



Human Health Holdings Limited
盈健醫療集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1419

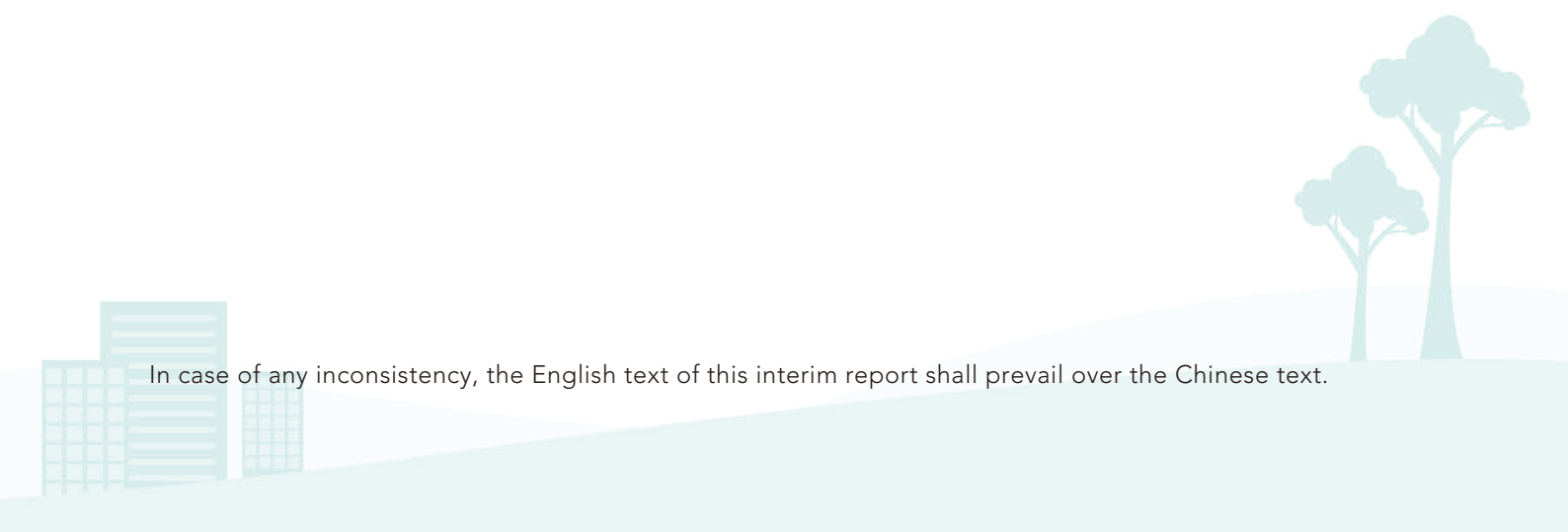
INTERIM REPORT
2020



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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, JP
(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, JP
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, JP
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
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Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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LEGAL ADVISER TO THE COMPANY AS TO HONG KONG LAW

Howse Williams
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AUDITOR

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
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Grand Cayman KY1-1111
Cayman Islands

Corporate Information

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
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PRINCIPAL BANKER

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

WEBSITE

www.humanhealth.com.hk

SHARE INFORMATION

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



Management Discussions and Analysis

FINANCIAL REVIEW

Financial Review for the six months ended 31 December 2019 (the "Interim Period of FY2020")

Revenue

The revenue of Human Health Holdings Limited (the "**Company**") and the subsidiaries (collectively the "**Group**", "**we**" or "**our**") represents the value of medical and dental services and comprises revenue from general practice services, specialties services and dental services. The following table sets forth the breakdown of our revenue by service type:

	Interim Period of FY2020 HK\$'000	Interim Period of FY2019 HK\$'000	% of change
General practice services	161,649	157,464	2.7%
Specialties services	59,410	62,966	-5.6%
Dental services	33,746	32,716	3.1%
	254,805	253,146	0.7%

In the Interim Period of FY2020, the Group recorded revenue amounted to approximately HK\$254.8 million, representing an increase of approximately HK\$1.7 million or 0.7% as compared with the six months ended 31 December 2018 (the "**Interim Period of FY2019**").

Our revenue from general practice services increased by approximately HK\$4.2 million or 2.7% from the Interim Period of FY2019 to approximately HK\$161.6 million for the Interim Period of FY2020. The increase was mainly due to the increase in spending per patient visit and the offset of the decrease in number of patient visits.

Our revenue from specialties services decreased by approximately HK\$3.6 million or 5.6% from the Interim Period of FY2019 to approximately HK\$59.4 million for the Interim Period of FY2020. The decrease was mainly due to the decrease in both number of patient visits and spending per patient visit.

Our revenue from dental services increased by approximately HK\$1.0 million or 3.1% from the Interim Period of FY2019 to approximately HK\$33.7 million for the Interim Period of FY2020. The increase was mainly due to the increase in spending per patient visit and the offset of the decrease in number of patient visits.

Management Discussions and Analysis

Cost of services rendered

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

	Interim Period of FY2020 HK\$'000	Interim Period of FY2019 HK\$'000	% of change
Fees payable to doctors and dentists	108,337	107,490	0.8%
Cost of pharmaceutical supplies	27,761	23,714	17.1%
Laboratory expenses	1,019	1,185	-14.0%
Write-down/(Reversal of write-down) of inventories to net realisable value	149	(71)	-309.9%
	<u>137,266</u>	<u>132,318</u>	<u>3.7%</u>

Our cost of services rendered increased by approximately HK\$4.9 million or 3.7% from the Interim Period of FY2019 to approximately HK\$137.3 million for the Interim Period of FY2020. This increase was mainly due to the increase in cost of pharmaceutical supplies for the Interim Period of FY2020.

Gross profit and gross profit margin

Our gross profit decreased by approximately HK\$3.3 million or 2.7% from the Interim Period of FY2019 to approximately HK\$117.5 million for the Interim Period of FY2020. Our gross profit margin decreased to approximately 46.1% for Interim Period of FY2020 from approximately 47.7% for the Interim Period of 2019 which was mainly due to the decrease 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.

	Interim Period of FY2020		Interim Period of FY2019	
	Gross profit HK\$'000	margin %	Gross profit HK\$'000	margin %
General practice services	83,586	51.7%	83,142	52.8%
Specialties services	20,356	34.3%	24,386	38.7%
Dental services	13,597	40.3%	13,300	40.7%
	<u>117,539</u>	<u>46.1%</u>	<u>120,828</u>	<u>47.7%</u>

Our gross profit margin for general practice services decreased from approximately 52.8% for the Interim Period of FY2019 to approximately 51.7% for the Interim Period of FY2020 mainly due to the increase in cost of pharmaceutical supplies.



Management Discussions and Analysis

Our gross profit margin for specialties services decreased from approximately 38.7% for the Interim Period of FY2019 to approximately 34.3% for the Interim Period of FY2020 mainly due to the increase in cost of pharmaceutical supplies.

Our gross profit margin for dental services slightly decreased from approximately 40.7% for the Interim Period of FY2019 to approximately 40.3% for the Interim Period of FY2020.

Other income and gains

Our other income and gains decreased by approximately HK\$0.9 million or 49.1% from the Interim Period of FY2019 to approximately HK\$0.9 million for the Interim Period of FY2020 which was due to the absence of the gain in fair value of investment recognised for the Interim Period of FY2019 in the Interim Period of FY2020.

Administrative expenses

Our administrative expenses increased by approximately HK\$5.1 million or 4.8% to approximately HK\$111.3 million for the Interim Period of FY2020 from approximately HK\$106.1 million for the Interim Period of FY2019 which was mainly due to (i) the increase in staff cost of approximately HK\$6.7 million; (ii) the increase in rental and related expenses; and (iii) the offset of the decrease in legal and professional expenses of approximately HK\$2.7 million.

The new Hong Kong Financial Reporting Standard (“**HKFRS**”) 16 “Leases” was adopted by the Group with effect from 1 July 2019. The new accounting treatment of the leases results in an additional charge before tax of approximately HK\$1.5 million for the Interim Period of FY2020 as compared with the rental expense under the old standard. The Group has applied HKFRS 16 using the cumulative effect approach and has not restated the comparative figures presented in the Interim Period of FY2019 which continue to be reported under Hong Kong Accounting Standard (“**HKAS**”) 17.

Finance cost

Our finance cost was approximately HK\$2.5 million for the Interim Period of FY2020 (Interim Period of FY2019: nil) due to the increase in interest-bearing bank borrowing and the interest expenses on lease liabilities.

Share of losses of a joint venture

Our share of losses of a joint venture decreased by approximately HK\$1.3 million or 60.1% from the Interim Period of FY2019 to approximately HK\$0.9 million for the Interim Period of FY2020. The decrease was mainly due to the increase in revenue of the joint venture.

Income tax expense

Income tax expense decreased by approximately HK\$3.0 million or 82.0% to approximately HK\$0.7 million for the Interim Period of FY2020 from approximately HK\$3.6 million for the Interim Period of FY2019. The decrease was mainly due to the decrease in assessable income. Our effective tax rate decreased from approximately 25.5% for the Interim Period of FY2019 to approximately 17.2% for the Interim Period of FY2020.

Management Discussions and Analysis

Profit for the period

As a result of the foregoing, our profit for the period decreased by approximately HK\$7.5 million or 70.3% to approximately HK\$3.1 million for the Interim Period of FY2020 from approximately HK\$10.6 million for the Interim Period of FY2019. Our net profit margin decreased to approximately 1.2% for the Interim Period of FY2020 from approximately 4.2% for the Interim Period of FY2019.

Profit attributable to owners of the Company

The Group's profit attributable to owners of the Company was approximately HK\$3.1 million for the Interim Period of FY2020, representing a decrease of approximately HK\$7.7 million or 71.1% from the Interim Period of FY2019. The decrease was primarily due to (i) the increase in staff cost particularly for incentive payment; (ii) the decrease of gross profit margin due to the increase in drug cost; (iii) the effect of the adoption of HKFRS 16 "Leases" (with effect for the financial years commencing on or after 1 January 2019) which results in the increase in related expenses on the leases of the medical centres of the Group; and (iv) the offset of the decrease in legal and professional fee and income tax expenses.

BUSINESS REVIEW AND OUTLOOK

Business Review for the Interim Period of FY2020

During the Interim Period of FY2020, the Group has continuously focused on providing comprehensive, one-stop and excellent medical solution to customers. The Group expanded the scope of services by opening a wellness centre and medical aesthetic centre in the second half of 2019. Using state-of-the-art technology to extend services to body and mind including disease prevention and health monitoring, integrated coaching services for healthy living as well as enhancement solutions customised to meet the physical and mental needs of our customers. The Group also provided advanced and premium medical aesthetic treatment. Our professional team will design safe and reliable medical aesthetic treatment programmes and tailor-made skin care services to address the needs of the customers.

In relation to the strengthened cooperation with the Hong Kong Government, the Group continues to participate in the Vaccination Subsidy Scheme in order to provide flu vaccine to eligible individuals. In addition, the Hong Kong Government kicked off the Voluntary Health Insurance Scheme ("**VHIS**") in April 2019 and since then insurance companies registered as VHIS providers can offer individual indemnity hospital insurance plans that are certified by the Food and Health Bureau. With tax incentives provided to encourage hospital insurance uptake, individuals can opt for private healthcare services when needed and it is expected that the demand for private healthcare services will increase when VHIS increases in popularity. Moreover, the Group continues its collaboration with different kinds of organizations to provide medical services to customers. As a result, the Group as a leading private integrated healthcare service provider in Hong Kong, having developed qualified healthcare facilities, an authorised professional team and competitive medical services is ready to meet the strong demand in the community and will benefit from this ample development opportunities.



Management Discussions and Analysis

Due to the rapid growth in household income in the People's Republic of China (the "PRC"), more people are categorized as the affluent urban middle class, resulting in a greater demand of high-quality products and services, including medical and wellness related services. Medical aesthetic services have been introduced at the Shanghai Human Health Integrated Medical Centre (上海盈健門診部) in response to the increasing demand. Due to the strategic allocation of resources, the revenue of the Shanghai Human Health Integrated Medical Centre has significantly increased. This significant increase is mainly attributed to the medical aesthetic segment as well as the dental segment. The Group will continue to replicate our successful business model in Hong Kong and deploy it into the PRC market as well as establishing different partnerships with business partners and hospitals in the PRC to grasp the growing opportunities in Mainland China.

Besides, the Group is proud to announce that it has been awarded the "Partner Employer Award" by the Hong Kong General Chamber of Small and Medium Business in November 2019, the "10th Hong Kong Outstanding Corporate Citizenship Logo (Enterprise Category)" by the Hong Kong Productivity Council in December 2019 and the "Most Valuable Companies in Hong Kong – Industry Leading Health and Wellness Leader" by Mediazone Group in December 2019, in recognition of the Group's past effort and contributions, reinforcing the core values and strategic development of the Group.

Our patient base grew from approximately 2.17 million as of 31 December 2018 to approximately 2.28 million as of 31 December 2019. As of 31 December 2019, the Group operated 67 medical centres in Hong Kong under the following brand names with 125 service points.



As a one-stop medical service provider, the Group provides a series of healthcare services including but not limited to general practice services, specialties services, dental services, Chinese medicine, physiotherapy, diagnostics & imaging as well as medical aesthetic and wellness services to cater our customers' different types of medical and wellness needs.

Management Discussions and Analysis

During the Interim Period of FY2020, the Group provided the following comprehensive healthcare services:

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

The Group attributes our prominent market position to our experienced and stable professional team which is comprised of 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 serving exclusively for the Group as of 31 December 2019:

General practitioners	60
Specialists	23
Dentists	16
Others	13
Total	112

A total number of 110 professionals including general practitioner, specialist, dentist, clinical psychologist, radiographer and registered nurse worked with us on a non-exclusive basis as of 31 December 2019.



Management Discussions and Analysis

The Group's clientele comprises individual and corporate customers, the latter including medical scheme management companies, insurance companies and corporations. The Group has contractual relationship with its suppliers including general practitioner, specialist, dentist and clinical psychologist, all of whom are in consultancy arrangements with us, and also pharmaceutical products distributor and manufacturer, laboratory and medical imaging centre.

Business Outlook

In the current market there are many megatrends which will drive the demand and consumption of medical services such as ageing population, increasing health awareness and medical needs of patients from the PRC and overseas, and rising middle class in emerging markets. Due to these megatrends, consumption of healthcare services and demand for better treatments and medicines will significantly increase. Additionally, the recent outbreak of the novel coronavirus is a big hit to the medical system globally and the Group believes that health awareness, improvement of drug development and medical technology will be enhanced after this outbreak, thereby creating further opportunities for the health industry. As the leading private medical services provider in Hong Kong, we have the obligation to safeguard the community and will continue to provide excellent healthcare services in Hong Kong by utilising innovative technology and promoting public health awareness through different channels including our wellness centre which provides disease prevention and health monitoring services, health coaching and overall health enhancement programmes.

We have driven growth by sticking to the Group's core values. We will continuously provide professional services to our customers through the four core values "Empathetic" (仁心), "Earnest" (稱心), "Evolutionary" (創新) and "Ethical" (求真). To elevate health values and wellness of customers, we will play the role of companion to accompany customers to pursue long-term health. We accomplish this through the construction of extensive healthcare systems with diversified medical solutions and matching supports. We will continuously develop, research and explore new medical devices which cover early detection, pre-screening and monitoring as well as supplements for our customers to prevent diseases and receive protection in early stage and offer more comprehensive health solutions and compatible services through the aid of big data and advanced technology to our customers.

Going forward, we will further develop and promote our online platform and mobile applications to bring faster, safer and more convenient healthcare experience to our customers. We will continue to explore investment opportunities in innovative technology in order to meet the demand for advanced technology application and bring better services to our customers. We endeavor to introduce new prevention and early detection services in order to provide comprehensive wellness solutions to our customers. Furthermore, we will carry on with our expansion in the PRC by looking for potential opportunities and developing strategic business alliances to achieve synergy effects. We are dedicated to providing all-rounded services to the community to enhance the quality of life and contribute to the improvements of healthcare sector in Hong Kong.

Management Discussions and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group had net current assets of approximately HK\$71.3 million (as at 30 June 2019: approximately HK\$128.3 million) which included cash and cash equivalents and pledged deposits of approximately HK\$139.1 million (as at 30 June 2019: approximately HK\$160.7 million) and interest-bearing bank borrowing of approximately HK\$17.5 million which is repayable on demand, at an interest rate of Hong Kong Interbank Offered Rate plus 2% (as at 30 June 2019: approximately HK\$9.5 million). The decrease in net current assets was mainly due to the recognition of lease liabilities upon the adoption of HKFRS 16 "Leases". All the interest-bearing bank borrowing was held in Hong Kong dollars and the cash and cash equivalents and pledged deposits were held in Hong Kong dollars and Renminbi.

As at 31 December 2019, the Group's gearing ratio, which is net debt divided by the adjusted capital plus net debt, is approximately 5.4% (as at 30 June 2019: 2.9%).

CAPITAL STRUCTURE

There was no change in the capital structure of the Company during the Interim Period of FY2020. The capital of the Company comprises ordinary shares and other reserves.

CHARGES ON GROUP ASSETS

As at 31 December 2019, a fixed deposit of approximately HK\$1.0 million has been pledged to a bank to secure overdrafts of the Group (as at 31 December 2018: HK\$1.0 million). 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 (as at 31 December 2018: HK\$1.0 million).

FOREIGN EXCHANGE EXPOSURE

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

SIGNIFICANT INVESTMENTS

- (i) On 11 October 2018, (i) the Company and (ii) Heals Healthcare (Asia) Limited ("**Heals Healthcare**", formerly known as Heals Healthcare Limited), which is the holding company of several subsidiaries incorporated in Hong Kong which are principally engaged in the provision of various digital healthcare platform services, entered into a business alliance agreement (the "**Business Alliance Agreement**") pursuant to which the Company and Heals Healthcare 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.



Management Discussions and Analysis

In addition, on 11 October 2018, Actwise Limited, a wholly owned subsidiary of the Company ("**Actwise**"), the Company and Heals Healthcare entered into a subscription agreement (the "**Heals Subscription Agreement**") pursuant to which Heals Healthcare shall conditionally allot and issue, and Actwise shall conditionally subscribe, an aggregate of 641,704 shares of Heals Healthcare 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 Heals Healthcare; (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**"); 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 Heals Subscription Agreement (including the conditions precedents of the completion of the Subscription Shares and the reasons for the issue of the consideration shares) are set out in the announcements of the Company dated 11 October 2018, 12 November 2018 and 10 December 2018. As at 31 December 2019, 156,667 shares of Heals Healthcare, which represent approximately 8.82% of the issued share capital of Heals Healthcare, was held by Actwise. The investment in Heals Healthcare is stated at fair value. The first tranche Subscription Shares is recorded as "financial assets at fair value through other comprehensive income" while the interests of Actwise in the second tranche Subscription Shares and third tranche Subscription Shares under the Heals Subscription Agreement constitute derivative financial instruments and are recorded as "financial assets at fair value through profit or loss" in the consolidated statement of financial position. As at 31 December 2019, the fair value of the Subscription Shares and the related derivatives amounted to approximately HK\$25,451,000 (refer to notes 13 and 14 to the financial statements of this interim report), which represents approximately 5.15% of the total assets of the Group. There was no change in the fair value of the Subscription Shares since its initial recognition and no dividend was received by the Group in the Interim Period of FY2020.

The investment strategy of the Group in Heals Healthcare would be using the Platform developed by the Heals Healthcare by leveraging the management and technical expertise and skills of the existing management and shareholders of the Heals Healthcare and at the same time enjoying the potential economic benefit as a shareholder of the Heals Healthcare and the Group considered such structure being optimal to the Group.

- (ii) On 29 May 2019, Actwise and Inno Healthcare Limited ("**Inno Healthcare**"), the general partner of New Journey Healthcare LP (the "**Limited Partnership**"), entered into a subscription agreement (the "**LP Subscription Agreement**"), pursuant to which Actwise has applied to subscribe for partnership interests in the Limited Partnership with the capital commitment of RMB30,000,000. Following the acceptance of the LP Subscription Agreement by Inno Healthcare on the same day, Actwise is admitted as a limited partner to the Limited Partnership by entering into a limited partnership agreement (the "**Limited Partnership Agreement**").

During the Interim Period of FY2020, there was a change of composition of the Limited Partnership and Actwise became holding 73.17% of the partnership interest in the Limited Partnership. In addition, the investment by the Limited Partnership in New Journey Hospital Group Limited had been completed and the Limited Partnership is registered as the holder of 1,684,808 shares of New Journey Hospital Group Limited.

Management Discussions and Analysis

The investment objective of the Limited Partnership is to invest in New Journey Hospital Group Limited, a holding company of an integrated hospital group in the PRC which primarily engages in the operation of hospitals, primary medical care, internet medical care services, cross border medical care services, elderly care services, supply chain centres and radiotherapy services.

Details of the LP Subscription Agreement, the Limited Partnership Agreement and the change of composition of the Limited Partnership are set out in the announcements of the Company dated 29 May 2019, 9 July 2019 and 10 January 2020.

The investment in the Limited Partnership is stated at fair value and is recorded as “financial assets at fair value through profit or loss” in the consolidated statement of financial position. As at 31 December 2019, the fair value of the investment in the Limited Partnership amounted to approximately HK\$34,125,000, which represents approximately 6.91% of the total assets of the Group. There was no change in the fair value of the investment in the Limited Partnership since its initial recognition and no dividend was received by the Group in the Interim Period of FY2020.

The investment strategy of the Group in the Limited Partnership would be enhancing investment returns for the Group by realising the capital gains of the Limited Partnership at the end of the term of the Limited Partnership as well as establishing relationship with business partners in the PRC market, connecting the PRC hospitals and exploring business opportunities so as to facilitate the development of the business of the Group in the PRC.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There was no material acquisition or disposal of subsidiaries, associates and joint ventures during Interim Period of FY2020 and up to the date of this interim report.

CAPITAL COMMITMENTS

	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Audited)
Contracted, but not provided for: Capital expenditures	459	110

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2019.



Management Discussions and Analysis

EMPLOYEES

As at 31 December 2019, the Group had 411 full-time employees (as at 31 December 2018: 375) and 78 part-time employees (as at 31 December 2018: 71).

We recruit personnel from the open market and we formulate our recruitment policy based on market conditions, our business demands 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 31 December 2019, 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 2019, the proceeds have been utilised as follows:

	Net proceeds <i>HK\$ million</i>	Utilised amounts <i>HK\$ million</i>	Unutilised amounts <i>HK\$ million</i>
Expansion of network in Hong Kong by setting up six new specialist medical centres	39.1	28.4	10.7
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	3.2	1.9
Enhancement of IT infrastructure	5.1	2.5	2.6
Working capital and other general corporate purposes	8.5	5.7	2.8
	<u>84.8</u>	<u>56.8</u>	<u>28.0</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 FY2020 (the Interim Period of FY2019: 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 FY2020.

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, JP 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 FY2020.

Directors of the subsidiaries of the Company and relevant employees (as defined in the Listing Rules) are also required 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 2019, 3,200,000 Share Options were granted and 2,720,000 Share Options remained outstanding. No Share Option has been exercised or cancelled during the Interim Period of FY2020 and 230,000 Share Options were lapsed during the Interim Period of FY2020.

Other Information

Details of movements of the Share Options granted under the Share Option Scheme during the Interim Period of FY2020 were as follow:

Name of Grantees	Position held with the Group	Offer Date	Exercise Price per Share Option	Exercise Period ^{(Note (i))}	Number of	Number of	Number of	Number of	Number of	
					Outstanding Share Options as at 1 July 2019	Share Options Granted during the Interim Period of FY2020	Share Options Exercised during the Interim Period of FY2020	Share Options Lapsed during the Interim Period of FY2020	Share Options Cancelled during the Interim Period of FY2020	Outstanding Share Options as at 31 December 2019
Dr. Sat Chui Wan	Executive Director, Chief Financial Officer	4 October 2016	HK\$2.214 ^{(Note (ii))}	4 October 2019 to 3 October 2022 ^{(Note (i))}	960,000	-	-	-	-	960,000
Mr. Poon Chun Pong	Executive Director, Chief Operating Officer	4 October 2016	HK\$2.214 ^{(Note (ii))}	4 October 2019 to 3 October 2022 ^{(Note (i))}	600,000	-	-	-	-	600,000
Other eligible persons – employees (in aggregate)	-	4 October 2016	HK\$2.214 ^{(Note (ii))}	4 October 2019 to 3 October 2022 ^{(Note (i))}	580,000	-	-	230,000	-	350,000
Other eligible persons – suppliers (in aggregate)	-	4 October 2016	HK\$2.214 ^{(Note (ii))}	4 October 2019 to 3 October 2022 ^{(Note (i))}	400,000	-	-	-	-	400,000
Other eligible persons – employees (in aggregate)	-	28 May 2018	HK\$2.09 ^{(Note (iv))}	1 June 2021 to 31 May 2027 ^{(Note (iii))}	110,000	-	-	-	-	110,000
Other eligible persons – suppliers (in aggregate)	-	28 May 2018	HK\$2.09 ^{(Note (iv))}	1 June 2021 to 31 May 2027 ^{(Note (iii))}	300,000	-	-	-	-	300,000
Total					2,950,000	-	-	230,000	-	2,720,000



Other Information

Notes:

- (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 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) (a) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

INTERESTS IN SHARES OR UNDERLYING SHARES OF THE COMPANY

Name of Director	Capacity in which the Shares/underlying Shares were held	Number of Shares/underlying Shares held	Approximate percentage of total issued Shares ^{(Note (v))}
Mr. Chan Kin Ping, JP	Interest of controlled corporation ^{(Note (i))}	252,346,286 ^{(Note (ii))}	66.49%
	Beneficial owner	6,850,000	1.80%
Dr. Pang Lai Sheung	Interest of controlled corporation ^{(Note (i))}	252,346,286 ^{(Note (ii))}	66.49%
Dr. Sat Chui Wan	Beneficial owner	960,000 ^{(Note (iii))}	0.25%
Mr. Poon Chun Pong	Beneficial owner	1,086,000 ^{(Note (iv))}	0.29%

Notes:

- (i) Mr. Chan Kin Ping, JP ("**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 486,000 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 2019.



Other Information

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

Name of Director	Capacity in which the shares were held	Number of shares held	Approximate percentage of total issued shares ^{(Note (i))}
Mr. Chan Kin Ping, JP	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 2019.

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 2019, 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 2019, so far as it is known by or otherwise notified by any Director or the chief executives of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares (a) which would fall to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) as recorded in the register required to be kept under section 336 of the SFO:

Name of substantial shareholder of the Company	Capacity in which the Shares were held	Number of Shares held	Approximate percentage of total issued Shares ^{(Note (iii))}
Treasure Group Global Limited	Beneficial owner ^{(Note (i))}	252,346,286	66.49%
Capital Healthcare International Limited	Beneficial owner ^{(Note (ii))}	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 ^{(Note (ii))}	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 ^{(Note (ii))}	25,362,000	6.68%
The People's Government of Beijing Municipality	Interest of controlled corporation ^{(Note (ii))}	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 2019.

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 2019, 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 FY2020, 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 audit committee of the Company has reviewed, with the management of the Company, the unaudited consolidated interim results for the Interim Period of FY2020, 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 FY2020.



Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Six months ended 31 December 2019

	Notes	Six months ended 31 December	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
REVENUE			
Cost of services rendered	4	254,805 (137,266)	253,146 (132,318)
Gross profit		117,539	120,828
Other income and gains	4	882	1,734
Administrative expenses		(111,256)	(106,137)
Finance costs	6	(2,488)	–
Share of losses of a joint venture		(882)	(2,209)
PROFIT BEFORE TAX	5	3,795	14,216
Income tax expense	7	(651)	(3,618)
PROFIT FOR THE PERIOD		3,144	10,598
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(143)	(1,081)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		(143)	(1,081)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		3,001	9,517
Profit attributable to:			
Owners of the Company		3,144	10,875
Non-controlling interests		–	(277)
		3,144	10,598
Total comprehensive income attributable to:			
Owners of the Company		3,001	9,794
Non-controlling interests		–	(277)
		3,001	9,517
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted		HK0.8 cents	HK3.0 cents



Condensed Consolidated Statement of Financial Position

31 December 2019

	Notes	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	110,323	17,274
Goodwill	11	31,964	31,964
Other intangible assets		9,407	10,212
Investment in a joint venture	12	2,245	3,182
Financial assets at fair value through other comprehensive income	13	16,540	16,540
Financial assets at fair value through profit or loss	14	81,418	81,418
Loan receivables	15	10,800	10,800
Deposits		17,476	18,379
Deferred tax assets		1,668	1,489
Total non-current assets		281,841	191,258
CURRENT ASSETS			
Inventories		12,445	13,069
Trade receivables	16	47,241	33,117
Prepayments, deposits and other receivables		13,116	9,391
Tax recoverable		320	1,178
Pledged deposits		2,045	2,042
Cash and cash equivalents		137,011	158,622
Total current assets		212,178	217,419
CURRENT LIABILITIES			
Trade payables	17	27,950	31,108
Other payables and accruals		29,727	34,136
Lease liabilities		52,403	–
Contract liabilities		3,852	5,392
Interest-bearing bank borrowing		17,501	9,494
Tax payables		9,455	9,027
Total current liabilities		140,888	89,157
NET CURRENT ASSETS		71,290	128,262
TOTAL ASSETS LESS CURRENT LIABILITIES		353,131	319,520

Condensed Consolidated Statement of Financial Position

31 December 2019

	Note	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Other long term payable		4,727	4,053
Lease liabilities		41,325	–
Deferred tax liabilities		1,735	1,868
Total non-current liabilities		47,787	5,921
Net assets		305,344	313,599
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	3,796	3,796
Reserves		301,548	309,803
Total equity		305,344	313,599

Mr. Chan Kin Ping, JP
Director

Dr. Pang Lai Sheung
Director



Condensed Consolidated Statement of Changes in Equity

Six months ended 31 December 2019

Notes	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium*	Other reserve*	Exchange reserve*	Share option reserve*	Retained profits*	Subtotal		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2018 (audited)	3,615	164,951	22,591	(36)	1,026	81,433	273,580	660	274,240
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 interest	-	-	(859)	-	-	-	(859)	(383)	(1,242)
Equity settled investment	181	25,270	-	-	-	-	25,451	-	25,451
Equity settled share option arrangements	19	-	-	-	375	-	375	-	375
Final 2018 dividend declared	-	-	-	-	-	(10,845)	(10,845)	-	(10,845)
At 31 December 2018 (unaudited)	<u>3,796</u>	<u>190,221</u>	<u>21,732</u>	<u>(1,117)</u>	<u>1,401</u>	<u>81,463</u>	<u>297,496</u>	<u>-</u>	<u>297,496</u>
At 1 July 2019 (audited)	3,796	190,221	21,732	(990)	1,628	97,212	313,599	-	313,599
Profit for the period	-	-	-	-	-	3,144	3,144	-	3,144
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	(143)	-	-	(143)	-	(143)
Total comprehensive income for the period	-	-	-	(143)	-	3,144	3,001	-	3,001
Equity settled share option arrangements	19	-	-	-	131	-	131	-	131
Final 2019 dividend declared	8	-	-	-	-	(11,387)	(11,387)	-	(11,387)
At 31 December 2019 (unaudited)	<u>3,796</u>	<u>190,221</u>	<u>21,732</u>	<u>(1,133)</u>	<u>1,759</u>	<u>88,969</u>	<u>305,344</u>	<u>-</u>	<u>305,344</u>

* These reserve accounts comprise the consolidated reserves of HK\$301,548,000 as at 31 December 2019 (30 June 2019: HK\$309,803,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

Six months ended 31 December 2019

		Six months ended 31 December	
		2019	2018
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Notes			
CASH FLOWS FROM OPERATING ACTIVITIES			
		3,795	14,216
	Profit before tax		
	Adjustments for:		
	Depreciation	36,524	5,156
5			
	Amortisation of other intangible assets	806	806
5			
	Write-down/(reversal of write-down) of inventories to net realisable value	149	(71)
5			
	Share option expenses	131	375
	Share of losses of a joint venture	882	2,209
	Loss on disposal of items of property, plant and equipment	14	25
5			
	Gain on fair value of financial assets at fair value through profit or loss	-	(1,032)
4			
	Under-provision of reinstatement costs	-	8
	Interest expenses on bank loan	269	-
6			
	Interest income	(832)	(645)
4			
		41,738	21,047
	Decrease/(increase) in inventories	475	(1,722)
	Increase in trade receivables	(14,124)	(5,756)
	(Increase)/decrease in prepayments, deposits and other receivables	(2,223)	12,594
	Movement in balance with related parties	-	26
	(Decrease)/increase in trade payables	(3,158)	2,525
	(Decrease)/increase in other payables and accruals	(5,028)	2,071
	Decrease in contract liabilities	(1,540)	(768)
		16,140	30,017
	Cash generated from operations		
	Interest received	634	448
	Hong Kong taxes paid, net	322	(4,576)
		17,096	25,889
	Net cash flows generated from operating activities		



Condensed Consolidated Statement of Cash Flows

Six months ended 31 December 2019

	Six months ended 31 December	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of items of property, plant and equipment	6	–
Increase in financial assets at fair value through profit or loss	–	(10,300)
Acquisition of minority interest in subsidiary	–	(1,242)
Purchase of items of property, plant and equipment	(5,374)	(5,138)
Settlement of provision	–	(241)
Increase in loan receivables	–	(10,800)
(Increase)/decrease in time deposits with maturity of more than three months when acquired	(101)	20,645
(Increase) in prepayments for property, plant and equipment	(481)	–
Net cash flows generated (used in) investing activities	<u>(5,950)</u>	<u>(7,076)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank loan granted	9,006	–
Bank loan repaid	(999)	–
Bank loan interest paid	(206)	–
Repayment of principal portion of lease liability	(29,738)	–
Dividend paid	(10,830)	(10,845)
Net cash flows used in financing activities	<u>(32,767)</u>	<u>(10,845)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		
	(21,621)	7,968
Cash and cash equivalents at beginning of period	145,169	165,446
Effect of foreign exchange rate changes, net	(89)	(489)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>123,459</u></u>	<u><u>172,925</u></u>

Condensed Consolidated Statement of Cash Flows

Six months ended 31 December 2019

	Six months ended 31 December	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	79,814	130,173
Non-pledged time deposits	57,197	44,407
	<hr/>	<hr/>
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	137,011	174,580
Pledged time deposit with maturity less than three months when acquired	1,037	2,040
Non-pledged time deposits with maturity more than three months when acquired	(14,589)	(3,695)
	<hr/>	<hr/>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	123,459	172,925
	<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

These unaudited interim condensed consolidated financial statements 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**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”). These unaudited interim condensed consolidated financial statements were authorised for issue on 25 February 2020.

These unaudited interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in the annual financial statements for the year ended 30 June 2019, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2019. This is the first set of the Group’s financial statements in which Hong Kong Financial Reporting Standard 16 Leases (“**HKFRS 16**”) has been adopted. Details of any changes in accounting policies are set out in note 2.2. Except for the adoption of HKFRS 16, the adoption of the new and revised Hong Kong Financial Reporting Standard (“**HKFRSs**”) has no material effect on these unaudited interim condensed consolidated financial statements. The Group has not early adopted any new and revised HKFRSs that has been issued but not yet effective in the current accounting period.

The preparation of these unaudited interim condensed consolidated financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are disclosed in note 2.3.

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 2019.

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 the nearest thousand except when otherwise indicated.

Notes to the Condensed Consolidated Financial Statements

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 2019 are the same with those followed in the preparation of the Group's consolidated financial statements for the year ended 30 June 2019, except for the adoption of the new and revised HKFRSs and interpretation issued by the HKICPA as noted below.

HKFRS 16	<i>Leases</i>
HK(IFRIC) – Int 23	<i>Uncertainty over Income Tax Treatments</i>
Amendments to HKFRS 9	<i>Prepayment Features and Negative Compensation</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
<i>Annual Improvements 2015–2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 16, HKAS 12 and HKAS 23

The impact of the adoption of HKFRS 16 Leases has been summarized in below. The other new or amended HKFRSs that are effective from 1 July 2019 did not have any significant impact on the Group's accounting policies.

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for leases. It replaces HKAS 17 Leases ("**HKAS 17**"), HK(IFRIC) – Int 4 Determining whether an Arrangement contains a Lease ("**HK(IFRIC) – Int 4**"), HK(SIC) – Int 15 Operating Leases-Incentives and HK(SIC) – Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (iv) of this note.

The Group has applied HKFRS 16 retrospectively with the cumulative effect approach recognised at date of the initial application, 1 July 2019. Any difference at the date of initial application is recognised in the opening retained profits. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17.



Notes to the Condensed Consolidated Financial Statements

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

(i) Impact of the adoption of HKFRS 16 *(continued)*

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 July 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 30 June 2019 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts under HKFRS 16 at 1 July 2019 <i>HK\$'000</i>
Non-current Assets			
Property, plant and equipment	17,274	(1,743)	15,531
Right-of-use assets	–	82,730	82,730
Current liabilities			
Lease liabilities	–	34,965	34,965
Non-current liabilities			
Lease liabilities	–	46,022	46,022

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 30 June 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the condensed consolidated statement of financial position as at 1 July 2019:

	<i>HK\$'000</i>
Operating lease commitments as of 30 June 2019	100,600
Less: short term leases for which lease terms end within 30 June 2020	(14,208)
Less: future interest expenses	(5,405)
	<hr/>
Total lease liabilities as of 1 July 2019	<u>80,987</u>

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the condensed consolidated statement of financial position as at 1 July 2019 is 4.55%.

Notes to the Condensed Consolidated Financial Statements

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

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lease shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of whether they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.



Notes to the Condensed Consolidated Financial Statements

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

(iii) Accounting as a lease *(continued)*

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Transition

The Group has recognised the lease liabilities at the date of 1 July 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 July 2019.

The Group has elected to recognise all the right-of-use assets at 1 July 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 July 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 July 2019) and accounted for those leases as short-term leases; and (iii) excluded the initial direct costs from the measurement of the right-of-use asset at 1 July 2019.

Notes to the Condensed Consolidated Financial Statements

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

(iv) Transition *(continued)*

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC) – Int 4.

2.3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing these unaudited interim condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to annual financial statements for the year ended 30 June 2019, except for new significant judgements related to the application of HKFRS 16 as described in note 2.2.

3. SEGMENT INFORMATION

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

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

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

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



Notes to the Condensed Consolidated Financial Statements

3. SEGMENT INFORMATION *(continued)*

Six months ended 31 December

	General practice services		Specialties services		Dental services		Total	
	2019 HK\$'000 <i>(Unaudited)</i>	2018 HK\$'000 <i>(Unaudited)</i>	2019 HK\$'000 <i>(Unaudited)</i>	2018 HK\$'000 <i>(Unaudited)</i>	2019 HK\$'000 <i>(Unaudited)</i>	2018 HK\$'000 <i>(Unaudited)</i>	2019 HK\$'000 <i>(Unaudited)</i>	2018 HK\$'000 <i>(Unaudited)</i>
Segment revenue:								
Revenue from external customers	161,649	157,464	59,410	62,966	33,746	32,716	254,805	253,146
Intersegment sales	1,188	762	2,461	2,119	5	5	3,654	2,886
							258,459	256,032
<i>Reconciliation:</i>								
Elimination of intersegment sales							(3,654)	(2,886)
							254,805	253,146
Segment results	33,627	36,911	(3,499)	4,453	3,860	3,363	33,988	44,727
Interest income							832	645
Corporate and unallocated income							47	1,058
Corporate and unallocated expenses							(30,190)	(30,005)
Share of losses of a joint venture							(882)	(2,209)
Profit before tax							3,795	14,216
Income tax expense	(381)	(2,524)	(125)	(783)	(145)	(311)	(651)	(3,618)
Profit for the period							3,144	10,598

Notes to the Condensed Consolidated Financial Statements

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of services rendered.

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

	Six months ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
Integrated healthcare services income	254,805	253,146
Disaggregated revenue information		
Types of services		
General practice services	161,649	157,464
Specialties services	59,410	62,966
Dental services	33,746	32,716
Total revenue	254,805	253,146

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

Other income and gains		
Bank interest income	466	448
Interest income on financial assets at fair value through profit or loss	257	143
Interest income on loan receivables	109	54
Gain on fair value of financial assets at fair value through profit or loss	–	1,032
Others	50	57
	882	1,734



Notes to the Condensed Consolidated Financial Statements

5. PROFIT BEFORE TAX

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

	Six months ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of pharmaceutical supplies	27,761	23,714
Fees payable to doctors and dentists	108,337	107,490
Laboratory expenses	1,019	1,185
Depreciation		
Property, plant and equipment	4,582	5,156
Right of use asset	31,942	–
	36,524	5,156
Amortisation of other intangible assets*	806	806
Loss on disposal of items of property, plant and equipment	14	25
Auditor's remuneration	518	815
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	51,726	45,188
Equity-settled share option expense	131	375
Pension scheme contributions	2,266	2,067
	54,123	47,630
Write-down/(reversal of write-down) of inventories to net realisable value**	149	(71)
Operating lease payments in respect of centres and office		
– Short-term lease expenses	347	–
– Minimum lease payments	–	30,637
	347	30,637

* 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. FINANCE COSTS

	Six months ended 31 December	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest on bank loans	269	–
Interest on lease liabilities	<u>2,219</u>	–
	<u>2,488</u>	<u>–</u>

7. 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 2018: 16.5%) on the estimated assessable profits arising in Hong Kong. For the period ended 31 December 2019, the first HK\$2,000,000 of profits earned by one of the group companies will be taxed at a rate of 8.25% whilst the remaining profits will continue to be taxed at 16.5%. 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 2018: Nil).

	Six months ended 31 December	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current		
Charge for the period	963	3,816
Over-provision in prior years	–	(50)
Deferred	<u>(312)</u>	(148)
Total tax charge for the period	<u>651</u>	<u>3,618</u>



Notes to the Condensed Consolidated Financial Statements

8. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 31 December 2019 (six months ended 31 December 2018: Nil).

A final dividend of HK3 cents per ordinary share for the year ended 30 June 2019 amounting to HK\$11,386,567 was approved by the shareholders of the Company on 29 November 2019.

9. 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\$3,144,000 (six months ended 31 December 2018: HK\$10,875,000), and the weighted average number of ordinary shares of 379,552,233 (six months ended 31 December 2018: 363,660,180) 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 2019 and 31 December 2018 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.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2019, additions of property, plant and equipment amounted to HK\$5,759,000 (six months ended 31 December 2018: HK\$6,199,000).

In addition, the Group has entered into several leases for centres in Hong Kong during the six months ended 31 December 2019. Right-of-use assets amounted to HK\$43,848,000 has been recognised for the current period.

11. GOODWILL

	<i>HK\$'000</i>
Cost and net carrying amount at 1 July 2018, 30 June 2019, 1 July 2019 and 31 December 2019	<u>31,964</u>
At 1 July 2018, 30 June 2019, 1 July 2019 and 31 December 2019	
Cost	31,964
Accumulated impairment	<u>–</u>
Net carrying amount	<u>31,964</u>

Notes to the Condensed Consolidated Financial Statements

12. INVESTMENT IN A JOINT VENTURE

	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Audited)
Share of net assets	2,245	3,182

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

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

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

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

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

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Audited)
Unlisted equity investments, at market value	16,540	16,540

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 2019 or accumulated change in fair value as of 31 December 2019, respectively, had been recognized in other comprehensive income.



Notes to the Condensed Consolidated Financial Statements

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Audited)
Investment in convertible bond	11,332	11,332
Derivative financial instrument	12,411	12,411
Investment in redeemable preference shares	23,550	23,550
Unlisted investment funds	34,125	34,125
	81,418	81,418

The convertible bonds were issued by Asana Global Group Limited ("**ASANA**"), an unlisted company established in the 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 ASANA 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 55% of the enlarged issued share capital of ASANA will be issued to the Group.

The derivative financial instruments were embedded options to subscribe the shares of Heals Healthcare and were classified as financial assets at fair value through profit or loss.

The Group subscribed redeemable preference shares in an unlisted company established in the British Virgin Islands, at a consideration of US\$3,000,000 (equivalent to approximately HK\$23,550,000). As the rights and obligations of the ownership over this redeemable preference shares are substantially different from the ownership of ordinary shares of the unlisted company, the Group's investment in this redeemable preference shares is measured at fair value through profit or loss.

The Group entered into an amended and restated exempted limited partnership agreement with Inno Healthcare Limited in relation to the formation of New Journey Healthcare LP and subscribed 73.17% of the committed fund size amounting to RMB30,000,000 (equivalent to approximately HK\$34,125,000).

No change in fair value for the six months period ended 31 December 2019 or accumulated change in fair value as of 31 December 2019, respectively, had been recognized in profit or loss.

Notes to the Condensed Consolidated Financial Statements

15. LOAN RECEIVABLES

	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Audited)
Loan receivables	<u>10,800</u>	<u>10,800</u>

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.

16. TRADE RECEIVABLES

	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Audited)
Trade receivables	<u>47,241</u>	<u>33,117</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.



Notes to the Condensed Consolidated Financial Statements

16. TRADE RECEIVABLES *(continued)*

An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Audited)
Within 2 months	37,649	24,828
2 to 4 months	7,017	5,968
4 to 6 months	1,875	1,787
Over 6 months	700	534
	47,241	33,117

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. As at 30 June 2019 and 31 December 2019, the Group assessed the loss allowance and the expected credit loss rates under the application of HKFRS 9 were minimal.

17. TRADE PAYABLES

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

	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Audited)
Within 1 month	23,634	26,635
1 to 3 months	3,547	4,422
Over 3 months	769	51
	27,950	31,108

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

	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Audited)
Issued and fully paid 379,552,233 (30 June 2019: 379,552,233) ordinary shares of HK\$0.01 each	3,796	3,796

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

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

	Number of shares in issue	Share capital HK\$'000
At 1 July 2018	361,502,000	3,615
Share issued ^(Note)	<u>18,050,233</u>	<u>181</u>
At 30 June 2019, 1 July 2019 and 31 December 2019	<u>379,552,233</u>	<u>3,796</u>

Note:

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

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.



Notes to the Condensed Consolidated Financial Statements

19. SHARE OPTION SCHEME *(continued)*

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.

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

	Six months ended 31 December			
	2019		2018	
	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	2.197	2,950	2.196	3,200
Lapsed during the period	2.214	(230)	2.090	(50)
At 31 December	2.195	2,720	2.198	3,150

Notes to the Condensed Consolidated Financial Statements

19. SHARE OPTION SCHEME (continued)

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 2019

Number of options	Exercise price*	Exercise period
'000	HK\$ per share	
762	2.214	4-10-19 to 3-10-22
762	2.214	4-10-20 to 3-10-22
786	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
<u>140</u>	2.090	1-6-23 to 31-5-27
<u>2,720</u>		

At 31 December 2018:

Number of options	Exercise price*	Exercise period
'000	HK\$ per share	
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
<u>140</u>	2.090	1-6-23 to 31-5-27
<u>3,150</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.

The fair value of share options granted on 4 October 2016 and 28 May 2018 were HK\$1,899,000 and HK\$509,000 respectively. The Group recognised a share option expense of HK\$131,000 during the six months ended 31 December 2019 (six months ended 31 December 2018: HK\$375,000).



Notes to the Condensed Consolidated Financial Statements

19. SHARE OPTION SCHEME (continued)

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

	Option granted on 4 October 2016	Option granted on 28 May 2018
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: Employees:	N/A 2.20
Weighted average estimated fair value for each share option	Directors: Employees:	N/A HK\$1,2413
	HK\$0.8236 HK\$0.8184	

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

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

At the end of the reporting period, the Company had 2,720,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 2,720,000 additional ordinary shares of the Company and additional share capital of HK\$27,200 (before issue expenses) and share premium of HK\$8,352,000 (after transfer of the share options' fair value from the share option reserve upon exercise).

At the date of approval of these financial statements, the Company had 2,490,000 share options outstanding under the Scheme, which represented approximately 0.7% of the Company's shares in issue as at that date.

Notes to the Condensed Consolidated Financial Statements

20. 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.

Upon the adoption of HKFRS16 for the first time for the six months ended 31 December 2019, the disclosure of minimum operating lease payments under non-cancellable operating leases as at 31 December 2019 are only applicable to those operating leases with remaining lease term of less than one year as at that date, and are detailed below.

	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Audited)
Within one year	5,196	53,460
In the second to fifth years, inclusive	–	47,140
	5,196	100,600

21. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 20 above, the Group had the following capital commitments.

	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Audited)
Contracted, but not provided for:		
Medical equipment	445	70
IT equipment	14	–
Leasehold improvements	–	40
	459	110



Notes to the Condensed Consolidated Financial Statements

22. RELATED PARTY TRANSACTIONS

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

			Six months ended 31 December	
	<i>Relationship</i>	<i>Nature</i>	2019 HK\$'000 <i>(Unaudited)</i>	2018 <i>HK\$'000</i> <i>(Unaudited)</i>
Maxland Limited				
Rental expenses	(1)	(i)	1,496	1,496
Fees payable to doctors and dentists who are related parties	(2)	(ii)	19,120	21,437

Nature of transactions

- (i) The rental expenses was charged by this related party for the lease of two medical centres at total amount of HK\$249,000 (2018: HK\$249,000) per month, on a mutually agreed basis, which approximated to market rates.
- (ii) 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, JP and Dr. Pang Lai Sheung, controlling shareholders of the Company, have beneficial interests in this related party.
- (2) These doctors and dentists are also directors of certain subsidiaries of the Group, senior management of the Group or close member of controlling shareholder of the Company.

The related party transactions in respect of note (a) item (i) 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 (ii) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Notes to the Condensed Consolidated Financial Statements

23. 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 2019 (Unaudited)

	Carrying amount HK\$'000	Fair value HK\$'000
Financial assets at fair value through profit or loss	81,418	81,418
Financial assets at fair value through other comprehensive income	16,540	16,540
Deposits, non-current portion	17,476	17,476
	<u>115,434</u>	<u>115,434</u>

As at 30 June 2019 (Audited)

	Carrying amount HK\$'000	Fair value HK\$'000
Financial assets at fair value through profit or loss	81,418	81,418
Financial assets at fair value through other comprehensive income	16,540	16,540
Deposits, non-current portion	18,379	18,379
	<u>116,337</u>	<u>116,337</u>



Notes to the Condensed Consolidated Financial Statements

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

Management has assessed that the fair values of the current portion of deposits, other receivables, trade receivables, an amount due from a related party, cash and cash equivalents, trade payables, other payables and interest-bearing bank borrowing approximate to their carrying amounts largely due to the short term maturities of these instruments.

At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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

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

The fair values of unlisted equity investments, investment in redeemable preference shares and unlisted investment funds have been estimated based on market prices of recent transactions of the investments. The fair value of convertible bonds has been estimated with reference to multiples of comparable listed companies, such as the average of price to earnings ratio ("**P/E**"). The fair value of derivatives financial instruments has been estimated using scenario analysis by considering alternative possible outcomes. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss or other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

