



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



**2017
INTERIM REPORT**

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

Corporate Information

Executive Directors

Mr. Chan Kin Ping (*Chairman and Chief Executive Officer*)
Dr. Pang Lai Sheung
Ms. Sat Chui Wan
Mr. Poon Chun Pong

Independent Non-executive Directors

Dr. Lui Sun Wing
Mr. Chan Yue Kwong Michael
Mr. Sin Kar Tim

Audit Committee

Mr. Sin Kar Tim (*Chairman*)
Dr. Lui Sun Wing
Mr. Chan Yue Kwong Michael

Remuneration Committee

Dr. Lui Sun Wing (*Chairman*)
Mr. Chan Kin Ping
Mr. Chan Yue Kwong Michael
Mr. Sin Kar Tim

Nomination Committee

Mr. Chan Yue Kwong Michael (*Chairman*)
Dr. Lui Sun Wing
Mr. Chan Kin Ping
Mr. Sin Kar Tim

Company Secretary

Ms. Sat Chui Wan, *HKICPA, FCCA*

Authorised Representatives

Mr. Chan Kin Ping
Ms. Sat Chui Wan

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Headquarters and Principal Place of Business in Hong Kong

11/F., TAL Building
45-53 Austin Road
Tsim Sha Tsui
Kowloon, Hong Kong

Legal Adviser to the Company as to Hong Kong Law

DLA Piper Hong Kong
17th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

Compliance Adviser

BOCOM International (Asia) Limited
9th Floor, Man Yee Building
68 Des Voeux Road Central
Central, Hong Kong

Auditor

Ernst & Young, Certified Public Accountants
22/F., CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Corporate Information

Principal Share Registrar and Transfer Office

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Banker

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road, Central
Hong Kong

Website

www.humanhealth.com.hk

Share Information

Place of listing:	Main Board of The Stock Exchange of Hong Kong Limited
Stock code:	01419
Listing date:	1 April 2016
Board lot:	2,000 ordinary shares
Financial year end:	30 June

Management Discussions and Analysis

Financial Review

Financial Review for the six months ended 31 December 2016 (the "Interim Period of FY2017")

Revenue

The revenue of Human Health Holdings Limited (the "Company") and its subsidiaries (collectively the "Group", "we" or "our") 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%
	224,636	228,603	-1.7%

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 six months ended 31 December 2015 (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%
	118,415	121,318	-2.4%

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.

Management Discussions and Analysis

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	
	HK\$'000	Gross profit margin %	HK\$'000	Gross profit margin %
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%
	106,221	47.3%	107,285	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% 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 remuneration of the directors of the Company (the "Directors") 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.

Management Discussions and Analysis

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**").

Management Discussions and Analysis

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

Management Discussions and Analysis

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

<p style="text-align: center;">General practice services</p> <ul style="list-style-type: none"> • General consultation • Diagnostic and preventative healthcare services • Minor procedures • Vaccinations • Physical check-ups • Health education activities • Occupational health advices • Work injury assessment 	<p style="text-align: center;">Specialties services</p> <p>Specialties</p> <ul style="list-style-type: none"> • General Surgery • Orthopaedics & Traumatology • Ophthalmology • Otorhinolaryngology • Paediatrics • Obstetrics & Gynaecology • Gastroenterology & Hepatology • Respiratory Medicine • Cardiology • Paediatric surgery • Dermatology • Geriatric medicine • Psychiatry <p>Other services</p> <ul style="list-style-type: none"> • Physiotherapy • Clinical psychology • Medical aesthetic 	<p style="text-align: center;">Dental services</p> <ul style="list-style-type: none"> • Oral examination • Dental implant • Crown and bridge • Endodontics • Prosthodontics • Oral surgery • Bleaching • One-hour tooth whitening • Orthodontics • Veneers and laser dentistry • Advanced oral and maxillofacial surgery • Periodontal treatment • Panoramic radiography • Cone-beam computed tomography
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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
<hr/>	
Total	120

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, all of which are in contractual relationship with us, as well as pharmaceutical drugs distributors and manufacturers, 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.

Management Discussions and Analysis

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.

Management Discussions and Analysis

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 report.

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 2016 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (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.

Management Discussions and Analysis

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 HK\$ million	Utilised amounts HK\$ million	Unutilised amounts HK\$ million
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
	84.8	26.1	58.7

Interim Dividend

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

Other Information

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.

Other Information

Details of the Share Options granted under the Share Option Scheme during the Interim Period of FY2017 are as follow:

Name of Grantees	Position held with the Group	Date of Grant	Exercise Price per Share Option	Exercise Period (Note (i))	Number of Share Options Granted during the Interim Period of FY2017	Number of Share Options Exercised during the Interim Period of FY2017	Number of Share Options Lapsed during the Interim Period of FY2017	Number of Share Options Canceled during the Interim Period of FY2017	Number of Outstanding Share Options as at 31 December 2016
Ms. Sat Chui Wan	Executive Director, Chief Financial Officer, Company Secretary	4 October 2016	HK\$2.214	4 October 2019 to 3 October 2022	960,000	-	-	-	960,000
Mr. Poon Chun Pong	Executive Director, Chief Operating Officer	4 October 2016	HK\$2.214	4 October 2019 to 3 October 2022	600,000	-	-	-	600,000
Other eligible persons (in aggregate)	-	4 October 2016	HK\$2.214	4 October 2019 to 3 October 2022	1,180,000	-	-	-	1,180,000
Total					2,740,000	-	-	-	2,740,000

Note:

- (i) The Share Options shall be exercisable from 4 October 2019 to 3 October 2022 (both dates inclusive) subject to a vesting scale in 3 tranches set out below:
- The first 33% of the Share Options shall be exercisable from 4 October 2019 to 3 October 2022;
 - The second 33% of the Share Options shall be exercisable from 4 October 2020 to 3 October 2022; and
 - The remaining 34% of the Share Options shall be exercisable from 4 October 2021 to 3 October 2022.

Other Information

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**")) (a) which were 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 deemed to have under such provisions of the SFO), or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register (the "**Register**") referred to therein, or (c) which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Interests in Shares or underlying Shares

Name of Director	Capacity in which the Shares/ underlying Shares were held	Number of Shares/underlying Shares held	Approximate percentage of total issued Shares (Note (v))
Mr. Chan Kin Ping	Interest in a controlled corporation (Note (i))	252,346,286 (Note (ii))	69.80%
Dr. Pang Lai Sheung	Interest in a controlled corporation (Note (i))	252,346,286 (Note (ii))	69.80%
Ms. Sat Chui Wan	Beneficial owner	960,000 (Note (iii))	0.27%
Mr. Poon Chun Pong	Beneficial owner	888,000 (Note (iv))	0.25%

Notes:

- (i) Mr. Chan Kin Ping ("**Mr. Chan**"), Dr. Pang Lai Sheung ("**Dr. Pang**") and Treasure Group Global Limited ("**Treasure Group**") were our controlling shareholders (as defined in the Listing Rules). Treasure Group was owned as to 50% by Mr. Chan and 50% by Dr. Pang.
- (ii) These Shares were beneficially owned by Treasure Group. Mr. Chan and Dr. Pang were deemed to be interested in these Shares pursuant to Part XV of the SFO.
- (iii) These Shares represented the underlying Shares under the Share Options granted on 4 October 2016.
- (iv) 600,000 Shares represented the underlying Shares under the Share Options granted on 4 October 2016 and 288,000 Shares were beneficially owned by Mr. Poon Chun Pong.
- (v) The percentages have been calculated based on the total number of issued Shares as at 31 December 2016.

Other Information

Interests in shares of Treasure Group Global Limited (the "Associated Corporation")

Name of Director	Capacity in which the shares were held	Number of shares held	Approximate percentage of total issued shares (Note (i))
Mr. Chan Kin Ping	Beneficial owner	1	50.00%
Dr. Pang Lai Sheung	Beneficial owner	1	50.00%

Note:

(i) The percentages were calculated based on the total number of issued shares of Treasure Group as at 31 December 2016.

All the above interests in the Shares and underlying Shares and the shares of the Associated Corporation were long positions.

Save as disclosed above, as at 31 December 2016, none of the Directors nor chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or the Associated Corporation, which were required to be notified to the Company and the Stock Exchange or recorded in the Register as aforesaid.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2016, so far as it is known by or otherwise notified by any Director or the chief executives of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares as recorded in the Register required to be kept under section 336 of the SFO:

Name of substantial shareholder of the Company	Capacity in which the Shares were held	Number of Shares held	Approximate percentage of total issued Shares (Note (iii))
Treasure Group Global Limited	Beneficial owner (Note (i))	252,346,286	69.80%
Capital Healthcare International Limited	Beneficial owner (Note (ii))	25,362,000	7.02%
Capital Healthcare Group Co., Ltd.* (首都醫療健康產業有限公司)	Interest of controlled corporation (Note (iii))	25,362,000	7.02%
Beijing State-owned Assets Management Co., Ltd.* (北京市國有資產經營有限責任公司)	Interest of controlled corporation (Note (iii))	25,362,000	7.02%
The People's Government of Beijing Municipality	Interest of controlled corporation (Note (iii))	25,362,000	7.02%

* For identification purpose only

Other Information

Notes:

- (i) The Shares were beneficially owned by Treasure Group, a company which was owned as to 50% by Mr. Chan and 50% by Dr. Pang. Therefore, Mr. Chan and Dr. Pang were deemed to be interested in such Shares pursuant to Part XV of the SFO.
- (ii) The Shares were beneficially owned by Capital Healthcare International Limited, which was wholly owned by Capital Healthcare Group Co., Ltd.* (首都醫療健康產業有限公司). Capital Healthcare Group Co., Ltd.* (首都醫療健康產業有限公司) was held as to 73.13% by Beijing State-owned Assets Management Co., Ltd.* (北京市國有資產經營有限責任公司), which was wholly owned by The People's Government of Beijing Municipality. Therefore, Capital Healthcare Group Co., Ltd.* (首都醫療健康產業有限公司), Beijing State-owned Assets Management Co., Ltd.* (北京市國有資產經營有限責任公司) and The People's Government of Beijing Municipality were deemed to be interested in such Shares pursuant to Part XV of the SFO.
- (iii) The percentages have been calculated based on the total number of issued Shares as at 31 December 2016.

All the above interests in the Shares were long positions.

Save as disclosed above, the Directors are not aware of any other corporations or person who, as at 31 December 2016, had any interests or short positions in the Shares or underlying Shares as recorded in the Register required to be kept under Section 336 of the SFO.

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.

Review of Interim Results

The unaudited consolidated interim results for the Interim Period of FY2017 have been reviewed by the auditor of the Company. Please refer to the "Report on Review of Interim Financial Information" set out on page 17 of this interim report for more information.

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.

* For identification purpose only

Report on Review of Interim Financial Information



To the board of directors of Human Health Holdings Limited

(Incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 18 to 38 which comprises the condensed consolidated statement of financial position of Human Health Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) as at 31 December 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

22/F, CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

27 February 2017

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2016

	Notes	Six months ended 31 December	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
REVENUE	4	224,636	228,603
Cost of services rendered		(118,415)	(121,318)
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		(2,060)	(458)
PROFIT BEFORE TAX	5	9,056	15,038
Income tax expense	6	(3,350)	(5,983)
PROFIT FOR THE PERIOD		5,706	9,055
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(661)	(326)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		(661)	(326)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		5,045	8,729
Profit attributable to:			
Owners of the Company		6,021	9,055
Non-controlling interests		(315)	–
		5,706	9,055
Total comprehensive income attributable to:			
Owners of the Company		5,360	8,729
Non-controlling interests		(315)	–
		5,045	8,729
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic and diluted		HK1.67 cents	HK3.31 cents

Condensed Consolidated Statement of Financial Position

31 December 2016

	Notes	31 December 2016 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	16,132	8,317
Goodwill	10	31,964	31,964
Other intangible assets		14,241	15,047
Investment in a joint venture	11	16,209	18,886
Deposits		18,863	16,209
Deferred tax assets		1,325	1,439
Total non-current assets		98,734	91,862
CURRENT ASSETS			
Inventories		7,228	6,944
Tax recoverable		4,715	4,115
Trade receivables	12	31,871	31,996
Prepayments, deposits and other receivables		9,690	7,407
Due from related parties	19(b)	2,427	1,614
Due from a joint venture	11	59	314
Pledged deposits		2,039	2,037
Cash and cash equivalents		151,326	167,656
Total current assets		209,355	222,083
CURRENT LIABILITIES			
Trade payables	13	20,928	26,196
Other payables and accruals		22,094	17,603
Dividend payable		7,587	–
Due to related parties	19(b)	2,601	1,305
Tax payables		2,269	13,403
Total current liabilities		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
Total non-current liabilities		6,410	6,063
Net assets		246,200	249,375
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	3,615	3,615
Reserves		240,416	245,760
		244,031	249,375
Non-controlling interests		2,169	–
Total equity		246,200	249,375

Mr. Chan Kin Ping
Director

Dr. Pang Lai Sheung
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2016

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Notes	Share capital	Share premium*	Other reserve*	Share option reserve*	Exchange reserve*	Retained profits*	Subtotal		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2015 (audited)		2,660	58,576	(15,126)	-	-	68,889	114,999	-	114,999
Profit for the period		-	-	-	-	-	9,055	9,055	-	9,055
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations		-	-	-	-	(326)	-	(326)	-	(326)
Total comprehensive income for the period		-	-	-	-	(326)	9,055	8,729	-	8,729
At 31 December 2015 (unaudited)		2,660	58,576	(15,126)	-	(326)	77,944	123,728	-	123,728
At 1 July 2016 (audited)		3,615	164,951	(15,126)	-	(763)	96,698	249,375	-	249,375
Profit for the period		-	-	-	-	-	6,021	6,021	(315)	5,706
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations		-	-	-	-	(661)	-	(661)	-	(661)
Total comprehensive income for the period		-	-	-	-	(661)	6,021	5,360	(315)	5,045
Contribution from non-controlling shareholders		-	-	-	-	-	-	-	2,484	2,484
Final dividends 2016	7	-	-	-	-	-	(10,845)	(10,845)	-	(10,845)
Equity-settled share option arrangement	15	-	-	-	141	-	-	141	-	141
At 31 December 2016 (unaudited)		3,615	164,951	(15,126)	141	(1,424)	91,874	244,031	2,169	246,200

* These reserve accounts comprise the consolidated reserves of HK\$240,416,000 as at 31 December 2016 (30 June 2016: HK\$245,760,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2016

	Notes	Six months ended 31 December	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		9,056	15,038
Adjustments for:			
Bank interest income	4	(247)	(30)
Depreciation	5	3,009	3,573
Amortisation of other intangible assets	5	806	806
Write-down of inventories to net realisable value	5	162	152
Share of losses of a joint venture		2,060	458
(Gain)/loss on disposal of items of property, plant and equipment	5	(39)	83
Underprovision of reinstatement costs		22	260
Equity-settled share option expenses		141	–
Write back of other payable	4	–	(304)
		14,970	20,036
(Increase)/decrease in inventories		(446)	433
Decrease/(increase) in trade receivables		125	(1,477)
Increase in prepayments, deposits and other receivables		(4,937)	(12,142)
Movement in balance with related parties		483	(660)
Decrease/(increase) in amount due from a joint venture		255	(315)
Decrease in trade payables		(5,268)	(6,555)
Increase in other payables and accruals		4,165	722
Cash generated from operations		9,347	42
Interest received		247	30
Hong Kong taxes paid		(15,078)	(8,824)
Net cash flows used in operating activities		(5,484)	(8,752)

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2016

	Six months ended 31 December	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of items of property, plant and equipment	50	–
Capital investment in a joint venture	–	(11,025)
Purchase of items of property, plant and equipment	(10,013)	(811)
Settlement of provision	(61)	(600)
Decrease in time deposits with maturity of more than three months when acquired	31,004	–
Net cash flows from/(used in) investing activities	20,980	(12,436)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contribution from non-controlling shareholders	2,484	–
Dividend paid	(3,258)	(36,945)
Net cash flows used in financing activities	(774)	(36,945)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	14,722	(58,133)
Cash and cash equivalents at beginning of period	138,689	109,248
Effect of foreign exchange rate changes, net	(46)	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	153,365	51,115
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	127,660	45,398
Non-pledged time deposits	23,666	3,681
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	151,326	49,079
Pledged time deposits with maturity of less than three months when acquired	2,039	2,036
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	153,365	51,115

Notes to the Condensed Consolidated 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 these financial statements.

Notes to the 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 related medical 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.

Notes to the Condensed Consolidated Financial Statements

3. Segment information (Continued)

	General practice services Six months ended 31 December		Specialties services Six months ended 31 December		Dental services Six months ended 31 December		Total Six months ended 31 December	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (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 HK\$'000 (Unaudited)	2015 HK\$'000 (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

Notes to the Condensed Consolidated Financial Statements

5. Profit before tax

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

	Six months ended 31 December	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (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.

Notes to the Condensed Consolidated Financial Statements

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 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Current		
Charge for the period	3,344	4,234
Underprovision in prior years	–	1,183
Deferred	6	566
Total tax charge for the period	3,350	5,983

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. Property, plant and equipment

During the six months ended 31 December 2016, additions of property, plant and equipment amounted to HK\$10,835,000 (six months ended 31 December 2015: HK\$1,042,000).

Notes to the Condensed Consolidated Financial Statements

10. Goodwill

	HK\$'000
Cost and net carrying amount at 1 July 2015, 30 June 2016, 1 July 2016 and 31 December 2016	31,964
At 1 July 2015, 30 June 2016, 1 July 2016 and 31 December 2016	
Cost	31,964
Accumulated impairment	–
Net carrying amount	31,964

11. Investment in a joint venture

	31 December 2016 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Audited)
Share of net assets	16,209	18,886

The amount due from a joint venture included in the Company's current assets of HK\$59,000 (30 June 2016: HK\$314,000) is unsecured, interest-free and repayable on demand.

On 24 April 2015, 盈健企業管理諮詢(上海)有限公司 (“**Yingjing Qiye**”), a Group's subsidiary, and Ping An Health Internet Holdings Limited (“**Ping An Health**”) which is a third party to the Group, set up a limited company in the PRC named 平安盈健醫療管理(上海)有限公司 (“**Pingan Yingjian**”). Pingan Yingjian was effectively owned as to 50% by the Group and 50% by Ping An Health, and is accounted as a joint venture of the Group.

Particulars of the Group's joint venture are as follows:

Name	Particulars of registered capital	Place of registration and business	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
平安盈健醫療管理(上海)有限公司 (“ Pingan Yingjian ”)	RMB35,000,000	PRC/ Mainland China	50	40*	50	Provision of medical services

* The Group is entitled to nominate two out of five directors in Pingan Yingjian. A board resolution is passed when two-third of the votes from the directors. Accordingly, none of the joint venture partner could exercise control over Pingan Yingjian.

Notes to the Condensed Consolidated Financial Statements

12. Trade receivables

	31 December 2016 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Audited)
Trade receivables	31,871	31,996

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 and net of provisions, is as follows:

	31 December 2016 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (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	696	202
	31,871	31,996

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

	31 December 2016 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (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	1,990	3,739
	31,871	31,996

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.

Notes to the Condensed Consolidated Financial Statements

13. 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 2016 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Audited)
Within 1 month	17,008	22,852
1 to 3 months	3,735	3,142
Over 3 months	185	202
	20,928	26,196

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

14. Share capital

	31 December 2016 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Audited)
Issued and fully paid		
361,502,000 (30 June 2016: 361,502,000) ordinary shares of HK\$0.01 each	3,615	3,615

The Company has authorised share capital of HK\$100,000,000 divided into 10,000,000,000 ordinary shares of HK\$0.01 each.

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HK\$'000
At 1 July 2015 and 31 December 2015 (unaudited)	266,000,000	2,660
At 1 July 2016 and 31 December 2016 (unaudited)	361,502,000	3,615

Notes to the Condensed Consolidated Financial Statements

15. Share option scheme

Pursuant to the written resolution of the shareholders of the Company on 17 February 2016, the Company adopted a share option scheme (the "**Scheme**") for the purpose of providing incentives or rewards to eligible participants for their contribution to, and continuing efforts to promote the interests of the Group. Eligible participants of the Scheme include any director, employee (whether full time or part time), executive, officer, consultant, adviser, supplier, customer or agent of the Group or such other persons who in the sole opinion of the Company's board of directors have contributed to and/or will contribute to the Group. The Scheme became effective on 1 April 2016, the date of the Listing, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of shares which may be issued upon exercise of all share option to be granted under the Scheme shall not in aggregate exceed 10% of the shares of the total number of shares of the Company in issue at the Listing Date. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period shall not exceed to 1% of the shares of the Company in issue up to the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is a proposed grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at the date of grant or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period (if any) and ends on a date not later than the last day of the 10 year period after the date on which the option is duly accepted by the grantee in accordance with the terms of the Scheme.

The exercise price of share options is determinable by the directors, but shall be at least the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Notes to the Condensed Consolidated Financial Statements

15. Share option scheme (Continued)

The following share options were outstanding under the Scheme during the period:

	Six months ended 31 December			
	2016		2015	
	Weighted average exercise price HK\$ per share	Number of option '000	Weighted average exercise price HK\$ per share	Number of option '000
At 1 July	–	–	–	–
Granted during the period	2,214	2,740	–	–
At 31 December	2,214	2,740	–	–

The exercise prices and exercise periods of the share options outstanding as at 31 December 2016 (31 December 2015: Nil) are as follows:

Number of options '000	Exercise price* HK\$ per share	Exercise period
904	2.214	4-10-19 to 3-10-22
904	2.214	4-10-20 to 3-10-22
932	2.214	4-10-21 to 3-10-22
2,740		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted during the period was HK\$2,251,000 (six months ended 31 December 2015: Nil) of which the Group recognised a share option expense of HK\$141,000 during the six months ended 31 December 2016 (six months ended 31 December 2015: Nil).

Notes to the Condensed Consolidated Financial Statements

15. Share option scheme (Continued)

The fair value of equity-settled share options granted during the period was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Option granted on 4 October 2016
Underlying stock price	HK\$2.19
Exercise price	HK\$2.214
Contractual Option life	6 years
Risk-free rate	1.25%
Expected dividend yield	0.00%
Expected volatility of underlying share	38%
Exercise multiple	Directors: 2.80 Other eligible persons: 2.20
Weighted average estimated fair value for each share option	Directors: HK\$0.8236 Other eligible persons: HK\$0.8184

Expected volatility was determined by using the historical volatility of the similar industry as the Company's share price over the previous years. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The exit rate in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 2,740,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 2,740,000 additional ordinary shares of the Company and additional share capital of HK\$27,000 (before issue expenses) and share premium of HK\$8,290,000 (after transfer of the share options' fair value from the share option reserve upon exercise).

At the date of approval of these financial statements, the Company had 2,740,000 share options outstanding under the Scheme, which represented approximately 0.8% of the Company's shares in issue as at that date.

16. Notes to the condensed statement of cash flow

Major non-cash transactions

During the six months ended 31 December 2016, the acquisition of property, plant and equipment included the provision of reinstatement cost of HK\$822,000 (six months ended 31 December 2015: HK\$231,000) in other payables and accruals.

Notes to the Condensed Consolidated Financial Statements

17. Operating lease arrangements

As lessee

The Group has leases certain of its medical centres and office properties under operating lease arrangement. Leases for properties are negotiated for terms ranging from one to four years.

At the end of the reporting period, the Group had total minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2016 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Audited)
Within one year	55,900	47,897
In the second to fifth years, inclusive	49,063	45,795
	104,963	93,692

18. Capital commitments

In addition to the operating lease commitments detailed in note 17 above, the Group had the following capital commitments:

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

Notes to the Condensed Consolidated Financial Statements

19. Related party transactions

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

	Relationship	Nature	Six months ended 31 December	
			2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Max Health Chinese Medicine Limited	(1)			
Management fee income		(i)	75	60
Impact Medical Imaging Centre Company Limited	(2)			
Management fee income		(i)	917	559
Investigation service income		(ii)	81	12
Laboratory expenses		(iii)	(1,994)	(792)
We Health Medical Diagnostic Limited	(2)			
Management fee income		(i)	126	328
Investigation service income		(ii)	667	580
Laboratory expenses		(iii)	(245)	(2,257)
Maxland Limited	(2)			
Rental expenses		(iv)	1,365	1,302
Fees payable to doctors and dentists who are related parties	(3)	(v)	23,111	23,175
Prime Asia Limited	(4)			
Service fee income		(vi)	7	5

Notes to the Condensed Consolidated Financial Statements

19. Related party transactions (Continued)

(a) (Continued)

Nature of transactions

- (i) The management fee income was received from these parties for the provision of general administrative and accounting services thereto by the Group. The fee has been charged based on the headquarter expenses incurred by the Group to these related parties using a revenue-allocation basis.
- (ii) The investigation service income received from these related parties arose from services provided by the Group's doctors to these related parties for professional services relating to patients health investigation. These fees were made according to prices agreed by the parties.
- (iii) The laboratory expenses paid to these related parties were made according to prices comparable to other suppliers.
- (iv) Rental expenses was charged by this related party for the lease of two medical centres at total amount of HK\$228,000 (six months ended 31 December 2015: HK\$217,000) per month, on a mutually agreed basis, which approximated to market rates.
- (v) Fees represented the professional fee payable to these doctors and dentists for their professional services rendered to the Group. The fees were determined based on the terms as set out in the respective service contracts entered into by the parties and at a rate considered by the directors to be the market rate.
- (vi) Service fee income received from this related party represented medical services provided to the staff of this related party pursuant a corporate medical agreement entered into between parties. The terms offered to this related party are comparable to those offered to other external customers.

Relationship of related parties

- (1) Mr. Chan Kin Ping, a controlling shareholder of the Company, was the beneficial shareholder of this related party.
- (2) Mr. Chan Kin Ping and Dr. Pang Lai Sheung, controlling shareholders of the Company, have beneficial interests in these related parties.
- (3) These doctors and dentists are also directors of certain subsidiaries of the Group or senior management of the Group.
- (4) A director of one of the Group's subsidiaries is also the beneficial shareholder of this related party.

Notes to the Condensed Consolidated Financial Statements

19. Related party transactions (Continued)

(b) Outstanding balances with related parties

	<i>Notes</i>	31 December 2016 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Audited)
Due from related parties			
Max Health Medicine Limited	<i>(i)</i>	25	20
Impact Medical Imaging Centre Company Limited	<i>(i)</i>	590	358
We Health Medical Diagnostic Limited	<i>(i)</i>	1,812	1,234
Prime Asia Limited	<i>(ii)</i>	–	2
		2,427	1,614
Due to related parties			
Impact Medical Imaging Centre Company Limited	<i>(i)</i>	2,380	1,153
We Health Medical Diagnostic Limited	<i>(i)</i>	221	152
		2,601	1,305

(i) These related parties are beneficially owned by the controlling shareholders of the Group.

(ii) A director of one of the Group's subsidiaries, is the beneficial shareholder or has exercised controls of this related party.

Balances with these related parties arose from normal course of business which are unsecured, interest-free and have no fixed terms of repayment.

The related party transactions in respect of note (a) items (i) – (iv), fees payable to Dr. Chan Siu Yu, Dr. Choi Tat Fai Richard, Dr. Lau Wai Man and Dr. Seto Siu Keung included in item (v) and item (vi) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Notes to the Condensed Consolidated Financial Statements

20. Fair value and fair value hierarchy of financial instruments

At the end of the reporting period, the carrying amount and fair value of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Financial assets

As at 31 December 2016 (Unaudited)

	Carrying amount HK\$'000	Fair value HK\$'000
Deposits, non-current portion	18,863	18,863

As at 30 June 2016 (Audited)

	Carrying amount HK\$'000	Fair value HK\$'000
Deposits, non-current portion	16,209	16,209

Management has assessed that the fair value of the prepayments, the current portion of deposits, other receivables, trade receivables, amount due from a joint venture, amount due from and to related parties, cash and cash equivalents, trade payables, other payables and dividend payable approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the non-current portion of deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, which approximate to their company amounts.

The Group did not have any financial assets and liabilities measured at fair value as at 31 December 2016 and 30 June 2016.

21. Event after the reporting period

Subsequent to the end of the reporting period, on 1 February 2017, the Group acquired 90% and 10% equity interest in We Health International Limited and its subsidiaries ("**We Health Group**") from Mr. Chan Kin Ping and Great Praise Limited, a company beneficially owned by Dr. Pang Lai Sheung, respectively, with an aggregate consideration of HK\$2.8 million. We Health Group are engaged in provision of medical imaging and medical diagnostic.