period of FY2017 from approximately 46.9% for the Interim Period of FY2016.
- The Group's profit attributable to owners of the Company was approximately HK\$6.0 million for the Interim Period of FY2017, representing a decrease of approximately HK\$3.0 million or 33.5% from the Interim Period of FY2016. This decrease was primarily attributable to the decrease in revenue and increase in operating expenses for the Group's business development and expansion in Hong Kong and the PRC.
- Basic earnings per share for the Interim Period of FY2017 amounted to approximately HK1.7 cents (the Interim Period of FY2016: HK3.3 cents).

The board (the “**Board**”) of directors (the “**Directors**”) of Human Health Holdings Limited (the “**Company**”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**” or “**our**”) for the six months ended 31 December 2016 (the “**Interim Period of FY2017**”) together with the comparative figures for the six months ended 31 December 2015 (the “**Interim Period of FY2016**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2016

		Six months ended	
		31 December	
		2016	2015
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
REVENUE	4	224,636	228,603
Cost of services rendered		<u>(118,415)</u>	<u>(121,318)</u>
Gross profit		106,221	107,285
Other income and gains	4	1,399	1,454
Administrative expenses		(96,504)	(86,563)
Other expenses	5	–	(6,680)
Share of losses of a joint venture		<u>(2,060)</u>	<u>(458)</u>
PROFIT BEFORE TAX	5	9,056	15,038
Income tax expense	6	<u>(3,350)</u>	<u>(5,983)</u>
PROFIT FOR THE PERIOD		<u>5,706</u>	<u>9,055</u>

	Six months ended	
	31 December	
	2016	2015
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(661)</u>	<u>(326)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	<u>(661)</u>	<u>(326)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>5,045</u>	<u>8,729</u>
Profit attributable to:		
Owners of the Company	6,021	9,055
Non-controlling interests	<u>(315)</u>	<u>–</u>
	<u>5,706</u>	<u>9,055</u>
Total comprehensive income attributable to:		
Owners of the Company	5,360	8,729
Non-controlling interests	<u>(315)</u>	<u>–</u>
	<u>5,045</u>	<u>8,729</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		
Basic and diluted	<u>HK1.67 cents</u>	<u>HK3.31 cents</u>

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	<i>Notes</i>	31 December 2016 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		16,132	8,317
Goodwill		31,964	31,964
Other intangible assets		14,241	15,047
Investment in a joint venture		16,209	18,886
Deposits		18,863	16,209
Deferred tax assets		1,325	1,439
		98,734	91,862
CURRENT ASSETS			
Inventories		7,228	6,944
Tax recoverable		4,715	4,115
Trade receivables	9	31,871	31,996
Prepayments, deposits and other receivables		9,690	7,407
Due from related parties		2,427	1,614
Due from a joint venture		59	314
Pledged deposits		2,039	2,037
Cash and cash equivalents		151,326	167,656
		209,355	222,083
CURRENT LIABILITIES			
Trade payables	10	20,928	26,196
Other payables and accruals		22,094	17,603
Dividend payable		7,587	–
Due to related parties		2,601	1,305
Tax payables		2,269	13,403
		55,479	58,507
NET CURRENT ASSETS		153,876	163,576
TOTAL ASSETS LESS CURRENT LIABILITIES		252,610	255,438
NON-CURRENT LIABILITIES			
Provisions		3,827	3,372
Deferred tax liabilities		2,583	2,691
		6,410	6,063
Total non-current liabilities		6,410	6,063
Net assets		246,200	249,375
EQUITY			
Equity attributable to owners of the Company			
Share capital		3,615	3,615
Reserves		240,416	245,760
		244,031	249,375
Non-controlling interests		2,169	–
Total equity		246,200	249,375

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Human Health Holdings Limited is a limited liability company incorporated in the Cayman Islands. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at 11th Floor, TAL Building, 45-53 Austin Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company is an investment holding company. During the period, the Group was principally engaged in operating medical centres for the provision of integrated healthcare services in Hong Kong.

In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company is Treasure Group Global Limited, a company incorporated in the British Virgin Islands.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 1 April 2016 (the “**Listing**”).

2.1 BASIS OF PREPARATION AND PRESENTATION

The interim condensed consolidated financial statements are unaudited and have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 30 June 2016.

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention and are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2016.

The Group has adopted the following revised standards for the first time for the current period's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

The adoption of these revised HKFRSs has had no financial effect on the unaudited condensed consolidated financial statements.

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) General practice services segment engages in the provision of general medical consultation and related services;
- (b) Specialties services segment engages in the provision of specialist services and consultation related services; and
- (c) Dental services segment which comprises the provision of dental services and related treatment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income, management fee income from related parties, share of losses of a joint venture, as well as head office and corporate income and expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	General practice services		Specialties services		Dental services		Total	
	Six months ended		Six months ended		Six months ended		Six months ended	
	31 December		31 December		31 December		31 December	
	2016	2015	2016	2015	2016	2015	2016	2015
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Segment revenue:								
Revenue from external customers	152,570	156,901	46,715	48,494	25,351	23,208	224,636	228,603
Intersegment sales	1,521	1,644	385	207	6	3	1,912	1,854
							226,548	230,457
<i>Reconciliation:</i>								
Elimination of intersegment sales							(1,912)	(1,854)
							224,636	228,603
Segment results	30,787	33,859	3,617	7,097	1,644	119	36,048	41,075
Interest income							247	30
Management fee income from related parties							1,118	947
Corporate and unallocated expenses							(26,297)	(26,556)
Share of losses from a joint venture							(2,060)	(458)
Profit before tax							9,056	15,038
Income tax expense	(2,943)	(4,920)	(9)	(265)	(398)	(798)	(3,350)	(5,983)
Profit for the period							5,706	9,055

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of integrated healthcare services rendered.

An analysis of the Group's revenue, other income and gains is as follows:

	Six months ended	
	31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue		
Integrated healthcare services income	224,636	228,603
Other income and gains		
Bank interest income	247	30
Management fee income	1,118	947
Compensation received	–	161
Write back of other payable	–	304
Others	34	12
	1,399	1,454

5. PROFIT BEFORE TAX

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

	Six months ended	
	31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cost of pharmaceutical supplies	18,314	19,905
Fees payable to doctors and dentists	99,939	101,261
Depreciation	3,009	3,573
Amortisation of other intangible assets*	806	806
(Gain)/loss on disposal of items of property, plant and equipment	(39)	83
Minimum lease payments under operating leases:		
Land and buildings	30,557	28,243
Auditors' remuneration	847	945
Expenses related to the Listing**	–	6,680
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	43,106	38,890
Equity-settled share option expense	40	–
Pension scheme contributions	1,850	1,609
	44,996	40,499
Write-down of inventories to net realisable value [#]	162	152

* The amortisation of other intangible assets for the period is included in administrative expenses in the condensed consolidated statement of profit or loss and other comprehensive income.

** Recorded as other expenses as presented in the condensed consolidated statement of profit or loss and other comprehensive income.

[#] The write-down of inventories to net realisable value is included in cost of services rendered in the condensed consolidated statement of profit or loss and other comprehensive income.

6. INCOME TAX

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

Hong Kong profits tax has been made at the rate of 16.5% (six months ended 31 December 2015: 16.5%) on the estimated assessable profits arising in Hong Kong. No provision for the People's Republic of China ("PRC") corporate income tax has been made as the Group's PRC subsidiary had no estimated assessable profits for the period (six months ended 31 December 2015: Nil).

	Six months ended	
	31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current		
Charge for the period	3,344	4,234
Underprovision in prior years	–	1,183
Deferred	6	566
	<hr/>	<hr/>
Total tax charge for the period	<u>3,350</u>	<u>5,983</u>

7. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 31 December 2016 (six months ended 31 December 2015: Nil).

A final dividend of HK3 cents per ordinary share for the year ended 30 June 2016 amounting to HK\$10,845,000 was approved by the shareholders of the Company on 29 November 2016.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the unaudited consolidated profit for the period attributable to ordinary equity holders of the Company of HK\$6,021,000 (six months ended 31 December 2015: HK\$9,055,000), and the weighted average number of ordinary shares of 361,502,000 (six months ended 31 December 2015: 273,320,000) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 31 December 2016 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented. The Group had no potentially dilutive ordinary shares in issue during the six months ended 31 December 2015.

9. TRADE RECEIVABLES

	31 December 2016 <i>HK\$'000</i> (Unaudited)	30 June 2016 <i>HK\$'000</i> (Audited)
Trade receivables	<u>31,871</u>	<u>31,996</u>

Most of the patients of the medical and dental practices settle in cash. Payments by patients using medical cards or corporate customers will normally be settled within 1 to 6 months. The Group allows an average credit period of 70 days to its trade customers under other business activities. The Group seeks to maintain strict control over its outstanding receivables and has a personnel to monitor the implementation of measures to minimise the credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	31 December 2016 <i>HK\$'000</i> (Unaudited)	30 June 2016 <i>HK\$'000</i> (Audited)
Within 2 months	24,014	23,070
2 to 4 months	5,422	6,119
4 to 6 months	1,739	2,605
Over 6 months	<u>696</u>	<u>202</u>
	<u>31,871</u>	<u>31,996</u>

An aging analysis of trade receivables that are neither individually nor collectively to be impaired is as follows:

	31 December 2016 <i>HK\$'000</i> (Unaudited)	30 June 2016 <i>HK\$'000</i> (Audited)
Neither past due nor impaired	20,089	17,941
Less than 1 month past due	5,441	6,030
1 to 3 months past due	4,351	4,286
Over 3 months	<u>1,990</u>	<u>3,739</u>
	<u>31,871</u>	<u>31,996</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track with the Group. Based on past experience, the directors of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

10. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	31 December	30 June
	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within 1 month	17,008	22,852
1 to 3 months	3,735	3,142
Over 3 months	185	202
	<u>20,928</u>	<u>26,196</u>

The trade payables are non-interest bearing and are normally settled on terms of 60 days.

FINANCIAL REVIEW

Financial Review for the Interim Period of FY2017

Revenue

Our revenue represents the value of medical and dental services and comprises revenue from general practice services, specialties services and dental services. The following table sets forth the breakdown of our revenue by service type:

	Interim Period of FY2017 HK\$'000	Interim Period of FY2016 HK\$'000	% of change
General practice services	152,570	156,901	-2.8%
Specialties services	46,715	48,494	-3.7%
Dental services	25,351	23,208	9.2%
	<u>224,636</u>	<u>228,603</u>	<u>-1.7%</u>

In the Interim Period of FY2017, the Group recorded revenue amounted to approximately HK\$224.6 million, representing a decrease of approximately 1.7% as compared with the Interim Period of FY2016.

Our revenue from general practice services decreased by approximately HK\$4.3 million or 2.8% from the Interim Period of FY2016 to approximately HK\$152.6 million for the Interim Period of FY2017. The decrease was mainly due to the delayed seasonal flu effect which normally starts from the last quarter in a calendar year.

Our revenue from specialties services decreased by approximately HK\$1.8 million or 3.7% from the Interim Period of FY2016 to approximately HK\$46.7 million for the Interim Period of FY2017. The decrease was mainly attributed to decrease in patient visits from 26,126 for the Interim Period of FY2016 to 22,359 for the Interim Period of FY2017.

Our revenue from dental services increased by approximately HK\$2.1 million or 9.2% from the Interim Period of FY2016 to approximately HK\$25.4 million for the Interim Period of FY2017. The increase was mainly attributed to the increase in average spending per visit from HK\$1,025 for the Interim Period of FY2016 to HK\$1,129 for the Interim Period of FY2017.

Cost of services rendered

Our cost of services rendered represents cost in relation to our medical services provided including fees payable to doctors and dentists, cost of pharmaceutical supplies and other related charges. The following table sets forth the breakdown of our cost of services rendered:

	Interim Period of FY2017 HK\$'000	Interim Period of FY2016 HK\$'000	% of change
Fees payable to doctors and dentists	99,939	101,261	-1.3%
Cost of pharmaceutical supplies	18,314	19,905	-8.0%
Written-down of inventories to net realisable value	162	152	6.6%
	<u>118,415</u>	<u>121,318</u>	<u>-2.4%</u>

Our cost of services rendered decreased by approximately HK\$2.9 million or 2.4% from the Interim Period of FY2016 to approximately HK\$118.4 million for the Interim Period of FY2017. This decrease was mainly due to a decrease in fees payable to doctors and dentists and cost of pharmaceutical supplies which were in line with the decrease in our revenue for the Interim Period of FY2017.

Gross profit and gross profit margin

Our gross profit decreased by approximately HK\$1.1 million or 1.0% from the Interim Period of FY2016 to approximately HK\$106.2 million for the Interim Period of FY2017 as a result of decrease in revenue. Our gross profit margin increased to approximately 47.3% for the Interim Period of FY2017 from approximately 46.9% for the Interim Period of FY2016 which was mainly due to increase in gross profit margin from specialties services and dental services.

The following table sets forth the breakdown of our gross profit and gross profit margin by service type:

	Interim Period of FY2017		Interim Period of FY2016	
	<i>HK\$'000</i>	<i>Gross profit margin %</i>	<i>HK\$'000</i>	<i>Gross profit margin %</i>
General practice services	78,563	51.5%	80,873	51.5%
Specialties services	17,527	37.5%	17,262	35.6%
Dental services	10,131	40.0%	9,150	39.4%
	<u>106,221</u>	47.3%	<u>107,285</u>	46.9%

Our gross profit margin for general practice services for the Interim Period of FY2017 was the same as that of the Interim Period of FY2016.

Our gross profit margin for specialties services increased from approximately 35.6% for the Interim Period of FY2016 to approximately 37.5% for the Interim Period of FY2017 mainly as a result of lower fees payable to specialists during the Interim Period of FY2017 as their remuneration packages were different based on their specialties, experiences and length of services with us.

Our gross profit margin for dental services increased from approximately 39.4% for the Interim Period of FY2016 to approximately 40.0% for the Interim Period of FY2017 mainly due to lower cost of pharmaceutical supplies and dental materials.

Other income and gains

Our other income and gains decreased by approximately HK\$0.1 million or 3.8% was from the Interim Period of FY2016 to approximately HK\$1.4 million for the Interim Period of FY2017. The decrease was because of no compensation received from doctors or written back of other payable for the Interim Period of FY2017, which were non-recurring income and were approximately HK\$0.5 million in the Interim Period of FY2016. The effect was partially offset by the increase in management fee income and interest income of approximately HK\$0.4 million in the Interim Period of FY2017.

Administrative expenses

Our administrative expenses increased by approximately HK\$9.9 million or 11.5% to approximately HK\$96.5 million for the Interim Period of FY2017 from approximately HK\$86.6 million for the Interim Period of FY2016 as a result of (i) an increase in staff salaries and welfare expenses and Directors' remuneration of approximately HK\$6.2 million mainly due to the inflation in salaries and increase in number of experienced and managerial staff to support the Group's development and expansion; (ii) an increase in rental expenses of approximately HK\$2.3 million due to the average number of medical centres in the Interim Period of FY2017 was higher than that of the Interim Period of FY2016; and (iii) an increase in legal and professional fee of approximately HK\$1.7 million.

Share of losses of a joint venture

Our share of losses of a joint venture increased by approximately HK\$1.6 million or 349.8% from the Interim Period of FY2016 to approximately HK\$2.1 million for the Interim Period of FY2017. The increase was mainly due to the pre-operating expenses such as payroll and rent cost incurred for commencing business of the joint venture.

Income tax expense

Income tax expense decreased by approximately HK\$2.6 million or 44.0% to approximately HK\$3.4 million for the Interim Period of FY2017 from approximately HK\$6.0 million for the Interim Period of FY2016. The decrease was mainly due to a decrease in assessable income as a result of decrease in revenue. Our effective tax rate decreased from approximately 39.8% for the Interim Period of FY2016 to approximately 37.0% for the Interim Period of FY2017 which was mainly due to the adjustment in respect of tax of previous periods in the Interim Period of FY2016 and the decrease in the non-tax deductible expense of approximately HK\$2.3 million such as expenses related to the Listing (as defined below) incurred in the Interim Period of FY2016.

Profit for the period

As a result of the foregoing, profit for the period decreased by approximately HK\$3.3 million or 37.0% to approximately HK\$5.7 million for the Interim Period of FY2017 from approximately HK\$9.1 million for the Interim Period of FY2016. Our net profit margin also decreased to approximately 2.5% for the Interim Period of FY2017 from approximately 4.0% for the Interim Period of FY2016.

Profit attributable to owners of the Company

The Group's profit attributable to owners of the Company was approximately HK\$6.0 million for the Interim Period of FY2017, representing a decrease of approximately HK\$3.0 million or 33.5% from the Interim Period of FY2016. This decrease was primarily attributable to the decrease in revenue and increase in operating expenses for the Group's business development and expansion in Hong Kong and the People's Republic of China (the "PRC").

BUSINESS REVIEW AND OUTLOOK

Business Review for the Interim Period of FY2017

With the aim of providing comprehensive and quality healthcare services to our customers, we have continued to strategically expand our network and scope of services, placing particular focus on specialties services in view of the huge growth potential and keen demand for specialties medical services. During the Interim Period of FY2017, we established several medical centres which not only expanding our well-established network of medical services, but also aim to provide preventive as well as life-enriching wellness services to fulfill different needs of customers in depth and breadth. Particularly noteworthy, the “Polyhealth Specialists cum Concept Centre” has been opened in Tsim Sha Tsui, a prime Hong Kong location, to provide a wide range of specialties and dental services and such new services as medical aesthetic services and mental health related services to capture the immense opportunities arising from these areas. Pushing towards the goal of building an all-rounded integrated medical service network enables us to position the Group as an integrated healthcare service provider and market leader.

Regarding our business expansion in the PRC, our first medical centre in Shanghai covering an area of over 1,000 square meters and providing comprehensive medical services including general practice, gynaecology, paediatrics, dermatology and aesthetic, dental, internal medicine and mental health counselling services to mid-to-high-end customers, was established in December 2016 and operated by Shanghai Human Health Integrated Medical Centre Limited* (上海盈健門診部有限公司) via the joint venture company formed by the Group and Pingan Health Internet Holdings Limited* (平安健康互聯網股份有限公司).

As at 31 December 2016, we operated 69 medical centres in Hong Kong under the following brand names with 120 service points.



* For identification purpose only

During the Interim Period of FY2017, we provided the following comprehensive healthcare services:



We attribute our prominent market position to our experienced and stable professional team which comprises general practitioners, specialists, dentists, physiotherapists, registered nurses, a pharmacist, a dental hygienist and a clinical psychologist.

Set forth below is the number of members in our professional team who work exclusively with our Group as at 31 December 2016:

General practitioners	70
Specialists	22
Dentists	18
Physiotherapists	3
Registered nurses	5
Pharmacist	1
Dental hygienist	1
	1
Total	<u>120</u>

In addition to the professional team above, 25 general practitioners, 19 specialists, 5 dentists and 1 clinical psychologist work with us on a non-exclusive basis as at 31 December 2016.

Our customers comprise individual customers and corporate customers which include medical scheme management companies, insurance companies and corporations. Our suppliers include general practitioners, specialists, dentists, clinical psychologist, pharmaceutical drugs distributors and manufacturers as well as laboratories and imaging centres. Moreover, the patient base grew from approximately 1.76 million as at 31 December 2015 to approximately 1.89 million as at 31 December 2016, whereas our patient visits during the Interim Period of FY2017 were approximately 0.56 million as compared to approximately 0.59 million during the Interim Period of FY2016.

Business Outlook

We endeavor to develop our network into a fully integrated healthcare service provider capable of delivering comprehensive healthcare services to Hong Kong communities. We have, riding on the existing service foundation, extended our business to the provision of medical imaging and medical diagnostic, thus offering more comprehensive one-stop healthcare services to customers. Moreover, in continuing our business growth in the city, we intend to further extend our network of general practice medical centres by identifying potential areas that show strong demand for affordable high-quality healthcare services, as well as specialist medical centres that focus on providing treatment for particular areas of medical issues, or those related to such specialty areas and develop our dental centres which offer high-end dental services. We will also review potential acquisition opportunities involving established medical centres in Hong Kong which have a similar vision with the Group, with an aim to increase our market share and hence our revenue base.

With the goal of actively expanding our healthcare network in the PRC in order to capture potential opportunities arising from the rapid growth of the healthcare service industry and demand for healthcare services in the country, we will assess the development of our first medical centre in Shanghai and map out suitable expansion at opportune time.

The Group's business has been developing rapidly via establishing new general practice medical centres and new specialist medical centres in Hong Kong and extending business coverage in the PRC. The Directors expect that costs will continue to be on the uptrend in the foreseeable future reflective of the pursuit of business expansion, which will enhance and strengthen the Group's business foundation in the long run. We believe that through our expansion strategies, we can devise and provide healthcare services in line with prevailing market needs which will help us develop our business with higher growth potential and profitability so as to bring the best returns to our shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a good financial position during the Interim Period of FY2017. As at 31 December 2016, the Group had net current assets of approximately HK\$153.9 million (as at 30 June 2016: approximately HK\$163.6 million) and cash and cash equivalents and pledged deposits of approximately HK\$153.4 million (as at 30 June 2016: approximately HK\$169.7 million). The Group did not have any interest-bearing borrowings during the Interim Period of FY2017. Thus, gearing ratio which is net debt divided by the adjusted capital plus net debt, and net debt to equity ratio were both not applicable to the Group.

CAPITAL STRUCTURE

There was no change in the capital structure of the Company during the Interim Period of FY2017. The capital of the Company comprises ordinary shares and other reserves.

CHARGES OF GROUP ASSETS

As at 31 December 2016, fixed deposit of approximately HK\$1.0 million have been pledged to a bank to secure overdrafts of the Group. In addition, fixed deposit of approximately HK\$1.0 million has been pledged to a bank as collateral security for banking facilities granted to the extent of HK\$1.0 million.

FOREIGN EXCHANGE EXPOSURE

The Group conducts business primarily in Hong Kong and the PRC with most of the transactions denominated and settled in Hong Kong dollars and Renminbi. Currently, the Group has not entered into any foreign exchange contracts to hedge against the fluctuations in exchange rate between Renminbi and Hong Kong dollars. However, the Group monitors foreign exchange exposure regularly and would consider if there is a need to hedge against significant foreign currency exposure when necessary.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There was no material acquisition or disposal of subsidiaries, associates and joint ventures during the Interim Period of FY2017 and up to the date of this announcement.

EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

In February 2017, we acquired We Health International Limited, which is a company ultimately and beneficially owned as to 90% and 10% by each of Mr. Chan Kin Ping and Dr. Pang Lai Sheung, respectively, and is the holding company of We Health Medical Diagnostic Limited (“**We Health**”) and Impact Medical Imaging Centre Company Limited (“**Impact**”) to extend our business to the provision of medical imaging and medical diagnostic. Such acquisition constituted a de minimis connected transaction which is fully exempt from shareholders’ approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules (as defined below). The transactions between our subsidiaries and each of We Health and Impact would no longer constitute continuing connected transactions to the Group as a result of such acquisition. The Directors believe that the new businesses will facilitate the development of the Group’s specialties service business and bring forth beneficial synergies to the Group and further strengthen our market position and customer base.

CAPITAL COMMITMENTS

	31 December	30 June
	2016	2016
	<i>HK\$’000</i>	<i>HK\$’000</i>
	(Unaudited)	(Audited)
Contracted, but not provided for:		
IT equipment	25	629

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2016.

EMPLOYEES

As at 31 December 2016, the Group had 430 full-time employees (as at 31 December 2015: 415) and 62 part-time employees (as at 31 December 2015: 54).

We recruit personnel from the open market and we formulate our recruitment policy based on market conditions, our business demand and expansion plans. We offer different remuneration packages to our employees based on their position. Generally, we pay basic salary and incentives (based on years of service) to all of our employees. To enhance the quality of our services, we adopt prudent assessment criteria when selecting the Group’s professional team members including physiotherapists, registered nurses, a pharmacist and a dental hygienist, and take into account a number of factors such as experience, skills and competencies. We assess their credentials and suitability through interviews and aptitude tests as appropriate. We also provide regular training for our employees in the operations department.

USE OF PROCEEDS FROM THE LISTING

Net proceeds from the listing of the shares of the Company (the “**Shares**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 1 April 2016 (the “**Listing**”) amounted to approximately HK\$84.8 million (including the net proceeds from the full exercise of the over-allotment option which took place on 21 April 2016), and are intended to be applied in the manner consistent with that set out in the prospectus of the Company dated 17 March 2016. For the period commencing from the Listing to 31 December 2016, the proceeds has been utilised as follows:

	Net proceeds <i>HK\$ million</i>	Utilised amounts <i>HK\$ million</i>	Unutilised amounts <i>HK\$ million</i>
Expansion of network in Hong Kong by setting up six new specialist medical centres	39.1	11.2	27.9
Expansion of network in Hong Kong by setting up six new general practice medical centres	5.9	2.9	3.0
Expansion in PRC market	12.7	10.3	2.4
Acquisition of established medical centres in Hong Kong	8.4	–	8.4
Brand building	5.1	0.6	4.5
Enhancement in IT infrastructure	5.1	1.1	4.0
Working capital and other general corporate purposes	8.5	–	8.5
	<u>84.8</u>	<u>26.1</u>	<u>58.7</u>

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the Interim Period of FY2017 (the Interim Period of FY2016: Nil).

CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own corporate governance framework.

The Board has reviewed the Company’s corporate governance practices to ensure its continuous compliance with the CG Code. Save for the deviations from code provision A.2.1 as disclosed below, the Company has complied with all the applicable code provisions set out in the CG Code during the Interim Period of FY2017.

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has appointed Mr. Chan Kin Ping as both the chairman and the chief executive officer of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership with the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct regarding securities transactions by the Directors. In response to a specific enquiry made by the Company, all Directors have confirmed their compliance with the Model Code during the Interim Period of FY2017.

Directors of the subsidiaries of the Company and relevant employees (as defined in the Listing Rules) are also requested to comply with the Model Code in respect of their dealings in the Company’s securities.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 17 February 2016 (the “**Share Option Scheme**”) where certain eligible persons may be granted share options to subscribe for the ordinary Shares for their contribution to, and continuing efforts to promote the interests of the Group and for such other purposes as the Board may approve from time to time. On 4 October 2016, the Group granted share options to certain eligible persons to subscribe for 2,740,000 ordinary Shares of HK\$0.01 each (the “**Share Options**”) pursuant to the Share Option Scheme. As at 31 December 2016, 2,740,000 Share Options were granted and remained outstanding and no Share Options have been exercised, lapsed or cancelled during the Interim Period of FY2017.

REVIEW OF INTERIM RESULTS

The unaudited consolidated interim results for the Interim Period of FY2017 have been reviewed by the auditor of the Company in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants.

In addition, the unaudited consolidated interim results have been reviewed by the Company’s audit committee (the “**Audit Committee**”). The Audit Committee’s written terms of reference set out the duties and obligations of the Audit Committee for ensuring compliance with the relevant regulatory requirements. The Audit Committee comprises three independent non-executive Directors, namely Mr. Sin Kar Tim (Chairman), Dr. Lui Sun Wing and Mr. Chan Yue Kwong Michael.

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

During the Interim Period of FY2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.humanhealth.com.hk>). The interim report of the Company will be despatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
Human Health Holdings Limited
Chan Kin Ping
Chairman

Hong Kong, 27 February 2017

As at the date of this announcement, the Board comprises Mr. Chan Kin Ping (also as chief executive officer), Dr. Pang Lai Sheung, Ms. Sat Chui Wan and Mr. Poon Chun Pong as executive Directors and Dr. Lui Sun Wing, Mr. Chan Yue Kwong Michael and Mr. Sin Kar Tim as independent non-executive Directors.

In case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.