



# 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



# 2019

## INTERIM REPORT

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

# Corporate Information

## EXECUTIVE DIRECTORS

Mr. Chan Kin Ping  
*(Chairman and Chief Executive Officer)*  
Dr. Pang Lai Sheung  
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  
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](http://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 2018 (the "Interim Period of FY2019")

#### 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:

	<b>Interim Period of FY2019 HK\$'000</b>	Interim Period of FY2018 HK\$'000	% of change
General practice services	<b>157,464</b>	160,942	-2.2%
Specialties services	<b>62,966</b>	60,320	4.4%
Dental services	<b>32,716</b>	32,100	1.9%
	<b>253,146</b>	253,362	-0.1%

In the Interim Period of FY2019, the Group recorded revenue amounted to approximately HK\$253.1 million, representing the decrease of approximately HK\$0.2 million or 0.1% as compared with the six months ended 31 December 2017 (the "**Interim Period of FY2018**").

Our revenue from general practice services decreased by approximately HK\$3.5 million or 2.2% from the Interim Period of FY2018 to approximately HK\$157.5 million for the Interim Period of FY2019. The decrease was mainly due to the reduced impact of the seasonal flu as compared with that for the 2017 summer resulting in the decrease in the number of patient visits in respect of the Group's general practice services.

Our revenue from specialties services increased by approximately HK\$2.6 million or 4.4% from the Interim Period of FY2018 to approximately HK\$63.0 million for the Interim Period of FY2019. The increase was mainly attributed to the increase in the number of patient visits.

Our revenue from dental services increased by approximately HK\$0.6 million or 1.9% from the Interim Period of FY2018 to approximately HK\$32.7 million for the Interim Period of FY2019. The increase was mainly attributed to the developed high-end dental services with an experienced professional team.

# 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:

	<b>Interim Period of FY2019 HK\$'000</b>	Interim Period of FY2018 HK\$'000	% of change
Fees payable to doctors and dentists	<b>107,490</b>	110,967	-3.1%
Cost of pharmaceutical supplies	<b>23,714</b>	22,980	3.2%
Laboratory expenses	<b>1,185</b>	1,343	-11.8%
(Reversal of write-down)/write-down of inventories to net realisable value	<b>(71)</b>	64	-210.9%
	<b><u>132,318</u></b>	<u>135,354</u>	<u>-2.2%</u>

Our cost of services rendered decreased by approximately HK\$3.0 million or 2.2% from the Interim Period of FY2018 to approximately HK\$132.3 million for the Interim Period of FY2019. This decrease was mainly due to the decrease in fees payable to general practitioners which were in line with the decrease in our revenue from general practice services for the Interim Period of FY2019.

## Gross profit and gross profit margin

Our gross profit increased by approximately HK\$2.8 million or 2.4% from the Interim Period of FY2018 to approximately HK\$120.8 million for the Interim Period of FY2019. Our gross profit margin increased to approximately 47.7% for Interim Period of FY2019 from approximately 46.6% for the Interim Period of 2018 which was mainly due to increase in gross profit margin for general practice services and specialties services.

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

	<b>Interim Period of FY2019 HK\$'000</b>	<b>Gross profit margin %</b>	Interim Period of FY2018 HK\$'000	Gross profit margin %
General practice services	<b>83,142</b>	<b>52.8%</b>	82,525	51.3%
Specialties services	<b>24,386</b>	<b>38.7%</b>	22,425	37.2%
Dental services	<b>13,300</b>	<b>40.7%</b>	13,058	40.7%
	<b><u>120,828</u></b>	<b><u>47.7%</u></b>	<u>118,008</u>	<u>46.6%</u>

## Management Discussions and Analysis

Our gross profit margin for general practice services increased from approximately 51.3% for the Interim Period of FY2018 to approximately 52.8% for the Interim Period of FY2019 as a result of lower percentage in fee payable to general practitioners during the interim period of FY2019 as their remuneration packages were different based on their experiences and length of services with us.

Our gross profit margin for specialties services increased from approximately 37.2% for the Interim Period of FY2018 to approximately 38.7% for the Interim Period of FY2019 as a result of lower percentage in fee payable to specialists during the interim period of FY2019 as their remuneration packages were different based on their specialties, experiences and length of services with us.

Our gross profit margin for dental services remained at approximately 40.7% as compared with the Interim Period of FY2018.

### Other income and gains

Our other income and gains increased by approximately HK\$1.5 million or 631.6% from the Interim Period of FY2018 to approximately HK\$1.7 million for the Interim Period of FY2019 which was mainly due to the gain on fair value of financial assets at fair value through profit or loss of approximately HK\$1.0 million.

### Administrative expenses

Our administrative expenses increased by approximately HK\$4.2 million or 4.1% to approximately HK\$106.1 million for the Interim Period of FY2019 from approximately HK\$102.0 million for the Interim Period of FY2018 which was mainly due to (i) the increase in legal and professional fee of approximately HK\$2.1 million for investments and approximately HK\$0.9 million for strategic business growth related programs; (ii) the increase in depreciation expenses of approximately HK\$1.0 million; (iii) the increase of employee benefit expenses of approximately HK\$0.7 million and (iv) the offset by the decrease in rental expenses of approximately HK\$1.1 million.

### Share of losses of a joint venture

Our share of losses of a joint venture decreased by approximately HK\$0.5 million or 19.0% from the Interim Period of FY2018 to approximately HK\$2.2 million for the Interim Period of FY2019. The decrease was mainly due to the increase in revenue of the joint venture.

### Income tax expenses

Income tax expense decreased by approximately HK\$0.1 million or 3.6% to approximately HK\$3.6 million for the Interim Period of FY2019 from approximately HK\$3.8 million for the Interim Period of FY2018. The decrease was mainly due to the decrease in assessable income. Our effective tax rate decreased from approximately 27.7% for the Interim Period of FY2018 to approximately 25.5% for the Interim Period of FY2019.

# Management Discussions and Analysis

## Profit for the period

As a result of the foregoing, profit for the period increased by approximately HK\$0.8 million or 8.4% to approximately HK\$10.6 million for the Interim Period of FY2019 from approximately HK\$9.8 million for the Interim Period of FY2018. Our net profit margin slightly increased to approximately 4.2% for the Interim Period of FY2019 from approximately 3.9% for the Interim Period of FY2018.

## Profit attributable to owners of the Company

The Group's profit attributable to owners of the Company was approximately HK\$10.9 million for the Interim Period of FY2019, representing the increase of approximately HK\$0.6 million or 5.7% from the Interim Period of FY2018. The increase was primarily attributable to the gain on fair value of financial assets at fair value through profit or loss of approximately HK\$1.0 million.

## BUSINESS REVIEW AND OUTLOOK

### Business Review for the Interim Period of FY2019

During the Interim Period of FY2019, the Group has continuously focused on expanding its scope of services and has continued to provide comprehensive, one-stop and quality healthcare services to customers. In addition to the strengthened cooperation with the Hong Kong Government, we have commenced collaboration with different kinds of organisations to provide medical services to customers. These testify to our efforts in striving to extend our healthcare services to a wider range of customers. Thus we are poised to embrace more opportunities arising from the surging demand for health care services in Hong Kong. Apart from this, along with our accredited healthcare facilities, highly trained professional team with the provision of excellent and quality medical care services and competitive prices, our customer base continues growing.

It is worth mentioning that considerable resources have also been allocated to support the specialised dental services, thus enhancing the efficiency of the dental centre to offer emergency dental treatment, and boosting the average revenue per visit as well as the revenue from dental services of approximately 2.8% and 1.9% respectively for the Interim Period of FY2019 as compared with that for the Interim Period of FY2018.

Growth in urban population and higher household income in the People's Republic of China (the "PRC") lead to a greater demand for high quality products and services, including medical and wellness related services. Apart from the business in Hong Kong, medical aesthetic services have been introduced at Shanghai Human Health Integrated Medical Centre\* (上海盈健門診部) in response to customers' demand. Revenue from this sector had significant increment for the Interim Period of FY2019. We intend to continue to replicate our successful business model in Hong Kong into the PRC market and periodically assess its performance.

In addition to cementing our business foundation, we have formed a business alliance with an innovative technology company to build and launch a digital healthcare platform for the purpose of offering a range of services supporting medical practitioners, clinics, patients and insurance companies. The business alliance perfectly matches the objective of the Group to proactively adopt innovation and technology in its services as it develops the wellness field.

Our patient base grew from approximately 2.03 million as at 31 December 2017 to approximately 2.17 million as at 31 December 2018. As at 31 December 2018, the Group operated 66 medical centres in Hong Kong under the following brand names with 123 service points.

\* For identification purpose only



# Management Discussions and Analysis



During the Interim Period of FY2019, we provided the following comprehensive healthcare services:

General Practice Services	Specialties Services	Dental Services
<ul style="list-style-type: none"> <li>• General consultation</li> <li>• Diagnostic and preventive healthcare services</li> <li>• Minor procedures</li> <li>• Vaccinations</li> <li>• Physical check-ups</li> <li>• Health education activities</li> <li>• Occupational health advices</li> <li>• Work injury assessment</li> <li>• Chinese medicine</li> </ul>	<p><u>Specialties</u></p> <ul style="list-style-type: none"> <li>• General surgery</li> <li>• Orthopaedics &amp; traumatology</li> <li>• Ophthalmology</li> <li>• Otorhinolaryngology</li> <li>• Paediatrics</li> <li>• Obstetrics &amp; gynaecology</li> <li>• Gastroenterology &amp; hepatology</li> <li>• Respiratory medicine</li> <li>• Cardiology</li> <li>• Paediatric surgery</li> <li>• Dermatology</li> <li>• Geriatric medicine</li> <li>• Psychiatry</li> <li>• Urology</li> <li>• Radiology</li> <li>• Public health medicine</li> <li>• Nephrology</li> <li>• Family medicine</li> </ul> <p><u>Other Services</u></p> <ul style="list-style-type: none"> <li>• Physiotherapy</li> <li>• Clinical psychology</li> <li>• Medical aesthetic</li> <li>• Chiropractic</li> <li>• Medical diagnostic</li> <li>• Endoscopy</li> </ul>	<ul style="list-style-type: none"> <li>• Oral examination</li> <li>• Dental implant</li> <li>• Crown and bridge</li> <li>• Endodontics</li> <li>• Prosthodontics</li> <li>• Oral surgery</li> <li>• Bleaching</li> <li>• One-hour tooth whitening</li> <li>• Orthodontics</li> <li>• Veneers and laser dentistry</li> <li>• Advanced oral and maxillofacial surgery</li> <li>• Periodontal treatment</li> <li>• Panoramic radiography</li> <li>• Cone-beam computed tomography</li> </ul>

## Management Discussions and Analysis

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

Set forth below is the number of members in our professional team as at 31 December 2018:

General practitioners	58
Specialists	23
Dentists	17
Others	<u>13</u>
<b>Total</b>	<b><u><u>111</u></u></b>

In addition to the exclusive professional team above, a total number of 91 professionals including general practitioner, specialist, dentist, clinical psychologist, radiographer and registered nurse worked with us on a non-exclusive basis as at 31 December 2018.

Our clientele includes individuals as well as corporate customers, 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 distributor and manufacturer of pharmaceutical products, laboratory and imaging centre.

### Business Outlook

The Group endeavors to deliver customized health solutions that fit the physical needs and mental well-being of its customers through our trusted professional team by effectively utilizing big data to devise the finest healthcare solutions that address the needs of its customers. In addition, with the anticipation of the launch of the online platform in mobile applications available in an IOS or Android version on or around second half of 2019, the Group can provide one-stop convenient services to our customers from registration, consultation, payment and even processing insurance claims through the online platform interface which allows online interaction with patients. The Group considers that forming a business alliance with an innovation technology company and collaborating resources of both companies to develop the platform would create synergies and unleash the full potential of the platform, which would in turn be favourable to its business development. At the same time, the Group would be able to leverage the system developed by the innovation technology company to facilitate and enhance its operational administration procedures. Going forward, the Group will introduce more new technologies and services related to preventive medicine and wellness management. At the same time, the Group will enhance its IT infrastructure and boost the operating effectiveness and efficiency of its medical centres to match the Group's development towards greater health and wellness field.

## Management Discussions and Analysis

Regarding the opportunities from patients from overseas seeking medical treatment abroad, the Group believes that the number of mainland Chinese seeking medical treatment abroad has rapidly increased with the growth set to continue. Greater awareness of healthcare issues and costs, increasing prevalence of disease, higher levels of personal wealth, and a greater incentive by individuals to invest in improving their health has underpinned a growing interest in their overseas healthcare options. Human Health is well positioned to capture the growth market by exploring more opportunities and is ready to cooperate with involved organisations, aiming at contributing to higher levels of patient satisfaction.



Last but not least, the Group has adopted a new logo  on 15 February 2019 in order to underscore the image of comprehensive services provided by the Group in pursuit of a goal of delivering healthcare solutions tailored for customers specific needs, with the aim of becoming their best wellness partner throughout different stages of their lives to manage healthy living and to match our new mission “Elevate Your Health Value, Elevate Your Life” (昇華健康價值 · 共創豐盛人生), comprising four core values “Empathetic” (仁心), “Earnest” (稱心), “Evolutionary” (創新) and “Ethical” (求真). This summarises how Human Health has built up its strong reputation with a mission of providing patient-centric and quality-focused services to the whole community.

### LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a good financial position during the Interim Period of FY2019. As at 31 December 2018, the Group had net current assets of approximately HK\$172.8 million (as at 30 June 2018: approximately HK\$179.7 million) and cash and cash equivalents and pledged deposits of approximately HK\$176.6 million (as at 30 June 2018: approximately HK\$189.8 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 FY2019. 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 FY2019. The capital of the Company comprises ordinary shares and other reserves.

During the Interim Period of FY2019, 18,050,233 ordinary shares were issued and the total number of issued shares of the Company as at 31 December 2018 was 379,552,233.

### CHARGES ON GROUP ASSETS

As at 31 December 2018, 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.

# Management Discussions and Analysis

## FOREIGN EXCHANGE EXPOSURE

The Group conducts business primarily in Hong Kong and the PRC with most of the transactions denominated and settled in Hong Kong dollars and Renminbi. Currently, the Group has not entered into any foreign exchange contracts to hedge against the fluctuations in 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

On 11 October 2018, (i) the Company and (ii) Heals Healthcare Limited (the “**Target Company**”) entered into a business alliance agreement (the “**Business Alliance Agreement**”) pursuant to which the Company and the Target Company agree to enter into strategic alliance on an exclusive basis to build and launch a digital healthcare platform (the “**Platform**”) for the purpose of offering range of services supporting medical practitioners, clinics, patients and insurance companies. The Platform shall be in such a form of a mobile application available in IOS or Android version for a term of 10 years and be automatically renewed for a further term of 3 years.

In addition, on 11 October 2018, Actwise Limited, the wholly owned subsidiary of the Company (the “**Subscriber**”), the Company and the Target Company entered into a subscription agreement (the “**Subscription Agreement**”) pursuant to which the Target Company shall conditionally allot and issue, and the Subscriber shall conditionally subscribe, an aggregate of 641,704 shares of the Target Company in three tranches (the “**Subscription Shares**”). Consideration for (i) the first tranche Subscription Shares shall be satisfied by way of allotment and issue by the Company of total of 18,050,233 consideration shares to the Target Company at the issue price of HK\$1.7359 per Share; (ii) the second tranche Subscription Shares shall be synergy consideration I which is the KPIs achievement by the Company’s network in respect of the initial KPIs measurement period (the “**Initial KPIs Measurement Period**”, a period of 12 months immediately following a preparation period which shall be a period of 6 months following the date of the Subscription Agreement or 12 months following the date of the Subscription Agreement if the preparation period is extended); and (iii) the third tranche Subscription Shares shall be synergy consideration II which is the KPIs achievement by the Company’s network in respect of the 12 months period after the Initial KPIs Measurement Period.

Details of the Business Alliance Agreement and the Subscription Agreement are set out in the announcements of the Company dated 11 October 2018, 12 November 2018 and 10 December 2018.

## CAPITAL COMMITMENTS

	<b>31 December 2018 HK\$’000 (Unaudited)</b>	30 June 2018 HK\$’000 (Audited)
Contracted, but not provided for:		
Capital expenditures	<b>15</b>	779

# Management Discussions and Analysis

## CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2018.

## EMPLOYEES

As at 31 December 2018, the Group had 375 full-time employees (as at 31 December 2017: 393) and 71 part-time employees (as at 31 December 2017: 78).

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.

## ADVANCE TO AN ENTITY

On 21 September 2018, (i) We Health International Limited, a wholly owned subsidiary of the Company ("**We Health**"); (ii) ASANA Global Group Limited ("**ASANA**"); and (iii) Mr. Ling Ka Him Samuel ("**Mr. Ling**") entered into a subscription agreement ("**ASANA Subscription Agreement**") pursuant to which ASANA shall issue and We Health 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 We Health by ASANA on 21 September 2018.

On 21 September 2018, (i) We Health as lender; (ii) ASANA 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) We Health shall at its sole discretion make available to ASANA 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 ASANA utilises Facility A in full, We Health shall at its sole discretion make available to ASANA 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 report, a loan in an aggregate amount of HK\$10,800,000 under Facility A has been made to ASANA. ASANA shall repay the principal of the facility on the date falling 24 months following the first utilisation date or to the date falling 36 months from the first utilisation date (with We Health has its sole discretion to extend the repayment date).

The Convertible Bonds is secured by a share charge dated 8 August 2018 entered into between Mr. Ling as the chargor and We Health as the chargee (the "**Share Charge**") in relation to a first mortgage of 26,263 (being 55%) ordinary shares in ASANA (the "**Charged Shares**") and its related rights and a first floating charge of the related rights of the Charged Shares.

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

# Management Discussions and Analysis

## 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 2018, the proceeds has been utilised as follows:

	<b>Net proceeds</b> <i>HK\$ million</i>	<b>Utilised amounts</b> <i>HK\$ million</i>	<b>Unutilised amounts</b> <i>HK\$ million</i>
Expansion of network in Hong Kong by setting up six new specialist medical centres	39.1	20.6	18.5
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	2.5	2.6
Enhancement of IT infrastructure	5.1	2.2	2.9
Working capital and other general corporate purposes	8.5	4.8	3.7
	<u>84.8</u>	<u>47.1</u>	<u>37.7</u>

It is expected that the unutilised amounts will be used on or before 30 June 2021.

## INTERIM DIVIDEND

The board of directors of the Company (the “**Board**”) resolved not to declare any interim dividend for the Interim Period of FY2019 (the Interim Period of FY2018: 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 FY2019.

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 FY2019.

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 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 31 December 2018, 3,200,000 Share Options were granted and 3,150,000 Share Options remained outstanding. No Share Option has been exercised or cancelled during the Interim Period of FY2019 and 50,000 Share Options were lapsed during the Interim Period of FY2019.

## Other Information

Details of movements of the Share Options granted under the Share Option Scheme during the Interim Period of FY2019 were as follow:

Name of Grantees	Position held with the Group	Offer Date	Exercise Price per Share Option	Exercise Period <sup>(Note)</sup>	Number of	Number of	Number of	Number of	Number of	
					Outstanding Share Options as at 1 July 2018	Share Options Granted during the Interim Period of FY2019	Share Options Exercised during the Interim Period of FY2019	Share Options Lapsed during the Interim Period of FY2019	Share Options Cancelled during the Interim Period of FY2019	Outstanding Share Options as at 31 December 2018
Dr. Sat Chui Wan	Executive Director, Chief Financial Officer	4 October 2016	HK\$2.214 <sup>(Note (iv))</sup>	4 October 2019 to 3 October 2022 <sup>(Note (i))</sup>	960,000	-	-	-	-	960,000
Mr. Poon Chun Pong	Executive Director, Chief Operating Officer	4 October 2016	HK\$2.214 <sup>(Note (iv))</sup>	4 October 2019 to 3 October 2022 <sup>(Note (i))</sup>	600,000	-	-	-	-	600,000
Other eligible persons – employees (in aggregate)	-	4 October 2016	HK\$2.214 <sup>(Note (iv))</sup>	4 October 2019 to 3 October 2022 <sup>(Note (i))</sup>	780,000	-	-	-	-	780,000
Other eligible persons – suppliers (in aggregate)	-	4 October 2016	HK\$2.214 <sup>(Note (iv))</sup>	4 October 2019 to 3 October 2022 <sup>(Note (i))</sup>	400,000	-	-	-	-	400,000
Other eligible persons – employees (in aggregate)	-	28 May 2018	HK\$2.09 <sup>(Note (iv))</sup>	1 June 2021 to 31 May 2027 <sup>(Note (ii))</sup>	160,000	-	-	50,000	-	110,000
Other eligible persons – suppliers (in aggregate)	-	28 May 2018	HK\$2.09 <sup>(Note (iv))</sup>	1 June 2021 to 31 May 2027 <sup>(Note (ii))</sup>	300,000	-	-	-	-	300,000
<b>Total</b>					<b>3,200,000</b>	<b>-</b>	<b>-</b>	<b>50,000</b>	<b>-</b>	<b>3,150,000</b>



## Other Information

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:
  - (a) The first 33% of the share options shall be exercisable from 4 October 2019 to 3 October 2022;
  - (b) The second 33% of the share options shall be exercisable from 4 October 2020 to 3 October 2022; and
  - (c) The remaining 34% of the share options shall be exercisable from 4 October 2021 to 3 October 2022.
- (ii) The Share Options shall be exercisable from 1 June 2021 to 31 May 2027 (both dates inclusive) subject to a vesting scale in 3 tranches set out below:
  - (a) The first 33% of the share options shall be exercisable from 1 June 2021 to 31 May 2027;
  - (b) The second 33% of the share options shall be exercisable from 1 June 2022 to 31 May 2027; and
  - (c) The remaining 34% of the share options shall be exercisable from 1 June 2023 to 31 May 2027.
- (iii) The closing price of the Shares immediately before the date on which the Share Options were granted on 4 October 2016 was HK\$2.20 per Share.
- (iv) The closing price of the Shares immediately before the date on which the Share Options were granted on 28 May 2018 was HK\$2.02 per Share.

## Other Information

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

As at 31 December 2018, 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 <sup>(Note (v))</sup>
Mr. Chan Kin Ping	Interest of controlled corporation <sup>(Note (i))</sup>	252,346,286 <sup>(Note (ii))</sup>	66.49%
	Beneficial owner	6,850,000	1.80%
Dr. Pang Lai Sheung	Interest of controlled corporation <sup>(Note (i))</sup>	252,346,286 <sup>(Note (ii))</sup>	66.49%
Dr. Sat Chui Wan	Beneficial owner	960,000 <sup>(Note (iii))</sup>	0.25%
Mr. Poon Chun Pong	Beneficial owner	888,000 <sup>(Note (iv))</sup>	0.23%

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 2018.

## Other Information

### INTERESTS IN SHARES OF TREASURE GROUP GLOBAL LIMITED (THE "ASSOCIATED CORPORATION")

<b>Name of Director</b>	<b>Capacity in which the shares were held</b>	<b>Number of shares held</b>	<b>Approximate percentage of total issued shares <sup>(Note (i))</sup></b>
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 2018.

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 2018, 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 2018, 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 <sup>(Note (iii))</sup>
Treasure Group Global Limited	Beneficial owner <sup>(Note (i))</sup>	252,346,286	66.49%
Capital Healthcare International Limited	Beneficial owner <sup>(Note (ii))</sup>	25,362,000	6.68%
Capital Healthcare Group Co., Ltd.* (首都醫療健康產業有限公司)	Interest of controlled corporation <sup>(Note (ii))</sup>	25,362,000	6.68%
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 <sup>(Note (ii))</sup>	25,362,000	6.68%
The People's Government of Beijing Municipality	Interest of controlled corporation <sup>(Note (ii))</sup>	25,362,000	6.68%

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 2018.

All the above interests in the Shares were long positions.

\* For identification purpose only

## Other Information

Save as disclosed above, the Directors are not aware of any other corporations or person who, as at 31 December 2018, 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.

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

During the Interim Period of FY2019, 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 FY2019 have been reviewed by the auditor of the Company. Please refer to the "Report on Review of Interim Financial Information" set out on page 21 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 FY2019, 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 FY2019.

### **CHANGE IN INFORMATION OF DIRECTORS**

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

#### **Mr. Chan Kin Ping**

Mr. Chan Kin Ping resigned as the director of Healthvision (Asia) Limited on 30 September 2018.

#### **Mr. Poon Chun Pong**

Mr. Poon Chun Pong was appointed as the director of Healthvision (Asia) Limited on 30 September 2018 and Win Ocean Limited on 19 October 2018, respectively.

# 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 23 to 52, 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 2018 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 2019

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Six months ended 31 December 2018

		<b>Six months ended 31 December</b>	
	Notes	<b>2018 HK\$'000 (Unaudited)</b>	2017 HK\$'000 (Unaudited)
<b>REVENUE</b>	4	<b>253,146</b>	253,362
Cost of services rendered		<b>(132,318)</b>	(135,354)
Gross profit		<b>120,828</b>	118,008
Other income and gains	4	<b>1,734</b>	237
Administrative expenses		<b>(106,137)</b>	(101,985)
Share of losses of a joint venture		<b>(2,209)</b>	(2,728)
<b>PROFIT BEFORE TAX</b>	5	<b>14,216</b>	13,532
Income tax expenses	6	<b>(3,618)</b>	(3,753)
<b>PROFIT FOR THE PERIOD</b>		<b>10,598</b>	9,779
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<b>(1,081)</b>	621
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		<b>(1,081)</b>	621
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>9,517</b>	10,400
Profit/(loss) attributable to:			
Owners of the Company		<b>10,875</b>	10,284
Non-controlling interests		<b>(277)</b>	(505)
		<b>10,598</b>	9,779
Total comprehensive income/(loss) attributable to:			
Owners of the Company		<b>9,794</b>	10,905
Non-controlling interests		<b>(277)</b>	(505)
		<b>9,517</b>	10,400
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	8		
Basic and diluted		<b>HK3.0 cents</b>	HK2.8 cents



# Condensed Consolidated Statement of Financial Position

31 December 2018

	Notes	31 December 2018 HK\$'000 (Unaudited)	30 June 2018 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	18,651	17,635
Goodwill	10	31,964	31,964
Other intangible assets		11,018	11,824
Investment in a joint venture	11	4,448	7,248
Available-for-sale investment	12	–	3,500
Financial assets at fair value through other comprehensive income	13	16,540	–
Financial assets at fair value through profit or loss	14	23,743	–
Loan receivables	15	10,800	–
Deposits		13,482	27,495
Deferred tax assets		1,388	1,385
		<hr/>	<hr/>
Total non-current assets		132,034	101,051
<b>CURRENT ASSETS</b>			
Inventories		9,286	7,493
Trade receivables	16	37,692	31,936
Prepayments, deposits and other receivables		13,426	11,810
Due from a related party	23(b)	–	26
Tax recoverable		1,385	1,304
Pledged deposits		2,040	2,039
Cash and cash equivalents		174,580	187,747
		<hr/>	<hr/>
Total current assets		238,409	242,355
<b>CURRENT LIABILITIES</b>			
Trade payables	17	27,966	25,441
Contract liabilities		2,077	–
Other payables and accruals		31,204	32,162
Tax payables		4,314	5,043
		<hr/>	<hr/>
Total current liabilities		65,561	62,646
<b>NET CURRENT ASSETS</b>			
		<hr/>	<hr/>
		172,848	179,709
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<hr/>	<hr/>
		304,882	280,760

# Condensed Consolidated Statement of Financial Position

31 December 2018

	Note	31 December 2018 HK\$'000 (Unaudited)	30 June 2018 HK\$'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Other long term payables		5,386	4,375
Deferred tax liabilities		2,000	2,145
Total non-current liabilities		7,386	6,520
Net assets		297,496	274,240
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	18	3,796	3,615
Reserves		293,700	269,965
Non-controlling interests		297,496	273,580
		–	660
Total equity		297,496	274,240

**Mr. Chan Kin Ping**  
Director

**Dr. Pang Lai Sheung**  
Director

# Condensed Consolidated Statement of Changes in Equity

Six months ended 31 December 2018

		Attributable to owners of the Company								
Notes	Share capital HK\$'000	Share premium* HK\$'000	Other reserve* HK\$'000	Exchange reserve* HK\$'000	Share option reserve* HK\$'000	Retained profits* HK\$'000	Subtotal HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000	
<b>At 1 July 2017 (audited)</b>	3,615	164,951	22,591	(1,205)	431	64,552	254,935	1,606	256,541	
Profit for the period	-	-	-	-	-	10,284	10,284	(505)	9,779	
Other comprehensive loss 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	19	-	-	-	295	-	295	-	295	
Final 2017 dividend declared		-	-	-	-	(7,230)	(7,230)	-	(7,230)	
<b>At 31 December 2017 (unaudited)</b>	<u>3,615</u>	<u>164,951</u>	<u>22,591</u>	<u>(584)</u>	<u>726</u>	<u>67,606</u>	<u>258,905</u>	<u>1,101</u>	<u>260,006</u>	
<b>At 1 July 2018 (audited)</b>	<b>3,615</b>	<b>164,951</b>	<b>22,591</b>	<b>(36)</b>	<b>1,026</b>	<b>81,433</b>	<b>273,580</b>	<b>660</b>	<b>274,240</b>	
Profit for the period	-	-	-	-	-	10,875	10,875	(277)	10,598	
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	(1,081)	-	-	(1,081)	-	(1,081)	
Total comprehensive income for the period	-	-	-	(1,081)	-	10,875	9,794	(277)	9,517	
Acquisition of non-controlling interests		-	(859)	-	-	-	(859)	(383)	(1,242)	
Equity settled investment	13,14	181	25,270	-	-	-	25,451	-	25,451	
Equity settled share option arrangements	19	-	-	-	375	-	375	-	375	
Final 2018 dividend declared	7	-	-	-	-	(10,845)	(10,845)	-	(10,845)	
<b>At 31 December 2018 (unaudited)</b>	<u>3,796</u>	<u>164,951</u>	<u>47,002</u>	<u>(1,117)</u>	<u>1,401</u>	<u>81,463</u>	<u>297,496</u>	<u>-</u>	<u>297,496</u>	

\* These reserve accounts comprise the consolidated reserves of HK\$293,700,000 as at 31 December 2018 (30 June 2018: HK\$269,965,000) in the condensed consolidated statement of financial position.

# Condensed Consolidated Statement of Cash Flows

Six months ended 31 December 2018

		<b>Six months ended 31 December</b>	
		<b>2018</b>	2017
		<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	<i>(Unaudited)</i>
Notes			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
	Profit before tax	<b>14,216</b>	13,532
	Adjustments for:		
	Depreciation	5 <b>5,156</b>	4,147
	Amortisation of other intangible assets	5 <b>806</b>	806
	(Reversal of write-down)/write-down of inventories to net realisable value	5 <b>(71)</b>	64
	Share option expenses	<b>375</b>	295
	Share of losses of a joint venture	<b>2,209</b>	2,728
	Loss on disposal of items of property, plant and equipment	5 <b>25</b>	17
	Gain on fair value of financial assets at fair value through profit or loss	4 <b>(1,032)</b>	–
	Under-provision of reinstatement costs	<b>8</b>	15
	Interest income	4 <b>(645)</b>	(155)
		<b>21,047</b>	21,449
	(Increase)/decrease in inventories	<b>(1,722)</b>	397
	Increase in trade receivables	<b>(5,756)</b>	(3,223)
	(Increase)/decrease in prepayments, deposits and other receivables	<b>12,594</b>	(387)
	Movement in balance with related party	<b>26</b>	(44)
	Increase in trade payables	<b>2,525</b>	1,007
	Increase/(decrease) in other payables and accruals	<b>2,071</b>	(781)
	Decrease in contract liabilities	<b>(768)</b>	–
	Cash generated from operations	<b>30,017</b>	18,418
	Interest received	<b>448</b>	155
	Hong Kong taxes paid, net	<b>(4,576)</b>	(7,029)
	Net cash flows from operating activities	<b>25,889</b>	11,544

# Condensed Consolidated Statement of Cash Flows

Six months ended 31 December 2018

	<b>Six months ended 31 December</b>	
	<b>2018 HK\$'000 (Unaudited)</b>	2017 HK\$'000 (Unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of items of property, plant and equipment	–	38
Increase in financial assets at fair value through profit or loss	<b>(10,300)</b>	–
Acquisition of minority interest in subsidiary	<b>(1,242)</b>	–
Purchase of items of property, plant and equipment	<b>(5,138)</b>	(3,864)
Settlement of provision	<b>(241)</b>	(212)
Increase in loan receivables	<b>(10,800)</b>	–
(Increase)/decrease in time deposits with maturity of more than three months when acquired	<b>20,645</b>	(16,627)
Net cash flows (used in)/from investing activities	<b>(7,076)</b>	(20,665)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	<b>(10,845)</b>	(7,228)
Net cash flows used in financing activities	<b>(10,845)</b>	(7,228)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	<b>7,968</b>	(16,349)
Cash and cash equivalents at beginning of period	<b>165,446</b>	168,230
Effect of foreign exchange rate changes, net	<b>(489)</b>	176
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>172,925</b>	152,057

# Condensed Consolidated Statement of Cash Flows

Six months ended 31 December 2018

	<b>Six months ended 31 December</b>	
	<b>2018 HK\$'000 (Unaudited)</b>	2017 HK\$'000 (Unaudited)
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>130,173</b>	147,246
Non-pledged time deposits	<b>44,407</b>	24,014
	<hr/>	<hr/>
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	<b>174,580</b>	171,260
Pledged time deposit with maturity less than three months when acquired	<b>2,040</b>	1,034
Non-pledged time deposits with maturity more than three months when acquired	<b>(3,695)</b>	(20,237)
	<hr/>	<hr/>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<b>172,925</b>	152,057
	<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 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 2018.

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE

The accounting policies adopted in the condensed consolidated financial statements for the six months ended 31 December 2018 are the same with those followed in the preparation of the Group’s consolidated financial statements for the year ended 30 June 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standard (“**HKFRSs**”) and interpretation issued by the HKICPA as noted below.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfer of Investment Property</i>
HK(IFRIC)–Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

# Notes to the Condensed Consolidated Financial Statements

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE *(continued)*

Other than HKFRS 9 and HKFRS 15, the adoption of these new and revised HKFRSs and interpretation has had no material impact on the condensed consolidated financial statements.

### HKFRS 9 *Financial Instruments*

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group has applied HKFRS 9 retrospectively to items that existed at 1 July 2018 in accordance with the transition requirements.

The Group used modified retrospective approach while adopting HKFRS 9 and elected to present in other comprehensive income changes in the fair value of its equity investment previously classified as available-for-sale investment ("**AFS**"), because the investment is held as long-term strategic investment that is not expected to be sold in the short to medium term. As a result, asset with a fair value of HK\$3,500,000 was reclassified from AFS to financial assets at fair value through other comprehensive income ("**FVOCI**") on 1 July 2018.

	Originally stated <i>HK'000</i>	Reclassification Under HKFRS 9 <i>HK'000</i>	Restated <i>HK'000</i>
Available-for-sale investment	3,500	(3,500)	–
Financial assets at FVOCI	–	3,500	3,500
At 1 July	<u>3,500</u>	<u>–</u>	<u>3,500</u>

#### (i) Classification and measurement

To determine their classification and measurement category, HKFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The HKAS 39 measurement categories of financial assets, including financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial investments and held-to-maturity investments have been replaced by:

- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition;



# Notes to the Condensed Consolidated Financial Statements

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE *(continued)*

### HKFRS 9 *Financial Instruments* *(continued)*

#### (i) Classification and measurement *(continued)*

- Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition; and
- Financial assets at fair value through profit or loss.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in profit or loss.

As of 1 July 2018, the category of loans and receivables under HKAS 39, including cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables and amount due from a related party, were transferred to debt instruments at amortised cost under HKFRS 9.

#### *Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

#### (ii) Impairment of financial assets

HKFRS 9 requires an impairment on trade and loan receivables, amount due from a related party, and deposits and other receivables that are not accounted for at FVPL under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses on its trade receivables. The Group applied general approach and recorded twelve month expected losses on its amount due from a related party, loan receivable, and deposits and other receivables. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

# Notes to the Condensed Consolidated Financial Statements

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE *(continued)*

### HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits at 1 July 2018. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 July 2018, thus the comparative figures have not been restated.

Prior to the adoption of HKFRS 15, the Group presented sales deposits received from customers as deposits received included in other payables and accruals in the condensed consolidated statement of financial position.

Upon adoption of HKFRS 15, reclassification has been made from certain deposits received included in other payables and accruals to contract liabilities. The adoption of HKFRS 15 has had no significant impact on the opening retained profits as at 1 July 2018. As at 1 July 2018, certain deposits received included in other payables and accruals amounting to HK\$2,845,000 has been reclassified to contract liabilities.

	<b>Other payables and accruals</b> <i>HK\$'000</i>	<b>Contract liabilities</b> <i>HK\$'000</i>
Originally stated balance at 1 July 2018	32,162	–
Reclassified from certain deposits received included in other payables and accrued expenses to contract liabilities	<u>(2,845)</u>	<u>2,845</u>
Restated balance at 1 July 2018	<u>29,317</u>	<u>2,845</u>

# Notes to the Condensed Consolidated Financial Statements

## 3. SEGMENT INFORMATION

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income, management fee income from 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	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>Segment revenue:</b>								
Revenue from external customers	157,464	160,942	62,966	60,320	32,716	32,100	253,146	253,362
Intersegment sales	762	333	2,119	2,195	5	1	2,886	2,529
							256,032	255,891
Reconciliation:								
Elimination of intersegment sales							(2,886)	(2,529)
							253,146	253,362
<b>Segment results</b>	<b>36,911</b>	34,799	<b>4,453</b>	3,252	<b>3,363</b>	4,344	<b>44,727</b>	42,395
Interest income							645	155
Management fee income from a related party							-	79
Corporate and unallocated income							1,058	-
Corporate and unallocated expenses							(30,005)	(26,369)
Share of losses of a joint venture							(2,209)	(2,728)
Profit before tax							14,216	13,532
Income tax expense	(2,524)	(2,675)	(783)	(766)	(311)	(312)	(3,618)	(3,753)
Profit for the period							10,598	9,779

# 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:

	<b>Six months ended 31 December</b>	
	<b>2018 HK\$'000 (Unaudited)</b>	2017 HK\$'000 (Unaudited)
<b>Revenue from contracts with customers</b>		
Integrated healthcare services income	<u>253,146</u>	<u>253,362</u>
<b>Disaggregated revenue information</b>		
<b>Segments</b>		
Types of services		
General practice services	<b>157,464</b>	
Specialties services	<b>62,966</b>	
Dental services	<u>32,716</u>	
<b>Total revenue from contracts with customers</b>	<u><b>253,146</b></u>	

The Group's revenue are all derived from Hong Kong based on the location of services delivered.

<b>Other income and gains</b>		
Bank interest income	<b>448</b>	155
Interest income on financial assets at fair value through profit or loss	<b>143</b>	–
Interest income on loan receivables	<b>54</b>	–
Management fee income	–	79
Gain on fair value of financial assets at fair value through profit or loss	<b>1,032</b>	–
Others	<u>57</u>	<u>3</u>
	<u><b>1,734</b></u>	<u>237</u>

# Notes to the Condensed Consolidated Financial Statements

## 5. PROFIT BEFORE TAX

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

	<b>Six months ended 31 December</b>	
	<b>2018 HK\$'000 (Unaudited)</b>	2017 HK\$'000 (Unaudited)
Cost of pharmaceutical supplies	<b>23,714</b>	22,980
Fees payable to doctors and dentists	<b>107,490</b>	110,967
Laboratory expenses	<b>1,185</b>	1,343
Depreciation	<b>5,156</b>	4,147
Amortisation of other intangible assets*	<b>806</b>	806
Loss on disposal of items of property, plant and equipment	<b>25</b>	17
Minimum lease payments under operating leases:		
Land and buildings	<b>30,637</b>	31,503
Auditor's remuneration	<b>815</b>	790
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	<b>45,188</b>	44,728
Equity-settled share option expense	<b>375</b>	295
Pension scheme contributions	<b>2,067</b>	1,939
	<b>47,629</b>	46,962
Write-down/(reversal of write-down) of inventories to net realisable value**	<b>(71)</b>	64

\* 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/(reversal of 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 2017: 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 2017: Nil).

	Six months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Current		
Charge for the period	3,816	3,889
Over-provision in prior years	(50)	(56)
Deferred	(148)	(80)
Total tax charge for the period	<u>3,618</u>	<u>3,753</u>

## 7. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 31 December 2018 (six months ended 31 December 2017: Nil).

A final dividend of HK3 cents per ordinary share for the year ended 30 June 2018 amounting to HK\$10,845,060 was approved by the shareholders of the Company on 30 November 2018.

# Notes to the Condensed Consolidated Financial Statements

## 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\$10,875,000 (six months ended 31 December 2017: HK\$10,284,000), and the weighted average number of ordinary shares of 363,660,180 (six months ended 31 December 2017: 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 2018 and 31 December 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.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2018, additions of property, plant and equipment amounted to HK\$6,199,000 (six months ended 31 December 2017: HK\$4,332,000).

## 10. GOODWILL

	HK\$'000
Cost and net carrying amount at 1 July 2017, 30 June 2018, 1 July 2018 and 31 December 2018	<u>31,964</u>
At 1 July 2017, 30 June 2018, 1 July 2018 and 31 December 2018	
Cost	31,964
Accumulated impairment	<u>—</u>
Net carrying amount	<u>31,964</u>

## 11. INVESTMENT IN A JOINT VENTURE

	<b>31 December 2018 HK\$'000 (Unaudited)</b>	30 June 2018 HK\$'000 (Audited)
Share of net assets	<u><b>4,448</b></u>	<u>7,248</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.



# Notes to the Condensed Consolidated Financial Statements

## 11. INVESTMENT IN A JOINT VENTURE *(continued)*

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

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

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

Pingan Yingjian is accounted for using the equity method.

## 12. AVAILABLE-FOR SALE INVESTMENT

	<b>31 December 2018 HK\$'000 (Unaudited)</b>	30 June 2018 HK\$'000 (Audited)
Unlisted equity securities, at fair value	<u>–</u>	<u>3,500</u>

Available-for-sale investment was reclassified to financial assets at fair value through other comprehensive income upon the initial application of HKFRS 9 at 1 July 2018 as disclosed in note 2.

## 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<b>31 December 2018 HK\$'000 (Unaudited)</b>	30 June 2018 HK\$'000 (Audited)
Unlisted equity investments, at fair value	<u>16,540</u>	<u>–</u>

Management designated the equity investments as financial assets at fair value through other comprehensive income upon initial application of HKFRS 9 on 1 July 2018, as the Group considers these investments to be strategic in nature. The fair value of the unlisted equity investments are determined by reference to the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. No change in fair value for the six months period ended 31 December 2018 or accumulated change in fair value as of 31 December 2018, respectively, had been recognised in other comprehensive income.

# Notes to the Condensed Consolidated Financial Statements

## 14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>31 December 2018 HK\$'000 (Unaudited)</b>	30 June 2018 HK\$'000 (Audited)
Convertible bonds	<b>11,332</b>	–
Derivative financial instruments	<b>12,411</b>	–
	<b>23,743</b>	–

The convertible bonds were issued by an unlisted company in British Virgin Islands and were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

Convertible bonds subscribed represents convertible rights of approximately 55% of issued share capital at conversion date and are with 5% interest per annum.

Assuming the conversion rights attaching to the convertible Bonds are exercised in full only by the Group, conversion shares representing approximately 73.33% of the enlarged issued share capital of the target company as at the conversion date will be issued to the Group. Assuming both the conversion rights attaching to the convertible bonds and that attaching to the convertible bonds subscribed by another investor are exercised in full by the Group and the other investor, the conversion shares representing approximately by 55% of the enlarged issued share capital of the target company will be issued to the Group.

The derivative financial instruments were embedded options to subscribe the shares of an unlisted company in Hong Kong and were classified as financial assets at fair value through profit or loss.

## 15. LOAN RECEIVABLES

	<b>31 December 2018 HK\$'000 (Unaudited)</b>	30 June 2018 HK\$'000 (Audited)
Loan receivables	<b>10,800</b>	–

Loan receivables is with 2% interest per annum and is repayable in 24 months from the first date of utilisation or 36 months from first utilisation with consent from the Company.

# Notes to the Condensed Consolidated Financial Statements

## 16. TRADE RECEIVABLES

	<b>31 December 2018 HK\$'000 (Unaudited)</b>	30 June 2018 HK\$'000 (Audited)
Trade receivables	<b><u>37,692</u></b>	<u>31,936</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:

	<b>31 December 2018 HK\$'000 (Unaudited)</b>	30 June 2018 HK\$'000 (Audited)
Within 2 months	<b>32,284</b>	25,873
2 to 4 months	<b>4,236</b>	5,319
4 to 6 months	<b>839</b>	490
Over 6 months	<b>333</b>	254
	<b><u>37,692</u></b>	<u>31,936</u>

# Notes to the Condensed Consolidated Financial Statements

## 16. TRADE RECEIVABLES *(continued)*

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

	<b>31 December 2018 HK\$'000 (Unaudited)</b>	30 June 2018 HK\$'000 (Audited)
Neither past due nor impaired	<b>36,151</b>	30,211
Less than 1 month past due	<b>567</b>	653
1 to 3 months past due	<b>511</b>	790
Over 3 months	<b>463</b>	282
	<b>37,692</b>	31,936

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.

## 17. 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:

	<b>31 December 2018 HK\$'000 (Unaudited)</b>	30 June 2018 HK\$'000 (Audited)
Within 1 month	<b>25,383</b>	22,061
1 to 3 months	<b>2,542</b>	3,335
Over 3 months	<b>41</b>	45
	<b>27,966</b>	25,441

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

# Notes to the Condensed Consolidated Financial Statements

## 18. SHARE CAPITAL

	<b>31 December 2018 HK\$'000 (Unaudited)</b>	30 June 2018 HK\$'000 (Audited)
Issued and fully paid 379,552,233 (30 June 2018: 361,502,000) ordinary shares of HK\$0.01 each	<b><u>3,796</u></b>	<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.

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

	<b>Number of shares in issue</b>	<b>Share capital HK\$'000</b>
At 1 July 2017, 30 June 2018 and 1 July 2018	361,502,000	3,615
Share issued <sup>(Note)</sup>	<u>18,050,233</u>	<u>181</u>
At 31 December 2018	<u><u>379,552,233</u></u>	<u><u>3,796</u></u>

Note:

18,050,233 ordinary shares were issued on 10 December 2018.

# Notes to the Condensed Consolidated Financial Statements

## 19. SHARE OPTION SCHEME

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

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

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

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

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

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

# Notes to the Condensed Consolidated Financial Statements

## 19. SHARE OPTION SCHEME (continued)

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

	Six months ended 31 December			
	2018		2017	
	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	2.196	3,200	2.214	2,740
Lapsed during the period	2.090	(50)	–	–
At 31 December	<u>2.198</u>	<u>3,150</u>	<u>2.214</u>	<u>2,740</u>

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

At 31 December 2018

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
135	2.090	1-6-21 to 31-5-27
135	2.090	1-6-22 to 31-5-27
140	2.090	1-6-23 to 31-5-27
<u>3,150</u>		

At 31 December 2017

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
<u>2,740</u>		

\* 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.

# Notes to the Condensed Consolidated Financial Statements

## 19. SHARE OPTION SCHEME (continued)

The fair value of share options granted on 4 October 2016 and 28 May 2018 were HK\$2,251,000 and HK\$571,000 respectively. The Group recognised a share option expense of HK\$375,000 during the six months ended 31 December 2018 (six months ended 31 December 2017: HK\$295,000).

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:

		<b>Option granted on 4 October 2016</b>	<b>Option granted on 28 May 2018</b>
Underlying stock price		HK\$2.19	HK\$2.09
Exercise price		HK\$2.214	HK\$2.09
Contractual Option life		6 years	9 years
Risk-free rate		1.25%	2.86%
Expected dividend yield		0.00%	0.96%
Expected volatility of underlying share		38%	64%
Exercise multiple	Directors:	2.80	N/A
	Employees:	2.20	2.20
Weighted average estimated fair value for each share option	Directors:	HK\$0.8236	N/A
	Employees:	HK\$0.8184	HK\$1.2413

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 3,150,000 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 3,150,000 additional ordinary shares of the Company and additional share capital of HK\$31,500 (before issue expenses) and share premium of HK\$9,652,000 (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 3,150,000 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

## 20. NOTES TO THE CONDENSED STATEMENT OF CASH FLOW

### Major non-cash transactions

During the six months ended 31 December 2018, the acquisition of property, plant and equipment included the provision of reinstatement cost of HK\$1,059,000 (six months ended 31 December 2017: HK\$468,000) in other payables and accruals.

## 21. 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 2018, the Group had total minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>31 December 2018 HK\$'000 (Unaudited)</b>	30 June 2018 HK\$'000 (Audited)
Within one year	<b>53,219</b>	55,337
In the second to fifth years, inclusive	<b>40,723</b>	43,878
	<b>93,942</b>	99,215

# Notes to the Condensed Consolidated Financial Statements

## 22. CAPITAL COMMITMENTS

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

	<b>31 December 2018 HK\$'000 (Unaudited)</b>	30 June 2018 HK\$'000 (Audited)
Contracted, but not provided for:		
Medical equipment	15	215
IT equipment	–	175
Furniture and fixtures	–	7
Leasehold improvements	–	382
	<u>15</u>	<u>779</u>

## 23. 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:

			<b>Six months ended 31 December</b>	
	<i>Relationship</i>	<i>Nature</i>	<b>2018 HK\$'000 (Unaudited)</b>	2017 HK\$'000 (Unaudited)
Max Health Chinese Medicine Limited				
Management fee income	(1)	(i)	–	79
Maxland Limited				
Rental expenses	(2)	(ii)	1,496	1,419
Fees payable to doctors and dentists who are related parties	(3)	(iii)	21,437	22,365

# Notes to the Condensed Consolidated Financial Statements

## 23. 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)*

### 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 medical centres at total amount of HK\$249,000 (2017: HK\$237,000) per month, on a mutually agreed basis, which approximated to market rates.
- (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.

### 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, close member of controlling shareholder of the Company or was a director of a subsidiary of the Company in last 12 months.

# Notes to the Condensed Consolidated Financial Statements

## 23. RELATED PARTY TRANSACTIONS (continued)

### (b) Outstanding balances with a related party

	Note	31 December 2018 HK\$'000 (Unaudited)	30 June 2018 HK\$'000 (Audited)
Due from related party			
Max Health Chinese Medicine Limited	(i)	—	26

(i) This related party is beneficially owned by the controlling shareholder 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) and (ii) 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.

## 24. 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 2018 (Unaudited)

	Carrying amount HK\$'000	Fair value HK\$'000
Financial assets at fair value through profit or loss	23,743	23,743
Financial assets at fair value through other comprehensive income	16,540	16,540
Deposits, non-current portion	13,482	13,482
	<u>54,237</u>	<u>54,237</u>

# Notes to the Condensed Consolidated Financial Statements

## 24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

### Financial assets *(continued)*

As at 30 June 2018 (Audited)

	Carrying amount HK\$'000	Fair value HK\$'000
Available-for-sale investment	3,500	3,500
Deposits, non-current portion	<u>27,495</u>	<u>27,495</u>
	<u>30,995</u>	<u>30,995</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.

### Fair value measurement and valuation processes

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group would consider engaging independent valuer to perform the valuation on regular basis. The management of the Company works closely with the valuer to establish the appropriate valuation techniques and inputs to the model.

For the valuation of key management insurance contracts, investment in a joint venture, investment in convertible bonds and unlisted equity investments, the management of the Company estimated the expected amount based on the current available information. Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed above.