盈健醫療
HUMAN HEALTH

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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

- The Group's revenue for FY2018 was approximately HK$518.0 million, representing an increase of approximately HK$36.9 million or 7.7% from FY2017.
- Gross profit for FY2018 was approximately HK$243.6 million, representing an increase of approximately HK$17.4 million or 7.7% from FY2017. Gross profit margin maintains at approximately 47.0% for FY2018.
- The Group's profit attributable to owners of the Company was approximately HK$24.1 million, representing an increase of approximately HK$10.6 million or 79.0% from FY2017.
- Basic earnings per share for FY2018 amounted to approximately HK6.7 cents (FY2017: approximately HK3.7 cents).
- The Board proposes declaration of final dividend of HK3 cents per share for FY2018 (FY2017: HK2 cents).

The board (the "**Board**") of directors (the "**Directors**") of Human Health Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**", "**we**" or "**our**") for the year ended 30 June 2018 ("**FY2018**"), which have been prepared in accordance with the generally accepted accounting principles in Hong Kong, together with comparative figures for the year ended 30 June 2017 ("**FY2017**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
REVENUE	*4*	**518,020**	481,147
Cost of services rendered		**(274,446)**	(254,987)
Gross profit		**243,574**	226,160
Other income and gains	*4*	**755**	892
Administrative expenses		**(205,307)**	(202,068)
Share of losses of a joint venture		**(7,236)**	(4,887)
PROFIT BEFORE TAX	*5*	**31,786**	20,097
Income tax expense	*6*	**(8,621)**	(7,506)
PROFIT FOR THE YEAR		**23,165**	12,591

	Note	2018 HK$'000	2017 HK$'000
PROFIT FOR THE YEAR		**23,165**	12,591
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**1,169**	(442)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**1,169**	(442)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**24,334**	12,149
Profit/(loss) attributable to:			
Owners of the Company		**24,111**	13,469
Non-controlling interests		**(946)**	(878)
		23,165	12,591
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**25,280**	13,027
Non-controlling interests		**(946)**	(878)
		24,334	12,149
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic and diluted		**HK6.7 cents**	HK3.7 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**17,635**	15,841
Goodwill		**31,964**	31,964
Other intangible assets		**11,824**	13,435
Investment in a joint venture		**7,248**	13,669
Available-for-sale investment		**3,500**	–
Deposits		**27,495**	15,912
Deferred tax assets		**1,385**	1,671
Total non-current assets		**101,051**	92,492
CURRENT ASSETS			
Inventories		**7,493**	7,604
Trade receivables	*8*	**31,936**	31,451
Prepayments, deposits and other receivables		**11,810**	11,819
Due from a related party		**26**	29
Tax recoverable		**1,304**	3,937
Pledged deposits		**2,039**	2,039
Cash and cash equivalents		**187,747**	170,806
Total current assets		**242,355**	227,685
CURRENT LIABILITIES			
Trade payables	*9*	**25,441**	23,663
Other payables and accruals		**32,162**	29,008
Tax payable		**5,043**	5,954
Total current liabilities		**62,646**	58,625
NET CURRENT ASSETS		**179,709**	169,060
TOTAL ASSETS LESS CURRENT LIABILITIES		**280,760**	261,552
NON-CURRENT LIABILITIES			
Other long term payables		**4,375**	2,450
Deferred tax liabilities		**2,145**	2,561
Total non-current liabilities		**6,520**	5,011
Net assets		**274,240**	256,541
EQUITY			
Equity attributable to owners of the Company			
Share capital		**3,615**	3,615
Reserves		**269,965**	251,320
		273,580	254,935
Non-controlling interests		**660**	1,606
Total equity		**274,240**	256,541

NOTES

1. CORPORATE AND GROUP 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 year, the Group is 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 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. 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 had 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 consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the year ended 30 June 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.

2.2 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an available-for-sale investment which has been measured at fair value. The financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 30 June 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

The adoption of the above 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/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 a related party, share of losses of a joint venture, as well as head office and corporate income and expenses are excluded from such measurement.

Segment assets exclude other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

	General practice services		**Specialties services**		**Dental services**		**Total**	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Revenue from external customers	**331,471**	319,788	**121,668**	109,567	**64,881**	51,792	**518,020**	481,147
Intersegment sales	**781**	3,076	**4,162**	3,920	**16**	9	**4,959**	7,005
							522,979	488,152
Reconciliation:								
Elimination of intersegment sales							**(4,959)**	(7,005)
							518,020	481,147
Segment results	**78,596**	70,877	**6,944**	2,843	**8,465**	3,855	**94,005**	77,575
Interest income							**367**	437
Management fee income from a related party							**159**	138
Corporate and unallocated income							**3**	2
Corporate and unallocated expenses							**(55,512)**	(53,168)
Share of losses from a joint venture							**(7,236)**	(4,887)
Profit before tax							**31,786**	20,097
Income tax expense	**(6,468)**	(5,845)	**(1,464)**	(1,193)	**(689)**	(468)	**(8,621)**	(7,506)
Profit for the year							**23,165**	12,591
Segment assets	**179,289**	181,777	**77,785**	50,826	**58,211**	47,155	**315,285**	279,758
Elimination of intersegment receivables							**(27,886)**	(29,499)
Corporate and other unallocated assets							**56,007**	69,918
Total assets							**343,406**	320,177

	General practice services		Specialties services		Dental services		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment liabilities	**33,749**	39,341	**19,170**	15,606	**26,527**	23,849	**79,446**	78,796
Elimination of intersegment payables							**(27,886)**	(29,499)
Corporate and other unallocated liabilities							**17,606**	14,339
Total liabilities							**69,166**	63,636
Other segment information:								
Depreciation	**1,413**	1,293	**3,962**	3,493	**2,080**	1,812	**7,455**	6,598
Amortisation of other intangible assets	**736**	737	**347**	347	**528**	528	**1,611**	1,612
Capital expenditure#	**1,794**	2,297	**2,456**	7,261	**4,089**	1,502	**8,339**	11,060

Capital expenditure consists of additions to property, plant and equipment.

Geographical information

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. As the Group's major operations and markets are principally located in Hong Kong, no further geographical segment information is provided.

Information about major customers

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's total revenue for each of the years ended 30 June 2018 and 2017.

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:

	2018	2017
	HK$'000	*HK$'000*
Revenue		
Integrated healthcare services income	**518,020**	481,147
Other income and gains		
Bank interest income	**367**	437
Management fee income	**159**	138
Others	**229**	317
	755	892

5. PROFIT BEFORE TAX

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

	2018	2017
	HK$'000	*HK$'000*
Cost of pharmaceutical supplies	**46,774**	40,378
Fees payable to doctors and dentists	**225,369**	211,582
Laboratory expenses	**2,578**	2,980
Depreciation	**8,687**	7,676
Amortisation of other intangible assets*	**1,611**	1,612
Loss/(gain) on disposal of items of property, plant and equipment	**127**	(224)
Minimum lease payments under operating leases	**64,953**	63,945
Contingent rents under operating leases	**42**	–
Auditor's remuneration	**1,585**	1,494
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**89,824**	90,943
Equity-settled share option expense	**261**	185
Pension scheme contributions	**3,788**	3,933
	93,873	95,061
(Reversal of write-down)/write-down of inventories to net realisable value#	**(275)**	47

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

The (reversal of write-down)/write-down of inventories to net realisable value is included in cost of services rendered in the consolidated statement of profit or loss and other comprehensive income.

6. INCOME TAX

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

Hong Kong profits tax has been made at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong. No provision for PRC corporate income tax has been made as the Group's PRC subsidiary had no estimated assessable profits for the year (2017: Nil).

	2018	2017
	HK$'000	*HK$'000*
Current		
Charge for the year	**9,305**	7,915
Over provision in prior years	**(554)**	(194)
Deferred	**(130)**	(215)
Total tax charge for the year	**8,621**	7,506

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$24,111,000 (2017: HK$13,469,000), and the weighted average number of ordinary shares of 361,502,000 (2017: 361,502,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 30 June 2018 and 2017 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.

8. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**31,936**	31,451

Most of the patients of the medical and dental practices settle in cash and credit cards. 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 ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 2 months	**25,873**	25,122
2 to 4 months	**5,319**	4,605
4 to 6 months	**490**	1,378
Over 6 months	**254**	346
	31,936	31,451

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

	2018	2017
	HK$'000	*HK$'000*
Neither past due nor impaired	**30,211**	22,800
Less than 1 month past due	**653**	3,360
1 to 3 months past due	**790**	2,956
Over 3 months past due	**282**	2,335
	31,936	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 record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

9. TRADE PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**22,061**	21,482
1 to 3 months	**3,335**	2,171
Over 3 months	**45**	10
	25,441	23,663

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

10. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Proposed final – HK3 cents (2017: HK2 cents) per ordinary share	**10,845**	7,230

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

11. SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

On 21 September 2018, (i) We Health International Limited, a wholly owned subsidiary of the Company (the "**Subscriber**"); (ii) ASANA Global Group Limited (the "**Target Company**"); and (iii) Mr. Ling Ka Him Samuel ("**Mr. Ling**") entered into a subscription agreement ("**Subscription Agreement**") pursuant to which the Target Company shall issue and the Subscriber shall subscribe 5 percent guaranteed fixed rate convertible bonds due in 2021 in the principal amount of HK$10,300,000 (the "**Convertible Bonds**"). The Convertible Bonds at its full value were issued to the Subscriber by the Target Company on 21 September 2018.

On 21 September 2018, (i) the Subscriber as lender; (ii) the Target Company as borrower; and (iii) Mr. Ling as guarantor entered into a HK$30,950,000 secured term loan facility agreement ("**Facility Agreement**") pursuant to which (i) the Subscriber shall at its sole discretion make available to the Target Company a Hong Kong dollar term loan facility made available under the Facility Agreement in an aggregate amount of HK$17,200,000 at an interest rate of 2% per annum ("**Facility A**"); and (ii) if the Target Company utilises Facility A in full, the Subscriber shall at its sole discretion make available to the Target Company a Hong Kong dollar term loan facility made available under the Facility Agreement in an aggregate amount of HK$13,750,000 at an interest rate of 5% per annum ("**Facility B**"). As at the date of this announcement, a loan of HK$5,000,000 under Facility A has been made to the Target Company.

Details of the Subscription Agreement and the Facility Agreement are set out in the announcement of the Company dated 21 September 2018.

FINANCIAL REVIEW

Financial Review for FY2018

Revenue

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

	FY2018	FY2017	
	HK$'000	*HK$'000*	% of change
General practice services	**331,471**	319,788	3.7%
Specialties services	**121,668**	109,567	11.0%
Dental services	**64,881**	51,792	25.3%
	518,020	481,147	7.7%

In FY2018, our Group recorded revenue amounted to approximately HK$518.0 million, representing an increase of approximately 7.7% as compared with FY2017.

Our revenue from general practice services increased by approximately HK$11.7 million or 3.7% from FY2017 to approximately HK$331.5 million. The increase was mainly attributed to the increase in average spending per visit in FY2018.

Our revenue from specialties services increased by approximately HK$12.1 million or 11.0% from FY2017 to approximately HK$121.7 million. The increase was mainly attributed to the increase in number of patient visits from approximately 67,000 times for FY2017 to approximately 69,000 times for FY2018 and the expansion of the scope of specialties service business with strong performance of several specific specialties services.

Our revenue from dental services increased by approximately HK$13.1 million or 25.3% from FY2017 to approximately HK$64.9 million. The increase was mainly attributed to the increase in number of patient visits from approximately 50,000 times for FY2017 to approximately 58,000 times for FY2018 and the developed high-end dental services with an experienced professional team which have also benefited from the Community Care Fund launched by the Hong Kong Government to cover dental services.

Costs of services rendered

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

	FY2018	FY2017	
	HK$'000	*HK$'000*	% of change
Fees payable to doctors and dentists	**225,369**	211,582	6.5%
Costs of pharmaceutical supplies	**46,774**	40,378	15.8%
Laboratory expenses	**2,578**	2,980	-13.5%
(Reversal of write-down)/write-down of inventories to net realisable value	**(275)**	47	-685.1%
	274,446	254,987	7.6%

Our costs of services rendered increased by approximately HK$19.5 million or 7.6% to approximately HK$274.4 million for FY2018. Such increase was mainly due to an increase in fees payable to doctors and dentists and costs of pharmaceutical supplies which was in line with the increase in our revenue for FY2018.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$17.4 million or 7.7% from FY 2017 to approximately HK$243.6 million for FY2018 as a result of the increase in revenue. Our gross profit margin maintained at approximately 47.0% for FY2018.

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

	Year ended 30 June			
	2018		2017	
	HK$'000	***Gross profit margin %***	*HK$'000*	*Gross profit margin %*
General practice services	**172,335**	**52.0%**	166,051	51.9%
Specialities services	**45,118**	**37.1%**	39,759	36.3%
Dental services	**26,121**	**40.3%**	20,350	39.3%
	243,574	**47.0%**	226,160	47.0%

Our gross profit margin for general practice services remained stable.

Our gross profit margin for specialities services increased from approximately 36.3% for FY2017 to approximately 37.1% for FY2018 mainly as a result of lower percentage of fees payable to specialists during FY2018 as their remuneration packages were different based on their specialities, experiences and length of services with us.

Our gross profit margin for dental services increased from approximately 39.3% for FY2017 to approximately 40.3% for FY2018 mainly as a result of lower percentage of fees payable to dentists.

Other income and gains

Our other income and gains decreased by approximately HK$0.1 million or 15.4% from FY2017 to approximately HK$0.8million for FY2018 mainly due to the decrease in interest income received for FY2018.

Administrative expenses

Our administrative expenses increased by approximately HK$3.2 million or 1.6% to approximately HK$205.3 million for FY2018 from approximately HK$202.1 million for FY2017 mainly as a result of (i) the increase in rental expenses of approximately HK$1.0 million; (ii) the increase in depreciation expenses of approximately HK$1.0 million; (iii) the increase in marketing and promotion expenses of approximately HK$1.2 million due to the launch of brand building project; (iv) the increase in other repair and maintenance expenses of approximately HK$0.3 million; and (v) the offset of the decrease in salaries and welfare expenses of approximately HK$1.3 million.

Share of losses of a joint venture

Our share of losses of a joint venture increased by approximately HK$2.3 million or 48.1% from approximately HK$4.9 million to approximately HK$7.2 million for FY2018.

Income tax expense

Income tax expense increased by approximately HK$1.1 million or 14.9% to approximately HK$8.6 million for FY 2018 from approximately HK$7.5 million for FY2017. The increase was mainly due to an increase in assessable income as a result of increase in revenue. Our effective tax rate decreased from approximately 37.3% for FY2017 to approximately 27.1% for FY2018.

Profit for the year

As a result of the foregoing, profit for the year increased by approximately HK$10.6 million or 84.0% to approximately HK$23.2 million for FY2018 from approximately HK$12.6 million for FY2017. Our net profit margin also increased to approximately 4.5% for FY2018 from approximately 2.6% for FY2017.

Profit attributable to owners of the Company

The Group's profit attributable to owners of the Company was approximately HK$24.1 million for FY2018, representing an increase of approximately HK$10.6 million or 79.0% from FY2017. The increase in the profit attributable to owners of the Company for the year ended 30 June 2018 was primarily due to (i) the increase in the total number of patient visits for our services; (ii) the increase in the average spending per visit for general practice service; (iii) the expansion of the scope of specialties service business with strong performances of several specific specialties services; and (iv) the developed high-end dental services with an experienced professional team which have also benefited from the Community Care Fund launched by the Hong Kong Government to cover dental services.

BUSINESS REVIEW AND OUTLOOK

Business Review for FY2018

The overall performance of the Group was promising in FY2018. Profit attributed to owners of the Company surged by approximately 79.0% and the revenue climbed approximately 7.7% respectively, driven by the encouraging performance of its core business in terms of sales and profit. During FY2018, the Group continued to fortify its leadership in the industry and devote efforts in providing all-round integrated medical services to its customers, by extending its business scope to urology services, advanced ophthalmology services, nephrology services, family medicine services, and high-end dental services. Furthermore, in view of the growing demand in Hong Kong nowadays, the Group has further diversified to provide Chinese medicine services at a dedicated service point during FY2018, aiming to cater for the specific needs in the community.

The Group has also allocated more resources in the development of the field of specialties services. Along with the extension of the scope of specialties services, a flexible incentive scheme has been implemented for specialists which would not only attract but also retain experienced specialists. As such, professional team of specialists of the Group has been enriched.

In order to provide more comprehensive services to customers and cater for their needs, a new dental centre with general dental services as well as emergency dental services has been opened during FY2018. The Group has allocated considerable resources to support the emergency dental services, which has the ability to manage cases quickly with emergency dental treatment (when needed) even on public holidays.

In addition, with the advancement in healthcare technology in recent years, it is anticipated that there will be higher demand for products and services utilising innovation and technology in the medical industry. In recent years, machine learning, task automation and robotics have already been widely applied in different industries. The Group has therefore commenced collaboration with companies which are principally engaged in the provision of a wide range of innovation and technology services such as artificial intelligence (AI), internet of things (IoT), big data analytics, etc. for a variety of business needs and data analysis from raw data generation to business insights analysis especially focusing on the medical industry. The Group has made such move because it believes that its business operation efficiency and marketing capability as well as customers' experience could be optimised by making use of innovation and technology. Moreover, the Group has continuously reviewed and explored investment opportunities to achieve future growth and adding value to its solutions, and, ultimately, its customers.

In line with the Group's effective strategy on the operations in the People's Republic of China (the "**PRC**"), in addition to the provision of a full range of medical services to its customers, the Shanghai Human Health Integrated Medical Centre（上海盈健門診部）has focused on the provision of medical aesthetic services in addition to general practices and specialties services during FY2018 in order to meet the demand for medical care in the PRC.

As for business fundamentals, the patient base of the Group grew from approximately 1.96 million for FY2017 to approximately 2.11 million for FY2018, whereas the number of patient visits during FY2018 were approximately 1.19 million as compared to approximately 1.17 million during FY2017.

As at 30 June 2018, the Group operated 67 medical centres in Hong Kong under the following brand names with 123 service points.

During FY2018, we provided the following comprehensive healthcare services in Hong Kong:

General Practice Services	Specialties Services	Dental Services
• General consultation • Diagnostic and preventive healthcare services • Minor procedures • Vaccinations • Physical check-ups • Health education activities • Occupational health advices • Work injury assessment • Chinese Medicine	**Specialties** • General surgery • Orthopaedics & traumatology • Ophthalmology • Otorhinolaryngology • Paediatrics • Obstetrics & gynaecology • Gastroenterology & hepatology • Respiratory medicine • Cardiology • Paediatric surgery • Dermatology • Geriatric medicine • Psychiatry • Radiology • Public health medicine • Urology • Nephrology • Family Medicine **Other Services** • Physiotherapy • Clinical psychology • Medical aesthetic • Chiropractic • Medical diagnostic • Endoscopy	• 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

We attribute our prominent market position to our experienced and stable professional team. Set forth below is the number of members in our exclusive professional team as at 30 June 2018:

General practitioners	59
Specialists	26
Dentists	18
Others	13
Total	116

In addition to the exclusive professional team above, a total number of 79 professionals including general practitioner, specialist, dentist and clinical psychologist worked with us on a non-exclusive basis as at 30 June 2018.

Our clientele comprises both individual and corporate customers which include medical scheme management companies, insurance companies and corporations. For FY2018, revenue generated from individual customers and corporate customers represented approximately 80.3% and 19.7% of our total revenue, respectively.

Our suppliers include general practitioner, specialist, dentist, clinical psychologist, all of whom are in a contractual relationship with us, and also pharmaceutical products distributor and manufacturer, laboratory and imaging centre. For FY2018, costs incurred with our five largest suppliers accounted for approximately 13.0% of our total costs of services rendered and costs incurred with our largest supplier accounted for approximately 3.5% of our total costs of services rendered.

Business Outlook

As a result of greater access to health information and the higher education level, health awareness among the general public has risen. Whilst the customers are becoming more selective in professional medical services and placing greater value on healthcare standards, the Group is committed to accompany its customers in the life-long journey of pursuing wellness. With its new vision "Elevate Your Health Value, Elevate Your Life"（昇華健康價值，共創豐盛人生）and its core values "Empathetic"（仁心）, "Earnest"（稱心）, "Evolutionary"（創新）and "Ethical"（求真）, the Group is dedicated to support and walk with its customers hand-in-hand throughout different stages of life.

To achieve the goal of bolstering its presence in the greater health and wellness field, the Group will offer professional advice and services to its customers by utilising innovation and technology, as well as big data analytics, new technologies, devices and equipment. The Group has strived to devise the finest and most comprehensive scope of healthcare solutions that truly suit the needs of its customers and to unfold the tremendous possibilities in healthcare services. Meanwhile, the Group continues to expand the scope of its services and review potential acquisition and investment opportunities so as to increase its market share and revenue base. The Group believes that these investments will soon translate into profitability and bolster its long-term competitiveness in the healthcare industry.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a good financial position during FY2018. As at 30 June 2018, the Group had net current assets of approximately HK$179.7 million (as at 30 June 2017: approximately HK$169.1 million) and cash and cash equivalents and pledged deposits of approximately HK$189.8 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 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 FY2018. The capital of the Company comprises ordinary shares and other reserves.

CHARGES ON GROUP ASSETS

As at 30 June 2018, fixed deposit of approximately HK$1.0 million have been pledged to a bank to secure overdrafts of the Group. In addition, fixed deposit of approximately HK$1.0 million has been pledged to a bank as collateral security for banking facilities granted to the extent of HK$1.0 million.

FOREIGN EXCHANGE EXPOSURE

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There was no material acquisition or disposal of subsidiaries, associates and joint ventures during FY2018 and up to the date of this announcement.

CAPITAL COMMITMENTS

	As at 30 June	
	2018	2017
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Medical equipment	**215**	180
IT equipment	**175**	–
Furniture and fixtures	**7**	–
Leasehold improvements	**382**	–
	779	180

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2018.

EMPLOYEES

As at 30 June 2018, the Group had 392 full-time employees (as at 30 June 2017: 423) and 75 part-time employees (as at 30 June 2017: 77).

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 to our employees different remuneration packages 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 our Group's professional team members which include 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. Details on our human resources programs, training and development will be set out in the "environmental, social and governance report" in the annual report for the year ended 30 June 2018.

USE OF PROCEEDS FROM THE LISTING

Net proceeds from the listing of the shares of the Company (the "**Shares**" and each a "**Share**") 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 30 June 2018, 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	19.3	19.8
Expansion of network in Hong Kong by setting up six new general practice medical centres	5.9	3.9	2.0
Expansion in 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	1.4	3.7
Enhancement in IT infrastructure	5.1	2.2	2.9
Working capital and other general corporate purposes	8.5	4.5	4.0
	84.8	44.4	40.4

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

On 21 September 2018, (i) We Health International Limited, a wholly owned subsidiary of the Company (the "**Subscriber**"); (ii) ASANA Global Group Limited (the "**Target Company**"); and (iii) Mr. Ling Ka Him Samuel ("**Mr. Ling**") entered into a subscription agreement ("**Subscription Agreement**") pursuant to which the Target Company shall issue and the Subscriber shall subscribe 5 percent guaranteed fixed rate convertible bonds due in 2021 in the principal amount of HK$10,300,000 (the "**Convertible Bonds**"). The Convertible Bonds at its full value were issued to the Subscriber by the Target Company on 21 September 2018.

On 21 September 2018, (i) the Subscriber as lender; (ii) the Target Company as borrower; and (iii) Mr. Ling as guarantor entered into a HK$30,950,000 secured term loan facility agreement ("**Facility Agreement**") pursuant to which (i) the Subscriber shall at its sole discretion make available to the Target Company a Hong Kong dollar term loan facility made available under the Facility Agreement in an aggregate amount of HK$17,200,000 at an interest rate of 2% per annum ("**Facility A**"); and (ii) if the Target Company utilises Facility A in full, the Subscriber shall at its sole discretion make available to the Target Company a Hong Kong dollar term loan facility made available under the Facility Agreement in an aggregate amount of HK$13,750,000 at an interest rate of 5% per annum ("**Facility B**"). As at the date of this announcement, a loan of HK$5,000,000 under Facility A has been made to the Target Company.

Details of the Subscription Agreement and the Facility Agreement are set out in the announcement of the Company dated 21 September 2018.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK3 cents per Share for FY2018 (FY2017: HK2 cents per Share) (the "**Final Dividend**"). The payment of the Final Dividend is subject to approval by the shareholders of the Company (the "**Shareholders**") at the forthcoming annual general meeting to be held on Friday, 30 November 2018 (the "**AGM**"). Upon obtaining the Shareholders' approval, the Final Dividend is expected to be paid on or around Friday, 21 December 2018 to the Shareholders whose names appear on the register of members of the Company on Friday, 7 December 2018.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 27 November 2018 to Friday, 30 November 2018, both days inclusive, during which no transfer of Shares will be registered. In order to be entitled to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 26 November 2018.

For the purpose of ascertaining the Shareholders' entitlement to receive the Final Dividend, the register of members of the Company will be closed from Thursday, 6 December 2018 to Friday, 7 December 2018, both days inclusive, during which no transfer of Shares will be registered. In order to qualify for receiving the Final Dividend, all duly completed transfer forms accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 5 December 2018.

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 ("**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 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 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 as when appropriate and suitable by taking into account the circumstances of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board 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 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 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 and 28 May 2018, the Group granted share options to certain eligible persons to subscribe for 2,740,000 ordinary Shares and 460,000 ordinary Shares respectively (the "**Share Options**") pursuant to the Share Option Scheme. As at 30 June 2018, 3,200,000 Share Options were granted and remained outstanding and no Share Options have been exercised, lapsed or cancelled during FY2018.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed, with the management and the external auditor of the Company, the consolidated financial statements of the Company for FY2018, including the accounting principles and practices adopted by the Group, and discussed the internal control, going concern issues, key audit matters and financial reporting matters related to the preparation of the annual results of the Group for FY2018.

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

During FY2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for FY2018 as set out in this announcement have been agreed by the Company's auditor to the amounts set out in the Group's draft consolidated financial statements for FY2018. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on this announcement.

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 30 November 2018. The notice of the AGM will be published and dispatched in due course in the manner as required by the Listing Rules.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.humanhealth.com.hk. The annual report of the Company for FY2018 will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 26 September 2018

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

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