



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 REPORT
2018



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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
Dr. 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. Man Ching Yan, *CFA ACIS ACS*

AUTHORISED REPRESENTATIVES

Dr. Sat Chui Wan
Ms. Man Ching Yan

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

Howse Williams Bowers
27th Floor, Alexandra House
18 Chater Road
Central, Hong Kong

AUDITOR

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

Corporate Information

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 2017 (the "Interim Period of FY2018")

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 FY2018 HK\$'000	Interim Period of FY2017 HK\$'000 (Restated)	% of change
General practice services	160,942	154,514	4.2%
Specialties services	60,320	54,019	11.7%
Dental services	32,100	25,351	26.6%
	253,362	233,884	8.3%

In the Interim Period of FY2018, the Group recorded revenue amounted to approximately HK\$253.4 million, representing the increase of approximately HK\$19.5 million or 8.3% as compared with the six months ended 31 December 2016 (the "Interim Period of FY2017") (Restated).

Our revenue from general practice services increased by approximately HK\$6.4 million or 4.2% from the Interim Period of FY2017 (Restated) to approximately HK\$160.9 million for the Interim Period of FY2018. The increase was mainly due to the increase in the number of patient visits as a result of the seasonal flu effect in summer 2017.

Our revenue from specialties services increased by approximately HK\$6.3 million or 11.7% from the Interim Period of FY2017 (Restated) to approximately HK\$60.3 million for the Interim Period of FY2018. The increase was mainly attributed to the acquisition of We Health International Limited which brought synergies and bolstered the development of the specialties services business and the strengthened cooperation with the Hong Kong Government on the public and private partnership programme for the specialties services.

Our revenue from dental services increased by approximately HK\$6.8 million or 26.6% from the Interim Period of FY2017 (Restated) to approximately HK\$32.1 million for the Interim Period of FY2018. The increase was mainly attributed to the developed high-end dental services with an experienced professional team and the benefit from the Community Care Fund launched by the Hong Kong Government to cover dental services.

Management Discussions and Analysis

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 FY2018 HK\$'000	Interim Period of FY2017 HK\$'000 <i>(Restated)</i>	% of change
Fees payable to doctors and dentists	110,967	102,380	8.4%
Cost of pharmaceutical supplies	22,980	18,966	21.2%
Laboratory expenses	1,343	1,704	-21.2%
Write-down of inventories to net realisable value	64	162	-60.5%
	<u>135,354</u>	<u>123,212</u>	<u>9.9%</u>

Our cost of services rendered increased by approximately HK\$12.1 million or 9.9% from the Interim Period of FY2017 (Restated) to approximately HK\$135.4 million for the Interim Period of FY2018. This increase was mainly due to the increase in fees payable to doctors and dentists and cost of pharmaceutical supplies which were in line with the increase in our revenue for the Interim Period of FY2018.

Management Discussions and Analysis

Gross profit and gross profit margin

Our gross profit increased by approximately HK\$7.3 million or 6.6% from the Interim Period of FY2017 (Restated) to approximately HK\$118.0 million for the Interim Period of FY2018 as a result of increase in revenue. Our gross profit margin slightly decreased to approximately 46.6% for Interim Period of FY2018 from approximately 47.3% for the Interim Period of 2017 (Restated) which was mainly due to decrease in gross profit margin for general practice services.

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

	Interim Period of FY2018		Interim Period of FY2017 (Restated)	
	<i>HK\$'000</i>	<i>Gross profit margin %</i>	<i>HK\$'000</i>	<i>Gross profit margin %</i>
General practice services	82,525	51.3%	80,507	52.1%
Specialties services	22,425	37.2%	20,035	37.1%
Dental services	13,058	40.7%	10,130	40.0%
	118,008	46.6%	110,672	47.3%

Our gross profit margin for general practice services decreased from approximately 52.1% for the Interim Period of FY2017 (Restated) to approximately 51.3% for the Interim Period of FY2018 mainly due to the increase in cost of pharmaceutical supplies.

Our gross profit margin for specialties services slightly increased from approximately 37.1% for the Interim Period of FY2017 (Restated) to approximately 37.2% for the Interim Period of FY2018.

Our gross profit margin for dental services increased from approximately 40.0% for the Interim Period of FY2017 (Restated) to approximately 40.7% for the Interim Period of FY2018 as a result of lower percentage in fee payable to dentists during the Interim period of FY2018 as their remuneration packages were different based on their experiences and length of services with us.

Other income and gains

Our other income and gains decreased by approximately HK\$0.12 million or 33.4% from the Interim Period of FY2017 (Restated) to approximately HK\$0.24 million for the Interim Period of FY2018 which was mainly due to the decrease in interest income of approximately HK\$0.09 million.

Management Discussions and Analysis

Administrative expenses

Our administrative expenses increased by approximately HK\$0.7 million or 0.7% to approximately HK\$102.0 million for the Interim Period of FY2018 from approximately HK\$101.3 million for the Interim Period of FY2017 (Restated) which was mainly due to (i) the increase in rental expenses of approximately HK\$1.0 million upon renewal of several tenancies during the Interim Period of FY2018; (ii) the increase in depreciation expenses of approximately HK\$0.8 million; and (iii) the offset by the decrease in long service payment and annual leave expenses of approximately HK\$0.8 million.

Share of losses of a joint venture

Our share of losses of a joint venture increased by approximately HK\$0.7 million or 32.4% from the Interim Period of FY2017 (Restated) to approximately HK\$2.7 million for the Interim Period of FY2018. The increase was mainly because the joint venture is still in start-up stage.

Income tax expense

Income tax expense increased by approximately HK\$0.4 million or 13.0% to approximately HK\$3.8 million for the Interim Period of FY2018 from approximately HK\$3.3 million for the Interim Period of FY2017 (Restated). The increase was mainly due to the increase in assessable income as a result of increase in revenue. Our effective tax rate decreased from approximately 43.2% for the Interim Period of FY2017 (Restated) to approximately 27.7% for the Interim Period of FY2018.

Profits for the period

As a result of the foregoing, profit for the period increased by approximately HK\$5.4 million or 123.8% to approximately HK\$9.8 million for the Interim Period of FY2018 from approximately HK\$4.4 million for the Interim Period of FY2017 (Restated). Our net profit margin also increased to approximately 3.9% for the Interim Period of FY2018 from approximately 1.9% for the Interim Period of FY2017 (Restated).

Profits attributable to owners of the Company

The Group's profit attributable to owners of the Company was approximately HK\$10.3 million for the Interim Period of FY2018, representing the increase of approximately HK\$5.6 million or 119.6% from the Interim Period of FY2017 (Restated). The increase was primarily attributable to the increase in revenue and the corresponding increase in gross profit.

Management Discussions and Analysis

BUSINESS REVIEW AND OUTLOOK

Business Review for the Interim Period of FY2018

The overall performance of our business during the Interim Period of FY2018 was encouraging. We focused on expanding our scope of services and continued to provide comprehensive, one-stop and quality healthcare services to customers. Through the acquisition of We Health International Limited, we have extended to medical diagnostic and endoscopy services business which have facilitated the development of our specialties services business as part of our expansion strategy. We have also benefited from the strengthened cooperation with the Hong Kong Government which has launched a series of subsidised screening programmes for the community, particularly to the elderly. In addition, we further extended the specialties services to a urology practice, and the provision of more comprehensive and advanced ophthalmological services, aimed to meet the growing demand of specialties services from the community.

In view of the huge potential for growth, we strived to develop our dental services and have opened a dental centre with a team of experienced professional dentists providing high-end dental services. Furthermore, with the benefit from the establishment of the Community Care Fund Elderly Dental Assistance Programme by the Hong Kong Government, the number of visits by our patients as well as the revenue for the dental services increased approximately 31.4% and 26.6% respectively for the Interim Period of FY2018.

With regard to the operations in the People's Republic of China (the "PRC"), Shanghai Human Health Integrated Medical Centre continued to benefit from being the flagship centre of the Group in the PRC and it provided a full range of services to capture the opportunities arising from the rapid growth of the medical services industry in the PRC.

Apart from the increase in revenue and profits for all the services, our patient base grew from approximately 1.89 million as at 31 December 2016 to approximately 2.03 million as at 31 December 2017, whereas our patient visits during the Interim Period of FY2018 were approximately 0.60 million as compared to approximately 0.57 million during the Interim Period of FY2017 (Restated).

Management Discussions and Analysis

As at 31 December 2017, the Group operated 68 medical centres in Hong Kong under the following brand names with 125 service points.



During the Interim Period of FY2018, we provided the following comprehensive healthcare services:

General Practice Services	Specialties Services	Dental Services
<ul style="list-style-type: none"> • General consultation • Diagnostic and preventive healthcare services • Minor procedures • Vaccinations • Physical check-ups • Health education activities • Occupational health advices • Work injury assessment 	<p><u>Specialties</u></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 • Urology • Radiology • Public health medicine <p><u>Other Services</u></p> <ul style="list-style-type: none"> • Physiotherapy • Clinical psychology • Medical aesthetic • Chiropractic • Medical diagnostic 	<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

Management Discussions and Analysis

We attribute our prominent market position to our experienced and stable exclusive professional team comprising general practitioner, specialist, dentist and others such as physiotherapist, chiropractor, radiographer, registered nurse, pharmacist and dental hygienist.

Set forth below is the number of members in our exclusive professional team as at 31 December 2017:

General practitioners	65
Specialists	27
Dentists	19
Others	12
	<hr/>
Total	123

In addition to the exclusive professional team above, a total number of 66 professionals including general practitioner, specialist, dentist and clinical psychologist worked with us on a non-exclusive basis as at 31 December 2017.

Our clientele includes individual customer and corporate customer, the latter of which encompass medical scheme management company, insurance company and corporation. Our suppliers include general practitioner, specialist, dentist and clinical psychologist (all of whom are under contractual relationship with us), as well as pharmaceutical products distributor and manufacturer, laboratory and imaging centre.

Management Discussions and Analysis

Business Outlook

In recent years, people are becoming more health conscious and the standard for health has continuously evolved over time, thus we are pursuing the goal of accompanying our customers along the life-long journey of not only good health but also wellness. We are dedicated to devise the finest healthcare solutions that truly suit the needs of our customers and strive to provide well-being solutions across different life stages.

Besides, in view that public healthcare service is constantly tight in Hong Kong, private healthcare operators are assuming vital role in guarding the health of Hong Kong people. We are poised to meet the growing demand by continuing to develop our network that can avail fully integrated, high quality and comprehensive healthcare services to local communities. Our major focus in the coming year will be to optimise efficiency and maximise effectiveness of the operations of the medical centres by strengthening the IT infrastructure. We will also adapt new technologies and equipment in order to achieve the goal of bolstering our foothold in the greater health and wellness field.

Our principal business objective remains achieving sustainable growth in our current business and strengthening our capability to secure more business opportunities. In addition to the existing high-quality and comprehensive healthcare services, we continue to expand our scope of services, review potential acquisitions and investment opportunities and embrace the challenges we may face in the future.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a good financial position during the Interim Period of FY2018. As at 31 December 2017, the Group had net current assets of approximately HK\$178.4 million (as at 30 June 2017: approximately HK\$169.1 million) and cash and cash equivalents and pledged deposits of approximately HK\$173.3 million (as at 30 June 2017: approximately HK\$172.8 million). The cash and cash equivalents and pledged deposits were held in Hong Kong dollars and Renminbi. The Group did not have any interest-bearing borrowings during the Interim Period of FY2018. 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. The Group did not have any financial instruments for hedging purposes.

CAPITAL STRUCTURE

There was no change in the capital structure of the Company during the Interim Period of FY2018. The capital of the Company comprises ordinary shares and other reserves.

Management Discussions and Analysis

CHARGES ON GROUP ASSETS

As at 31 December 2017, a fixed deposit of approximately HK\$1.0 million has been pledged to a bank to secure overdrafts of the Group. In addition, a 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 the 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 FY2018 and up to the date of this interim report.

CAPITAL COMMITMENTS

	31 December 2017 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Audited)
Contracted, but not provided for:		
Medical equipment	157	180
IT equipment and software	1,373	—
	1,530	180

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2017.

Management Discussions and Analysis

EMPLOYEES

As at 31 December 2017, the Group had 393 full-time employees (as at 31 December 2016: 430) and 78 part-time employees (as at 31 December 2016: 62).

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 staff including physiotherapist, chiropractor, radiographer, pharmacist, registered nurse and 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 training programmes regularly for our employees at different levels.

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 2017, 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	17.7	21.4
Expansion of network in Hong Kong by setting up six new general practice medical centres	5.9	3.9	2.0
Expansion in the PRC market	12.7	10.3	2.4
Acquisition of established medical centres in Hong Kong	8.4	2.8	5.6
Brand building	5.1	0.6	4.5
Enhancement of IT infrastructure	5.1	1.1	4.0
Working capital and other general corporate purposes	8.5	4.1	4.4
	<u>84.8</u>	<u>40.5</u>	<u>44.3</u>

INTERIM DIVIDEND

The board of directors of the Company (the "Board") resolved not to declare any interim dividend for the Interim Period of FY2018 (the Interim Period of FY2017: Nil).

Other Information

CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Corporate Governance Code (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 FY2018.

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 of the Group and enables more effective and efficient overall strategic planning. 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 as and when 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 of the Company (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 FY2018.

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 2017, 2,740,000 Share Options were granted and remained outstanding and no Share Option has been exercised, lapsed or cancelled during the Interim Period of FY2018.

Other Information

Details of movements of the Share Options granted under the Share Option Scheme during the Interim Period of FY2018 were as follow:

Name of Grantees	Position held with the Group	Offer Date	Exercise Price per Share Option	Exercise Period (Note (i))	Number of Outstanding Share Options as at 1 July 2017	Number of Share Options Exercised during the Interim Period of FY2018	Number of Share Options Lapsed during the Interim Period of FY2018	Number of Share Options Cancelled during the Interim Period of FY2018	Number of Outstanding Share Options as at 31 December 2017
Dr. Sat Chui Wan	Executive Director, Chief Financial Officer	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					<u>2,740,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,740,000</u>

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.

The value of the Share Options is set out in note 15 to the financial statements on pages 40 to 42 of this interim report.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2017, 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 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 OF THE COMPANY

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 of controlled corporation ^{(Note (i))}	252,346,286 ^{(Note (ii))}	69.80%
	Beneficial owner	4,624,000	1.28%
Dr. Pang Lai Sheung	Interest of controlled corporation ^{(Note (i))}	252,346,286 ^{(Note (ii))}	69.80%
Dr. 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. Mr. Chan is the director of Treasure Group.
- (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 were calculated based on the total number of issued Shares as at 31 December 2017.

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 2017.

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 2017, 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.

Other Information

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2017, 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 (a) which would fall to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) 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 (ii))}	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 (ii))}	25,362,000	7.02%
The People's Government of Beijing Municipality	Interest of controlled corporation ^{(Note (ii))}	25,362,000	7.02%

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 were calculated based on the total number of issued Shares as at 31 December 2017.

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 2017, had any interests or short positions in the Shares or underlying Shares (a) which would fall to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) as recorded in the register required to be kept under Section 336 of the SFO.

* For identification purpose only

Other Information

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

During the Interim Period of FY2018, 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 FY2018 have been reviewed by the auditor of the Company. Please refer to the "Report on Review of Interim Financial Information" set out on page 20 of this interim report for more information.

In addition, the audit committee of the Company has reviewed, with the management and the auditor of the Company, the unaudited consolidated interim results for the Interim Period of FY2018, including the accounting principles and practices adopted by the Group, and discussed the internal controls, going concern issues and financial reporting matters related to the preparation of the interim results of the Group for the Interim Period of FY2018.

CHANGE IN INFORMATION OF DIRECTOR

Change in information of the Director is set out below pursuant to Rule 13.51B(1) of the Listing Rules:

Dr. Sat Chui Wan

Dr. Sat Chui Wan obtained a degree of Doctor of Business Administration from the City University of Hong Kong in February 2018.

* 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 22 to 46, 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 2017 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The 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 of the Company 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.

Report on Review of Interim Financial Information

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 2018

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Six months ended 31 December 2017

		Six months ended 31 December	
	Notes	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Restated) (Unaudited)
REVENUE	4	253,362	233,884
Cost of services rendered		(135,354)	(123,212)
Gross profit		118,008	110,672
Other income and gains	4	237	356
Administrative expenses		(101,985)	(101,277)
Share of losses of a joint venture		(2,728)	(2,060)
PROFIT BEFORE TAX	5	13,532	7,691
Income tax expense	6	(3,753)	(3,322)
PROFIT FOR THE PERIOD		9,779	4,369
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		621	(661)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		621	(661)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		10,400	3,708
Profit attributable to:			
Owners of the Company		10,284	4,684
Non-controlling interests		(505)	(315)
		9,779	4,369
Total comprehensive income attributable to:			
Owners of the Company		10,905	4,023
Non-controlling interests		(505)	(315)
		10,400	3,708
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic and diluted		HK 2.8 cents	HK 1.3 cents

Condensed Consolidated Statement of Financial Position

31 December 2017

	<i>Notes</i>	31 December 2017 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	15,971	15,841
Goodwill	10	31,964	31,964
Other intangible assets		12,629	13,435
Investment in a joint venture	11	11,386	13,669
Deposits		12,568	15,912
Deferred tax assets		1,512	1,671
Total non-current assets		86,030	92,492
CURRENT ASSETS			
Inventories		7,143	7,604
Tax recoverable		2,850	3,937
Trade receivables	12	34,674	31,451
Prepayments, deposits and other receivables		15,550	11,819
Due from a related party	19(b)	73	29
Pledged deposits		2,039	2,039
Cash and cash equivalents		171,260	170,806
Total current assets		233,589	227,685
CURRENT LIABILITIES			
Trade payables	13	24,670	23,663
Other payables and accruals		28,811	29,008
Tax payables		1,671	5,954
Total current liabilities		55,152	58,625
NET CURRENT ASSETS		178,437	169,060
TOTAL ASSETS LESS CURRENT LIABILITIES		264,467	261,552

Condensed Consolidated Statement of Financial Position

31 December 2017

	Note	31 December 2017 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Other long term payable		2,139	2,450
Deferred tax liabilities		2,322	2,561
Total non-current liabilities		4,461	5,011
Net assets		260,006	256,541
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	3,615	3,615
Reserves		255,290	251,320
		258,905	254,935
Non-controlling interest		1,101	1,606
Total equity		260,006	256,541

Mr. Chan Kin Ping
Director

Dr. Pang Lai Sheung
Director

Condensed Consolidated Statement of Changes in Equity

Six months ended 31 December 2017

		Attributable to owners of the Company								
	Notes	Share capital	Share premium*	Other reserve*	Exchange reserve*	Share option reserve*	Retained profits*	Subtotal	Non-controlling interests	Total equity
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2016										
As previously reported (audited)		3,615	164,951	(15,126)	(763)	—	96,698	249,375	—	249,375
Adjusted for common control combination		—	—	97	—	—	(34,770)	(34,673)	—	(34,673)
As restated		3,615	164,951	(15,029)	(763)	—	61,928	214,702	—	214,702
Profit for the period (restated)		—	—	—	—	—	4,684	4,684	(315)	4,369
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations		—	—	—	(661)	—	—	(661)	—	(661)
Total comprehensive income for the period		—	—	—	(661)	—	4,684	4,023	(315)	3,708
Contribution from non-controlling shareholders		—	—	—	—	—	—	—	2,484	2,484
Equity settled share option arrangements	15	—	—	—	—	141	—	141	—	141
Final 2016 dividend declared		—	—	—	—	—	(10,845)	(10,845)	—	(10,845)
At 31 December 2016 (unaudited)		3,615	164,951	(15,029)	(1,424)	141	55,767	208,021	2,169	210,190
At 1 July 2017 (audited)										
Profit for the period		—	—	—	—	—	10,284	10,284	(505)	9,779
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations		—	—	—	621	—	—	621	—	621
Total comprehensive income for the period		—	—	—	621	—	10,284	10,905	(505)	10,400
Equity settled share option arrangements	15	—	—	—	—	295	—	295	—	295
Final 2017 dividend declared	7	—	—	—	—	—	(7,230)	(7,230)	—	(7,230)
At 31 December 2017 (unaudited)		3,615	164,951	22,591	(584)	726	67,606	258,905	1,101	260,006

* These reserve accounts comprise the consolidated reserves of HK\$255,290,000 as at 31 December 2017 (30 June 2017: HK\$251,320,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

Six months ended 31 December 2017

	Notes	Six months ended 31 December	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Restated) (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		13,532	7,691
Adjustments for:			
Depreciation	5	4,147	3,362
Amortisation of other intangible assets	5	806	806
Write-down of inventories to net realisable value	5	64	162
Share option expenses		295	141
Share of losses of a joint venture		2,728	2,060
Loss/(gain) on disposal of items of property, plant and equipment	5	17	(39)
Under-provision of reinstatement costs		15	22
Bank interest income	4	(155)	(247)
		21,449	13,958
(Increase)/decrease in inventories		397	(433)
(Increase) in trade receivables		(3,223)	(724)
(Increase) in prepayments, deposits and other receivables		(387)	(4,926)
Movement in balance with related parties		(44)	(3)
Decrease in amount due from a joint venture		—	255
Increase/(decrease) in trade payables		1,007	(5,252)
Increase/(decrease) in other payables and accruals		(781)	3,482
Cash generated from operations		18,418	6,357
Interest received		155	247
Hong Kong taxes paid, net		(7,029)	(15,078)
Net cash flows from/(used in) operating activities		11,544	(8,474)

Condensed Consolidated Statement of Cash Flows

Six months ended 31 December 2017

	Six months ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Restated) (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of items of property, plant and equipment	38	50
Purchase of items of property, plant and equipment	(3,864)	(10,027)
Settlement of provision	(212)	(61)
(Increase)/decrease in time deposits with maturity of more than three months when acquired	(16,627)	31,004
Net cash flows (used in)/from investing activities	(20,665)	20,966
CASH FLOWS FROM FINANCING ACTIVITIES		
Contribution from a non-controlling shareholder	—	2,484
Increase in a shareholder loan	—	2,023
Dividend paid	(7,228)	(3,258)
Net cash flows from/(used in) financing activities	(7,228)	1,249
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	(16,349)	13,741
Cash and cash equivalents at beginning of period	168,230	141,266
Effect of foreign exchange rate changes, net	176	(46)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	152,057	154,961

Condensed Consolidated Statement of Cash Flows

Six months ended 31 December 2017

	Six months ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Restated) (Unaudited)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	147,246	129,256
Non-pledged time deposits	24,014	23,666
	<hr/>	<hr/>
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	171,260	152,922
Pledged time deposit with maturity less than three months when acquired	1,034	2,039
Non-pledged time deposits with maturity more than three months when acquired	(20,237)	—
	<hr/>	<hr/>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	152,057	154,961
	<hr/> <hr/>	<hr/> <hr/>

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 the provision of comprehensive, one-stop and quality healthcare services.

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

2.1 COMMON CONTROL COMBINATIONS

On 1 February 2017, the Group acquired 90% and 10% equity interests 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. On the same day, the loan from a shareholder, Mr. Chan Kin Ping, of approximately HK\$40.4 million to We Health International Limited was waived by Mr. Chan Kin Ping.

The Group and We Health Group were under the common control of Mr. Chan Kin Ping and Dr. Pang Lai Sheung (the "**Controlling Shareholders**") before and after the common control combinations. To consistently apply the Group's accounting policy for common control combinations, the acquisition of We Health Group has been accounted for based on the principles of merger accounting as if the acquisition had occurred on the date when the combining entities first came under the common control of the Controlling Shareholders. Accordingly, the condensed consolidated statements of profit or loss and other comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows of the Group for the six months ended 31 December 2016 and 2017 include the results and cash flows of We Health Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholders, where this is a shorter period.

The comparative amounts of the financial statements of the Group have been restated to include the financial statement items of We Health Group. The effect of the acquisition on and, hence, the items so restated in the comparative financial statements are summarised below:

Notes to the Condensed Consolidated Financial Statements

2.1 COMMON CONTROL COMBINATIONS *(continued)*

Effect on the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 31 December 2016

	As previously reported <i>HK\$'000</i> <i>(Unaudited)</i>	Acquisition of We Health Group <i>HK\$'000</i> <i>(Unaudited)</i>	Consolidation adjustments <i>HK\$'000</i> <i>(Unaudited)</i>	As restated <i>HK\$'000</i> <i>(Unaudited)</i>
REVENUE	224,636	9,640	(392)	233,884
Cost of services rendered	(118,415)	(5,189)	392	(123,212)
Gross profit	106,221	4,451	—	110,672
Other income and gains	1,399	—	(1,043)	356
Administrative expenses	(96,504)	(5,816)	1,043	(101,277)
Share of losses of a joint venture	(2,060)	—	—	(2,060)
PROFIT/(LOSS) BEFORE TAX	9,056	(1,365)	—	7,691
Income tax expense	(3,350)	28	—	(3,322)
PROFIT/(LOSS) FOR THE PERIOD	5,706	(1,337)	—	4,369
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in periods:				
Exchange differences on translation of foreign operations	(661)	—	—	(661)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	(661)	—	—	(661)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	5,045	(1,337)	—	3,708

Notes to the Condensed Consolidated Financial Statements

2.1 COMMON CONTROL COMBINATIONS *(continued)*

Effect on the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 31 December 2016 *(continued)*

	As previously reported <i>HK\$'000</i> <i>(Unaudited)</i>	Acquisition of We Health Group <i>HK\$'000</i> <i>(Unaudited)</i>	Consolidation adjustments <i>HK\$'000</i> <i>(Unaudited)</i>	As restated <i>HK\$'000</i> <i>(Unaudited)</i>
Profit attributable to:				
Owners of the Company	6,021	(1,337)	—	4,684
Non-controlling interests	(315)	—	—	(315)
	<u>5,706</u>	<u>(1,337)</u>	<u>—</u>	<u>4,369</u>
Total comprehensive income attributable to:				
Owners of the Company	5,360	(1,337)	—	4,023
Non-controlling interests	(315)	—	—	(315)
	<u>5,045</u>	<u>(1,337)</u>	<u>—</u>	<u>3,708</u>

2.2 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 Accounts (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 2017.

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.

Notes to the Condensed Consolidated Financial Statements

2.3 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 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2017.

The Group adopted the following new and revised standards for the first time for the current period's financial statements:

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to Hong Kong Financial Reporting Standards ("HKFRS") 12 included in <i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12.</i>

The adoption of the above new and revised standards has had no significant financial impact on the 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 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 a related party, share of losses of a joint venture, as well as head office and corporate 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)*

Six months ended 31 December

	General practice services		Specialties services		Dental services		Total	
	2017 HK\$'000 <i>(Unaudited)</i>	2016 HK\$'000 <i>(Restated)</i> <i>(Unaudited)</i>	2017 HK\$'000 <i>(Unaudited)</i>	2016 HK\$'000 <i>(Restated)</i> <i>(Unaudited)</i>	2017 HK\$'000 <i>(Unaudited)</i>	2016 HK\$'000 <i>(Restated)</i> <i>(Unaudited)</i>	2017 HK\$'000 <i>(Unaudited)</i>	2016 HK\$'000 <i>(Restated)</i> <i>(Unaudited)</i>
Segment revenue:								
Revenue from external customers	160,942	154,514	60,320	54,019	32,100	25,351	253,362	233,884
Intersegment sales	333	1,047	2,195	2,605	1	6	2,529	3,658
							<u>255,891</u>	<u>237,542</u>
<i>Reconciliation:</i>								
Elimination of intersegment sales							<u>(2,529)</u>	<u>(3,658)</u>
							<u>253,362</u>	<u>233,884</u>
Segment results	34,799	32,732	3,252	1,350	4,344	1,644	42,395	35,726
Interest income							155	247
Management fee income from a related party							79	75
Corporate and unallocated expenses							<u>(26,369)</u>	<u>(26,297)</u>
Share of losses of a joint venture							<u>(2,728)</u>	<u>(2,060)</u>
Profit before tax							13,532	7,691
Income tax expense	(2,675)	(2,943)	(766)	19	(312)	(398)	(3,753)	(3,322)
Profit for the period							<u>9,779</u>	<u>4,369</u>

Notes to the Condensed Consolidated Financial Statements

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of services rendered.

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

	Six months ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Restated) (Unaudited)
Revenue		
Integrated healthcare services income	253,362	233,884
Other income and gains		
Bank interest income	155	247
Management fee income	79	75
Others	3	34
	237	356

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	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Restated)
	(Unaudited)	(Unaudited)
Cost of pharmaceutical supplies	22,980	18,966
Fees payable to doctors and dentists	110,967	102,380
Laboratory expenses	1,343	1,704
Depreciation	4,147	3,362
Amortisation of other intangible assets*	806	806
Loss/(gain) on disposal of items of property, plant and equipment	17	(39)
Minimum lease payments under operating leases:		
Land and buildings	31,503	30,519
Auditor's remuneration	790	885
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	44,728	45,267
Equity-settled share option expense	295	141
Pension scheme contributions	1,939	1,930
	46,962	47,338
Write-down of inventories to net realisable value**	64	162

* 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.

** 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 2016: 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 2016: Nil).

	Six months ended 31 December	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Restated) (Unaudited)
Current		
Charge for the period	3,889	3,344
Over-provision in prior years	(56)	—
Deferred	(80)	(22)
Total tax charge for the period	<u>3,753</u>	<u>3,322</u>

7. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 31 December 2017 (six months ended 31 December 2016: Nil).

A final dividend of HK2 cents per ordinary share for the year ended 30 June 2017 amounting to HK\$7,230,040 was approved by the shareholders of the Company on 30 November 2017.

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\$10,284,000 (six months ended 31 December 2016 (restated): HK\$4,684,000), and the weighted average number of ordinary shares of 361,502,000 (six months ended 31 December 2016: 361,502,000) 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 2017 and 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.

Notes to the Condensed Consolidated Financial Statements

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2017, additions of property, plant and equipment amounted to HK\$4,332,000 (six months ended 30 December 2016 (restated): HK\$10,849,000).

10. GOODWILL

	<i>HK\$'000</i>
Cost and net carrying amount at 1 July 2016, 30 June 2017, 1 July 2017 and 31 December 2017	<u>31,964</u>
At 1 July 2016, 30 June 2017, 1 July 2017 and 31 December 2017	
Cost	31,964
Accumulated impairment	<u>—</u>
Net carrying amount	<u>31,964</u>

11. INVESTMENT IN A JOINT VENTURE

	31 December 2017 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Audited)
Share of net assets	<u>11,386</u>	<u>13,669</u>

On 24 April 2015, 盈健企業管理諮詢(上海)有限公司 (“Yingjing Qiye”) and Ping An Health Internet Holdings Limited (“Ping An Health”) which is a third party to the Group, have 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”), which acts as the Group’s medical services provider in Mainland China. 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	Ownership interest	Percentage of		Profit sharing	Principal activities
				Ownership interest	Voting power		
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.

Pingan Yingjian, which is considered a material joint venture of the Group, is accounted for using the equity method.

Notes to the Condensed Consolidated Financial Statements

12. TRADE RECEIVABLES

	31 December 2017 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Audited)
Trade receivables	<u>34,674</u>	<u>31,451</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 personnel to monitor the implementation of measures to minimise the credit risk. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of 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 2017 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Audited)
Within 2 months	25,167	25,122
2 to 4 months	8,324	4,605
4 to 6 months	907	1,378
Over 6 months	276	346
	<u>34,674</u>	<u>31,451</u>

Notes to the Condensed Consolidated Financial Statements

12. TRADE RECEIVABLES *(continued)*

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

	31 December 2017 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Audited)
Neither past due nor impaired	33,137	22,800
Less than 1 month past due	787	3,360
1 to 3 months past due	434	2,956
Over 3 months	316	2,335
	34,674	31,451

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.

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 2017 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Audited)
Within 1 month	20,713	21,482
1 to 3 months	3,914	2,171
Over 3 months	43	10
	24,670	23,663

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

Notes to the Condensed Consolidated Financial Statements

14. SHARE CAPITAL

	31 December 2017 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Audited)
Issued and fully paid 361,502,000 (30 June 2017: 361,502,000) ordinary shares of HK\$0.01 each	<u>3,615</u>	<u>3,615</u>

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

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.

Notes to the Condensed Consolidated Financial Statements

15. SHARE OPTION SCHEME (continued)

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.

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

	Six months ended 31 December			
	2017		2016	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 July	2.214	2,740	—	—
Granted during the period	—	—	2.214	2,740
At 31 December	2.214	2,740	2.214	2,740

The exercise prices and exercise periods of the share options outstanding as at 31 December 2017 and 31 December 2016 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 share options granted on 4 October 2016 was HK\$2,251,000 of which the Group recognised a share option expense of HK\$295,000 during the six months ended 31 December 2017 (six months ended 31 December 2016: HK\$141,000).

Notes to the Condensed Consolidated Financial Statements

15. SHARE OPTION SCHEME *(continued)*

The fair value of equity-settled share options granted was estimated as at the date of grant using the 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 Employees: 2.20
Estimated fair value for each share option	Directors: HK\$0.8236 Employees: 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.

Notes to the Condensed Consolidated Financial Statements

16. NOTES TO THE CONDENSED STATEMENT OF CASH FLOW

Major non-cash transactions

During the six months ended 31 December 2017, the acquisition of property, plant and equipment included the provision of reinstatement cost of HK\$468,000 (six months ended 31 December 2016: HK\$822,000) in other payables and accruals.

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 three years.

At 31 December 2017, the Group had total minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2017 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Audited)
Within one year	48,953	57,792
In the second to fifth years, inclusive	29,869	33,955
	78,822	91,747

18. CAPITAL COMMITMENTS

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

	31 December 2017 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Audited)
Contracted, but not provided for:		
Medical equipment	157	180
IT equipment and software	1,373	—
	1,530	180

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:

		Six months ended 31 December		
	<i>Relationship</i>	<i>Nature</i>	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Restated) (Unaudited)
Max Health Chinese Medicine Limited				
Management fee income	(1)	(i)	79	75
Maxland Limited				
Rental expenses	(2)	(ii)	1,419	1,685
Fees payable to doctors and dentists who are related parties	(3)	(iii)	22,365	23,111
Prime Asia Limited				
Service fee income	(4)	(iv)	—	7

Nature of transactions

- (i) The management fee income was received from this party for the provision of general administrative and accounting services thereto by the Group. The fee has been charged based on an allocation of the headquarter expenses incurred by the Group to these related parties based on the number of service points.
- (ii) The rental expenses was charged by this related party for the lease of two (2016 (restated): three) medical centres at total amount of HK\$237,000 (2016 (restated): HK\$308,000) per month, on a mutually agreed basis, which approximated to market rates. The rental expenses included the rent paid by We Health Group to Maxland Limited amounted to HK\$320,000 for the six months ended 31 December 2016, respectively, to reflect the effect of common control combinations.
- (iii) The 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.
- (iv) The 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.

Notes to the Condensed Consolidated Financial Statements

19. RELATED PARTY TRANSACTIONS *(continued)*

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

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 this related party.
- (3) These doctors and dentists are also directors of certain subsidiaries of the Group, senior management of the Group or close member of controlling shareholder of the Company.
- (4) A director of one of the Group's subsidiaries is also the beneficial shareholder of this related party.

(b) Outstanding balances with a related party

	<i>Notes</i>	31 December 2017 HK\$'000 (Unaudited)	30 June 2017 HK\$'000 (Audited)
Due from related party			
Max Health Chinese Medicine Limited	(i)	73	29

(i) This related party is beneficially owned by the controlling shareholders of the Group.

Balances with this related party was unsecured, interest-free and had no fixed terms of repayment.

The related party transactions in respect of note (a) item (i), (ii) and (iv) and fees payable to Dr. Chan Siu Yu, Dr. Choi Tat Fai, Richard, Dr. Lau Wai Man and Dr. Seto Siu Keung included in item (iii) 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 amounts 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 2017 (Unaudited)

	Carrying amount <i>HK\$'000</i>	Fair value <i>HK\$'000</i>
Deposits, non-current portion	<u>12,568</u>	<u>12,568</u>

As at 30 June 2017 (Audited)

	Carrying amount <i>HK\$'000</i>	Fair value <i>HK\$'000</i>
Deposits, non-current portion	<u>15,912</u>	<u>15,912</u>

Management has assessed that the fair value of the current portion of deposits, other receivables, trade receivables, amount due from a related party, pledged deposit, cash and cash equivalents, trade payables and other payables 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 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 2017 and 30 June 2017.

21. COMPARATIVE AMOUNTS

As further explained in note 2.1, certain comparative amounts have been restated as a result of the adoption of merger accounting for the common control combinations taking place on 1 February 2017.