盈健醫療
HUMAN HEALTH

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

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

2020 ANNUAL REPORT

CONTENTS

In case of any inconsistency, the English text of this annual 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
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

LEGAL ADVISER TO THE COMPANY AS TO HONG KONG LAW

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

AUDITOR

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

Corporate Information

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

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

WEBSITE

www.humanhealth.com.hk

SHARE INFORMATION

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

Chairman's Statement

Mr. Chan Kin Ping, JP
Chairman and CEO

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Human Health Holdings Limited ("**Human Health**" or the "**Company**") and its subsidiaries (collectively the "**Group**", "**we**" or "**our**"), I am pleased to present the annual report of the Group for the year ended 30 June 2020 ("**FY2020**").

PERSEVERANCE IN ADVERSITY

The outbreak of coronavirus disease 2019 ("**COVID-19**") has posed unprecedented challenges to individuals and businesses around the world. The business of the medical industry has inevitably been affected. The travel restrictions and other precautionary measures imposed to control the spread of COVID-19 have also resulted in a major reduction in business revenue. Against such economic situation in Hong Kong, the Group sticks to its development focus and strategies by expanding the scope of services and providing excellent health-care services to the customers. Through stepping up efforts in implementing various strategies such as the collaboration with different organisations, the development of the wellness and medical aesthetic centre and the expansion of service scope, the Company strived to reduce the impact of the pandemic on its business and to turn adversity into opportunities.

The Group devoted to contribute on alleviating the COVID-19 by participating in the Enhanced Laboratory Surveillance Programme of the Centre of Health Protection, at all of its medical centers with general practice services to provide the COVID-19 test. In terms of healthcare infrastructure, the Group launched tele-medicine which allows its health care professionals to evaluate, diagnose and treat patients using telecommunications technology without physical presence, which can greatly reduce social contact and spreading of virus.

PERSEVERANCE IN ADVERSITY *(continued)*

Meanwhile, the Group continued to deepen the execution of its clear and progressive business strategies, building on Human Health's four core values,"Empathetic" (仁心), "Earnest" (稱心), "Evolutionary" (創新) and "Ethical" (求真) to advance the depth of medical solutions and keep introducing innovative technologies and equipment, consistently improving business development. With its significant efforts in enhancing quality and efficiency, the Company marked a solid step towards high-quality development.

STRIVE FOR BUSINESS STABILITY IN CRISIS

Uncertainties around the evolution of the COVID-19 will continue to persist, and the short term business environment is expected to remain extremely challenging. Medical industry is likely to continuously suffer from the economic slowdown in the second half of 2020, while consumers and corporate clients become extremely cautious in their spending. Due to the turmoil and uncertainties posed by the pandemic, demands for healthcare services and medical solutions from various sectors are expected to be reduced while demands for particular services such as COVID-19 test and tele-medicine may, on the other hand increase. Nevertheless, the Group will continue and be responsible to safeguard the community by introducing innovative technology and equipment as well as delivering comprehensive and exemplary health services to the public.

While the COVID-19 keep evolving, the Group will remain vigilant and closely monitor its development. The Group will continue to adopt appropriate measures to safeguard the interest of its employees and business operations, and maintain its full service commitment to its customers at the same time.

BUILDING A SUSTAINABLE FUTURE

Being a responsible corporate citizen and a conscientious medical group with corporate social responsibility, the Group fully recognises that investors and stakeholders are placing greater importance than ever on the sustainability practices of businesses. It would continue to formulate responsible policies and sustainability strategy to address environmental, social and governance ("**ESG**") matters, as part of its determination to generate sustainable value for stakeholders.

APPRECIATION

I wish to take this opportunity to express my sincere appreciation to all our Directors for the exemplary governance and oversight they have provided and my deep gratitude also goes to our senior management, medical professionals and employees for their contribution, diligence and dedication in the past year. Human Health also wishes to thank all its shareholders (the "**Shareholders**") and business partners for their continuous commitment and support.

Chan Kin Ping
Chairman and Chief Executive Officer

Hong Kong, 28 September 2020

Management Discussion and Analysis

FINANCIAL REVIEW

Financial performance for FY2020

Revenue

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

	2020	2019	
	HK$'000	*HK$'000*	% of change
General practice services	**266,530**	338,687	-21.3%
Specialties services	**127,205**	125,114	1.7%
Dental services	**60,002**	64,784	-7.4%
	453,737	528,585	-14.2%

In FY2020, our Group recorded revenue amounted to approximately HK$453.7 million, representing a decrease of approximately 14.2% as compared with that for the year ended 30 June 2019 ("**FY2019**").

Our revenue from general practice services decreased by approximately HK$72.2 million or 21.3% from FY2019 to HK$266.5 million for FY2020. The decrease was mainly due to the adverse impact of the outbreak of COVID-19.

Our revenue from specialties services increased by approximately HK$2.1 million or 1.7% from FY2019 to HK$127.2 million for FY2020. The increase was mainly attributed to the increase in revenue from trading of wellness related products of HK$16.4 million offsetting by the decrease in revenue from specialties services of HK$14.3 million.

Our revenue from dental services decreased by approximately HK$4.8 million or 7.4% from FY2019 to approximately HK$60.0 million for FY2020. The decrease was mainly attributed to the decrease of patient visits from approximately 58,000 times for FY2019 to approximately 49,000 times for FY2020, offsetting by the increase in average spending per visit.

Financial performance for FY2020 *(continued)*

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:

	2020 **HK$'000**	2019 HK$'000	% of change
Fees payable to doctors and dentists	**195,972**	223,051	-12.1%
Cost of pharmaceutical supplies	**65,691**	55,515	18.3%
Laboratory expenses	**1,786**	2,317	-22.9%
Write-down/(reversal of write-down) of inventories to net realisable value	**449**	(538)	183.5%
	263,898	280,345	-5.9%

Our cost of services rendered decreased by approximately HK$16.4 million or 5.9% to approximately HK$263.9 million for FY2020. Such decrease was mainly due to a decrease in fees payable to doctors and dentists caused by the decrease in revenue.

Gross profit and gross profit margin

Our gross profit decreased by approximately HK$58.4 million or 23.5% from FY2019 to approximately HK$189.8 million for FY2020 as a result of the decrease in revenue. Our gross profit margin decreased from approximately 47.0% for FY2019 to approximately 41.8% for FY2020 as a result of the percentage decrease in revenue being higher than the percentage decrease in cost of services rendered.

The following table sets forth breakdown of our gross profit and gross profit margin by segments:

	Year ended 30 June			
	2020		2019	
	HK$'000	***Gross profit margin %***	*HK$'000*	*Gross profit margin %*
General practice services	**127,375**	**47.8%**	176,053	52.0%
Specialties services	**38,755**	**30.5%**	45,885	36.7%
Dental services	**23,709**	**39.5%**	26,302	40.6%
	189,839	**41.8%**	248,240	47.0%

Financial performance for FY2020 *(continued)*

Gross profit and gross profit margin *(continued)*

Our gross profit margin for general practice services decreased from approximately 52.0% for FY2019 to approximately 47.8% for FY2020 mainly as a result of the percentage decrease in revenue being higher than the percentage decrease in cost of services rendered.

Our gross profit margin for specialties services decreased from approximately 36.7% for FY2019 to approximately 30.5% for FY2020 mainly as a result of the increase in cost of pharmaceutical supplies in FY2020.

Our gross profit margin for dental services slightly decreased from approximately 40.6% for FY2019 to approximately 39.5% for FY2020.

Other income and gains

Our other income and gains increased by approximately HK$8.7 million or 339.1% from approximately HK$2.6 million for FY2019 to approximately HK$11.2million for FY2020 mainly due to the subsidies provided by the government under the Employment Support Scheme of approximately HK$3.4 million and the rent concession provided by the landlords of the medical centres of the Group of approximately HK$6.2 million.

Administrative expenses

Our administrative expenses decreased by approximately HK$3.9 million or 1.8% from approximately HK$212.3 million for FY2019 to approximately HK$208.4 million for FY2020 mainly due to the decrease in legal and professional fee of approximately HK$3.3 million.

Loss on disposal of financial assets measured at amortised costs

Loss on disposal of financial assets measured at amortised costs represents the loss on disposal of loan receivable from ASANA Global Group Limited ("**ASANA**") of approximately HK$4.7 million in FY2020.

Financial performance for FY2020 *(continued)*

Other losses

Other losses represent the losses on change of fair value of financial assets at fair value through profit or loss of approximately HK$21.1 million for FY2020, which is mainly attributable to the loss on change of fair value of (i) investment in Heals Healthcare (Asia) Limited ("**Heals Healthcare**", formerly known as Heals Healthcare Limited); (ii) investment in New Journey Healthcare LP (the "**Limited Partnership**"); (iii) investment in AMORV Co., Limited ("**AMORV**"); and (iv) the convertible bonds issued by ASANA.

The Group appointed an independent valuer to conduct valuation for each of the investment in Heals Healthcare, the Limited Partnership and AMORV and the convertible bonds issued by ASANA.

(i) Investment in Heals Healthcare

As at 30 June 2019 and 30 June 2020, the fair value of the investment in the 156,667 shares of Heals Healthcare (the "**First Tranche Subscription Shares**"), which classified for the fair value through other comprehensive income, held by the Group had been based on market approach with reference to enterprises value to Sales ("**EV/Sales**") in determining the equity value of Heals Healthcare. The fair value of investment in the First Tranche Subscription Shares was derived from the percentage shareholding in Heals Healthcare held by the Group based on the equity value of Heals Healthcare.

The fair value of the derivatives, being the interests of Actwise Limited in the second tranche subscription shares and third tranche subscription shares to be issued to the Group (the "**Second Tranche Subscription Shares and Third Tranche Subscription Shares**"), which classified for the fair value through profit or loss, has been estimated using scenario analysis by considering alternative possible outcomes as at 30 June 2019 and 30 June 2020.

The Group considered the market approach is appropriate as compared to income and cost approaches.

During FY2020, as conditions related to the Second Tranche Subscription Shares and Third Tranche Subscription Shares were not fulfilled, which arose from the digital healthcare platform not being delivered as agreed (for details, please refer to section headed "Significant Investments" in the "Management Discussion and Analysis" of this annual report), a loss of fair value of the investment in Heals Healthcare of approximately HK$13.2 million was recorded.

(ii) Investment in the Limited Partnership

On 29 May 2019, the Group subscribed partnership interests in the Limited Partnership at RMB30 million. As at 30 June 2020, the fair value of the investment in the Limited Partnership held by the Group had been estimated based on market approach with reference to price-to-book ratio ("**P/B Ratio**") in determining the equity value of New Journey Hospital Group Limited, which is the investment target of the Limited Partnership. The fair value of investment in the Limited Partnership was derived from the percentage shareholding in New Journey Hospital Group Limited indirectly held by the Group based on the equity value of New Journey Hospital Group Limited. The Group considered the market approach is appropriate as compared to income and cost approaches.

Financial performance for FY2020 *(continued)*

Other losses *(continued)*

(ii) Investment in the Limited Partnership (continued)

Due to the deterioration of economic environment arising from the outbreak of COVID-19 during FY2020, as at 30 June 2020, a loss of fair value of the investment in the Limited Partnership of approximately HK$1.7 million was recorded.

(iii) Investment in AMORV

As at 30 June 2019, the fair value of the investment in the 6% of the issued share capital of AMORV held by the Group had been estimated based on market prices of recent transactions of the investment. Since there was no market price of recent transactions of the investment as at 30 June 2020, market approach with reference to P/B Ratio was adopted as the valuation methodology in determining the equity value of AMORV. The Group considered the market approach is appropriate as compared to income and cost approaches. The fair value of investment in AMORV was further derived from equity allocation method under Black-Scholes option pricing model.

Given that there is a decrease in the P/B Ratio of comparable companies of AMORV and a decrease in the book value of AMORV from 30 June 2019 to 30 June 2020 due to downturn of performance, as at 30 June 2020, a loss of fair value of the investment in AMORV of approximately HK$1.0 million was recorded.

(iv) Convertible bonds issued by ASANA

On 26 June 2020, the Group entered into a sale and purchase agreement pursuant to which, inter alia, the Group shall sell the 5 percent guaranteed fixed rate convertible bonds due in 2021 in the principal amount of HK$10.3 million issued by ASANA (the "**Convertible Bonds**"). The assignment of the subscription agreement in relation to the Convertible Bonds and the instrument constituting the Convertible Bonds was completed on 26 June 2020. For details, please refer to the section headed "Convertible Bonds Issued By and Loan Advanced To ASANA" in the "Management Discussion and Analysis" of this annual report. Due to the sale of the Convertible Bonds on 26 June 2020, the Group had estimated its fair value based on market approach on the equity value of ASANA and binomial option pricing model on the Convertible Bonds. Due to the deterioration of economic environment arising from the outbreak of COVID-19 during FY2020, as at 30 June 2020, a loss of fair value of the Convertible Bonds of approximately HK$6.0 million was recorded.

Financial performance for FY2020 *(continued)*

Finance costs

Our finance costs were approximately HK$4.7 million for FY2020 (FY2019: HK$0.2 million) due to the interest expenses on lease liabilities of HK$4.1 million being recognised after adoption of "HKFRS 16 Leases".

Share of losses of a joint venture and an associate

Our share of losses of a joint venture and an associate decreased by approximately HK$2.4 million or 67.9% from approximately HK$3.6 million for FY2019 to approximately HK$1.1 million for FY2020.

On 7 April 2020, the shareholders of Pingan Yingjian Medical Management (Shanghai) Limited* (平安盈健醫療管理(上海)有限公司) ("**Pingan Yingjian**") passed a resolution for the change of terms of the articles of association of Pingan Yingjian, in particular to the rights of the shareholders and directors of Pingan Yingjian in certain reserved matters. Due to the above change, the Group lost its joint control position in Pingan Yingjian, but retained its significant influence. Thus, the investment in Pingan Yingjian has been re-classified as investment in an associate.

Income tax expense

Income tax expense decreased by approximately HK$7.0 million or 83.7% from approximately HK$8.4 million for FY2019 to approximately HK$1.4 million for FY2020. The decrease was mainly due to a decrease in assessable income. Our effective tax rate decreased from approximately 24.1% for FY2019 to approximately -3.5% for FY2020.

Loss for the year

As a result of the foregoing, a loss of approximately HK$40.4 million for FY2020 was recorded as compared to the profits of approximately HK$26.3 million for FY2019. Our net profit margin of the Group was approximately -8.9% and 5.0% for FY2020 and FY2019 respectively.

Loss attributable to owners of the Company

The Group's loss attributable to owners of the Company was approximately HK$40.4 million for FY2020 as compared to the profits attributable to the owners of the Company of approximately HK$26.6 million for FY2019. The decrease was primary due to (i) the adverse impact of the COVID-19 outbreak on the business operation of the Group during FY2020, in particular the decrease in revenue which was mainly due to the decrease in revenue in general practice services; (ii) decrease in gross profit which was mainly due to the decrease in revenue; (iii) loss recognised from the disposal of convertible bonds issued by and loan receivable from ASANA; and (iv) the increase in fair value loss of the Group's financial assets through profits or loss for FY2020, as compared with the fair value gain of the Group's financial assets through profits or loss for FY2019.

* *for identification purpose only*

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

Business Review for FY2020

The most influential event that happened in FY2020 must be the outbreak of COVID-19, which has been causing unprecedented influence on our business. Under such a challenging environment, despite the difficulties and set-backs faced by the Group, the Company strived to maintain our development focus and implement our business strategies by expanding the scope of services and providing quality health-care services to the customers.

Due to the global outbreak of COVID-19 in early 2020, similar to other industries, the business of the Group has been severely affected. Following the gradually tightened anti-epidemic measures taken by the Hong Kong government, citizens practised social distancing and the consumer spending plunged. The compulsory quarantine measures adopted by the Hong Kong government also led to the drastic reduction of the foreign visitors and mainland residents visiting Hong Kong and the business conditions deteriorated further. In fact, the medical industry including the Group bore the brunt of the epidemic. The impact to the business of the Group mainly arising from the decline in patient visits due to the significant increase in public health awareness as well as mask-wearing practice, which prevent the spreading of other infectious diseases. Similarly, patients might postpone or defer medical treatment to avoid any risk of infection. Our medical aesthetics business was also being affected by the operation suspension measures adopted by the Hong Kong government.

In view of the business downturn and being the leading private medical services provider in Hong Kong, the Group adopted various strategies to survive in the market. The Group participated in the Enhanced Laboratory Surveillance Programme of the Centre of Health Protection in which all of our medical centers with general practice services would provide the COVID-19 test using "RT-PCR" technology which possesses higher sensitivity than general antibodies quick test. In terms of healthcare infrastructure, the Group launched tele-medicine which allows our health care professionals to evaluate, diagnose and treat patients at a distance using telecommunications technology, which can greatly reduce social contact and spreading of virus.

Furthermore, the Group continues to focus on providing excellent healthcare services to our customers as well as development of the wellness and medical aesthetics services. Following the launch of the wellness centre and medical aesthetic centre, the Group puts efforts on providing add-on 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. With an aim to provide advanced and premium medical aesthetic treatment, our professional team designs safe and reliable medical aesthetic treatment programmes and tailor-made skin care services to address the needs of the customers.

During FY2020, we continued our collaboration with different kinds of organisations to extend our scope of services. Having developed qualified healthcare facilities and a professional team with various qualifications, the Group aims at providing outstanding medical services to the customers at a competitive price to further expand and strengthen the customer base.

Business Review for FY2020 *(continued)*

To align with our development focus on the expansion of service scope, several specialties services have been newly added to our existing high-quality specialties services during FY2020, which fully illustrate the diversity of our services and the Group's determination to cater various needs of the public.

It is worth mentioning that the revenue from the medical centre of our associate, Shanghai Human Health Integrated Medical Centre* (上海盈健門診部) increased by approximately 120.8% from FY2019 to approximately HK$19.2 million for FY2020. The notable growth from this sector not only represented the achievement in strategic allocation of resources, but also proven the successful strategy of introducing medical aesthetic services to the People's Republic of China (the "**PRC**") market. The Group will keep an eye on the market needs in the PRC as well as assess the performance of this sector periodically.

With the Group capable of providing excellent quality medical care services, its patient base grew from approximately 2.23 million in FY2019 to approximately 2.32 million in FY2020, however, due to the impact of COVID-19, our patient visits during FY2020 were approximately 0.85 million which had significantly decreased as compared with FY2019.

As at 30 June 2020, the Group operated 65 medical centres in Hong Kong under the following brand names with 124 service points.

* *for identification purpose only*

Business Review for FY2020 *(continued)*

During FY2020, the Group provided the following comprehensive healthcare services in Hong Kong:

General Practice Services	Specialties Services	Dental Services
• General consultation • Diagnostic and preventive healthcare services • Minor procedures • Vaccinations • Physical check-ups • Health education activities • Occupational health advices • Work injury assessment • Chinese medicine • Telemedicine	Specialties • 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 Other Services • Physiotherapy • Clinical psychology • Medical aesthetic • Medical diagnostic • Endoscopy • Wellness Services	• General Dentistry • Dental implant • 3D guided implant surgery • Crown and bridge • Periodontal Treatment • Prosthodontics • Oral surgery • Orthodontics • Endodontics • Bleaching • One-hour tooth whitening • Veneers and laser dentistry • Advanced oral and maxillofacial surgery • CAD/CAM Dentistry • Panoramic radiography • Cone-beam computed tomography

The Group has a prominent market position attributable to its experienced and stable professional team comprising general practitioner, specialist, dentist and others such as physiotherapist, radiographer, registered nurse, pharmacist and dental hygienist.

Set forth below is the number of medical professionals serving exclusively on the Group as at 30 June 2020:

General practitioners	**48**
Specialists	**20**
Dentists	**14**
Others	**9**
Total	**91**

As for medical professionals not exclusively serving the Group, they included general practitioner, specialist, dentist, clinical psychologist, radiographer and registered nurse and numbered at 117 as at 30 June 2020.

Business Review for FY2020 *(continued)*

The Group's clientele comprises individual and corporate customers, the latter including medical scheme management companies, insurance companies and corporations. In FY2020, revenue generated from individual customers and corporate customers accounted for respectively approximately 74.1% and 25.9% of the Group's total revenue.

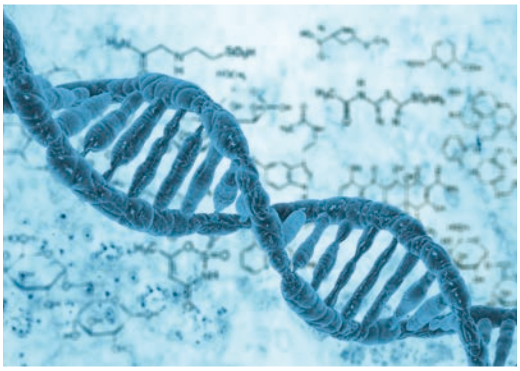
The Group has contractual relationship with its suppliers including general practitioner, specialist, dentist and clinical psychologist, all of whom are in consultancy arrangements with us, and also pharmaceutical products distributor and manufacturer, laboratory and medical imaging centre. For FY2020, the five largest suppliers accounted for approximately 14.5% of the Group's total cost of services rendered and the largest supplier alone accounted for approximately 4.9%.

Business Outlook

Even though it has been lasting for more than six months, the raging epidemic threatens people around the world as it remain very volatile and no vaccine has yet been successfully developed. It is expected that people's health consciousness will be maintained at high level and preventive measures against infectious diseases will continue to be adopted, which is likely to have a continuing negative impact on our business. Nevertheless, being a conscientious medical group with corporate social responsibility, the Group is obliged and plays an important role, especially under such critical moment, to safeguard the community by ways of exploring possible participation in the programmes launched by the Hong Kong Government and enhancing medical technology as well as delivering comprehensive and exemplary health services without deviating from our core values "Empathetic" (仁心), "Earnest" (稱心), "Evolutionary" (創新) and "Ethical" (求真).

On the other hand, the Group understands the demand of healthcare services especially the COVID-19 test and tele-medicine services will be increased. In addition to maintaining and enhancing our existing healthcare services, the Group will continuously develop, research and explore new medical solutions and compatible services which cover disease prevention, cure and rehabilitation to satisfy the overwhelming demand of our customers in an efficient and effective manner.

Facing the current adversity, the Group is conservative about the economic environment in the future and it is clear that the Company need to adjust the business focus so as to respond to the change of the lifestyles of our customers after COVID-19. For the year ahead, apart from maintaining our high-quality services, the Group will endeavor to develop towards the direction of e-commerce, which is also a major trend in the medical industry, make good use of the developed online platform to match up with the development of other services including e-shop, smart clinic and tele-medicine, etc., which allow customers to enjoy one-stop services from medical consultation to consumption without leaving home. In the meantime, the Group will enhance its information technology infrastructure and boost the operating effectiveness and efficiency of its medical centres to provide high quality services to the community and contribute to the alleviation of epidemic in Hong Kong.



Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group had net current assets of approximately HK$62.3 million (as at 30 June 2019: approximately HK$128.3 million), which included cash and cash equivalents and pledged deposits of approximately HK$124.7 million (as at 30 June 2019: approximately HK$160.7 million) and interest-bearing bank borrowings of approximately HK$15.6 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). As at 30 June 2020, the Group had unutilised loan facility of approximately HK$34.4 million (as at 30 June 2019: approximately HK$40.5 million). The decrease in net current assets was mainly due to the recognition of lease liabilities upon the adoption of HKFRS 16 "Leases" of approximately HK$52.4 million. All the interest-bearing bank borrowings 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 30 June 2020, the Group's gearing ratio, which is net debt divided by the adjusted capital plus net debt, is approximately 5.7% (as at 30 June 2019: approximately 2.9%), and net debt-to-equity ratio is approximately 6.0% (as at 30 June 2019: approximately 3.0%).

CAPITAL STRUCTURE

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

CHARGES ON GROUP ASSETS

As at 30 June 2020, a fixed deposit of approximately HK$1.0 million has been pledged to a bank to secure overdrafts of the Group (as at 30 June 2019: approximately 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 30 June 2019: approximately 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 or other financial instruments 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, 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.

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 (the "**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**", a period of 12 months immediately following a preparation period which shall be a period of 6 months following the date of the Heals Subscription Agreement or 12 months following the date of the Heals Subscription Agreement if the preparation period is extended); and (iii) the Third Tranche Subscription Shares shall be synergy consideration II which is the KPIs achievement by the Company's network in respect of the 12 months period after the Initial KPIs Measurement Period.

Details of the Business Alliance Agreement and the 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, 10 December 2018 and 9 April 2020. As at 30 June 2020, 156,667 shares of Heals Healthcare, which represent approximately 8.7% of the issued share capital of Heals Healthcare, was held by Actwise.

The investment in Heals Healthcare is stated at fair value. The fair value of 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 30 June 2020, the fair value of the Subscription Shares and the related derivatives amounted to approximately HK$12.3 million (refer to note 17 to the financial statements of this annual report), which represents approximately 2.9% of the total assets of the Group as at 30 June 2020. A fair value loss of approximately HK$13.2 million was recorded as at 30 June 2020. For details, please refer to the section headed "Other Losses" in the "Management Discussion and Analysis" of this annual report. No dividend was received from this investment by the Group in FY2020.

The investment strategy of the Group in Heals Healthcare would be enjoying the potential economic benefit as a shareholder of Heals Healthcare.

SIGNIFICANT INVESTMENTS *(continued)*

(i) *(continued)*

As stated in the announcement of the Company dated 9 April 2020, due to the protest movement in Hong Kong in the second half of 2019 and the outbreak of the COVID-19 in Hong Kong in the end of January 2020, the building and development of the initial features of the Platform was being affected and was not fully completed in accordance with the terms of the Business Alliance Agreement. On 7 October 2020, the Company, Actwise and Heals Healthcare entered into a deed of termination to the Business Alliance Agreement and the Heals Subscription Agreement (the "**Deed of Termination**") to (i) terminate the Business Alliance Agreement and the Heals Subscription Agreement on the date of the Deed of Termination; and (ii) set out the disposal arrangements to the Consideration Shares and the First Tranche Subscription Shares following the termination of such agreements. For details, please refer to the announcement of the Company dated 7 October 2020.

(ii) On 29 May 2019, Actwise and Inno Healthcare Limited ("**Inno Healthcare**"), the general partner of the Limited Partnership, entered into a subscription agreement (the "**LP Subscription Agreement**"), pursuant to which Actwise subscribed for partnership interests in the Limited Partnership with the capital commitment of RMB30 million. 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**"). As a result of the change of composition of the Limited Partnership in November 2019, Actwise was the holder of approximately 73.2% of the partnership interest in the Limited Partnership as at 30 June 2020. 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.

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 and the Limited Partnership Agreement 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 30 June 2020, the fair value of the investment in the Limited Partnership amounted to approximately HK$32.4 million (refer to note 18 to the financial statements of this annual report), which represents approximately 7.6% of the total assets of the Group as at 30 June 2020. A fair value loss of approximately HK$1.7 million was recorded as at 30 June 2020. For details, please refer to the section headed "Other Losses" in the "Management Discussion and Analysis" of this annual report. No dividend was received from this investment by the Group in 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.

SIGNIFICANT INVESTMENTS *(continued)*

(iii) On 11 January 2019, Actwise, entered into a series A share purchase agreement, pursuant to which Actwise shall subscribe for 3,261 redeemable preference shares in AMORV, which represents 6% of the enlarged issued share capital of AMORV upon completion at a total consideration of US$3.0 million. AMORV and its subsidiaries (the "**AMORV Group**") are principally engaged in the development of medical devices and platform as home screening tool for sleeping disorder, respiratory and cardiovascular related diseases, and certain products of AMORV Group have obtained approvals from the Food and Drug Administration of the United States of America. The subscription in the redeemable preference shares in AMORV was completed on 18 January 2019.

The investment of the Group in AMORV 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 30 June 2020, the fair value of the investment in AMORV amounted to approximately HK$22.5 million (refer to note 18 to the financial statements of this annual report), which represents approximately 5.3% of the total assets of the Group as at 30 June 2020. A fair value loss of approximately HK$1.0 million was recorded as at 30 June 2020. For details, please refer to the section headed "Other Losses" in the "Management Discussion and Analysis" of this annual report. No dividend was received from this investment by the Group in FY2020.

The investment strategy of the Group in AMORV is on one hand to enjoy the potential economic benefit as a shareholder of AMORV and, on the other hand to enhance the business collaboration between the Group and the AMORV Group in the provision of comprehensive, one-stop and quality healthcare services to the public.

CONVERTIBLE BONDS ISSUED BY AND LOAN ADVANCED TO ASANA

On 21 September 2018, (i) We Health International Limited, a wholly owned subsidiary of the Company ("**We Health**"); (ii) 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 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$30.95 million 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$17.2 million 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$13.75 million at an interest rate of 5% per annum ("**Facility B**").

CONVERTIBLE BONDS ISSUED BY AND LOAN ADVANCED TO ASANA *(continued)*

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.

Due to the impact of the outbreak of COVID-19 in early 2020, the business performance of ASANA and its subsidiaries (the "**ASANA Group**") has deteriorated and in order to support its daily operation and its business sustainability, the ASANA Group would require further funding. After considering different options available, in light to the current market conditions, the Board considers that the paramount concern of the Group is to adopt a conservative approach to its business and operations and maintain a sufficient reserve of cash and working capital in order to ensure the stable running of its business and operations. Further, despite the efforts to turn around the business of the ASANA Group, its net liabilities position are still considerable meaning that any further investment by the Group in the ASANA Group will not match the Group's business plan. As such, the Group considers that it is in its best interest to dispose of its investment in the ASANA Group as soon as possible in order to mitigate any further potential loss in the future given the uncertain outlook of the ASANA Group rather than taking the risk of injecting further funds into the ASANA Group or expending further capital in order to take any enforcement action.

As such, on 26 June 2020, We Health as vendor and Diva Achiever Limited ("**Diva Achiever**") as purchaser entered into a sale and purchase agreement (the "**ASANA SPA**") pursuant to which We Health agreed to (i) sell and Diva Achiever agreed to purchase the Convertible Bonds; and (ii) assign and Diva Achiever agreed to accept the assignment of the Facility Agreement, the Share Charge, the ASANA Subscription Agreement and the instrument constituting the Convertible Bonds (collectively the "**Assigned Documents**"), for a total consideration of HK$12.0 million.

As part of the transactions contemplated under the ASANA SPA, on 26 June 2020 We Health and Diva Achiever entered into a deed of assignment pursuant to which We Health assigned its rights and benefits under the Assigned Documents to Diva Achiever and the Diva Achiever agreed to accept the assignment of all the rights and benefits under the Assigned Documents.

As a result of the completion of the sale of the Convertible Bonds and the assignment of the Assigned Documents, the Group recognised a fair value loss of approximately HK$6.0 million and a loss on disposal of financial assets measured at amortised costs of approximately HK$4.7 million in FY2020.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There was no material acquisition or disposal of subsidiaries, associates and joint ventures during FY2020.

CAPITAL COMMITMENTS

	As at 30 June	
	2020	2019
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Capital expenditures	**337**	110

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2020.

EMPLOYEES

As at 30 June 2020, the Group had 362 full-time employees (as at 30 June 2019: 395) and 114 part-time employees (as at 30 June 2019: 82).

We recruit personnel from the open market and we formulate our recruitment policy based on market conditions, our business demand and expansion plans. We offer different remuneration packages to our employees based on their position. Generally, we pay basic salary and incentives (based on years of service) to all of our employees. To enhance the quality of our services, we adopt prudent assessment criteria when selecting the Group's professional staff including physiotherapist, radiographer, pharmacist, registered nurse and dental hygienist, and take into account a number of factors such as experience, skills and competencies. We assess their credentials and suitability through interviews and aptitude tests as appropriate. We also provide training programmes regularly for our employees at different levels. Details of our human resources programs, training and development are set out in the "Environmental, Social and Governance Report" of this annual report.

Management Discussion and Analysis

USE OF PROCEEDS FROM THE LISTING

Net proceeds from the listing of the shares of the Company (the "**Shares**" and each a "**Share**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 1 April 2016 (the "**Listing**") amounted to approximately HK$84.8 million (including the net proceeds from the full exercise of the over-allotment option which took place on 21 April 2016), and are intended to be applied in the manner consistent with that set out in the prospectus of the Company dated 17 March 2016. For the period commencing from the Listing to 30 June 2020, the proceeds has been utilised as follows:

	Net proceeds *HK$ million*	**Utilised amounts** *HK$ million*	**Unutilised amounts** *HK$ million*
Expansion of network in Hong Kong by setting up six new specialist medical centres	39.1	37.3	1.8
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	6.7	1.8
	84.8	66.7	18.1

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

EXECUTIVE DIRECTORS

Mr. CHAN Kin Ping, JP (陳健平) (formerly known as Chan Kin Ping (陳建平)) ("**Mr. Chan**"), aged 56, is the chairman of the Board, chief executive officer of our Group and an executive Director. Mr. Chan is also one of the co-founders of our Group and has since then been leading our Group for over 20 years to serve in the private healthcare industry. He is responsible for managing the overall operations and developments and formulating the overall business plans of our Group. As at the date of this annual report, Mr. Chan held directorship in each of the members of the Group except Healthvision (Asia) Limited, Win Ocean Limited and Human Health Enterprise Management Consulting (Shanghai) Co., Ltd.* (盈健企業管理諮詢(上海)有限公司) ("**Yingjian Qiye**").

Mr. Chan obtained a degree of Master of Business Administration from the University of South Australia in August 2008.

In September 2020, Mr. Chan was appointed as the Permanent Honorary President cum director of Hong Kong Kowloon City Industry and Commerce Association. Mr. Chan is currently serving as the Chairman of Kowloon West Youth Care Committee and the 3rd Vice-Chairman of The Lok Sin Tong Benevolent Society, Kowloon. Mr. Chan is currently serving as the vice chairman of the advisory board to Auxiliary Medical Services Officers' Club. Moreover, Mr. Chan has been a director of the Hong Kong Shanxi Chamber of Commerce and an ordinary member of the Hong Kong Professionals and Senior Executives Association since May 2014 and November 2013, respectively. He has also been the Vice President of the Hong Kong Real Property Federation since September 2013.

Mr. Chan is the husband of Dr. Pang Lai Sheung, the chief medical officer of our Group and an executive Director, and the uncle of Mr. Poon Chun Pong, the chief operating officer of our Group and an executive Director.

Mr. Chan is a director of Treasure Group Global Limited ("**Treasure Group**"), the controlling shareholder of the Company.

Dr. PANG Lai Sheung (彭麗嫦) ("**Dr. Pang**"), aged 53, was appointed as the chief medical officer of our Group and is an executive Director. Dr. Pang is one of the co-founders of our Group. Dr. Pang is mainly responsible for overseeing and providing advice on the management of our professional team and has contributed significantly to the developments of our Group. As at the date of this annual report, Dr. Pang held directorship in a number of members of the Group, namely Actmax Limited, Human Health Associate Limited, Human Health International Limited, Human Health Limited, Human Health Medical Services Limited, Human Health (H.K.) Limited, Novel Champion Limited, Novel Wiser Limited and Solid Success Global Limited.

Dr. Pang obtained degrees of Bachelor of Medicine and Bachelor of Surgery from The Chinese University of Hong Kong in 1993. Dr. Pang has been a registered medical practitioner in Hong Kong since 1993. Dr. Pang also completed a Diploma in Family Medicine and a Diploma Programme in Advances in Medicine from The Chinese University of Hong Kong in August 2001 and March 2005, respectively.

Dr. Pang was awarded a degree of Master of Business Administration issued jointly by Northwestern University and The Hong Kong University of Science and Technology in December 2014.

* *for identification purpose only*

Directors and Senior Management

EXECUTIVE DIRECTORS *(continued)*

Moreover, she has been an Honorary Clinical Assistant Professor in Faculty of Medicine of The Chinese University of Hong Kong since June 2014.

Dr. Pang is the wife of Mr. Chan, the chairman of the Board, chief executive officer of our Group and an executive Director and the aunt of Mr. Poon Chun Pong, the chief operating officer of our Group and an executive Director.

Dr. SAT Chui Wan (薩翠雲) ("**Dr. Sat**"), aged 52, joined our Group in August 2008 and was appointed as the chief financial officer of our Group in September 2013 and is an executive Director. She is mainly responsible for overseeing the financial, compliance, risk and human resources management of our Group. She has extensive working experience in accounting, finance, management and strategic planning in different industries prior to joining our Group.

Dr. Sat obtained a degree of Bachelor of Arts in Accountancy from the Hong Kong Polytechnic University in October 1992. She subsequently obtained a degree of Master of Business Administration from the University of Lancaster in the United Kingdom in November 2000 and completed the International Study Program (ISP) at the University of St. Gallen in December 2000. She also completed the City University of Hong Kong Advanced Management Programme at the University of California, Berkeley in August 2010. In February 2018, she obtained a degree of Doctor of Business Administration from the City University of Hong Kong.

Dr. Sat is a member of the Hong Kong Institute of Certified Public Accountants since September 1996. She was also admitted as an associate of the Chartered Association of Certified Accountants since July 1996 and is a fellow of the Chartered Association of Certified Accountants since July 2001.

Dr. Sat has been appointed as the independent non-executive director of Tai Hing Group Holdings Limited, a company listed on the Stock Exchange (Stock Code: 06811) since 22 May 2019.

Mr. POON Chun Pong (潘振邦) ("**Mr. Poon**"), aged 42, joined our Group in June 2003 and was appointed as the chief operating officer in September 2013. Mr. Poon is an executive Director and is mainly responsible for overseeing the overall business operations of our Group. As at the date of this annual report, Mr. Poon held directorship in a number of members of the Group, namely Be Health Specialist Limited, Healthvision (Asia) Limited, We Health Medical Diagnostic Limited, Impact Medical Imaging Centre Company Limited, Win Ocean Limited and Yingjian Qiye.

Mr. Poon obtained a degree of Bachelor of Engineering with Honours and a degree of Master of Business Administration from The Chinese University of Hong Kong in December 2000 and December 2009, respectively.

Mr. Poon has over 15 years of experience in information technology in the medical field and over 10 years of management experience as he began his career as a senior technical analyst of Human Health Associate Limited in June 2003. He was later appointed as an assistant director of Actmax Limited in April 2007 and is primarily responsible for overseeing the overall business operations of our Group.

Mr. Poon is the nephew of Mr. Chan, the chairman of the Board, chief executive officer of our Group and an executive Director, and Dr. Pang, the chief medical officer of our Group and an executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. LUI Sun Wing (呂新榮) ("**Dr. Lui**"), aged 70, was appointed as an independent non-executive Director on 27 January 2016. Dr. Lui obtained his degree of Doctor of Philosophy (Mechanical Engineering) from the University of Birmingham in the United Kingdom in July 1979 and was admitted as a member of the Hong Kong Institution of Engineers in 1985.

Dr. Lui is the former vice president of The Hong Kong Polytechnic University and was responsible for partnership development. He is also the former chief executive officer of the Institute for Enterprise, the PolyU Technology and Consultancy Company Limited and the PolyU Enterprise Limited. Prior to joining The Hong Kong Polytechnic University, Dr. Lui was the branch director of the Hong Kong Productivity Council and in charge of the Materials and Process Branch.

Dr. Lui's past and current directorships in listed companies in Hong Kong in the last three years are set forth in the following table:

Company	Stock Code	Position	Term
Eco-Tek Holdings Limited	08169	Non-executive director	Since January 2001
Shanghai Electric Group Company Limited	02727	Independent non-executive director	From December 2010 to September 2018

Mr. CHAN Yue Kwong Michael (陳裕光) ("**Mr. Michael Chan**"), aged 68, was appointed as an independent non-executive Director on 27 January 2016. He obtained a degree in Sociology and Political Science and a degree of Master of City Planning from the University of Manitoba, Canada in May 1974 and October 1977, respectively and an Honorary Fellow from Lingnan University in December 2009.

Having worked as a professional town planner for various government bodies in Hong Kong and Canada, he has considerable experience in planning and management.

Mr. Michael Chan is currently a fellow and also the honorary chairman of the Hong Kong Institute of Marketing, and the fellow member of the Hong Kong Management Association. In past years, Mr. Michael Chan was personally bestowed with the "Executive of the Year Award" by the Hong Kong Business Awards and the "Directors of the Year Award" by The Hong Kong Institute of Directors, in 2001 and 2003 respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(continued)*

Mr. Michael Chan's past and current directorships in listed companies in Hong Kong in the last three years are set forth in the following table:

Company	Stock Code	Position	Term
Cafe de Coral Holdings Limited	00341	Non-executive director	Since April 2012
Starlite Holdings Limited	00403	Independent non-executive director	Since January 1993
Pacific Textiles Holdings Limited	01382	Independent non-executive director	Since March 2007
Tse Sui Luen Jewellery (International) Limited	00417	Independent non-executive director	Since August 2010
Tao Heung Holdings Limited	00573	Non-executive director	Since March 2007
Modern Dental Group Limited	03600	Independent non-executive director	Since November 2015

Mr. SIN Kar Tim (冼家添) ("**Mr. Sin**"), aged 64, was appointed as an independent non-executive Director on 27 January 2016. Mr. Sin has extensive experience in areas of accounting, finance, administration, human resources and company secretarial.

Mr. Sin obtained a degree of Bachelor of Business Administration from The Chinese University of Hong Kong in December 1980. He is currently a fellow of the Chartered Association of Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants. He is also a fellow of the Hong Kong Institute of Directors.

Mr. Sin has been working for Wing On Group since July 1980. He is currently the chief accountant and company secretary of Wing On Company International Limited, a company listed on the Stock Exchange (Stock Code: 00289), the chief accountant of The Wing On Company Limited and a director of The Wing On Department Stores (Hong Kong) Limited and he is responsible for the group's administration, accounting and finance matters.

SENIOR MANAGEMENT

Dr. KWONG Kin Hung (鄺健鴻) ("**Dr. Kwong**"), aged 47, joined our Group in July 2003 and was appointed as a member of our doctor advisory board in August 2009 and is mainly responsible for overseeing the quality of the medical services and handling of issues in relation to the training, engagement and complaints of our professional team. Dr. Kwong is a general practitioner who graduated from the Faculty of Medicine of The University of Hong Kong in December 1998 and obtained degrees of Bachelor of Medicine and Bachelor of Surgery. He also holds a Postgraduate Diploma in Community Geriatrics from The University of Hong Kong in October 2003. Subsequently, at Monash University, he obtained a Graduate Diploma in Family Medicine in October 2007 as well as a degree of Master of Family Medicine (Clinical) in October 2008. Moreover, in March 2009, he was awarded the Diploma in Advances in Medicine by the Department of Medicine & Therapeutics of The Chinese University of Hong Kong.

Dr. Kwong is also the medical director of our Group and is an associated member of The Hong Kong College of Family Physicians. He was the President of Mount Cameron Lions Clubs, Lions Clubs International District 303 in Hong Kong, Macau and China in 2016–2017.

Dr. LEE Huen (李煊) ("**Dr. Lee**"), aged 44, joined our Group in October 2002 and was appointed as a member of our doctor advisory board in October 2012 and is mainly responsible for overseeing the quality of the medical services and handling of issues in relation to the training, engagement and complaints of our professional team. Dr. Lee is a general practitioner who obtained degrees of Bachelor of Medicine and Bachelor of Surgery from The Chinese University of Hong Kong in 2000. While at Monash University, he received a Graduate Diploma in Family Medicine in October 2005 and a Master of Family Medicine (Clinical) in April 2007. In November 2008, at the University of London, he was awarded the Post Graduate Diploma in Clinical Dermatology with merit. Dr. Lee also holds a Diploma in Advances in Medicine from the Department of Medicine & Therapeutics of The Chinese University of Hong Kong in March 2009.

Dr. CHAN Wai Hong (陳偉康), aged 53, joined our Group in October 2007 as our head of gastroenterology and hepatology unit and is responsible for overseeing the quality of the medical services provided by gastroenterology and hepatology specialists of our Group.

Dr. Chan Wai Hong graduated from the Faculty of Medicine of The Chinese University of Hong Kong in 1991 and obtained degrees of Bachelor of Medicine and Bachelor of Surgery. He was subsequently admitted as Member of Royal College of Physician (MRCP Ireland) in 2001 & Member of Royal college of Physician (MRCP UK) in 2002. He was elected as a Fellow of Hong Kong College of Physician in 2005 and a Fellow of Hong Kong Academy of Medicine (Medicine) in 2006.

Dr. Chan Wai Hong had worked in the Hospital Authority for 16 years from 1991 to 2007 and gained his enriched experience in clinical medicine and Gastroenterology & Hepatology.

Directors and Senior Management

SENIOR MANAGEMENT *(continued)*

Dr. HUI Chi Wai Frederick (許志偉) ("**Dr. Hui**"), aged 48, joined our Group in October 2009 as our head of orthopaedics and traumatology unit and is responsible for overseeing the quality of the medical services provided by orthopaedics and traumatology specialists of our Group. Dr. Hui is an orthopaedics & traumatology specialist who graduated with degrees of Bachelor of Medicine and Bachelor of Surgery from the University of Hong Kong in November 1996 and was a Member of the Royal College of Surgeons of Edinburgh in 2001. In 2006, he became a Fellow in Orthopaedic Surgery in the Royal College of Surgeons of Edinburgh, a Fellow of the Hong Kong Academy of Medicine (Orthopaedic Surgery) and, last but not least, a Fellow of Hong Kong College of Orthopaedic Surgeons. Dr. Hui has also obtained a Certificate in Advanced Trauma Life Support in 2004.

He is a member of the Hong Kong College of Orthopaedic Surgeons and the Hong Kong Orthopaedic Association. He has received overseas training in Japan and attended various medical workshops and conferences over the years. Dr. Hui has worked for various public hospitals in Hong Kong from July 1996 to July 2007.

Dr. YUEN Ka Sing Michael (袁嘉聲) ("**Dr. Yuen**"), aged 48, joined our Group in December 2009 as our head of general surgery unit and is responsible for overseeing the quality of the medical services provided by general surgery specialists of our Group. Dr. Yuen is a specialist in general surgery who graduated with degrees of Bachelor of Medicine and Bachelor of Surgery from The University of Hong Kong in November 1996 and was admitted as a Member of the Royal College of Surgeons of Edinburgh in May 2001. In 2006, Dr. Yuen became a Fellow in the College of Surgeons of Hong Kong, a Fellow in General Surgery in the Royal College of Surgeons of Edinburgh as well as a Fellow of the Hong Kong Academy of Medicine (Surgery).

Dr. Yuen had received overseas training working as honorary surgical assistant at the St. Mark's Hospital & Academic Institute in London, United Kingdom from November 2006 to February 2007. He has published articles and presented in many medical journals and conferences. Furthermore, he was appointed as the Honorary Clinical Assistant Professor at the Department of Surgery of The Chinese University of Hong Kong from 2009 to 2010.

Dr. CHAN Tat Ming (陳達明), aged 53, joined our Group in January 2010 as our head of otorhinolaryngology unit and is responsible for overseeing the quality of the medical services provided by otorhinolaryngology specialists of our Group. Dr. Chan Tat Ming is a specialist in otorhinolaryngology who graduated from the Faculty of Medicine of The University of Hong Kong in December 1992 and obtained degrees of Bachelor of Medicine and Bachelor of Surgery. He was subsequently elected as a Fellow of Royal College of Surgeons of Edinburgh in 1999 and a Fellow of Hong Kong College of Otorhinolaryngologists, a Fellow in Otolaryngology of the Royal College of Surgeons of Edinburgh and a Fellow of the Hong Kong Academy of Medicine (Otorhinolaryngology) in 2002.

Upon his graduation from The University of Hong Kong, Dr. Chan Tat Ming was employed by the Hospital Authority as a medical officer from January 1993 to March 2006, an associate consultant from April 2006 to January 2010 and joined our Group as an Otolaryngologist afterwards. He is a Registered Medical Practitioner in Hong Kong since March 1994 and a specialist in Otolaryngology in Hong Kong since February 2003. He has accumulated over 25 years of medical practicing experience, including over 15 years of experience as an Otolaryngologist in the Otolaryngology field in Hong Kong.

SENIOR MANAGEMENT *(continued)*

Dr. SETO Siu Keung (司徒少強) ("**Dr. Seto**"), aged 54, joined our Group in August 2008 and was appointed as our co-head of dental unit in July 2015 and is responsible for overseeing the quality of the dental services and providing training to dentists of our Group. As at the date of this annual report, Dr. Seto held directorship in a number of members of the Group, namely Poly Dental Services Limited ("**Poly Dental**"), Good Standard Limited ("**Good Standard**"), Laserdontics Limited ("**Laserdontics**") and Seto & Wan Dental Centre Limited ("**Seto & Wan**"). Dr. Seto is a dentist, who graduated with a Bachelor in Dental Surgery from the Faculty of Dentistry of the University of Hong Kong in December 1992. He then obtained his Diploma in General Dental Practice from The Royal College of Surgeons of England in February 1996, a Postgraduate Diploma in Dental Surgery from the University of Hong Kong in October 1999 and a Master of Science in Dental Radiology at the University of London in December 2001. In August 2004, he was awarded a Diploma in Clinical Acupuncture by The University of Hong Kong. Subsequently, Dr. Seto switched to laser dentistry where he completed a Master of Science in Lasers in Dentistry in RWTH Aachen University of Germany in September 2007 with distinction. In 2008, he was awarded the Membership in General Dentistry by The College of Dental Surgeon of Hong Kong and in 2009 he obtained the European Master Degree in Oral Laser Application.

Dr. Seto was a part time clinical lecturer in the Faculty of Dentistry of the University of Hong Kong from September 2005 to August 2015. He is currently a specialist clinical lecturer of the Laser and Health Academy and a Fellow of the International College of Continuous Dental Education. In recent years, he frequently travels to the major cities in the PRC and other Asian countries to deliver lectures, provide basic dental laser trainings and exchange ideas with local dentists.

Dr. LAU Wai Man (劉偉文) ("**Dr. Lau**"), aged 54, joined our Group in August 2008 and was appointed as our co-head of dental unit in July 2015 and is responsible for overseeing the quality of the dental services and providing training to dentist of our Group. As at the date of this annual report, Dr. Lau held directorship in a number of members of the Group, namely Poly Dental, Good Standard, Laserdontics and Seto & Wan. Dr. Lau is a dentist who graduated with a Bachelor of Dental Surgery from the University of Hong Kong in 1992, Dr. Lau later completed a Diploma of Membership of the Faculty of General Dental Practitioners from The Royal College of Surgeons of England in 2005. In 2014, he received a Membership in General Dentistry from The College of Dental Surgeons of Hong Kong.

COMPANY SECRETARY

Ms. MAN Ching Yan (文靜欣) ("**Ms. Man**") has joined our Group since May 2015. Ms. Man obtained a bachelor's degree in economics and finance from the University of Hong Kong. Ms. Man is a member of the Hong Kong Institute of Chartered Secretaries (HKICS) and the Institute of Chartered Secretaries and Administrators (ICSA). Ms. Man is a CFA charterholder and a member of the CFA Institute and The Hong Kong Society of Financial Analysts Limited.

Corporate Governance Report

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 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.

THE BOARD OF DIRECTORS

Responsibilities

The functions and duties of our Board include, but not limited to, overall strategic directions for the Group, formulating business and investment plans, preparing the annual budget and accounts, preparing proposals on profit distribution as well as performing other authorities, functions and responsibilities in accordance with the amended and restated articles of association of the Company (the "**Articles**"). Each of the executive Directors who is also the chief executive officer, chief medical officer, chief financial officer and chief operating officer, respectively together with our senior management and heads of departments have been delegated with the responsibilities to handle the day-to-day operations of the Group. The Company has adopted a formal schedule of matters specifically reserved for the Board, including but not limited to the following:

- approval for the Company's strategic plans and objectives;
- approval for significant transactions, investments and major financial matters;
- approval of announcements, circulars and reports;
- approval of connected transactions;
- approval of any matters that are recommended by the Board committee pursuant to their terms of reference.

Responsibilities *(continued)*

The Board gives clear directions to management on the matters that must be approved by it before decisions are made. The Board will review those arrangements periodically to ensure that they remain appropriate to the Group's needs.

Specifically in relation to the corporate governance function, the Board is responsible for performing, among others, the following corporate governance duties:

1. developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;

2. reviewing and monitoring the training and continuous professional development of Directors and senior management;

3. reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

4. developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to our employees and Directors; and

5. reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report.

The Board has delegated part of the above duties to the Company's Board committees, and their duties are set out in the terms of reference of the respective Board committee.

All Directors have full and timely access to all relevant information in relation to the Group as well as the advice from and services provided by the company secretary of the Company (the "**Company Secretary**"), if and when required, with a view to ensure that all applicable rules and regulations are being complied with.

There are established procedures for Directors, upon reasonable request, to seek independent advice in appropriate circumstances for them to discharge their duties and responsibilities, at the Company's expenses.

The Company has arranged appropriate liability insurance for the Directors and officers of the Group to indemnify their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

Corporate Governance Report

Composition

The Board currently consists of seven Directors comprising four executive Directors and three independent non-executive Directors.

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

The biographical details of each Director are set out in the "Directors and Senior Management" of this annual report.

Chairman of the Board and Chief Executive Officer

Mr. Chan acts as the chairman of the Board and chief executive officer of the Group.

The key role of the chairman of the Board is to provide leadership to the Board. In performing his duties, the chairman of the Board shall ensure that the Board functions effectively when discharging its responsibilities by encouraging Directors to make active contribution to the Board's affairs. The chairman of the Board also ensures that good corporate governance practices and procedures are established and the Board acts in the best interest of the Company.

The key role of chief executive officer is to be responsible for the day-to-day management and operations of the business of the Group. The duties of chief executive officer mainly include, but not limited to, providing leadership and supervising the effective management of the Group; monitoring and controlling the financial and operational performance of various divisions; and implementing the objectives and strategies approved by the Board and policies adopted by the Group.

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three independent non-executive Directors, of whom Mr. Sin has appropriate professional qualifications and related experiences in financial matters.

The Company has received written confirmation from each of the independent non-executive Directors confirming his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by the shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. The term of appointment of each non-executive Director are three years.

Pursuant to article 83(3) of the Articles, the directors shall have the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy on the board or as an addition to the existing board. Any director appointed by the board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any director appointed by the board as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Pursuant to articles 84(1) and 84(2) of the Articles, notwithstanding any other provisions in the Articles, at each annual general meeting one third of the directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one third) shall retire from office by rotation provided that every director shall be subject to retirement at an annual general meeting at least once every three years. A retiring director shall be eligible for re-election and shall continue to act as a director throughout the meeting at which he retires. The directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any director who wishes to retire and not to offer himself for re-election. Any further directors so to retire shall be those of the other directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any director appointed by the board pursuant to Article 83(3) shall not be taken into account in determining which particular directors or the number of directors who are to retire by rotation.

Accordingly, Mr. Chan, Mr. Poon and Mr. Michael Chan will retire as required by the Articles and the Listing Rules and, being eligible, offer themselves for re-election at the annual general meeting of the Company to be held on 2 December 2020 (the "**AGM**").

Induction and Continuous Professional Development for Directors

Each newly appointed Director will receive comprehensive induction on the first occasion of his/her appointment, so as to ensure that he/she has proper understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Induction and Continuous Professional Development for Directors *(continued)*

There are also arrangements in place for providing continuing briefing and professional development to Directors whenever necessary. The Directors are regularly briefed on relevant legal and regulatory developments, business and market changes in order to discharge their responsibilities. During FY2020, the Company has arranged in-house trainings in respect of the Listing Rules and other applicable legal and regulatory requirements to the Directors and reading material on relevant topics have been provided to the Directors for refreshing and developing their professional knowledge.

During FY2020, all Directors have been provided with regular updates on the Group's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

All Directors have provided their training records to the Company.

BOARD AND BOARD COMMITTEES MEETINGS

Regular Board meetings are scheduled to facilitate maximum attendance by the Directors and to be held at least 4 times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Group.

Apart from the regular Board meetings, the Board will meet on other occasions from time to time when a board-level decision on a particular matter is required.

Notices of regular Board meetings are served to all Directors at least 14 days before such meetings while reasonable notice is generally given for other Board meetings.

For Board committee meetings, notices are served in accordance with the required notice period stated in the relevant terms of reference.

Agenda and accompanying papers together with all appropriate, complete and reliable information are sent to Directors or Board committee members at least 3 days before each Board or Board committee meeting to keep the Directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. Directors are given the opportunity to include matters in the agenda for Board or Board committee meetings. The Board and each Director also have separate and independent access to the management of the Group whenever necessary.

Minutes of all Board meetings, Board committee meetings and general meetings recording sufficient details of matters considered and decisions reached, are kept by the Company Secretary, and are opened for inspection by the Directors. Draft and final versions of minutes are sent to all Directors or Board committee members for comments within a reasonable time after the meetings.

Board Meetings and Other Meetings

During FY2020, six Board meetings were held when the following key issues were, among others, reviewed and considered:

- annual and interim financial statements and the related results announcements and reports;
- corporate governance practice, internal control and risk management;
- connected transactions;
- distribution of dividend, circular and other documentations for the annual general meeting of the Company;
- environmental, social and governance reporting matters;
- budget plan for the year ending 30 June 2021;
- investment transactions and related announcements; and
- change of auditors.

Attendance records of the Directors are set out below:

	Meetings attended/held
Executive Directors	
Mr. Chan Kin Ping, JP	6/6
Dr. Pang Lai Sheung	6/6
Dr. Sat Chui Wan	6/6
Mr. Poon Chun Pong	6/6
Independent Non-executive Directors	
Dr. Lui Sun Wing	6/6
Mr. Chan Yue Kwong Michael	6/6
Mr. Sin Kar Tim	6/6

During FY2020, one meeting was held between the chairman of the Board and the independent non-executive Directors without the executive Directors present. An annual general meeting was held and all Directors attended.

Board Committees

The Board has established three Board committees, namely the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") for overseeing particular aspects of the Group's affairs. All Board committees of the Company are established with defined written terms of reference which are posted on the Company's and the Stock Exchange's websites.

The majority of the members of each Board committee are independent non-executive Directors. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely:

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

None of the members of the Audit Committee is a former partner of the Company's existing external auditor. The main duties of the Audit Committee include, among others, the following:

(a) making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(b) monitoring integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them;

(c) reviewing the Company's financial controls, risk management and internal control systems;

(d) discussing the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems;

(e) considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(f) ensuring co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

Audit Committee *(continued)*

(g) review the group's financial and accounting policies and practices;

(h) reporting to the Board on the matters in relation to the corporate governance functions;

(i) reviewing continuing connected transactions of the Company and ensuring compliance with the Listing Rules; and

(j) ensuring the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function.

During FY2020, three meetings of the Audit Committee were held when, among others, the following key issues were reviewed and considered and recommendations were made to the Board where appropriate:

- the nature and scope of the audit by reference to the audit plan presented by the auditor;
- the independence of the auditors;
- the appointment of new auditor;
- the audit findings by the auditor and the auditor's management letter;
- the annual and interim financial statements and related results announcements;
- the corporate governance practice, the internal audit plan, internal control system and risk management; and
- the continuing connected transactions of the Group.

Attendance records of the members of Audit Committee are set out below:

Audit Committee members	**Meetings attended/held**
Mr. Sin Kar Tim *(Chairman)*	3/3
Dr. Lui Sun Wing	3/3
Mr. Chan Yue Kwong Michael	3/3

Remuneration Committee

The Remuneration Committee comprises the Chairman of the Board and three independent non-executive Directors, namely:

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

The main duties of the Remuneration Committee include, among others, the following:

(a) making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration;

(b) reviewing and approving management's remuneration proposals with reference to the Board's corporate goals and objectives resolved by the Board from time to time;

(c) making recommendations to the Board on the remuneration packages of individual Directors and senior management;

(d) reviewing, recommending and approving the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment; and

(e) establishing transparent procedures for developing remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, whose remuneration shall be determined by reference to the performance of the individual and the Group as well as market practice and conditions.

During FY2020, two meetings of the Remuneration Committee were held when, among others, the following key issues were reviewed and considered and recommendations were made to the Board where appropriate:

- the remuneration package of executive Directors by assessing their performance; and
- the bonus proposal of the executive Directors.

Attendance records of the members of Remuneration Committee are set out below:

Remuneration Committee members	Meetings attended/held
Dr. Lui Sun Wing *(Chairman)*	2/2
Mr. Chan Kin Ping, JP	2/2
Mr. Chan Yue Kwong Michael	2/2
Mr. Sin Kar Tim	2/2

Nomination Committee

The Nomination Committee comprises the Chairman of the Board and three independent non-executive Directors, namely:

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

The main duties of the Nomination Committee include, among others the following:

(a) formulating nomination policy for the Board's consideration and implementing the Board's approved nomination policy;

(b) reviewing the Board diversity policy and the progress on achieving the objectives set for implementing the said policy;

(c) reviewing the structure, size and composition (including the skills, knowledge, experience and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(d) identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships;

(e) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman of the Board and the chief executive officer of the Group; and

(f) assessing the independence of independent non-executive Directors.

A policy on Board diversity has been reviewed by the Board and which sets out the approach to achieve the diversity of the Board. With a view to achieving a sustainable and balanced development, the Company considers diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. Selection of candidates as the Board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee considers that the Board's composition is balanced and diverse as the Board members involve different age groups, genders, professional experience, skills and length of service and ensure the effectiveness of the policy on Board diversity.

Nomination Committee *(continued)*

A nomination policy has been adopted and reviewed by the Board annually which sets out the selection process on the selection of individual nominated for directorship. The Nomination Committee may search extensively for candidate as director of the Company from the Group or the human resources market and should actively communicate with relevant departments and evaluate the Company's demand for new Board members taking into consideration of the structure, size and composition of the Board and from the perspective of board diversity. The Nomination Committee shall gather information about the occupation, academic qualifications, position served, detailed work experience and all the concurrent posts of the candidate and seek the candidate's consent for nomination. After reviewing the qualifications of the candidate on the criteria for director of the Company, the Nomination Committee then makes recommendation to the Board regarding the candidate as director of the Company and submits the relevant information to the Board prior to the appointment of new director.

During FY2020, one meeting of the Nomination Committee was held when, among others, the following key issues were reviewed and considered and recommendations were made to the Board where appropriate:

- the nomination policy and the Board diversity policy;
- the structure, size and composition of the Board;
- training and professional development of Directors and senior management;
- the independence of independent non-executive Directors; and
- the rotation and re-election of Directors in the annual general meetings.

Attendance records of the members of Nomination Committee are set out below:

Nomination Committee members	**Meeting attended/held**
Mr. Chan Yue Kwong Michael *(Chairman)*	1/1
Dr. Lui Sun Wing	1/1
Mr. Chan Kin Ping, JP	1/1
Mr. Sin Kar Tim	1/1

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding securities transactions by the Directors. In response to a specific enquiry made by the Company, all Directors have confirmed their compliance with the Model Code during FY2020.

Directors of the subsidiaries of the Company and relevant employees (as defined in the Listing Rules) are also requested to comply with the Model Code in respect of their dealings in the Company's securities.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the Group's financial statements. The financial statements for FY2020 have been prepared in accordance with Hong Kong Financial Reporting Standards, including Hong Kong Accounting Standards and applicable Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Listing Rules and other applicable regulatory requirements.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquires, they are not aware of any material uncertainty relating to events of conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

AUDITOR'S REMUNERATION

The responsibilities of the external auditor, BDO Limited, are set out in the Independent Auditor's Report on pages 97 to 103 of this annual report.

The Audit Committee has been notified of the nature and service charges of the non-audit services performed by BDO Limited and considered that such services have no adverse effect on the independence of their audit works.

An analysis of the remuneration payable to BDO Limited, in respect of audit and non-audit services for FY2020 are set out below:

Nature of services	**Amount** *HK$'000*
Audit services	995
Non-audit services	360
The non-audit services includes tax services fee	

INTERNAL CONTROL AND RISK MANAGEMENT

The Board recognises its overall responsibility in ensuring the risk management and internal control systems of the Group and the Audit Committee is delegated with the authority from the Board to oversee the risk management and internal control systems in reviewing its effectiveness, and is committed to implementing a sound risk management and internal control systems to safeguard the interests of the Shareholders and the assets of the Group.

Effective management of risks is an essential and integral part of corporate governance and it helps to ensure that the risks encountered in the course of achieving the Group's business objectives are managed within the Group's risk profile and appetite statements. The Group has adopted and designed an Enterprise Risk Management ("**ERM**") framework to assist the Audit Committee and the Board in proactively identifying the key risks, analysing and managing the key risks with controls, and assigning risk owner for on-going monitoring and reporting, whereby an effective risk management is in place. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and would provide reasonable assurance against material misstatement or loss. A self-assessment of the risk management and control measurement has been conducted during FY2020 to identify the significant risks faced by the Group and indicators have been set to continuously monitor the effectiveness of the risk management functions.

INTERNAL CONTROL AND RISK MANAGEMENT *(continued)*

During FY2020, the Group had engaged an independent internal control consultant to perform the internal audit function after considering the expertise of the independent internal control consultant and the cost efficiency. Such internal audit function provides an independent review of the Group's ERM and internal control systems. During FY2020, the internal audit function reviewed the risk management and internal control systems and provided reasonable assurance that material misstatements or losses were prevented, potential interruption of the Group's management system was detected, and existing risks in the course of arriving at the Group's objectives were properly managed. The review covers major controls over financial, operational and compliance, and material internal control deficiencies, if any, were set out in the internal control review report with recommendations of improvement and agreed management action plan and assessed by the Audit Committee. In particular, the internal audit function has reviewed the continuing connected transactions and confirmed that internal control procedures were in place. No significant control failings or weaknesses that have been identified during FY2020, which could have had, or may in the future have, a material impact on the Group's financial performance or condition. The internal audit function reported its review results to the Audit Committee two times during FY2020 and the Audit Committee has reviewed and ensured the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's internal audit, accounting and financial reporting functions. The Board considers that the existing risk management and internal control systems are effective and adequate. The Board also considers that the Company's processes for financial reporting and Listing Rules compliance are effective.

Regarding the procedures and internal controls over the handling and dissemination of inside information, the Group has internal policy and procedures which identify and handle with inside information by designated Director and the Company Secretary and has complied with the obligations for the disclosure of inside information under the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**") during FY2020. The Board is aware of its obligations to announce any inside information in accordance with the Listing Rules and the SFO. No material unauthorised use or untimely disclosure of the inside information was notified or reported to the Board during FY2020.

COMPANY SECRETARY

Ms. Man is the Company Secretary. The Company Secretary is responsible for reporting to the Board on day-to-day duties and responsibilities and for advising the Board on governance matters and also facilitates the induction and professional development of Directors. All Directors have access to the advice and service of the Company Secretary to ensure that all applicable rules and regulations are followed. The Company Secretary also keeps proper records of all Board meetings, Board committee meetings and general meetings which are made available for inspection by the Directors at all reasonable times. Ms. Man's biographical details are set out in the paragraph headed "Company Secretary" in the "Directors and Senior Management" of this annual report. Ms. Man had complied with the professional training requirement under the Listing Rules during FY2020.

SHAREHOLDERS' RIGHTS

Article 58 of the Articles states that any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a director of the Company, please refer to the "Procedures for Shareholders to Propose a Person for Election as a Director" which is posted on the Company's website at www.humanhealth.com.hk.

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

COMMUNICATIONS WITH SHAREHOLDERS

The Company recognises the importance of continuing communications with the Shareholders and investors, and maintains ongoing dialogues with them through various channels. The primary communication channel between the Company and the Shareholders is through the publication of the Company's interim and annual reports.

The Company's Hong Kong branch share registrar, Tricor Investor Services Limited serves the Shareholders with respect to all share registration matters.

The Company's annual general meeting provides a useful forum for the Shareholders to exchange views with the Board. Board members and the auditor are available to answer Shareholders' questions and explain the procedures for demanding and conducting a poll, if necessary. Any relevant information and documents on proposed resolutions are sent to all Shareholders at least twenty clear business days before the annual general meeting pursuant to the Listing Rules.

All Shareholders' communications, including interim and annual reports, announcements and circulars as well as the Shareholders communication policy are available on the Company's website at www.humanhealth.com.hk. The latest business developments and core strategies of the Company can also be found on the Company's website, keeping the communications with Shareholders open and transparent.

COMMUNICATIONS WITH SHAREHOLDERS *(continued)*

A dividend policy has been adopted by the Board during FY2020 and will be reviewed annually by the Board. The policy aims to set out the practice of paying dividend to the Shareholders and to allow the Shareholders to participate in the Company's profits by providing stable and sustainable returns to the Shareholders and for the Company to retain adequate reserves for future growth. The Company in general meeting may from time to time declare dividends in Hong Kong dollars to be paid to the Shareholders but no dividend shall be declared in excess of the amount recommended by the Board. Dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose. The Board may recommend a payment of dividends after taking into account the Company's operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which the Board may deem relevant. It is the Company's intention to pay an annual dividend to the Shareholders out of the profits attributable to shareholders of the Company, net of major funding needs (if any) for each year and also after taking into account the absolute amount of the proposed dividend. Any declarations of dividends will be at the absolute discretion of the Board and may not reflect the Company's historical declarations of dividends. Any declaration and payment (including the amount) of dividends will be subject to the Articles, the Laws of Hong Kong and the Companies Law, Cap 22 (Law 3 of 1961) of the Cayman Islands.

INVESTOR RELATIONS

The Company keeps on promoting investor relations and enhancing communication with the Shareholders and potential investors. The Company welcomes the Shareholders, investors, stakeholders and the public to send their enquiries or proposal at general meetings to our Company Secretary by addressing them to the Company's address at 11/F., TAL Building, 45–53 Austin Road, Tsim Sha Tsui, Hong Kong or by email at ir@humanhealth.com.hk or by phone at (852) 3971 8274 during normal business hours or by fax at (852) 2312 2772.

During FY2020, the Company did not make any changes to the memorandum of association and the Articles and the current version of which are available on the websites of the Stock Exchange and the Company.

The Directors are pleased to present this annual report together with the audited consolidated financial statements for FY2020.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The Group is principally engaged in the provision of comprehensive, one-stop and quality healthcare services to the public. The activities and other particulars of its principal subsidiaries are set out in note 1 to the financial statements of this annual report. There were no significant changes in the nature of the Group's principal activities during FY2020.

A review of the business of the Group during FY2020 and its future development are set out in the sections headed "Business Review and Outlook" in the "Management Discussion and Analysis" of this annual report. The section "Management Discussion and Analysis" forms part of this directors' report.

FINANCIAL RESULTS AND PERFORMANCE

A financial review of the Group during FY2020 is set out in the section headed "Financial Review" in the "Management Discussion and Analysis" of this annual report.

The Group's profit or loss and other comprehensive income for FY2020 and the Group's financial position at 30 June 2020 are set out in the financial statements on pages 104 to 106 of this annual report.

FINAL DIVIDEND

The Board resolved not to declare any final dividend for FY2020 (FY2019: HK3 cents per Share).

Details of dividends for FY2020 are set out in note 11 to the financial statements of this annual report.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the entitlement of the Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 27 November 2020 to Wednesday, 2 December 2020, both days inclusive, during which no transfer of Shares will be registered. In order to be entitled to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 26 November 2020.

SHARE CAPITAL

Details of movements in the share capital of the Company during FY2020 are set out in note 30 to the financial statements of this annual report.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 30 June 2020 amounted to approximately HK$147.2 million.

DONATIONS

Donations made by the Group during FY2020 amounted to approximately HK$71,000 in which HK$50,000 was donated to The Community Chest of Hong Kong.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets, liabilities and non-controlling interest of the Group for the past five financial years is set out on page 190 of this annual report. This summary does not form part of the audited financial statements.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

PRINCIPAL RISKS AND UNCERTAINTIES

The operations and business of the Group may be affected by various risks and uncertainties and the principal risks and uncertainties are set out below.

Operational Risk

We are dependent on our professional team and our financial results may be affected if we are not able to engage qualified professionals to join our team or retain them. In particular, our business model relies on consultancy arrangements with the general practitioner, specialist, dentist and clinical psychologist and their companies. In case any of them does not accept this arrangement, we may not be able to procure them to provide medical and dental services at our medical centres.

In addition, we operate all of our medical centres on leased properties. Any non-renewal of leases or substantial increase in rent may affect our business and financial performance.

Reputational Risk

We rely on our reputation within the healthcare service industry and our brand's image which may be adversely affected by negative publicity. Moreover, the limitation in promoting the business of our Group may affect our ability to further enhance our brand recognition or secure new business opportunity in the future.

Legal Risk

Our general practitioners, specialists and dentists are required to take out comprehensive professional indemnity insurance policies at their own costs and indemnify our Group against all claims and damages sustained by our Group caused by their acts or negligence in relation to the services carried out by them. If our Group (or together with our general practitioners, specialists and dentists) experience any situation where we are sued by our customers for damages caused by the acts or negligence of our general practitioners, specialists and dentists, we cannot guarantee that our general practitioners, specialists and dentists would have the financial capability to honour their obligation to indemnify us against all claims and damages in case professional indemnity insurance policies maintained by them would not be sufficient to cover the cost of the claims. Any costs arising therefrom could have a material adverse effect on our business, results of operations and financial condition.

Financial Risk

Details about the Group's financial risk management are set out in note 39 to the financial statements of this annual report.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees

We embrace our employees as the most valuable assets of the Group, the objective of the Group's human resources management is to reward and recognise outstanding employees by providing competitive remuneration packages with basic salary and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression within the Group by providing adequate training and opportunities. Details of the relationship with our employees are set out in the section headed "Our People" in the ESG Report of this annual report.

Customers

We are committed to safeguarding the health of the community and are always concerned about their needs. By following our new vision "Elevate Your Health Value, Elevate Your Life" (昇華健康價值，共創豐盛人生), we can provide patient-centric and quality focused services to our customers resulting in a lasting relationship with our customers.

Suppliers

The Group recognizes the importance of good relationship with its suppliers to ensure long-term sustainable growth for the Group. We strive to cultivate a mutually beneficial and trusting relationship with our suppliers and particularly this is crucial for us to engage and retain professional talents and hence provide quality services to our customers. Details of the relationship with our suppliers are set out in the section headed "Our Operations" in the ESG Report of this annual report.

Directors' Report

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

During FY2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS

The Directors during FY2020 and up to the date of this annual report were:

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

In accordance with the Articles and the Listing Rules, Mr. Chan, Mr. Poon and Mr. Michael Chan shall retire at the AGM and, being eligible, offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors are set out in the "Directors and Senior Management" of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing from 1 April 2019, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from 1 April 2019, which may be terminated by not less than three months' notice in writing served by either party on the other.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed under the section headed "Non-Exempt Continuing Connected Transactions" below, note 36 "Related Party Transactions" to the financial statements of this annual report and each of Mr. Chan and Dr. Sat has approximately 24.39% and 2.44% partnership interest in the Limited Partnership (details of which are set out in the section headed "Significant Investments" in the "Management Discussion and Analysis" of this annual report), no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance in relation to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party subsisted at the end of FY2020 or at any time during FY2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at 30 June 2020, none of the Directors have any interest in a business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's business and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

DIRECTORS', SENIOR MANAGEMENT'S AND EMPLOYEES' EMOLUMENTS

The Group's remuneration policy aims to provide a competitive remuneration to attract, retain and motivate high quality talent, having regard to the Group's and individual's performance and comparable market trends and may consist of several components such as fixed part, performance based and long-term incentives. At the same time, such awards must be aligned with the Shareholders' interests.

Particulars of Directors' remuneration and five highest paid employees are set out in notes 8 and 9 to the financial statements of this annual report.

The amount or value of fees and bonus (including doctors' or dentists' professional fees and honorarium as members of our doctor advisory board (as the case may be)) of the members of the senior management by bands for FY2020 is set out below:

Fees by bands	Number of Individuals
Nil to HK$3,000,000	2
HK$3,000,001 to HK$6,000,000	6
HK$6,000,001 to HK$9,000,000	–

No director waived any emolument during FY2020.

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

As at 30 June 2020, 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 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

Name of Director	Capacity in which 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, Dr. Pang and 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.

(v) The percentages were calculated based on the total number of issued Shares as at 30 June 2020.

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 30 June 2020.

All the above interests in the Shares and underlying Shares and the shares of the Associated Corporation were long positions and the class of shares in which the interests are held are ordinary shares of the respective companies.

Save as disclosed above, as at 30 June 2020, 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.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option scheme conditionally approved and adopted by the written resolutions of the Shareholders on 17 February 2016 (the "**Share Option Scheme**"), at no time during FY2020 was the Company or any of its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

As at 30 June 2020, 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	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 30 June 2020.

All the above interests in the Shares were long positions and the class of Shares in which the interests are held are ordinary shares of the Company.

Save as disclosed above, the Directors are not aware of any other corporations or person who, as at 30 June 2020, had any interests or short positions in the Shares or underlying Shares (a) which would fall to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) as recorded in the register required to be kept under Section 336 of the SFO.

* *for identification purpose only*

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during FY2020 are set out in note 36 to the financial statements of this annual report. Such transactions were either (i) fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules; or (ii) non-exempt continuing connected transactions as set out in the section headed "Non-Exempt Continuing Connected Transactions" in the "Directors' Report" of this annual report; or (iii) did not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. Our Directors confirm that these transactions were conducted in the ordinary and usual course of business of the Group and on normal commercial terms or such terms that were no less favourable to the Group than those available to independent third parties and were fair and reasonable and in the interests of the Shareholders as a whole. The Company confirms that the related party transactions (as the case may be) comply with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Dr. Seto Siu Keung's Consultancy Agreement

Dr. Seto entered into the consultancy agreement with Poly Dental and Dentogenic (Dr. Seto's sole proprietorship) dated 27 August 2018 for a term of three years commencing from 1 September 2018. The following is the summary of material provisions under Dr. Seto's consultancy agreement:

1. Dr. Seto's sole proprietorship shall provide dental services at our medical centres and shall at all times act in good faith towards his sole proprietorship and maintain the highest possible professional standards and reputation of his sole proprietorship;

2. Poly Dental shall grant Dr. Seto's sole proprietorship the right to use the proprietary names and the proprietary rights for the sole purpose of carrying out his dental practice at our medical centres;

3. Dr. Seto's sole proprietorship shall be entitled to receive professional fees for the provision of dental services at our medical centres either at the higher of (a) a monthly fixed fee or (b) at a certain percentage of the amount of net monthly revenue (which refers to revenue received or receivable at our medical centres generated by Dr. Seto, less relevant direct costs such as drugs costs and laboratory charges). Such percentage, monthly fixed fee as well as overall fee arrangement are commensurate to those typically offered to other independent dentists providing dental services at our medical centres; and

4. Dr. Seto's sole proprietorship shall be entitled to receive annual management fees for the provision of management and training services to the Group which include providing professional advice on the development of the dental unit of the Group and management and training of the dentists team of the Group subject to the performance of dental unit of the Group.

Dr. Seto Siu Keung's Consultancy Agreement *(continued)*

For FY2020, the fees paid by Poly Dental to Dr. Seto's sole proprietorship amounted to approximately HK$4,376,000 and did not exceed the annual cap of HK$9,400,000 for FY2020.

Given that Dr. Seto is a director of each of Poly Dental, Good Standard, Laserdontics and Seto & Wan, each a subsidiary of the Group and that Dr. Seto's consultancy agreement was entered into by Poly Dental, and Dr. Seto and his sole proprietorship, the transactions under Dr. Seto's consultancy agreement constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

Dr. Lau Wai Man's Consultancy Agreement

Dr. Lau entered into the consultancy agreement with Poly Dental and Lau Wai Man Dental Surgeon (Dr Lau's sole proprietorship) dated 27 August 2018 for a term of three years commencing from 1 September 2018. The following is the summary of material provisions under Dr. Lau's consultancy agreement:

1. Dr. Lau's sole proprietorship shall provide dental services at our medical centres and shall at all times act in good faith towards his sole proprietorship and maintain the highest possible professional standards and reputation of his sole proprietorship;

2. Poly Dental shall grant Dr. Lau's sole proprietorship the right to use the proprietary names and the proprietary rights for the sole purpose of carrying out his dental practice at our medical centres; and

3. Dr. Lau's sole proprietorship shall be entitled to receive professional fees for the provision of dental services at our medical centres either at the higher of (a) a monthly fixed fee or (b) at a certain percentage of the amount of net monthly revenue (which refers to revenue received or receivable at our medical centres generated by Dr. Lau, less relevant direct costs such as drugs costs and laboratory charges). Such percentage, monthly fixed fee as well as overall fee arrangement are commensurate to those typically offered to other independent dentists providing dental services at the medical centres of the Group.

For FY2020, the fees paid by Poly Dental to Dr. Lau's sole proprietorship amounted to approximately HK$5,347,000 and did not exceed the annual cap of HK$9,200,000 for FY 2020.

Given that Dr. Lau is a director of each of Poly Dental, Good Standard, Laserdontics and Seto & Wan, each a subsidiary of the Group and that Dr. Lau's consultancy agreement was entered into by Poly Dental, and Dr. Lau and his sole proprietorship, the transactions under Dr. Lau's consultancy agreement constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

Opinion from The Independent Non-executive Directors and Auditor on The Continuing Connected Transaction

The Company's auditor was engaged to report on the Group's non-exempt continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules.

The independent non-executive Directors have reviewed these transactions and confirmed that the non-exempt continuing connected transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Directors confirm that the Company has complied with the requirements of Chapter 14A of the Listing Rules in respect of all of its continuing connected transactions.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during FY2020.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers accounted for approximately 16.4% and the largest customer accounted for approximately 3.9% of the Group's total revenue for FY2020.

The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 14.5% and the largest supplier accounted for approximately 4.9% of the Group's total purchases for FY2020.

None of the Directors, their close associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the issued Shares) had an interest in the five largest suppliers or customers of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float as required under the Listing Rules at any time during FY2020 and up to the latest practicable date prior to the issue of this annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme as set out below in this annual report, no equity-linked agreements were entered into by the Company during FY2020 or subsisted at the end of FY2020.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Other than the Share Option Scheme as set out below in this annual report, the Company had no outstanding convertible securities, options, warrants or similar rights as at 30 June 2020. There has been no issue or exercise of the conversion rights or subscription rights under any convertible securities, options, warrants or similar rights granted by the Company or any of its subsidiaries during FY2020.

SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme. The Directors confirm that the terms of the Share Option Scheme comply with the requirements under Chapter 17 of the Listing Rules.

(a) Purpose

The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons (as defined in paragraph (b) below) 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.

(b) Participants

The Board may, at its absolute discretion, offer eligible persons (being any director, employee (whether full time or part time), executive, officer, consultant, adviser, supplier, customer or agent of our Group or such other persons who in the sole opinion of the Board have contributed to and/or will contribute to our Group) (the "**Eligible Persons**") share options to subscribe for such number of Shares in accordance with the terms of the Share Option Scheme.

(c) Total number of Shares available for issue under the Share Option Scheme

The maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company, must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time. No options may be granted under the Share Option Scheme and any other share option schemes of our Company if this will result in such limit being exceeded.

The total number of Shares to be issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option schemes of our Company must not in aggregate exceed 35,000,000 Shares, representing 10% of the total number of the Shares in issue as at 1 April 2016 and approximately 9.22% of the total number of the Shares in issue as at the date of this annual report unless further Shareholders' approval has been obtained pursuant to the requirements set out in the Share Option Scheme and the Listing Rules.

(d) Maximum entitlement of each participant

Subject to the requirements set out in the Share Option Scheme and the Listing Rules, no option shall be granted to any Eligible Person (the "**Relevant Eligible Person**") if, at the relevant time of grant, the number of Shares issued and to be issued upon exercise of all options (granted and proposed to be granted, whether exercised, cancelled or outstanding) to the Relevant Eligible Person in the 12-month period expiring on the date on which an offer of the grant of an option under the Share Option Scheme is made to the Relevant Eligible Person would exceed 1% of the total number of Shares in issue at such time.

(e) Basis of determining the exercise price

The subscription price for a Share in respect of any particular share option granted under the Share Option Scheme (which shall be payable upon exercise of the share option) shall be a price solely determined by the Board and notified to the Eligible Person and shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer to grant option (the "**Offer Date**"), which must be a business day; (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the Share.

(f) Time for acceptance and the amount payable on acceptance of the option

An offer for the grant of the share option must be accepted within 28 days from the Offer Date with a consideration of HK$1.00 is payable on acceptance of the offer.

(g) Time of exercise of option

Subject to the provisions of the Share Option Scheme and the Listing Rules, the Board may in its absolute discretion when offering the grant of an option impose any conditions in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the offer letter) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, achievement of performance targets by our Group and/or the grantee period before the right to exercise the option in respect of all or any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme and the Listing Rules. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the option can be exercised. The exercise period shall commence after a vetting period (if any) and expire in any event not later than the last day of the 10 years period after the date on which the option is duly accepted by the grantee in accordance with the terms of the Share Option Scheme.

(h) Life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years from 1 April 2016, after which period no further options shall be granted but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Listing Rules, or otherwise to the extent as may be required in accordance with the provisions of the Share Option Scheme.

SHARE OPTION SCHEME *(continued)*

Details of movements of the share options granted under the Share Option Scheme during FY2020 were as follow:

Name of Grantees	Position held with the Group	Offer Date	Exercise Price per Share Option	Exercise Period	Number of Outstanding Share Options as at 1 July 2019	Number of Share Options Granted during FY2020	Number of Share Options Exercised during FY2020	Number of Share Options Lapsed during FY2020	Number of Share Options Cancelled during FY2020	Number of Outstanding Share Options as at 30 June 2020
Dr. Sat Chui Wan	Executive Director, Chief Financial Officer	4 October 2016	HK$2.214 (note (iii))	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 (iii))	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 (iii))	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 (iii))	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 (ii))	110,000	–	–	30,000	–	80,000
Other eligible persons – suppliers (in aggregate)	–	28 May 2018	HK$2.09 (note (iv))	1 June 2021 to 31 May 2027 (note (ii))	300,000	–	–	200,000	–	100,000
Total					2,950,000	–	–	460,000	–	2,490,000

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.

SHARE OPTION SCHEME *(continued)*

Notes: (continued)

(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 dates 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 dates on which the share options were granted on 28 May 2018 was HK$2.02 per Share.

As at 30 June 2020, the 2,490,000 share options granted remained outstanding. No share options have been exercised or cancelled and 460,000 share options were lapsed during FY2020.

The values of the share options granted on 4 October 2016 and 28 May 2018 are set out in note 31 to the financial statements of this annual report.

PENSION SCHEME ARRANGEMENTS

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") in Hong Kong under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

A subsidiary and a joint venture entity operating in the PRC are required to participate in defined contribution retirement schemes organised by the relevant local government authorities since incorporation.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, Directors shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The stated permitted indemnity provision (as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong ("**Hong Kong Companies Ordinance**")) for the benefit of the Directors is currently in force and was in force throughout FY2020.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

Mr. Chan, Dr. Pang and Treasure Group (collectively, the "**Controlling Shareholders**") entered into a deed of non-competition in favor of the Company (and as trustee for its subsidiaries) dated 15 March 2016 (the "**Deed of Non-Competition**"). The Controlling Shareholders confirmed their compliance with all the undertakings provided under the Deed of Non-Competition. The independent non-executive Directors, based on the confirmation from the Controlling Shareholders, consider that, during FY2020, the terms of the Deed of Non-Competition have been complied with by the Controlling Shareholders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRACTICES

Details of our environment, social and governance policies and practices are set out in the "ESG Report" of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

During FY2020 and up to the date of this annual report, our Group had complied with the relevant laws and regulations in relation to its business in all material respects and there were no material breaches or violations of the laws and regulations applicable to our Group that would have a material adverse effect on its business and financial position taken as a whole.

AUDITOR

Ernst & Young was auditor of the Company for FY2019. Upon expiration of its term of office in the annual general meeting of the Company held on 29 November 2019, Ernst & Young did not seek for re-appointment. The Board, with the recommendation from the Audit Committee, has resolved to propose the appointment of BDO Limited as the auditor of the Company following the retirement of Ernst & Young for FY2020.

BDO Limited will retire as the auditor of the Company upon expiration of its current term of office at the AGM and will not seek for re-appointment. The Board, with the recommendation from the Audit Committee, has resolved to propose the appointment of Ernst & Young as the auditor of the Company following the retirement of BDO Limited, subject to the passing of an ordinary resolution of the Shareholders at the AGM, with effect from the date of the AGM to hold the office as auditor until the conclusion of the next annual general meeting of the Company.

On behalf of the Board

Chan Kin Ping
Chairman

Hong Kong, 28 September 2020

Environmental, Social and Governance Report

ABOUT THIS REPORT

Human Health is pleased to present its annual ESG Report. The purpose of the report is to communicate the Group's visions, commitments, performances and strategies relating to material social and environmental issues. It is also intended to enable all stakeholders to better comprehend the progress and direction of the Group with regards to sustainability.

Reporting Scope

Unless otherwise specified, the scope of this report covers the operational and management activities of the Group's office, warehouse, and all of the medical centres in Hong Kong. Due to data limitations, 2 medical centres were excluded from the calculation of electricity consumption, and 18 medical centres were excluded from the calculation of water consumption.

Reporting Period

Unless otherwise specified, the content of this report covers the period from 1 July 2019 to 30 June 2020 (the "**Reporting Period**").

Reporting Principles

This report is prepared in accordance with the "Comply or Explain" and "Recommended Disclosures" provisions of the ESG Reporting Guide contained in Appendix 27 of the Listing Rules. The report adheres to the following Reporting Principles:

Materiality	The report is structured based on the materiality of environmental and social issues of the Group (See 'Our Approach to Sustainability' section below). Following a comprehensive materiality assessment, this report is organised by the following sections: "Our Operations", "Our People", "Our Community", and finally, "Our Environment".
Quantitative	The report provides relevant quantitative information in order to measure the effectiveness of ESG policies and management systems. Quantitative information is further accompanied by a description where appropriate.
Balance	The report provides an unbiased picture of the Group's ESG performance.
Consistency	The report adopts methodologies that are consistent with previous years, which allows for meaningful comparisons of ESG data over time.

The Group is committed to communicating all material ESG-related matters in the most accurate and sincere manner. Hence, all information disclosed in this report is based on existing policies or practices, official documents or reports. Furthermore, the report is endorsed and approved by the Board, who is responsible for managing all ESG-related matters of the Group, and is dedicated to monitoring the Group's sustainability performance through the publication of an annual ESG Report.

OUR APPROACH TO SUSTAINABILITY

We are mindful that stable and responsible corporate growth can only be attained when sustainability becomes the cornerstone of our business. Accordingly, to foster company longevity, the Group is committed to integrating sustainability principles into every facet of our business.

Sustainability Governance

Sound sustainability governance is essential to long-term success. A robust sustainability governance structure enables a company to implement sustainability strategies across the business, strengthen relationships with its stakeholders, and ensure overall accountability. At Human Health, sustainability is planned and managed at the strategic level by the Board, while executed and monitored at the operational level by the ESG committee of the Company (the "**ESG Committee**").

The Board

The Board is the highest decision-making and management authority of the Group. It is responsible for overseeing all ESG-related issues to ensure the interests of all our stakeholders are managed in a prudent and responsible manner. In an effort to improve overall sustainability of the Group, we have further increased the Board involvement with ESG issues. During FY2020, the Board was responsible for evaluating and managing all ESG-related risks and opportunities and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

The most critical risk faced by the Group during the Reporting Period is the COVID-19 pandemic. The Board has carefully evaluated the risks and responsibility of the healthcare industry, and has proactively and persistently collaborated with our management team in executing appropriate strategies and measures. It was announced in March 2020 that the Group has participated in the Enhanced Laboratory Surveillance Programme by the Centre of Health Protection, to provide COVID-19 tests. Other measures to safeguard our staff, suppliers, clients, and community are described in detail throughout this report.

After conducting evaluation, the Board are of the view that the ESG risk management and internal control systems are effective for FY2020.

ESG Committee

Formally set up in 2020, the ESG Committee is chaired by the Company Secretary and comprises department heads of different functions including the Director's Office, Business Development Department, Human Resources and Administration Department, Operations Department, and the Procurement Department. The ESG Committee meets at least twice a year, and is responsible for assisting the Board in managing, administering and handling all ESG matters, as well as monitoring the implementation of the ESG strategies at the operational level.

Stakeholder Engagement

Human Health recognises the importance of interacting with our stakeholders as an indispensable part of our business operations and corporate development. Our dynamic and ongoing stakeholder engagement process welcomes and gathers diverse views, opinions and expectations from a wide range of stakeholders along our value chain. This enables us to further explore the materiality of different ESG issues, and review our business and sustainability initiatives using a multi-perspective approach such that continuous improvements can be made. During the Reporting Period, multiple engagement channels have been established to foster continuous interaction with our internal and external stakeholders.

Internal Stakeholders	Engagement Channels
• Directors • General Employees[1]	• Meetings • Interviews • Engagement Surveys • Email • Letters • Seminars • Suggestion Box • Telephone • Annual Appraisal • Training • Annual and Interim Reports • Announcements and Circulars • Company Website
External Stakeholders	
• Shareholders • Customers • Suppliers[2] • Media • Regulatory Bodies	

[1] General employees include full-time office employees, medical centre employees and other supplementary medical professionals such as physiotherapists and radiographers.

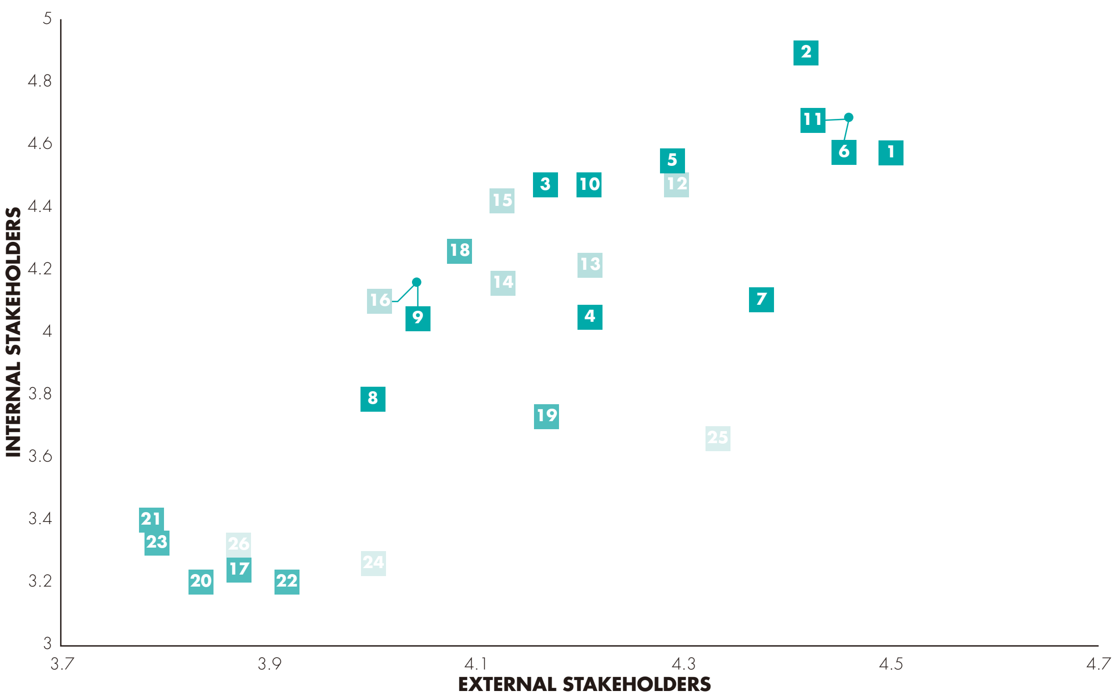
[2] Suppliers include exclusive and non-exclusive medical professionals, laboratories, imaging and endoscopy centres, manufacturers and distributors.

Materiality Assessment

Materiality assessment is the backbone of our ESG report. It helps identify and prioritize issues that are most important to our organization and stakeholders. Through the process of engaging our stakeholders in material issues identification and prioritization, we gain insights on what our strategy should be for our future development. We are also able to organize the activities, impacts and achievements we shall communicate in this report.

During the Reporting Period, the Group engaged an independent sustainability consultant to conduct a Group-wide materiality assessment. With reference to external reporting requirements, the assessment identified and evaluated the sustainability issues most important to our stakeholders for the year under review. Assessment results were then used to help prioritise sustainability issues in our ESG management, as well as inform this report's structure and content.

Internal and external stakeholder groups were selected and engaged based on their influence on the Group. Four important stakeholder groups, namely shareholders and investors, employees, suppliers and customers, were engaged and invited to reflect their views through an online survey. They were tasked to rate the relative importance of 26 ESG issues, identified through competitive analysis. The following matrix presents the results of the materiality assessment.



Materiality Assessment *(continued)*

Our Operations	Our People
1. Quality of Medical Services and Products 2. Health and Safety of Medical Products 3. Emergency Preparedness and Management 4. Technology Development/Product Innovation 5. Customer Satisfaction, Engagement and Complaint Handling 6. Doctor's Work Ethic and Professionalism 7. Good Business Relationships with Medical Suppliers 8. Environmental and Social Risks within the Supply Chain 9. Transparency in Information Disclosure 10. Ethical Working Practices 11. Patient Data Protection and Privacy Management	12. Good Employment Practices 13. Equal Opportunity, Diversity and Anti-discrimination 14. Development and Training 15. Occupational Health and Safety 16. Transparency and Open Communication in the Workplace
Our Environment	**Our Community**
17. Air and Greenhouse Gas Emissions Management 18. Proper Disposal of Medical Wastes and Wastewater 19. Responsible Use of Medical Packaging 20. Energy Efficiency 21. Green Clinic Policies and Practices 22. Investment of Resources to Promote Environmental Protection and Reduce Emissions 23. Environmental Strategy and Goal Setting	24. Participation in Community and Social Events 25. Raising Public Health Awareness 26. Community Investment

Our ESG priorities and objectives were formulated based on the ESG issues that were considered to be the most material based on the results of the materiality assessment.

Strategic Planning for Sustainable Development

We are constantly striving to improve our operational processes to become more conscious and sustainable. We recognise that proactive sustainability planning is imperative to creating long term value, and that this process must be based on accepting the need for organizational change, committing to continuous improvement and activating strong board-level vision and oversight.

Improving Sustainability Governance

We are dedicated to continuously improving our sustainability governance by gradually increasing the Board and ESG Committee's involvement with material ESG issues. In order to formally define the purpose, authority and responsibilities of the Board and ESG Committee on ESG matters, we have developed the terms of reference of the ESG Committee. It shall be reviewed on an annual basis. The document is intended to provide all relevant stakeholders with a common understanding of the scope of work, objectives and operational processes of the ESG issues of the Board and the ESG Committee.

Developing a Sustainability Strategy

In order to realise our sustainability objectives and strategically manage our sustainability performance, the Group has formulated a holistic Sustainability Strategy. The strategy intends to communicate our prioritised set of actions and commitments. It will provide a framework to focus investment and drive performance, as well as engage our internal and external stakeholders. Reviewed on an annual basis, the strategy will be developed around our four core values in mind, "Empathetic" (仁心), "Earnest" (稱心), "Evolutionary" (創新) and "Ethical" (求真).

Practicing Green Management

Human Health is committed to proactively managing our environmental impact as an integral part of our operations. The Group acknowledges and accepts responsibility for the harmful effects our operations and supply chain may have on both the local and global environment, and is committed to reducing them. To proclaim and formalise our environmental commitments, we have formulated an internal Environmental Policy.

The scope of the Environmental Policy shall be applicable to both our administrative office and medical centres. Reviewed on an annual basis, the policy shall form the foundation of all environmental improvements and shall include practicable initiatives, including but not limited to air emission and waste reduction measures, green procurement guidelines as well as instructions to promote environmental awareness. The policy may also help to ensure that the Group complies with all relevant environmental legislation.

OUR OPERATIONS

Human Health has been providing healthcare services to the Hong Kong community since 1997. With the mission "Elevate Your Health Values, Elevate Your Life", we strive to provide one-stop medical services for public convenience. To support over 2 million clients, we operate 65 medical centres, with more than 200 medical professionals, as well as more than 300 full-time staff.

At Human Health, we believe that healthcare is a necessity for all, and therefore should be accessible to all. We are thus determined to attend to different health needs by providing comprehensive healthcare services at the most accommodating locations and opening hours for our clients. Our services include general practice services, specialties services, dental services, chinese medicine, physiotherapy, medical aesthetic, diagnostics and imaging, vaccination, hospital admission and corporate medical schemes, among others. Our medical centres also act as the core of the entire healthcare network as we provide referral services for patients in need. Since early 2020, the Group has also participated in the Enhanced Laboratory Surveillance Programme by the Centre of Health Protection. All of our medical centres with general practice services now provide COVID-19 testing.

OUR OPERATIONS *(continued)*

We are committed to elevating our clients' standard of health and life, and accompanying them to pursue wellness with empathy and dedication. To deliver high quality healthcare services and products, we attend to service quality, prioritise clients' needs, and closely oversee the supply chain. We do so with people-oriented care that is timely, equitable and efficient.

Quality of Medical Services

At Human Health, we understand that our clients' standard for health has continuously evolved with time, and so has our medical services and products. Our comprehensive scope of medical solutions and services are not only safe and effective, they are also highly customer-oriented.

We pledge to deliver a valuable, professional and caring service, and instill a culture that prioritises quality and safety as the prime responsibility of every members. Thus, we have adopted a comprehensive service quality management approach, which monitors our operations from patient registration, clinical consultation procedures (including but not limited to diagnosis and treatment), to efficiency management. Our service quality management approach is communicated in our Operating Manual, Nursing Handbook, as well as the Internal Guidelines for Medical Centres, and are all available to our medical professionals and staff.

Quality Inspection of Our Medical Services and Products

To ensure that our Group meets the high standards required for patient care, we must implement quality control measures for our medical centres. To this end, an annual performance review is conducted by our Doctor Advisory Board ("**DAB**"). During the performance review, the DAB will assess medical professionals' general service attitude and professionalism. The aims of the performance review are to:

- Inspect if the medical centres are running smoothly;
- Determine if proper conduct and good practice exists to maintain high standards of care;
- Monitor if medical centre is operating in the best interest of the clients;
- Analyse the number of patient visits in the medical centres;
- Identify the trend of complaint cases and medical incidents; and
- Analyse the overall quality of the services.

Quality Inspection of Our Medical Services and Products *(continued)*

Regarding medical prescriptions in particular, our Internal Guidelines state that all prescriptions must be properly dispensed by responsible staff members according to the "3-check-7-rights" rule. All prescribed medications must also be packed and sealed in separate bags with corresponding drug labels, patient details and drug information. When pharmaceutical products are suspected of being potentially harmful to users due to their defective quality, safety or efficacy, they may be subjected to a recall by the Department of Health in Hong Kong ("**DOH**") or the pharmaceutical products manufacturer. Under such circumstances, staff may refer to our internal policy for product reporting and recalls, as well as other relevant measures needed to be taken.

We understand that our business needs to keep innovating and improving, or risk being left behind. Hence, we are committed to the continuous advancement of our service quality through regular observation and evaluation of industry best practices. Regular meetings with frontline staff are organised by operation managers. During these meetings, frontline staff are taught to learn about administrative best practices, case studies from the industry, clinical learning, as well as personal development subjects. To enhance the communication between medical professionals within the company and raise issues found within the daily operations of the medical centres, the Doctor Management Team is responsible in coordinating doctor meetings, including the annual doctors general meeting, regional meeting, individual doctor meeting.

During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations that have a significant impact on the Group in relation to health and safety and advertising and labelling matters relating to the products and services provided by the Group.

Patient Satisfaction

Human Health is committed to cultivating and nurturing positive relationships with our clients. We value the views and opinions of all our clients and actively seek for their feedback by regularly distributing customer satisfaction surveys. These surveys enable us to continuously enhance service quality, identify client preferences and improve medical centre operations. All information from the customer satisfaction surveys are treated as strictly confidential.

The dynamic and subjective nature of the healthcare business inevitably means that the Group occasionally receives complaints from our clients. To rectify these situations, we ensure that all client complaints are dealt with in a timely and professional manner. Clients may lodge a complaint through our customer service hotline, by email, by mail or in person. Complaints are recorded and handled by both the Customer Service Team and the Operations Team on a confidential basis, so as to safeguard the interests of involving parties. If the complaint is severe enough and with merit, the complaint may be escalated to the Legal and Compliance Department.

When handling client complaints, our objective is not only to regain the trust of our clients, but also to review our own operations, rectify substandard procedures and seek for continuous improvement. Hence, during our regular meetings, improvement strategies are discussed to prevent the recurrence of such issues, as well as to cultivate a sense of vigilance among staff.

Patient Data Privacy Protection

It is our moral obligation to safeguard all confidential information. Based upon and in compliance with the Personal Data (Privacy) Ordinance in Hong Kong (Cap. 486 of the Laws of Hong Kong) and other applicable laws and regulations, the Group has established a comprehensive Data Protection Policy that sets forth distinct rules and procedures in regards to the collection, transfer and processing of personal data. The policy asserts that adequate and practicable measures are taken to ensure that personal data held by a data user are protected against unauthorised or accidental access, processing, erasure, loss or use. These protective measures include, but not limited to the following:

- Physical records containing personal data are securely stored and locked when not in use;
- Prevention of unauthorised persons from gaining access to data and data processing systems in which personal data are processed;
- Prevent persons entitled to use data or a data processing system from accessing data beyond their needs and authorised limits;
- Ensure that personal data in the course of electronic transmission during transport or during storage on a data carrier cannot be read, copied, modified or removed without authorisation;

Patient Data Privacy Protection *(continued)*

- Ensure that personal data are protected against undesired destruction or loss;
- Ensure that data collected for different purposes can and will be processed separately;
- Ensure that data is not kept longer than is necessary for the fulfillment of the purpose, including by requiring that data transferred to third persons be returned or destroyed; and
- Ensure all hardwares with capability of storing data are destroyed and reformatted properly after use.

The policy applies to all full and part time staff and medical professionals who have access to personal data collected or processed by the Group. Revised regularly by the Compliance Officer, the policy is made readily available to all of the aforementioned stakeholders of the Group.

In regard to patient privacy protection specifically, such awareness is promoted amongst medical professionals and staff through the Staff Handbook, the Patient Information Policy, regular meetings, training, and sharing sessions. Through these channels, they are also reminded that without the consent of the company, they are not permitted to disclose any confidential information relating to the company's business, including operating information, turnover, operating procedures, computer information and other confidential documents.

The Staff Handbook also provides a list of 'Rules for Using Computers'. All IT facilities are strictly restricted to business-related usage only. Our staff are required to ensure electronic media and their computers are password-protected and securely encrypted. This adds an additional layer of protection from potential cyberattacks or breach of client personal data.

Staff who improperly use or disclose secrets and confidential business information will be subject to disciplinary action, including summary dismissal. During the Reporting Period, the Group is not aware of any material non-compliance with relevant laws and regulations that have a significant impact on the Group in relation to patient or business confidentiality.

Supply Chain Management

At Human Health, supply chain management is the regulation of the flow of medical goods and services from manufacturer and medical professionals to patients and involves every aspect of our business operations. Hence, effective supply chain management is crucial to our product and service quality, as well as for operational efficiency. We have thus made great effort to maintain a strong and professional relationship with our medical professionals and medical product suppliers. These include general practitioners, specialists, dentists, clinical psychologists, pharmaceutical product distributors and manufacturers, as well as laboratory and imaging centres.

Medical Professionals

All our general practitioners, specialists, dentists and clinical psychologists cooperate with the Group by entering independent contracts with us. It is our aim to ensure that the selection process of our medical professionals is able to attract the best quality candidates and that the assessment and decision making is carried out within a framework that is fair, transparent and consistent. Hence, our Doctor Management team adheres to our comprehensive Doctor Recruitment Policy, which outlines the procedure of engaging medical professionals and ensuring that they are qualified for the job.

We have adopted a stringent selection criterion for our medical professionals. Candidates are engaged based on their academic background, professional qualification[3], work experiences, skill sets, beliefs and morals, previous compliance records and overall working attitude, among others. We also ensure that all our medical professionals comply with relevant laws and regulations, including the Code of Professional Conduct for the Guidance of Registered Medical Practitioners issued by the Medical Council of Hong Kong and the Code of Professional Discipline for the Guidance of Dental Practitioners in Hong Kong issued by the Dental Council of Hong Kong.

To ensure quality control of our medical professionals, they are required to participate in our orientation and induction programme, clinical attachment, on-the job training, site visits and experience sharing in their first six months of service. The DAB is also responsible for coaching incoming practitioners on aspects, such as medical centre operations, patient handling, as well as documentation and management of safety and complicated issues. Their performances are closely monitored by our Doctor Management team through regular meetings, clinical practice, patient feedback, and an annual performance review (See 'Quality of Medical Services and Products' section above).

3 To ensure the professional competency and qualification of our practitioners in Hong Kong, under the Medical Registration Ordinance (Cap. 161 of the Laws of Hong Kong) and Dentists Registration Ordinance (Cap. 156 of the Laws of Hong Kong), they are required to be registered as a medical/dental practitioner or obtain other valid practicing certificates.

Medical Product Suppliers

To develop and maintain an ongoing collaborative working relationship with our medical product suppliers, the Group has formulated the Policy and Procedure on Procurement of Medicine, Goods and Services[4]. The policy aims to ensure that the procurement is conducted in an efficient and cost-effective manner that respects sustainability, the environment and ethical principles.

As communicated in the policy, all procurement activities must adhere to the following objective – "*to buy the right goods or services of the right quality in the proper quantity at the right time from the proper source at the right price*", which means:

- Only necessary procurement shall be undertaken;
- Goods and services shall be procured in an economically rational manner;
- The Group shall obtain best value for money, taking into consideration quality, quantity, timing and source;
- The Group purchasing practices shall consider the effective conservation of natural resources and protection of the environment;
- Suppliers shall be eligible to participate in procurement transactions in an open, fair and transparent process;
- Procurement activities shall be undertaken in a manner that ensures all potential suppliers have been fairly treated and given an equal opportunity to make a bid; and
- Procurement activities shall be conducted with integrity and transparency and protect the Group and its staff from claims of maladministration, and reduce the risks of fraud, corruption, waste or other irregularities.

To ensure that we meet our own objective, the Procurement Department ensures that all purchase orders of pharmaceutical products are registered and recognised by the Drug Office of the DOH. We also have a set of strategic criteria for selecting suppliers. For example, all pharmaceutical suppliers should be actively registered with the DOH. Other factors that we mindfully consider include the history of suppliers' quality, quantity, timing of delivery, source of the products, price and supplier's reputation in the industry.

[4] Medicine includes all kinds of drugs used in the medical centres under the Group. Goods include equipment, consumable, materials, supplies and the construction of physical infrastructure. Services includes all kinds of outsourcing services such as recruitment agency, medical wastage handling company, as well as cleaning and pest control services.

Medical Product Suppliers *(continued)*

Regarding the selection of laboratory and imaging centres, we have developed a selection criterion to ensure their quality, safety and efficiency. These criteria include:

- Location (such as number of outlets and distance between our medical centres and the laboratories);
- Scope of service (such as the variety of equipment and testing offered by the laboratories);
- Quality (such as the time required for report delivery, accuracy of the report);
- Price; and
- Feedback from medical professionals.

We are constantly striving to improve our supply chain operations. In particular, the Group is committed to achieving better cost control and improving our internal processes. For instance, the Group improved its procurement function, allowing us to speed up delivery and enhance warehouse automation. It now has greater control over operational costs, thus boosting procurement efficiency and allowing for more sophisticated inventory data analysis.

Anti-Corruption

The Group is committed to the highest standards of openness, probity and accountability. We prohibit any form of bribery, extortion, fraud, or money laundering within our Group, and strictly adhere to the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong) and the Anti-Money Laundering and Counter-Terrorist Financing (for Authorised Institutions) Ordinance (Cap. 615 of the Laws of Hong Kong).

Soliciting, accepting or offering any advantages, including but not limited to gifts, coupons and tips, from or to our clients, suppliers or any person having a business relationship with the Group, is strictly prohibited. Staff are also prohibited from advising or dealing in any transaction that may give rise to potential conflicts of interest, and must declare to the Human Resources and Administration Department if there is a potential risk of such conflicts of interest. These are clearly communicated in our Staff Handbook. Any breach of conduct will lead to termination of the employment contract and the subject may be liable to legal consequences. Medical professionals must also declare to the DAB if there is any transaction which may give rise to any potential conflicts of interest.

An important aspect of accountability and transparency within the workplace is a mechanism to enable staff to voice concerns in a safe and effective manner. The Group has therefore formulated a Whistleblowing Policy designed to enable staff to raise concerns internally and disclose information which the staff believes shows malpractice or impropriety to bribery, extortion, fraud and money laundering. The policy states that if staff notice any suspicious behaviour, they are encouraged to report it at the first instance to any one of the Executive Directors in writing or verbally. The Executive Director and an investigating officer will subsequently handle the matter promptly, professionally and diligently. The Company will treat all such disclosures in a confidential and sensitive manner. During the Reporting Period, the Group was not aware of any material non-compliance with relevant laws and regulations that have a significant impact on the Group in relation to bribery, extortion, fraud and money laundering.

Intellectual Property Rights

Our Group respects and protects intellectual property rights. In order to standardise the management of trademark rights, patent rights and copyrights, the Group has established an Intellectual Property Rights Policy, which is communicated in the Staff Handbook. The policy explains and sets out the general code of conduct and procedures towards the use of intellectual property. During the Reporting Period, we were not aware of any infringement (i) by us of any intellectual property rights owned by third parties; or (ii) by any third parties of any intellectual property rights owned by us.

OUR PEOPLE

Our staff members are at the core of our business. The contributions, spirit, and visions of our staff are what allow us to continue to build our future and be highly competitive in the healthcare industry. Moreover, during this crisis initiated by the COVID-19 pandemic, it is more necessary than ever for everyone to display solidarity, humanity and kindness towards medical staff.

By creating a safe and comfortable working environment, valuing employee welfare, abiding by non-discriminatory and equal opportunity employment practices, as well as nurturing and retaining talents through training and development, we strive to ensure that all staff members are treated with respect and appreciation. We are committed to working together with our staff to create a safe, trusting, and cooperative work environment.

A Safe Working Environment

At Human Health, we instil a culture that prioritises health and safety as the prime responsibility of all our staff members. As a healthcare service provider, the nature of our work inevitably means that our medical staff may be exposed to a wide variety of health risks. Hence, we are mindful of the application of adequate health and safety practices within the workplace. The Group as a whole is responsible in:

- Providing staff with free flu shots on dates designated and arranged by the Group;
- Providing clear and comprehensive guidelines to all staff on how to handle typhoons and rainstorm warnings as well as accidents and work-related injuries;
- Arranging the cleaning of air-conditioning systems and disinfection treatment of carpets regularly;
- Organising occupational health seminars to enhance the health awareness of staff members;
- Setting kits and fire extinguishers in working spaces; and
- Ensuring that all staff are familiar with the fire protection equipment and fire escape routes.

A Safe Working Environment *(continued)*

Safety guidelines have been adopted in our medical centres. To eliminate the potential transmission of clinical infections amongst our medical staff and patients, we must maintain a clean, smoke-free and non-hazardous environment. All medical staff members are required to adhere to the following:

- Proper handling of clinical and domestic waste;
- Routine disinfection of workplace and medical equipment;
- Management of injury-on-duty cases and fire safety guidelines;
- Following of the Infection Control Policy during the activation of the Alert Response Level under the Hong Kong Government's "Preparedness and Response Plan"; and
- Adoption of the "Care for the Carer" approach and monitor the health of frontline staff.

The Group has also formulated various internal policies and guidelines on the prevention, mitigation and handling of emergencies, as well as the protection of the health and safety of our staff members. For example, the Staff Handbook sets out that all staff are required to keep the passages clear and the working environment clean and tidy to reduce accidents from occurring. To reduce stress and strain on the staff members, the Handbook also encourages employees to maintain a good and correct posture, while maintaining an appropriate eye level with the computer screen. The internal newsletter – "Letter to Human Health" further reminds employees the benefits of exercising regularly, and offers employees examples of simple, at-home movements and exercises.

To enable employees to cope more effectively with mental stress, anxiety, pain and illness, the Group organized a number of Mindfulness-based Stress Reduction Workshops. By learning different mindfulness tools, including meditative practices and personal awareness exercises, employees found that they have become more aware of their thoughts, feelings and body sensations so that they become more capable in managing them.

A Safe Working Environment *(continued)*

In response to the COVID-19 pandemic, all staff members in our office are required to measure their body temperatures before entering the office, as well as indicate if they have cough, sore throat, shortness of breath or other symptoms. The Group has also developed and circulated comprehensive COVID-19 defense measures and procedures to all staff members in our offices. The document outlines actions to take when there are confirmed infections in the workplace, confirmed cases in an employee's residential building, personal protection measures, amongst others. Regarding the safety procedures in our medical centres, we have also adopted comprehensive response measures for different urgency levels. When the outbreak is considered "urgent," the following measures will be undertaken:

Measures for Medical Professionals & Staff	Measures for Visiting Patients
• Body temperatures must be taken before consultations are performed; • Members must clean and wash their hands at least once every hour; • Doctors will be provided with basic protective equipment, including protective caps, eye masks, N95 respirator or surgical masks, gloves and protective clothing; • Medical assistants will be provided with basic protective equipment, including goggles and surgical masks; • After each session, doctors and medical assistants must dispose their protective equipment; and • Members should avoid eating in consultation rooms, registration offices and waiting areas.	• All visitors must wear masks; • When entering the medical centre, body temperatures must be taken and hands must be sanitized; • Provide a vomit bag for patients to put used tissues, if necessary; and • Ask patients to fill in a physical assessment form for doctors to perform a preliminary risk assessment, if necessary.

All members in the medical centre will be closely monitored for fourteen days when there is a confirmed patient in the medical centre, when members have a confirmed case in their residential building, or when their family members are suspected of being infected. They will be required to make records of their body temperatures and symptoms daily.

We investigated all work related injury cases dutifully and provided necessary support and assistance to all injured workers. Appropriate preventive measures were subsequently adopted to prevent the recurrence of such incidents.

During the Reporting Period, the Group was not aware of any material non-compliance with the Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong), or other relevant laws and regulations that have a significant impact on the Group in relation to providing a safe working environment and protecting employees from occupational hazards.

Value Employee Welfare

One of Human Health's top priorities is recruiting and retaining talented individuals from a diverse range of backgrounds and experiences. Recruitment plans are formulated and revised annually based on the Company's operational strategic goals and industry development. To attract and retain talents, we offer our staff members competitive remuneration packages, which includes basic salaries, discretionary year-end bonuses and salary adjustments, insurance, as well as contributions to mandatory provident funds. The Group also joined the Employers Consultative Committees of The Hong Kong College of Technology as a member for 2019–2021, to exchange up-to-date market information on employment with employers of all industries.

As a healthcare service provider, we also assure that all our staff have access to medical support. For example, relevant employees can enjoy free general practice services and subsidy for hospitalisation and surgery protection. Moreover, all full-time staff who have served the Group for over three months and their immediate family members (including parents, spouses and children under 18) can enjoy the Employee Medical Benefit Discount Plan. The preferential plan includes general practice services (applicable to family members), specialist services. Chinese medicine diagnosis and treatment, inspection or laboratory tests, and dental services. The Group also offers paid holidays and leave, including annual, wedding, maternity, paternity, bereavement and sick leaves.

The Group believes that the success of the business depends on mutual trust, communication, respect and understanding between different divisions and levels. Staff are thus encouraged to candidly share their views and provide constructive criticism periodically. Staff can directly express their opinions on improving work efficiency and employee benefits to their immediate superiors or the Human Resources and Administration Department in writing. Management will subsequently review all opinions and adopt feasible measures.

Furthermore, as we highly value transparency and open communication in the workplace, we also encourage staff to communicate with one another via the intranet, emails, notice boards or other informal channels. To further nurture our corporate culture and advocate the importance of participative communications across divisions, we publish an internal newsletter – "Letter to Human Health" on a quarterly basis. The newsletter reports on the latest news and events within the Group, as well as provides health and safety reminders, exercise tips to boost immunity, and puzzles and trivia games for employee leisure.

Corporate Culture

Human Health prides itself in having a strong corporate culture. To better understand the work abilities and skills of each employee, and provide appropriate encouragement and assistance, the Group will work with employees to formulate clear work goals on an annual basis. To further motivate our staff and recognise their efforts and contributions, we have an annual appraisal system in place to assess the performance of our staff and reward them based on merits. Staff members' attendance records, initiative, sense of responsibility, work quality and their commitment to assisting in promoting quality medical services are all used as evaluation criteria. In completion of the appraisal, staff will be considered for a discretionary award, including but not limited to, salary adjustments, discretionary bonus and promotions.

Moreover, during the Reporting Period, the Group prepared an Appreciation Party and distributed small gifts to employees to thank them for their exemplary services and dedication. To further express gratitude towards fellow colleagues, employees were invited to submit and share letters of appreciation. Through these exercises, we hope to improve our company culture and exhibit how in times of crisis, a little thanks goes a long way.

At Human Health, we aspire to foster a strong work-life balance ethic in our corporate culture. Maintaining a healthy work-life balance is not only important for staff members' health and relationships, but it can also improve their productivity and performance. During the Reporting Period, the Group organised various recreational events and activities, including an "Ocean Park Hokkaido Festival 2019 Family Fun Day." Forty-nine families attended the event and spent a happy and relaxing day enjoying Hokkaido-themed delicacies and performances.

Furthermore, we also organised a DIY Neon Sign Making Workshop and Japanese-style Glass and Ceramic Workshops for employees. In these workshops, employees unleashed their creativity to make all sorts of decorative designs to take home and display.

We are proud of having a diverse range of employees from all walks of life. It is therefore no surprise that several generations of people work at our Company. We understand that different generations have differences in values, attitudes, and methods of working. Hence, during the Reporting Period, we organised a "Workplace Inclusion Cross-generation Workshop" (職場共融世代工作坊). Through group and individual sharing, the workshop enabled the Group to embrace cross-generational awareness, enhance cross-generational cooperation and the effectiveness of personnel management.

Equal Opportunity Employer

At Human Health, we practice fair, unbiased treatment in the workplace, and treat all individuals equally. The Group also prides itself in being a competence-based employer. We avoid any kind of discrimination based on gender, race, religion, age, disability and family status, among others. Instead, we evaluate our candidates based on their experience, professionalism, skills and educational and training background. During the Reporting Period, we abided by the Sex Discrimination Ordinance (Cap. 480 of the Laws of Hong Kong), Disability Discrimination Ordinance (Cap. 487 of the Laws of Hong Kong), Race Discrimination Ordinance (Cap. 607 of the Laws of Hong Kong), and Family Status Discrimination Ordinance (Cap. 527 of the Laws of Hong Kong). There were no reported cases of discriminatory behaviour, harassment or unlawful treatment in the workplace.

During the Reporting Period, the Group was not aware of any material non-compliance with the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), or any other relevant laws and regulations that have a significant impact on the Group in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

Labour Standards

In order to safeguard staff members' rights and interests and build a legal employment system, we strictly monitor and control employment risks during recruitment and employment processes. In particular, we strictly prohibit child labour and any type of forced labour, and have established a series of internal precautionary measures to prevent such activities from occurring. Prior to employment, the Human Resources and Administration Department conducts a thorough background check on all prospective staff, and requires that they provide relevant certificates for verification, such as graduation certificates and identification documents. If anyone is found to be providing false information or a false identity, the recruitment procedure will be terminated immediately. During the Reporting Period, the Group was not aware of any material non-compliance with any relevant laws and regulations that have a significant impact on the Group in relation to preventing child and forced labour.

Nurture and Develop Talents

Employee development and training are the key contributors to our continued business success. We are acutely aware that sustainable business development is closely related to human capital, and are therefore committed to providing staff members with a development platform in which they could harness valuable skills and knowledge.

We provide suitable employee-centric training courses to all levels of the Company. The courses are intended to strengthen employee skills and knowledge, such that quality services can be delivered effectively and efficiently. To provide guidance to our probationary staff at the beginning of their career journey with us, 3-6 months induction training courses are organised by the Human Resources and Administration Department. These programmes aim to help probationary staff members to better adapt to the working environment, as well as deepen their understanding of the Company's structure and daily operations.

Mandatory internal and external training courses are also organised regularly to keep our staff informed with the latest developments in the healthcare industry, as well as to enhance staff members' personal career development opportunities. To encourage lifelong learning and maximise staff potential, the Group also provides study leave and allowances to relevant staff. Those who have served the Group for more than one year can apply for a study subsidy. We regularly assess and monitor the execution of our training programmes to ensure that relevant training is provided for all levels of the Company.

OUR COMMUNITY

At Human Health, we are proud of retaining a strong foundation of corporate citizenship. We strongly support community activities that aim to raise public health awareness and proudly volunteer our time and resources to organisations that align with our Company values.

Community Participation and Investment

At Human Health, we leverage our resources and expertise to build thriving, healthy communities that accommodate the needs of diverse social segments. Charitable donations and philanthropic activities were actively organised and participated by staff members to contribute to the community. Through these activities, we also hope to generate a positive corporate culture and help staff members develop teamwork skills.

During the Reporting Period, the Group contributed to several charitable organizations such as The Community Chest of Hong Kong, the Hong Kong Lutheran Social Service and College of Professional and Continuing Education (CPCE) of the Hong Kong Polytechnic University Conference 2020 by offering donations. We also continue to show support to charity organisations such as the Medecins Sans Frontieres Hong Kong and Orbis Hong Kong by placing donation boxes at our medical centres.

Apart from the provision of financial and in-kind contributions to charitable organisations, we also encourage staff volunteering as well. Below are some volunteering events the Group participated in during the Reporting Period.

Walk for Millions

Earlier this year, our employees participated in the annual Walk for Millions fund-raising event. Employees participated in the walk by soliciting donations from family and friends. On the day, employees and their family and friends walked for ten kilometers to raise funds for social welfare agencies that provide family and child welfare services, under the umbrella of the Hong Kong Community Chest.

"Life Buddies" Mentoring Scheme

The Group joined the "Life Buddies" Mentoring Scheme, coordinated by the Commission on Poverty, and was subsequently awarded with a certificate of appreciation. The Scheme is a campaign to promote upward social mobility aiming at promoting mentoring culture in the community and provide work exposure to help youth from disadvantaged backgrounds move upwards in the society. There are three key components under the Scheme, namely the school-based mentoring programme, the summer Job tasting programme and the "Be a Government Official for a Day" programme. By joining this Scheme, we hope to enhance our understanding and communication with today's youth, attract more young people to join our industry, as well as raise a sense of belonging and cohesion amongst staff via collaboration in planning activities under the Scheme.

During the Reporting Period, we also invited students from Chen Nanchang Memorial Middle School to visit our specialties services medical centres in Kowloon Hotel. We also invited several medical aestheticians, dentists, psychiatrists, and dermatologists to share their knowledge and experiences in the field on the same day. Through this visit, we hope that students will develop a preliminary understanding of the medical industry and make an informed career choice.

Caring for the Elderly

We greatly respect and value the elderly because they contributed to the society we are living in. Volunteering with the elderly is a way for us to express our gratitude and care for them. During Mid-Autumn Festival 2019, employees participated in the "Friends of Leshan – Leshan Celebrating Mid-Autumn Festival" ("樂善之友-樂善之友共迎中秋日") event. In small groups, employees visited the elderly, offered companionship, sent their blessings, and presented them with our carefully crafted "love packages" ("愛心福袋"). Through this event, employees gained a valuable experience, as well as gained a wealth of knowledge from the elderlies' wisdom and insights for life.

The Group was also invited to participate in a volunteering activity by Yan Chai Hospital Volunteer Group and Volunteer Work Development Bureau (仁濟義工團與義務工作發展局). Employees visited the elderly living in Tuen Mun Butterfly Estate and presented them with "love packages" ("愛心福袋"). By participating in this event, we were able to illuminate their day with a selfless act of philanthropy.

Raising Public Health Awareness

Alongside our continuous efforts to participate in charitable donations and philanthropic activities, we also leverage our resources, assets and expertise to make positive social impacts by raising public health awareness. We work closely with non-governmental organisations to provide health talks, assessments and education programmes, with the aims to:

- Deliver professional and accurate health information;
- Raise health awareness; and
- Promote healthy lifestyle.

During the Reporting Period, we participated in a training course organised by the Hong Kong Employment Development Service. We also collaborated with the Hong Kong Lutheran Social Service in organising an onsite Ultrasound Bone Density Screening, Glucose and Cholesterol Quick Test with blood pressure measurement, as well as a health talk to raise awareness on hypertension, high blood sugar, hyperlipidemia, and cardiovascular disease. With over 200 Lutheran members joining our health talks and assessments, we aspire to continue to progress and grow to better serve our community.

Awards and Recognitions

In recognition of our continuous contribution to the community, the Group has received various awards during the Reporting Period, as listed below:

Award	Awarding Organisation	Year of Award
The 10th Hong Kong Outstanding Corporate Citizenship Awards (5+ logo)	Hong Kong Productivity Council (HKPC)	2019–2022
ERB Merit Award for Employers	Employees Retraining Board (ERB)	2019–2020
Joyful@Healthy Workplace Best Practices Award	Occupational Safety and Health Council	2019–2020
Sport-Friendly Action Awarded Corporates	Chinese YMCA of Hong Kong	2019–2020
Good Employer Charter	Labour Department	2018–2020
Social Capital Builder Awards	Labour and Welfare Bureau	2018–2020
10 years+ Caring Company	The Hong Kong Council of Social Service	2009–2020
5 years+ Happy Company logo	Promoting Happiness index Foundation	2020
Most Valuable Companies in Hong Kong Award	Mediazone	2020
Partner Employer Award	The Hong Kong General Chamber of Small and Medium Business	2019

These awards reaffirm our commitment to nurturing a robust relationship with the communities we operate in. Looking forward, we will continue to empower volunteerism and altruism in the community with our expertise in the healthcare industry.

Environmental, Social and Governance Report

OUR ENVIRONMENT

At Human Health, we strive to embrace green operations and practice to improve overall performance and efficiency. In order to minimise unnecessary disruption to our natural environment, we have various measures in place to mitigate the adverse impacts of air and greenhouse gases ("**GHG**") emissions, as well as wastewater and waste discharge. We also have measures relating to the efficient use of resources, including energy, water and medical packaging materials.

During the Reporting Period, the Group is not aware of material non-compliance with the Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong), Water Pollution Control Ordinance (Cap. 358 of the Laws of Hong Kong) or other relevant laws and regulations that have a significant impact on the Group relating to air and GHG emission, discharge into water and land, and generation of hazardous and non-hazardous waste.

Air Emissions

The Group's air emissions mainly consisted of GHG and exhaust gas emissions. In regard to GHG emissions, scope 1 direct emissions largely derived from mobile combustion of fossil fuels, due to the use of our Group's own vehicles. Scope 2 indirect emissions are traceable to the fossil fuels used to generate electricity we use in our operations. The Group's exhaust gas emissions mainly stemmed from the operation of company vehicles, which generates direct air pollutants, including nitrogen oxides ("**NOx**"), sulphur oxides ("**SOx**") and particulate matter ("**PM**").

To accurately quantify and assess the Group's GHG emissions, we engaged an independent consultant to evaluate our overall GHG emissions. The quantification process makes reference to both local and international guidelines, including the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong" published by the Environmental Protection Department and the Electrical and Mechanical Services Department, as well as other international standards such as the "Greenhouse Gas Protocol" developed by the World Resources Institute and World Business Council for Sustainable Development.

Air Emissions *(continued)*

Key Performance Indicators	Unit	Office and Warehouse	Medical Centres	Total
Direct Air Emissions				
NOx Emissions	kg	2.83	–	2.83
SOx Emissions	kg	0.05	–	0.05
PM Emissions	kg	0.21	–	0.21
Scope 1 Direct Emissions – Mobile Combustion Sources	tCO_2e	8.40	–	8.40
Scope 2 Energy Indirect Emissions – Electricity Purchased	tCO_2e	56.85	618.03	674.88
Scope 1 and 2 Emissions	tCO_2e	65.26	618.03	683.28

All figures in the above table are approximate quantities.

We recognise the impact of our air emissions, and are determined to play an active role in managing and minimising our environmental impacts. Hence, we are committed to adopting the following measures in our office and medical centres:

- Turning office lights, computers and air-conditioners off whenever and wherever not necessary;
- Cleaning and maintaining the office equipment regularly (such as refrigerators, air-conditioners, paper shredders) to ensure they run efficiently;
- Using high energy efficient compact fluorescent light bulbs; and
- Replacing high electricity consumption appliances with those with energy-saving-labels.

Waste Management

The operations of our medical centres produce both hazardous (clinical and chemical) wastes and non-hazardous wastes. Improper handling and disposal of healthcare wastes expose medical professionals and staff, patients and the community at large risk through transmission of pathogens via blood or body fluids, contaminated medical equipment, or sharp instruments. Hence, it is crucial to ensure that our wastes are handled properly and responsibly.

Hazardous Clinical and Chemical Waste

Clinical wastes mainly include sharp boxes that contain clinical use sharps and needles, among others. Chemical wastes on the other hand, primarily consists of Part I poisons & antibiotic preparations and Part II poisons and non-poison pharmaceutical products, as classified in the Pharmacy & Poisons Ordinance (Cap. 138 of the Laws of Hong Kong), Antibiotics Ordinance (Cap. 137 of the Laws of Hong Kong) and Dangerous Drugs Ordinance (Cap. 134 of the Laws of Hong Kong). To ensure the proper handling of both clinical and chemical waste, the Group is required to monitor waste separation procedures monthly. Waste handling training is also regularly provided to all frontline staff members.

To properly dispose of clinical wastes, the Group engages a qualified clinical waste collector licensed by the Environmental Protection Department. The clinical wastes are put in separately labelled garbage bins and bags prior to being collected by the contracted service provider.

Regarding chemical wastes, upon waste separation and categorisation, they are discarded into labeled, leak-proof and puncture resistant containers. The containers are then placed in a chemical waste storage area in the medical centres temporarily. Similar to that of clinical wastes, to properly dispose of these materials, we engaged a chemical waste collector authorised by the Environmental Protection Department. Collection of wastes are performed by the contracted chemical waste service provider at least once every six months.

Our clinical and chemical waste disposal procedures adhere to the Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong) and the Waste Disposal (Clinical/Chemical Waste) (General) Regulation (Cap. 354O of the Laws of Hong Kong). During the Reporting Period, we collected approximately 0.92 and 0.33 tonnes of clinical and chemical wastes respectively.

Non-hazardous Domestic Waste

In addition to hazardous clinical and chemical wastes, our office and medical centres also generate non-hazardous, non-infectious domestic wastes. The collection and treatment of domestic wastes are handled by respective management offices. Currently, we do not have a monitoring system in place to record the amount of non-hazardous waste generated. Nevertheless, an annual non-hazardous waste data estimation is performed for all medical centres and office.

To estimate the amount of non-hazardous waste produced during the Reporting Period, non-hazardous wastes were collected and weighed at the office for 5 consecutive days. In doing so, we were able to estimate the weight of each bag of non-hazardous waste. Using this approximation, office and medical centres produce approximately 6.57 and 51.71 tonnes of non-hazardous waste-respectively annually.

Non-hazardous Domestic Waste *(continued)*

Waste reduction directly reduces waste going into the landfills and the associated carbon emissions, as well as lowers risk of pollution. The Group is highly aware that using less paper can reduce the amount of waste our office produces, thus lessening the amount of material our office sends to landfills. To reduce our paper consumption, we have implemented the following measures in our office and medical centres:

- Setting computer defaults to print double-sided when possible;
- Using electronic messages for internal information distribution;
- Implementing spreadsheet system such as online application system for leave and electronic payslip; and
- Installing a waste-paper recycling bin in the office to reuse and recycle waste-paper.

During the Reporting Period, the amount of paper consumption was recorded at our medical centres and office. The quantification assumes that there was no paper in storage prior to the Reporting Period, and that all purchased papers were consumed (either recycled or disposed of) within the Reporting Period. Based on the aforementioned methodology, approximately 7.22 tonnes of paper was consumed by the Group during the Reporting Period, and 8.30 tonnes of paper was recycled[5].

Resource Efficiency

The Group comprehends resource efficiency as a valuable practice that involves using the Earth's limited resources in a sustainable manner while minimising impacts on the environment. Improving resource efficiency is among our top priorities as we are increasingly concerned about natural resource use, environmental impacts, as well as material prices and supply security.

The resources consumed in our operations mainly include electricity, water, packaging materials and paper. During the Reporting Period, various measures were adopted to minimise excessive usage of such resources. Since paper usage has already been covered in the 'Waste Management' section above, only initiatives regarding conservation of electricity, water and packaging materials are covered below.

[5] The increase in cardboard consumption due to additional medical products required for COVID-19 has contributed to the increase in paper recycling.

Energy Usage

During the Reporting Period, the majority of the Group's energy usage derived from electricity consumption from our office and medical centres. A proportion of our energy usage is also traceable to gasoline consumption used for the powering of mobile vehicles.

Key Performance Indicators	Unit	Office and Warehouse	Medical Centres	Total
Energy Consumption				
Electricity Usage	kWh	113,703.90	1,134,250.27	1,247,954.17
Gasoline Usage	L	3,159.73	–	3,159.73
Total Energy Usage	MJ	409,334.04	4,189,404.72	4,598,738.76
Energy Usage Intensity by Revenue	MJ/HK$'000	–	–	10.14

To reduce our energy consumption, the Group has adopted several energy-saving practices in our office and medical centres. For further details, please refer to the 'Air Emissions' section above. The energy consumption in FY2020 has decreased by 297,478.05 MJ, representing a decrease of approximately 6.08% from FY2019.

Water

Water plays an important role in the healthcare industry. From personal hygiene to washing tools and equipment used on our patients, water is vital in maintaining a hygienic, healthy and safe environment within our medical centres. For example, staff are required to perform frequent handwashing, especially after direct contact with ill people or their environment. During the Reporting Period, the Group consumed approximately 2,856.10 m^3 of water and the Group has no issue in sourcing water that is fit for purpose of the Group. To reduce our water footprint, staff in both our office and medical centres are constantly reminded to be conscientious of their water use. The water consumption in FY2020 has decreased by 403.5 m^3, representing a decrease of approximately 12.38% from FY2019.

Packaging Materials

Plastic packaging materials are mainly used by the Group for medical prescriptions in our medical centres. Packaging materials mainly include plastic bags, drug bags, potion bottles, ointment boxes and thermal labels. All medications prescribed must be packaged individually in separate plastic bags. These bags must be labelled properly with relevant patient and drug information for identification purposes. Our medical staff are reminded to preserve and recycle plastic packaging materials whenever possible.

To quantify the amount of packaging materials consumed during the Reporting Period, the quantification methodology in estimating paper consumption was performed in a similar manner. It is assumed that the materials purchased are consumed within the Reporting Period and that there were no packaging materials in storage prior to the Reporting Period. Based on the aforementioned methodology, approximately 21.68 tonnes of plastic was consumed and approximately 3.47 tonnes of other packaging materials were consumed during the Reporting Period.

Environment and Natural Resources

We strongly depend on our environment. Our planet provides us with an abundance of natural resources, but global demands are outstripping supply at an exponential rate. If our business is to thrive in the long term, we have a responsibility to play a role to protect our environment. In this context, our Group recognises the impacts of air emissions, wastewater and waste discharge from the healthcare industry, and are determined to play a key role in managing and minimizing these environmental impacts. It is our primary responsibility as a responsible organisation to set measures relating to the efficient use of resources, including energy, water and medical packaging materials. For further details, please refer to the 'Air Emissions,' 'Waste Management,' and 'Resource Efficiency' sections above.

Apart from environmental impacts deriving from our internal operations, we are also aware of the environmental impacts that occur indirectly in our value chain. Our role as a Group is to vigilantly monitor our suppliers and the entire lifecycle of our products, from cradle to grave. For further details, please refer to the 'Supply Chain Management' section above.

To further minimise the Group's impact on the environmental and natural resources, we have formulated an internal Environmental Policy. For further details, please refer to the 'Our Approach to Sustainability' section above.

KEY PERFORMANCE TABLE

Key Performance Indicators	Unit	2019/20 Office & Warehouse	2019/20 Medical Centres	2019/20 Total	2018/19 Office & Warehouse	2018/19 Medical Centres	2018/19 Total
Greenhouse Gas Emissions							
GHG Emissions (Scope 1 & 2)	tCO2e	65.26	618.03	683.28	72.01	657.03	729.04
GHG Emission (Scope 1 & 2) Intensity by Revenue	tCO2e/ HK$'000	–	–	0.00	–	–	0.00
GHG Emissions (Scope 1 & 2) Intensity by Full-time Employee (FTE)	tCO2e/ Person	0.8	2.21	1.89	0.82	2.14	1.85
Energy Consumption							
Electricity Usage	kWh	113,703.90	1,134,250.27	1,247,954.17	113,596.70	1,197,087.96	1,310,684.66
Gasoline Usage	L	3,159.73	–	3,159.73	5,293.39	–	5,293.39
Total Energy Usage	MJ	409,334.04	4,189,404.72	4,598,738.76	586,700.16	4,309,516.66	4,896,216.81
Energy Usage Intensity by Revenue	MJ/HK$'000	–	–	10.14	–	–	9.26
Energy Usage Intensity by FTE	MJ/Person	4,991.88	14,962.16	12,703.70	6,667.05	14,037.51	12,395.49
Water Consumption							
Water Consumption	m^3	131.46	2,724.64	2,856.10	171.48	3,088.12	3,259.60
Water Consumption Intensity by Revenue	m^3/ HK$'000	–	–	0.01	–	–	0.01
Water consumption by FTE	m^3/Person	1.60	9.73	7.89	1.95	10.06	8.25
Waste Disposed							
Chemical Waste	Tonnes	–	0.33	0.33	–	0.11	0.11
Clinical Waste	Tonnes	–	0.92	0.92	–	0.91	0.91
Hazardous Waste Intensity by Revenue	Tonnes/ HK$'000	–	–	0.00	–	–	0.00
Hazardous Waste Intensity by FTE	Tonnes/FTE	–	–	0.00	–	0.00	0.00
Other Non-hazardous Waste	Tonnes	6.57	51.71	58.28	3.61	56.35	59.96
Paper Consumed[6]	Tonnes	1.43	5.79	7.22	1.67	6.53	8.20
Paper Recycled	Tonnes	8.30	–	8.30	2.42	–	2.42
Packaging Material							
Plastic	Tonnes	–	21.68	21.68	–	30.45	30.45
Others	Tonnes	0.03	3.44	3.47	0.06	4.60	4.66
Packaging Material Intensity by Revenue	Tonnes/ HK$'000	–	–	0.00	–	–	0.00
Packaging Material Intensity by FTE	Tonnes/Person	0.00	0.09	0.07	0.00	0.11	0.09

6 As we continuously improve our data management system, reliability and transparency, 2018/19 paper consumption data has been recalculated to ensure consistency with 2019/20 data.

HKEX CONTENT INDEX

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Our Environment – Air Emissions, Waste Management, Resource Efficiency, Environment and Natural Resources
KPI A1.1	The types of emissions and respective emissions data.	Our Environment – Air Emissions
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Out Environment – Air Emissions; Key Performance Table
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our Environment – Waste Management; Key Performance Table
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our Environment – Waste Management; Key Performance Table
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Our Environment – Air Emissions, Waste Management, Resource Efficiency, Environment and Natural Resources
KPI A1.6	Description of how hazardous and nonhazardous wastes are handled, reduction initiatives and results achieved.	Our Environment – Waste Management

HKEX CONTENT INDEX *(continued)*

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Our Environment – Air Emissions, Waste Management, Resource Efficiency, Environment and Natural Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Our Environment – Resource Efficiency; Key Performance Table
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Our Environment – Resource Efficiency; Key Performance Table
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Our Environment – Air Emissions; Key Performance Table
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Our Environment – Resource Efficiency
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Our Environment – Resource Efficiency; Key Performance Table
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Our Environment – Air Emissions, Waste Management, Resource Efficiency, Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Our Environment – Air Emissions, Waste Management, Resource Efficiency, Environment and Natural Resources

HKEX CONTENT INDEX *(continued)*

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Our People – Value Employee Welfare
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Nil
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Nil
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Our People – A Safe Working Environment
KPI B2.1	Number and rate of work-related fatalities.	Nil
KPI B2.2	Lost days due to work injury.	Nil
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Our People – A Safe Working Environment

HKEX CONTENT INDEX *(continued)*

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Our People – Nurture and Develop Talents
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Nil
KPI B3.2	The average training hours completed per employee by gender and employee category.	Nil
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Our People – Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Our People – Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Our People – Labour Standards
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Our Operations – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Nil
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Our Operations – Supply Chain Management

HKEX CONTENT INDEX *(continued)*

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Our Operations – Quality of Medical Services; Patient Satisfaction; Patient Data Privacy Protection; Intellectual Property Rights
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Nil
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Our Operations – Patient Satisfaction
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Our Operations – Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Our Operations – Quality of Medical Services
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Our Operations – Patient Data Privacy Protection

HKEX CONTENT INDEX *(continued)*

Aspects, General Disclosures and KPIs	Description	Relevant Chapter or Explanation
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Our Operations – Anti-Corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Nil
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Our Operations – Anti-Corruption
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Our Community – Community Participation and Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Our Community – Community Participation and Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Nil

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To the shareholders of Human Health Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Human Health Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 104 to 189, which comprise the consolidated statement of financial position as at 30 June 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the "*Auditor's responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of the Group in accordance with the HKICPA's *"Code of Ethics for Professional Accountants"* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

KEY AUDIT MATTERS *(continued)*

Impairment assessment of trade receivables

The measurement of expected credit losses ("**ECLs**") in accordance with HKFRS 9 "Financial Instruments" requires the application of significant judgement.

Management used provision matrix and probability-weighted loss default model to calculate expected credit losses ("**ECLs**") for trade receivables. For the provision matrix, it was initially based on the Group's historical default rates, and specific factors that management considered in the estimation of the rates including the type of customers, ageing of the balances and recent historical payment patterns. Management then calibrated the matrix to adjust the historical credit loss experience with forward-looking information, such as forecasted economic conditions. For probability-weighted loss default model, it was initially using probability of default, loss given default, exposure at default and discount factor, which is adjusted for forward-looking estimates. We focused on this area because it requires a high level of management's judgement and due to the materiality of the amounts involved.

Relevant disclosures about significant accounting judgements and estimates and impairment assessment of trade receivables are included in notes 3 and 21 to the consolidated financial statements.

How our audit addressed the key audit matter:

Our audit procedures in relation to the management assessment for impairment of provision of trade receivables as at 30 June 2020.

- Reviewed and assessed the application of the Group's policy for calculating the ECLs;
- Evaluated techniques and methodology in the ECLs model with reference to the requirements of HKFRS 9;
- Evaluated management's assessment on the allowance of doubtful debts by taking into account the historical cash collection trend, subsequent settlements, ageing analysis of the trade receivables and evaluated the forward-looking adjustment based on current local economic environment and forward-looking information that is available in the market;
- Evaluated the adequacy of the Group's disclosure about the degree of estimation involved in arriving at the allowance amount.

KEY AUDIT MATTERS *(continued)*

Impairment of goodwill
As at 30 June 2020, the Group had recognised goodwill of HK$31,964,000 relating to the acquisition of several subsidiaries through business combinations. Assessment on the impairment of goodwill requires significant management's estimation of the value in use of the cash-generating units to which the goodwill allocated. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate. Relevant disclosures about significant accounting judgements and estimates and impairment testing of goodwill are included in notes 3 and 14 to the consolidated financial statements. How our audit addressed the key audit matter: Our audit procedures in relation to the management assessment for impairment of provision of goodwill as at 30 June 2020. – Evaluated the Group's policies and procedures; – Assessed the valuation methodology used by management to estimate value in use of the cash-generating units to which goodwill was allocated; – Evaluated the process by which management's future cash flow forecasts were prepared; – Performed a sensitivity analysis and assessing the budgeted gross margins, the growth rate and expenditure assumptions with reference to the Group's historical pattern; – Reviewed and assessed evaluating the assumptions and methodologies, including the discount rate, used in the estimation of value in use of the related cash-generating units; – Evaluated the adequacy of disclosures on the impairment assessment.

KEY AUDIT MATTERS *(continued)*

Valuation of financial assets at fair value
The Group has unlisted equity investments, convertible bonds, derivative financial instruments, investment in redeemable preference shares and unlisted investment funds which are measured at fair value. As at 30 June 2020, the financial assets at fair value amounting to HK$68,799,000 were categorised as Level 3 within the fair value hierarchy. For Level 3 valuation, the Group has applied valuation techniques to determine the fair values of the financial assets at fair value that are not quoted in active markets. These valuation techniques, in particular those that included significant unobservable inputs, involved subjective judgements and assumptions. The sensitivity of the assumptions used may have material impact on the valuation of these financial assets at fair value. Relevant disclosures about significant accounting judgements and estimates and the fair values of financial assets are included in notes 3 and 38 to the consolidated financial statements. How our audit addressed the key audit matter: Our audit procedures in relation to the management assessment for valuation of financial assets at fair value as at 30 June 2020. – Evaluated the competence, capabilities and objectivity of the independent valuer engaged by the Group; – Obtained and reviewed the subscription agreements or sales and purchase agreements of the financial assets; – Reviewed the valuation methodologies and assumptions used for the valuation of financial instruments that were categorised as Level 3 within the fair value hierarchy; – Involved assistance of our internal valuation specialists, evaluated the valuation techniques, inputs and assumptions, such as market comparables, discount rates, volatility, through comparison with the valuation methodologies that are commonly used in the market and checked unobservable inputs used against available market information; – Evaluated the adequacy of the related disclosures in the notes to the consolidated financial statements.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are also responsible for overseeing the Group's financial reporting process. The Audit Committee assist the directors of the Company in discharging their responsibilities in this regards.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTER

The consolidated financial statements of the Company for the year ended of the prior period financial statements, were audited by another auditor who expressed an unmodified opinion on those statements on audit report date of the prior period financial statements.

BDO Limited
Certified Public Accountants
Chan Wing Fai
Practising Certificated Number P05443

Hong Kong 28 September 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 30 June 2020

	Notes	2020 HK$'000	2019 HK$'000
REVENUE	5	**453,737**	528,585
Cost of services rendered		**(263,898)**	(280,345)
Gross profit		**189,839**	248,240
Other income and gains	5	**11,211**	2,553
Administrative expenses		**(208,425)**	(212,337)
Loss on disposal of financial assets measured at amortised costs		**(4,677)**	–
Other losses		**(21,124)**	–
Finance costs	7	**(4,693)**	(175)
Share of losses of a joint venture and an associate		**(1,143)**	(3,558)
(LOSS)/PROFIT BEFORE TAX	6	**(39,012)**	34,723
Income tax expense	10	**(1,362)**	(8,376)
(LOSS)/PROFIT FOR THE YEAR		**(40,374)**	26,347
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that will not be reclassified to profit or loss:			
Changes in fair value of equity instruments at fair value through other comprehensive income		**(2,711)**	–
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(263)**	(954)
OTHER COMPREHENSIVE LOSS FOR THE YEAR		**(2,974)**	(954)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(43,348)**	25,393
(Loss)/profit attributable to:			
Owners of the Company		**(40,374)**	26,624
Non-controlling interests		**–**	(277)
		(40,374)	26,347
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(43,348)**	25,670
Non-controlling interests		**–**	(277)
		(43,348)	25,393
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic and diluted		**HK(10.6) cents**	HK7.2 cents

Consolidated Statement of Financial Position

30 June 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**103,445**	17,274
Goodwill	14	**31,964**	31,964
Other intangible assets	15	**8,601**	10,212
Investment in a joint venture	16	**–**	3,182
Investment in an associate	16	**1,954**	–
Financial assets at fair value through other comprehensive income	17	**13,829**	16,540
Financial assets at fair value through profit or loss	18	**54,970**	81,418
Loan receivables	19	**–**	10,800
Deposits	22	**19,527**	18,379
Deferred tax assets	29	**1,657**	1,489
Total non-current assets		**235,947**	191,258
CURRENT ASSETS			
Inventories	20	**12,099**	13,069
Trade receivables	21	**36,021**	33,117
Prepayments, deposits and other receivables	22	**18,883**	9,391
Tax recoverable		**381**	1,178
Pledged deposits	23	**2,048**	2,042
Cash and cash equivalents	23	**122,615**	158,622
Total current assets		**192,047**	217,419
CURRENT LIABILITIES			
Trade payables	24	**19,118**	31,108
Other payables and accruals	25	**31,698**	34,136
Lease liabilities	34	**52,448**	–
Contract liabilities	26	**3,595**	5,392
Interest-bearing bank borrowings	28	**15,553**	9,494
Tax payables		**7,306**	9,027
Total current liabilities		**129,718**	89,157
NET CURRENT ASSETS		**62,329**	128,262
TOTAL ASSETS LESS CURRENT LIABILITIES		**298,276**	319,520
NON-CURRENT LIABILITIES			
Other long term payables	25	**3,459**	4,053
Lease liabilities	34	**34,166**	–
Deferred tax liabilities	29	**1,602**	1,868
Total non-current liabilities		**39,227**	5,921
NET ASSETS		**259,049**	313,599

Consolidated Statement of Financial Position

30 June 2020

	Notes	2020 HK$'000	2019 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	30	**3,796**	3,796
Reserves	32	**255,253**	309,803
Total equity		**259,049**	313,599

Mr. Chan Kin Ping, JP
Director

Dr. Pang Lai Sheung
Director

		Attributable to owners of the Company								
	Notes	Share capital HK$'000	Share premium* HK$'000	Other reserve* HK$'000	Exchange reserve* HK$'000	Share option reserve* HK$'000	Retained profits* HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2018		3,615	164,951	22,591	(36)	1,026	81,433	273,580	660	274,240
Profit for the year		–	–	–	–	–	26,624	26,624	(277)	26,347
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations		–	–	–	(954)	–	–	(954)	–	(954)
Total comprehensive income for the year		–	–	–	(954)	–	26,624	25,670	(277)	25,393
Acquisition of non-controlling interests		–	–	(859)	–	–	–	(859)	(383)	(1,242)
Equity settled investment		181	25,270	–	–	–	–	25,451	–	25,451
Final 2018 dividend declared	*11*	–	–	–	–	–	(10,845)	(10,845)	–	(10,845)
Equity-settled share option arrangements	*31*	–	–	–	–	602	–	602	–	602
At 30 June 2019 and 1 July 2019		**3,796**	**190,221**	**21,732**	**(990)**	**1,628**	**97,212**	**313,599**	**-**	**313,599**
Loss for the year		**-**	**-**	**-**	**-**	**-**	**(40,374)**	**(40,374)**	**-**	**(40,374)**
Other comprehensive loss for the year:										
Fair value loss on financial assets at fair value through other comprehensive income		**-**	**-**	**(2,711)**	**-**	**-**	**-**	**(2,711)**	**-**	**(2,711)**
Exchange differences on translation of foreign operations		**-**	**-**	**-**	**(263)**	**-**	**-**	**(263)**	**-**	**(263)**
Total comprehensive loss for the year		**-**	**-**	**(2,711)**	**(263)**	**-**	**(40,374)**	**(43,348)**	**-**	**(43,348)**
Final 2019 dividend declared	*11*	**-**	**-**	**-**	**-**	**-**	**(11,387)**	**(11,387)**	**-**	**(11,387)**
Equity-settled share option arrangements	*31*	**-**	**-**	**-**	**-**	**185**	**-**	**185**	**-**	**185**
At 30 June 2020		**3,796**	**190,221**	**19,021**	**(1,253)**	**1,813**	**45,451**	**259,049**	**-**	**259,049**

* These reserve accounts comprise the consolidated reserves of HK$255,253,000 (2019: HK$309,803,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 30 June 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(39,012)**	34,723
Adjustments for:			
Depreciation	6	**73,722**	10,571
Amortisation of other intangible assets	6	**1,611**	1,612
Write-down/(reversal of write-down) of inventories to net realisable value	6	**449**	(538)
Share option expenses		**185**	602
Share of losses of a joint venture and an associate		**1,143**	3,558
Loss on disposal of items of property, plant and equipment	6	**58**	1
Fair value loss/(gain) of financial assets at fair value through profit or loss	5,6	**21,124**	(1,032)
Loss on disposal of financial assets at amortised costs		**4,677**	–
(Over)/under provision for reinstatement costs	27	**(38)**	8
Interest on bank borrowings	7	**561**	175
Interest on lease liabilities	7	**4,132**	–
Rent concessions	5	**(6,156)**	–
Interest income	5	**(1,657)**	(1,450)
		60,799	48,230
Decrease/(increase) in inventories		**521**	(5,038)
Increase in trade receivables		**(2,904)**	(1,181)
(Increase)/decrease in prepayments, deposits and other receivables		**(1,587)**	833
Movement in the balance with a related party		**–**	26
(Decrease)/increase in trade payables		**(11,990)**	5,667
(Decrease)/increase in other payables and accruals	33	**(3,927)**	3,379
(Decrease)/increase in contract liabilities		**(1,797)**	2,547
Cash generated from operations		**39,115**	54,463
Interest received		**1,104**	888
Hong Kong profits tax paid, net		**(2,722)**	(4,647)
Net cash flows from operating activities		**37,497**	50,704

Consolidated Statement of Cash Flows

Year ended 30 June 2020

	Notes	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of items of property, plant and equipment		**109**	59
Proceed from disposal of convertible bonds and loan receivables		**3,000**	–
Acquisition of financial assets at fair value through profit or loss		**–**	(57,675)
Acquisition of non-controlling interests		**–**	(621)
Increase in loan receivables		**–**	(10,800)
Purchase of items of property, plant and equipment	13,33	**(11,465)**	(8,607)
Settlement of provision	27	**(219)**	(241)
(Increase)/decrease in time deposits with maturity of more than three months when acquired		**(10,414)**	8,845
Net cash flows used in investing activities		**(18,989)**	(69,040)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loan		**9,006**	9,994
Repayment of bank loan		**(2,947)**	(500)
Bank loan interest paid		**(529)**	(146)
Lease interest		**(4,132)**	–
Repayment of principal portion of lease liabilities		**(55,298)**	–
Dividend paid		**(10,845)**	(10,845)
Net cash flows used in financing activities		**(64,745)**	(1,497)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(46,237)**	(19,833)
Cash and cash equivalents at beginning of year		**145,169**	165,446
Effect of foreign exchange rate changes, net		**(178)**	(444)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**98,754**	145,169

Consolidated Statement of Cash Flows

Year ended 30 June 2020

	Notes	2020 HK$'000	2019 HK$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**77,346**	113,787
Non-pledged time deposits	23	**45,269**	44,835
Cash and cash equivalents as stated in the consolidated statement of financial position		**122,615**	158,622
Pledged time deposits with maturity less than three months when acquired		**1,038**	1,036
Non-pledged time deposits with maturity more than three months when acquired		**(24,899)**	(14,489)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**98,754**	145,169

1. CORPORATE AND GROUP INFORMATION

Human Health Holdings Limited is a limited liability company incorporated in the Cayman Islands. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at 11th Floor, TAL Building, 45–53 Austin Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company is an investment holding company. During the year, the Group is principally engaged in the provision of comprehensive, one-stop and quality healthcare services.

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

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and business	Issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Actmax Limited	Hong Kong	HK$2	–	100	Provision of general practice services
Actwise Limited	Hong Kong	HK$1	–	100	Investment holding
Be Health Specialist Limited	Hong Kong	HK$5,000,100	–	100	Provision of specialties services
Human Health Associate Limited	Hong Kong	HK$2	–	100	Provision of general practice services
Human Health (H.K.) Limited	Hong Kong	HK$2	–	100	Head office management
Human Health Medical Services Limited	Hong Kong	HK$2	–	100	Management of cooperation agreements with doctors and dentists
Impact Medical Imaging Centre Company Limited	Hong Kong	HK$7,500,000	–	100	Provision of medical imaging services
Keen Will Aesthetics Limited	Hong Kong	HK$2	–	100	Provision of medical aesthetic services

Notes to the Financial Statements

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Company name	Place of incorporation/ registration and business	Issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Poly Dental Services Limited	Hong Kong	HK$100	–	100	Provision of dental services
We Health International Limited	BVI	US$12,150	–	100	Investment holding
We Health Medical Diagnostic Limited	Hong Kong	HK$1	–	100	Provision of medical diagnostic services
Win Ocean Limited	Hong Kong	HK$1	–	100	Provision of general practice services
盈健企業管理諮詢(上海)有限公司 ("**Yingjian Qiye**")#	People's Republic of China ("**PRC**")/ Mainland China	Registered capital of HK$22,500,000	–	100	Investment holding

Wholly-foreign-owned enterprise under PRC Law

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

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

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 30 June 2020. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

HKFRS 16	*Leases*
Amendments to HKFRS 16	*Leases-COVID-19-Related Rent Concessions*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
Annual Improvements to HKFRSs 2015–2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*

Other than as explained below regarding the impact of HKFRS 16, the adoption of the above new and revised HKFRSs has had no material impact on these financial statements.

HKFRS 16 *Leases*

(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 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

HKFRS 16 ***Leases*** *(continued)*

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

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

	Carrying amount previously reported at 30 June 2019	Adjustments	Carrying amount under HKFRS 16 at 1 July 2019
	HK$'000	*HK$'000*	*HK$'000*
Non-current Assets			
Property, plant and equipment	17,274	94,831	112,105
Current liabilities			
Lease liabilities	–	49,906	49,906
Non-current liabilities			
Lease liabilities	–	44,925	44,925

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 consolidated statement of financial position as at 1 July 2019:

	HK$'000
Reconciliation of operating lease commitments to lease liabilities	
Operating lease commitments as of 30 June 2019	100,600
Less: future interest expenses	(5,769)
Total lease liabilities as at 1 July 2019	94,831

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 July 2019 is 4.6%.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

HKFRS 16 ***Leases*** *(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 standalone 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 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 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. The Group measures the right-to-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

HKFRS 16 ***Leases*** *(continued)*

(iii) Accounting as a lessee *(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

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application (1 July 2019). The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

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; (iii) excluded the initial direct costs from the measurement of the right-of-use asset at 1 July 2019; and (iv) used hindsight in determining the lease terms if the contracts contain option to extend or terminate the leases.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

HKFRS 16 *Leases* *(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.

Amendments to HKFRS 16 – Lease – COVID-19-Related Rent Concessions

The amendments to HKFRS 16 exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. The amendments apply to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS Standards	Annual Improvements to HKFRS Standards 2018–2020[3]
Amendments to HKAS 16	Property, plant and equipment – Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2023
5 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Further information about those HKFRSs that are expected to be applicable to the Group is described below. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 July 2020.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 July 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HFRS 9, HKAS 39 and HKFRS 7 provide a new interest rate benchmark reform. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

Investment in a joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investment in a joint venture is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of the joint ventures is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's investment in a joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of a joint venture is included as part of the Group's investment in a joint venture.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of acquiree and the equity interests issued by the Group in exchange for control of acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 30 June. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its financial assets at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Computer	25%
Office and medical equipment	25%
Furniture and fixtures	25%
Motor vehicles	25%
Leasehold improvements	33.3% or shorter of lease terms

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill) *(continued)*

Trademark

Trademark is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 12 years.

Customer lists

Customer lists are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

Leasing (accounting policies applied from 1 July 2019)

All leases (irrespective of 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 accounting policy choices exist 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.

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. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment, and adjusted for any remeasurement of lease liability.

The Group has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing (accounting policies applied from 1 July 2019) *(continued)*

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are 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 of 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, the Group measures 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.

Leasing (accounting policies applied until 30 June 2019)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Initial recognition and measurement *(continued)*

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement *(continued)*

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement *(continued)*

Financial assets at fair value through profit or loss (continued)

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals, dividend payable and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of loans and borrowing is as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash which are not restricted as to use.

Provision

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Provision for reinstatement costs is recognised based on past experience of the actual costs incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Revenue from the rendering of integrated healthcare services is recognised over time, using an output method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. The output method recognises revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services. Given that the integrated healthcare service is generally completed within a very short period of time, the revenue from the rendering of integrated healthcare services is recognised when the services have been rendered.

Revenue recognised from sale of goods to customers is recognised when the wellness related product is transferred to the customers upon sale. Payment of the transaction price is due within 90 days upon the delivery of goods.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The functional currencies of an overseas subsidiary, a joint venture and an associate are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of a subsidiary are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Current tax and deferred tax

The Group is subject to income taxes in Hong Kong. The Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. Judgement is required in determining the amount of the provision for tax as there are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provisions in the periods in which such determination is made.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 30 June 2020 was HK$31,964,000 (2019: HK$31,964,000). Further details are given in note 14 to the financial statements.

Impairment of trade receivables

The Group uses a provision matrix and probability-weighted loss default model to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. For probability-weighted loss default model, it was initially using probability of default, loss given default, exposure at default and discount factor, which is adjusted for forward-looking estimates.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 21 to the financial statements.

Provision for obsolete inventories and write-down of inventories to net realisable value

The Group reviews an ageing analysis of its inventories at the end of each reporting period, and makes allowances if there are obsolete and slow-moving inventory items identified that are no longer suitable for use or selling. The Group also reviews the expiration of its inventory items at the end of each reporting period, and makes allowances if there are inventory items identified that are expired. The estimated net realisable value of the Group's inventories is based primarily on the latest selling prices and current market conditions. As at 30 June 2020, the carrying amount of inventories was approximately HK$12,099,000 (2019: HK$13,069,000). Further details are given in note 20 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Fair values of financial assets at fair value

The fair values of financial assets at fair value that are not quoted in active markets are determined by using valuation techniques. Management judgement and estimates are required for the selection of appropriate valuation parameters, assumptions and modeling techniques. As at 30 June 2020, the carrying amount of financial assets at fair value was approximately HK$68,799,000 (2019: HK$97,958,000). Further details are given in notes 17 and 18 to the financial statements.

4. 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 trading of wellness related products; 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 resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income, management fee income from a related party, share of losses of a joint venture and an associate, as well as head office and corporate income and expenses are excluded from such measurement.

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

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

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

4. SEGMENT INFORMATION *(continued)*

	General practice services		Specialties services		Dental services		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue								
Revenue from external customers	**266,530**	338,687	**127,205**	125,114	**60,002**	64,784	**453,737**	528,585
Intersegment sales	**1,441**	1,731	**4,893**	4,220	**11**	8	**6,345**	5,959
Reconciliation							**460,082**	534,544
Elimination of intersegment sales							**(6,345)**	(5,959)
							453,737	528,585
Segment results	**38,636**	81,809	**(5,909)**	11,802	**5,237**	6,431	**37,964**	100,042
Interest income							**1,657**	1,450
Corporate and unallocated income							**2,843**	1,070
Corporate and unallocated expenses							**(80,333)**	(64,281)
Share of losses from a joint venture and an associate							**(1,143)**	(3,558)
(Loss)/profit before tax							**(39,012)**	34,723
Income tax expense	**(577)**	(6,654)	**(698)**	(1,184)	**(87)**	(538)	**(1,362)**	(8,376)
(Loss)/profit for the year							**(40,374)**	26,347
Segment assets	**179,547**	189,160	**79,769**	72,211	**51,300**	62,996	**310,616**	324,367
Elimination of intersegment receivables							**(51,464)**	(28,036)
Corporate and other allocated assets							**168,842**	112,346
Total assets							**427,994**	408,677

4. SEGMENT INFORMATION *(continued)*

	General practice services		Specialties services		Dental services		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment liabilities	**90,923**	49,184	**52,649**	21,395	**31,093**	26,820	**174,665**	97,399
Elimination of intersegment payables							**(51,464)**	(28,037)
Corporate and other allocated liabilities							**45,744**	25,716
Total liabilities							**168,945**	95,078
Other segment information								
Depreciation	**42,660**	2,207	**15,053**	3,983	**6,987**	2,644	**64,700**	8,834
Amortisation of other intangible assets	**736**	737	**347**	347	**528**	528	**1,611**	1,612
Finance costs	**2,819**	–	**394**	–	**281**	–	**3,494**	–
Capital expenditures#	**1,704**	3,263	**6,196**	3,822	**976**	811	**8,876**	7,896

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

Geographical information

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

Information about major customers

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's total revenue for each of the years ended 30 June 2020 and 2019.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue is as follows:

	2020 HK$'000	2019 HK$'000
Revenue		
Integrated healthcare services income	**437,385**	528,585
Trading of wellness related products	**16,352**	–
	453,737	528,585

(i) Disaggregated revenue information

	2020 HK$'000	2019 HK$'000
Timing of revenue recognition		
Transferred over time	**437,385**	528,585
At point in time	**16,352**	–
	453,737	528,585

	2020 HK$'000	2019 HK$'000
Types of services		
General practice services	**266,530**	338,687
Specialties services	**110,853**	125,114
Dental services	**60,002**	64,784
Trading of wellness related products	**16,352**	–
	453,737	528,585

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2020 HK$'000	2019 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Integrated healthcare services income	**4,491**	2,501

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

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Provision of integrated healthcare services

The performance obligation is satisfied when the services are rendered and payment is due immediately, except for patients using medical cards or corporate customers, where the terms are generally due within 1 to 6 months.

Trading of wellness related products

The performance obligation is satisfied when the product is transferred to the customers upon sale. Payment of the transaction price is due 90 days upon the delivery of good.

The following table shows unsatisfied performance obligations resulting from integrated healthcare services income and trading of wellness related products.

	2020	2019
	HK$'000	*HK$'000*
At end of year		
Expected to be recognised within one year	**4,542**	5,392

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

	2020	2019
	HK$'000	*HK$'000*
Other income and gains		
Bank interest income	**936**	888
Interest income on financial assets at fair value through profit or loss	**508**	400
Interest income on loan receivables	**213**	162
Fair value gain of financial assets at fair value through profit or loss	**–**	1,032
Government subsidies*	**3,371**	–
Rent concessions	**6,156**	–
Others	**27**	71
	11,211	2,553

* The Group recognised government subsidies of approximately HK$3,371,000 in respect of Coronavirus Disease 2019 ("**COVID-19**") related subsidies, of which are related to Employment Support Scheme ("**ESS**") and Retail Sector Subsidy Scheme under Anti-Epidemic Fund. Under the term of the ESS, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

6. (LOSS)/PROFIT BEFORE TAX

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

	Notes	**2020** **HK$'000**	2019 HK$'000
Cost of pharmaceutical supplies		**65,691**	55,515
Fees payable to doctors and dentists		**195,972**	223,051
Laboratory expenses		**1,786**	2,317
Depreciation charge	*13*		
– Owned property, plant and equipment		**8,888**	10,571
– Right-of-use assets included within (note i)			
– Leasehold land and buildings		**64,834**	–
Amortisation of other intangible assets (note ii)	*15*	**1,611**	1,612
Fair value loss of financial assets at fair value through profit or loss (included in other losses)		**21,124**	–
Loss on disposal of items of property, plant and equipment		**58**	1
Minimum lease payments under operating leases: Land and building		**–**	61,378
Auditor's remuneration		**995**	1,775
Employee benefit expense (excluding directors' remuneration):	*8*		
Wages and salaries		**92,465**	92,413
Equity-settled share option expenses		**(46)**	268
Pension scheme contributions		**4,262**	3,973
		96,681	96,654
Write-down/(reversal of write-down) of inventories to net realisable value (note iii)		**449**	*(538)*

Notes:

(i) The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 July 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 July 2019, the group as lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information has not been restated. See note 2.2.

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

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

7. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on bank borrowings	561	175
Interest on lease liabilities	4,132	–
	4,693	175

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020 HK$'000	2019 HK$'000
Fees	540	540
Other emoluments		
Salaries, allowances and benefits in kind	7,645	7,932
Discretionary performance-related bonuses	–	694
Equity-settled share option expenses	231	334
Pension scheme contributions	72	72
	7,948	9,032
	8,488	9,572

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year are as follows:

	2020 HK$'000	2019 HK$'000
Dr. Lui Sun Wing	180	180
Mr. Chan Yue Kwong Michael	180	180
Mr. Sin Kar Tim	180	180
	540	540

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors

	Fees	Salaries, allowances and benefits in kind	Discretionary performance-related bonuses	Equity-settled share option expenses	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2020						
Executive directors:						
Mr. Chan Kin Ping, JP *	**-**	**2,070**	**-**	**-**	**18**	**2,088**
Dr. Pang Lai Sheung	**-**	**1,979**	**-**	**-**	**18**	**1,997**
Dr. Sat Chui Wan	**-**	**2,020**	**-**	**142**	**18**	**2,180**
Mr. Poon Chun Pong	**-**	**1,576**	**-**	**89**	**18**	**1,683**
	-	**7,645**	**-**	**231**	**72**	**7,948**
2019						
Executive directors:						
Mr. Chan Kin Ping, JP	–	2,160	195	–	18	2,373
Dr. Pang Lai Sheung	–	2,160	195	–	18	2,373
Dr. Sat Chui Wan	–	2,076	174	206	18	2,474
Mr. Poon Chun Pong	–	1,536	130	128	18	1,812
	–	7,932	694	334	72	9,032

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2019: Nil).

* Mr. Chan Kin Ping, JP is also the chief executive officer of the Company during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2019: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2019: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2020	2019
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,705**	1,488
Discretionary performance-related bonuses	**130**	121
Pension scheme contributions	**18**	18
	1,853	1,627

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2020	2019
HK$1,500,001 to HK$2,000,000	**1**	1
	1	1

10. INCOME TAX EXPENSE

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

Hong Kong profits tax has been made at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong. For the year ended 30 June 2020, 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 PRC corporate income tax has been made as the Group's PRC subsidiary had no estimated assessable profits for the year (2019: Nil).

	2020	2019
	HK$'000	*HK$'000*
Current		
Charge for the year	**1,873**	8,814
Overprovision in prior years	**(77)**	(57)
Deferred *(note 29)*	**(434)**	(381)
Total tax charge for the year	**1,362**	8,376

A reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate are as follows:

	2020	2019
	HK$'000	*HK$'000*
(Loss)/profit before tax	**(39,012)**	34,723
Tax at the statutory tax rate of 16.5%	**(6,437)**	5,729
Adjustments in respect of current tax of previous periods	**(77)**	(57)
Income not subject to tax	**(835)**	(409)
Expenses not deductible for tax	**5,061**	1,209
Tax losses not recognised	**4,076**	1,332
Tax losses utilised from previous periods	**(293)**	(139)
Losses attributable to a joint venture and an associate	**189**	587
Others	**(322)**	124
Tax charge at the Group's effective rate of -3.5% (2019: 24.1%)	**1,362**	8,376

11. DIVIDENDS

No dividend was paid or proposed for the year ended 30 June 2020 nor has any dividend been proposed since the end of reporting period.

The board of directors recommended the payment of a final dividend of HK3 cents per ordinary share for the year ended 30 June 2019.

12. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic (loss)/earnings per share amount is based on the loss for the year attributable to ordinary equity holders of the Company of approximately HK$40,374,000 (2019 profit for the year attributable to ordinary equity holders of the Company: HK$26,624,000), and the weighted average number of ordinary shares of approximately 379,552,000 (2019: 371,541,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 30 June 2020 and 2019 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.

13. PROPERTY, PLANT AND EQUIPMENT

	Properties HK$'000	Computer HK$'000	Office and medical equipment HK$'000	Furniture and fixtures HK$'000	Motor Vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
30 June 2020							
At 1 July 2019:							
Cost	**-**	**10,138**	**41,672**	**3,242**	**1,718**	**40,259**	**97,029**
Accumulated depreciation	**-**	**(6,556)**	**(33,980)**	**(2,996)**	**(1,718)**	**(34,505)**	**(79,755)**
Net carrying amount as originally presented	**-**	**3,582**	**7,692**	**246**	**-**	**5,754**	**17,274**
Initial application of HKFRS 16	**96,581**	**-**	**-**	**-**	**-**	**(1,750)**	**94,831**
	96,581	**3,582**	**7,692**	**246**	**-**	**4,004**	**112,105**
At 1 July 2019, net of accumulated depreciation	**96,581**	**3,582**	**7,692**	**246**	**-**	**4,004**	**112,105**
Additions	**53,813**	**2,809**	**5,086**	**83**	**-**	**3,433**	**65,224**
Disposals	**-**	**(3)**	**(84)**	**(14)**	**-**	**(61)**	**(162)**
Depreciation provided during the year	**(64,834)**	**(1,622)**	**(3,861)**	**(118)**	**-**	**(3,287)**	**(73,722)**
At 30 June 2020, net of accumulated depreciation	**85,560**	**4,766**	**8,833**	**197**	**-**	**4,089**	**103,445**
At 30 June 2020:							
Cost	**150,394**	**12,660**	**45,199**	**2,918**	**1,718**	**35,448**	**248,337**
Accumulated depreciation	**(64,834)**	**(7,894)**	**(36,366)**	**(2,721)**	**(1,718)**	**(31,359)**	**(144,892)**
Net carrying amount	**85,560**	**4,766**	**8,833**	**197**	**-**	**4,089**	**103,445**
30 June 2019							
At 1 July 2018:							
Cost	–	9,293	38,084	3,281	1,718	38,188	90,564
Accumulated depreciation	–	(6,062)	(31,479)	(2,880)	(1,718)	(30,790)	(72,929)
Net carrying amount	–	3,231	6,605	401	–	7,398	17,635
At 1 July 2018, net of accumulated depreciation	–	3,231	6,605	401	–	7,398	17,635
Additions	–	1,879	4,328	92	–	3,972	10,271
Disposals	–	(9)	(12)	(5)	–	(34)	(60)
Depreciation provided during the year	–	(1,518)	(3,229)	(242)	–	(5,582)	(10,571)
Exchange realignment	–	(1)	–	–	–	–	(1)
At 30 June 2019, net of accumulated depreciation	–	3,582	7,692	246	–	5,754	17,274
At 30 June 2019:							
Cost	–	10,138	41,672	3,242	1,718	40,259	97,029
Accumulated depreciation	–	(6,556)	(33,980)	(2,996)	(1,718)	(34,505)	(79,755)
Net carrying amount	–	3,582	7,692	246	–	5,754	17,274

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Right-of-use assets included in the Group's property, plant and equipment:

	Properties
	HK$'000
At 1 July 2019 upon the application of HKFRS 16	96,581
Additions	53,813
Amortisation	(64,834)
At 30 June 2020	**85,560**

14. GOODWILL

	HK$'000
At 1 July 2018, 30 June 2019, 1 July 2019 and 30 June 2020	
Cost	31,964
Accumulated impairment	–
Net carrying amount	31,964

Impairment testing of goodwill

The carrying amount of the goodwill acquired through acquisitions of subsidiaries is allocated to the following cash-generating units:

	2020	2019
	HK$'000	*HK$'000*
General practice services	**5,897**	5,897
Specialties services	**2,774**	2,774
Dental services	**23,293**	23,293
	31,964	31,964

14. GOODWILL *(continued)*

General practice services cash-generating unit

The recoverable amount of the general practice services cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is range from 11.7%–11.9% (2019: 10.5%) for the year ended 30 June 2020. The growth rate used to extrapolate the cash flows of the general practice services cash-generating unit beyond the five-year period is 3.0%. This growth rate does not exceed the average growth rate of the healthcare industry. Senior management of the general practice services cash-generating unit believes that this growth rate is justified, given the established business model adopted by the Group. The Group has an extensive medical centre network which has enjoyed the economies of scale to obtain optimum operational efficiency.

Specialties services cash-generating unit

The recoverable amount of the specialties services cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 11.5% (2019: 10.5%) for the year ended 30 June 2020. The growth rate used to extrapolate the cash flows of the specialties services cash-generating unit beyond the five-year period is 3.0%. This growth rate does not exceed the average growth rate of the healthcare industry. Senior management of the specialties services cash-generating unit believes that this growth rate is justified, given the established business model adopted by the Group. The Group has an extensive medical centre network which has enjoyed the economies of scale to obtain optimum operational efficiency.

Dental services cash-generating unit

The recoverable amount of the dental services cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 11.8% (2019: 10.5%) for the year ended 30 June 2020. The growth rate used to extrapolate the cash flows of the dental services cash-generating unit beyond the five-year period is 3.0%. This growth rate does not exceed the average growth rate of the healthcare industry. Senior management of the dental services cash-generating unit believes that this growth rate is justified, given the medical centre network established by the Group. The Group has an extensive medical centre network which has enjoyed the economies of scale to obtain optimum operational efficiency.

Assumptions were used in the value in use calculation of the general practice services, specialties services and dental services cash-generating units at 30 June 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

14. GOODWILL *(continued)*

Dental services cash-generating unit *(continued)*

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Growth rates – The growth rates are determined with reference to the historical growth rates for the relevant unit, adjusted for expected business, market development and economic condition.

The values assigned to the key assumptions on market development of industries and discount rates are consistent with external information sources.

15. OTHER INTANGIBLE ASSETS

	Trademark *HK$'000*	Customer lists *HK$'000*	Total *HK$'000*
30 June 2020			
Cost at 1 July 2019, net of accumulated amortisation	**4,644**	**5,568**	**10,212**
Amortisation provided during the year	**(633)**	**(978)**	**(1,611)**
At 30 June 2020, net of accumulated Amortisation	**4,011**	**4,590**	**8,601**
At 30 June 2020:			
Cost	**7,600**	**9,780**	**17,380**
Accumulated amortisation	**(3,589)**	**(5,190)**	**(8,779)**
Net carrying amount	**4,011**	**4,590**	**8,601**
30 June 2019			
Cost at 1 July 2018, net of accumulated amortisation	5,278	6,546	11,824
Amortisation provided during the year	(634)	(978)	(1,612)
At 30 June 2019, net of accumulated amortisation	4,644	5,568	10,212
At 30 June 2019:			
Cost	7,600	9,780	17,380
Accumulated amortisation	(2,956)	(4,212)	(7,168)
Net carrying amount	4,644	5,568	10,212

16. INVESTMENT IN A JOINT VENTURE AND AN ASSOCIATE

	2020	2019
	HK$'000	*HK$'000*
Share of net assets	**1,954**	3,182

On 24 April 2015, Yingjian 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.

On 7 April 2020, the shareholders of Pingan Yingjian Medical Management (Shanghai) Limited (平安盈健醫療管理(上海)有限公司) ("**Pingan Yingjian**") passed a resolution for the change of terms of the articles of association of Pingan Yingjian, in particular to the rights of the shareholders and directors of Pingan Yingjian in certain reserved matters. Due to the above change, the Group lost its joint control position in Pingan Yingjian, but retained its significant influence. Thus, the investment in Pingan Yingjian has been re-classified as investment in an associate.

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

			Percentage of			
Name	**Particulars of registered capital**	**Place of registration and business**	**Ownership interest**	**Voting power**	**Profit sharing**	**Principal activities**
平安盈健醫療管理(上海)有限公司 ("**Pingan Yingjian**")	Renminbi ("**RMB**") 35,000,000	PRC/Mainland China	50	40	50	Provision of medical services

Pingan Yingjian is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Pingan Yingjian adjusted for any difference in accounting policies and reconciled to the carrying amount in the financial statements:

	2020	2019
	HK$'000	*HK$'000*
Cash and cash equivalents	**9,522**	4,080
Other current assets	**2,863**	3,046
Current assets	**12,385**	7,126
Non-current assets	**2,704**	5,099
Financial liabilities and current liabilities	**(11,181)**	(5,862)
Net assets	**3,908**	6,363

16. INVESTMENT IN A JOINT VENTURE AND AN ASSOCIATE *(continued)*

	2020 **HK$'000**	2019 HK$'000
Reconciliation to the Group's interest in the joint venture and associate:		
Proportion of the Group's ownership	**50%**	50%
Carrying amount of the investment	**1,954**	3,182
Revenue	**19,182**	8,686
Interest income	**26**	13
Depreciation	**(2,231)**	(2,391)
Loss and total comprehensive loss for the year	**(2,287)**	(7,116)

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 **HK$'000**	2019 HK$'000
Unlisted equity investments, at fair value		
– Heals Healthcare	**12,284**	13,040
– Unlisted company	**1,545**	3,500
	13,829	16,540

Management irrevocably designated the above equity investments as financial assets at fair value through other comprehensive income, as the Group considers these investments to be strategic in nature.

On 10 December 2018, the Group subscribed 156,667 ordinary shares of Heals Healthcare (Asia) Limited ("**Heals Healthcare**"), an independent third party, at a deemed consideration of HK$13,040,000.

On 24 January 2018, the Group acquired 100,000 ordinary shares of an unlisted company incorporated in Hong Kong, at a consideration of HK$3,500,000. At 30 June 2020, the Group has 10% equity interest in the above-mentioned company.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 **HK$'000**	2019 *HK$'000*
Convertible bonds	**–**	11,332
Derivative financial instruments	**–**	12,411
Investment in redeemable preference shares	**22,537**	23,550
Unlisted investment funds	**32,433**	34,125
	54,970	81,418

The convertible bonds were issued by Asana Global Group Limited ("**ASANA**"), an unlisted company established in BVI, 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.

During the year ended 30 June 2020, the Group had disposed the convertible bonds to an independent third party.

The derivative financial instruments were classified as financial assets at fair value through profit or loss.

During the year ended 30 June 2019, the Group subscribed redeemable preference shares in an unlisted company established in BVI, at a consideration of US$3,000,000 (equivalent to 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.

During the year ended 30 June 2019, 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 ("**Limited Partnership**") and subscribed 8.8% of the committed fund size amounting to RMB30,000,000 (equivalent to HK$34,125,000). As detailed in the Company's announcement dated 10 January 2020, following the change of composition of the Limited Partnership in late 2019, the Group was the holder of approximately 73.2% of the partnership interest in the Limited Partnership as at 30 June 2020 and Limited Partnership invested in New Journey Hospital Group during the year ended 30 June 2020. Pursuant to the terms of the limited partnership agreement, the directors of the Company considered the control of the limited partnership remained with the general partner and the Group as a limited partner does not have any controlling power nor exert any significant influence over the limited partnership.

19. LOAN RECEIVABLES

	2020 HK$'000	2019 HK$'000
Loan receivables	-	10,800

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 Group.

During the year ended 30 June 2020, the Group had assigned the loan facility to an independent third party.

20. INVENTORIES

	2020 HK$'000	2019 HK$'000
Pharmaceutical supplies	12,099	13,069

21. TRADE RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	36,021	33,117

Most of the patients of the medical and dental practices settle in cash and credit cards. Payments by patients using medical cards or corporate customers will normally be settled within 1 to 6 months. The Group allows an average credit period of 70 days to its trade customers under other business activities. The Group seeks to maintain strict control over its outstanding receivables and has personnel to monitor the implementation of measures to minimise the credit risk. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

21. TRADE RECEIVABLES *(continued)*

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

	2020	2019
	HK$'000	*HK$'000*
Within 2 months	**17,476**	24,828
2 to 4 months	**4,210**	5,968
4 to 6 months	**6,276**	1,787
Over 6 months	**8,059**	534
	36,021	33,117

Impairment under HKFRS 9

An impairment analysis is performed at each reporting date using a provision matrix and probability-weighted loss default model 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 2020 and 30 June 2019, the Group assessed the loss allowance and the expected credit loss rates under the application of HKFRS 9 were minimal.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Prepayments	**4,313**	1,769
Deposits	**25,097**	25,415
Other receivables	**9,000**	586
	38,410	27,770
Less: Non-current portion	**(19,527)**	(18,379)
	18,883	9,391

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

Deposits and other receivables mainly represent rental deposits. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. As at 30 June 2020, the Group assessed the loss allowance and the expected credit loss rate under the application of HKFRS 9 were minimal.

None of the above assets is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

23. CASH AND CASH EQUIVALENTS

	2020	2019
	HK$'000	*HK$'000*
Cash and bank balances	**77,346**	113,787
Time deposits	**47,317**	46,877
	124,663	160,664
Less: Pledged time deposits for credit facilities	**(2,048)**	(2,042)
	122,615	158,622

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to HK$4,873,000 (2019: HK$5,100,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rate. Short term time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

24. TRADE PAYABLES

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

	2020 HK$'000	2019 HK$'000
Within 1 month	15,965	26,635
1 to 3 months	3,115	4,422
Over 3 months	38	51
	19,118	31,108

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

The trade payables of the Group included fees payable to doctors and dentists who are related parties of the Group for the amount of HK$3,624,000.

25. OTHER PAYABLES AND ACCRUALS

	2020 HK$'000	2019 HK$'000
Other payables	17,033	19,995
Accruals	3,667	10,579
Deferred income (note)	6,510	–
Provision for reinstatement costs (note 27)	7,947	7,615
	35,157	38,189
Less: Non-current portion	(3,459)	(4,053)
	31,698	34,136

Other payables and accruals are unsecured, non-interest-bearing and are normally repayable on demand.

Note: During the year, the Group received government grants related to ESS launched by the Hong Kong government under which the Group is required (1) not to implement redundancies from June 2020 to August 2020; and (2) to spend all the wage subsidies on paying wages to its employees. The Group recognised as income over the periods necessary to match the grants on systematic basis to the costs that they were intended to compensate.

26. CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Short-term advances received from customers		
Integrated healthcare services	**3,595**	5,392

Contract liabilities represented short-term advances received to render integrated healthcare services. The decrease in contract liabilities in 2020 was mainly due to the decrease in short-term advances received from customers in relation to the rendering of integrated healthcare services at the end of the year.

Movement in contract liabilities

	2020 HK$'000	2019 HK$'000
Balance as at 1 July	**5,392**	2,845
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(4,491)**	(2,501)
Increase in contract liabilities as a result of billing in advance, net	**2,694**	5,048
Balance as at 30 June	**3,595**	5,392

27. PROVISIONS

	Reinstatement costs HK$'000
At 1 July 2018	6,528
Additional provision	1,320
Underprovision in prior years	8
Amounts utilised during the year	(241)
At 30 June 2019 and 1 July 2019	7,615
Additional provision	589
Overprovision in prior years	(38)
Amounts utilised during the year	(219)
At 30 June 2020	**7,947**

27. PROVISIONS *(continued)*

	2020 **HK$'000**	2019 HK$'000
Current liabilities	**4,488**	3,562
Non-current liabilities	**3,459**	4,053
	7,947	7,615

The Group provides for reinstatement costs for its medical centres, as estimated based on past experience of the actual costs incurred. The estimation basis is reviewed on an ongoing basis and revised where appropriate. The timing of outflows is expected to be untilised in one to three years.

28. INTEREST-BEARING BANK BORROWINGS

	2020			2019		
	Contractual interest rate (%)	**Maturity**	**HK$'000**	Contractual interest rate (%)	Maturity	HK$'000
Current:						
Bank loans – secured	**HIBOR + 2**	**2024**	**15,553**	HIBOR + 2	2024	9,494

	2020 **HK$'000**	2019 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**15,553**	9,494

The bank loans are secured by the corporate guarantees of the Company and certain of its subsidiaries.

29. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Accelerated depreciation allowance *HK$'000*	Business combination *HK$'000*	Total *HK$'000*
At 1 July 2018	194	1,951	2,145
Deferred tax credited to profit or loss during the year (note 10)	(11)	(266)	(277)
At 30 June 2019 and 1 July 2019	183	1,685	1,868
Deferred tax credited to profit or loss during the year (note 10)	–	(266)	(266)
At 30 June 2020	**183**	**1,419**	**1,602**

Deferred tax assets

	Depreciation in excess of depreciation allowance *HK$'000*
At 1 July 2018	1,385
Deferred tax credited to profit or loss during the year (note 10)	104
At 30 June 2019 and 1 July 2019	1,489
Deferred tax credited to profit or loss during the year (note 10)	168
At 30 June 2020	**1,657**

29. DEFERRED TAX *(continued)*

The Group has tax losses arising in Hong Kong of HK$106,789,000 (2019: HK$83,825,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to the shareholders.

30. SHARE CAPITAL

Shares

	2020 ***HK$'000***	2019 *HK$'000*
Issued and fully paid: 379,552,233 (2019: 379,552,233) ordinary shares at 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)	18,050,233	181
30 June 2019, 1 July 2019 and 30 June 2020	**379,552,233**	**3,796**

Note: On 10 December 2018, the Company issued 18,050,233 ordinary shares at HK$1.41 per share to Heals Healthcare Limited for forming an exclusive strategic alliance between the Company and Heals Healthcare Limited and 156,667 shares of Heals Healthcare Limited was issued to the Company. Upon the issuance of 18,050,233 ordinary shares, amounts of HK$181,000 and HK$25,270,000 were credited to share capital and share premium, respectively.

31. SHARE OPTION SCHEME

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

The total number of shares which may be issued upon exercise of all share options to be granted under the Scheme shall not in aggregate exceed 10% 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 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 must be at least the higher 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.

31. SHARE OPTION SCHEME *(continued)*

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

	Year ended 30 June			
	2020		2019	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	HK$ per share	***'000***	*HK$ per share*	*'000*
At 1 July	**2.197**	**2,950**	2.196	3,200
Granted during the year	**–**	**–**	–	–
Exercised during the year	**–**	**–**	–	–
Lapsed during the year	**2.152**	**(460)**	2.189	(250)
At 30 June	**2.205**	**2,490**	2.197	2,950
Exercisable at the end of the year	**2.214**	**762**	–	–

The options outstanding at the end of the year have a weighted average remaining contractual life of 2.6 years (2019: 3.9 years) and the weighted average exercise price of HK$2.205 (2019: HK$2.197).

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

2020

Number of options '000	Exercise price* HK$ per share	Exercise period
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
59	2.090	1-6-21 to 31-5-27
59	2.090	1-6-22 to 31-5-27
62	2.090	1-6-23 to 31-5-27
2,490		

31. SHARE OPTION SCHEME *(continued)*

2019

Number of options *'000*	Exercise price* *HK$ per share*	Exercise period
838	2.214	4-10-19 to 3-10-22
838	2.214	4-10-20 to 3-10-22
864	2.214	4-10-21 to 3-10-22
135	2.090	1-6-21 to 31-5-27
135	2.090	1-6-22 to 31-5-27
140	2.090	1-6-23 to 31-5-27
2,950		

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

The fair value of the share options granted on 4 October 2016 and 28 May 2018 were HK$2,251,000 and HK$571,000 respectively. The Group recognised a share option expense of HK$185,000 during the year ended 30 June 2020 (2019: HK$602,000).

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

		Options granted on 4 October 2016	**Options 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 shares		38%	64%
Exercise multiple	Directors:	2.80	N/A
	Employees:	2.20	2.20
Weighted average estimated fair value for each share option	Directors:	HK$0.8236	N/A
	Employees:	HK$0.8184	HK$1.2413

31. SHARE OPTION SCHEME *(continued)*

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 2,490,000 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 2,490,000 additional ordinary shares of the Company and additional share capital of HK$24,900 (before issue expenses) and share premium of HK$7,588,000 (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.

32. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 107 of the financial statements.

33. NOTE TO THE STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the acquisition of property, plant and equipment included the provision for reinstatement costs of HK$589,000 (2019: HK$1,320,000) included in the other payables and accruals.

(b) Changes in liabilities arising from financing activities

	Lease liabilities HK$'000	Bank loans HK$'000
At 1 July 2018	–	–
Changes from financing cash flows	–	9,494
At 30 June 2019 and 1 July 2019	–	9,494
Other changes:		
Initial application of HKFRS 16	94,831	–
Additions of leases	53,237	–
Finance costs	4,132	529
Rent concessions	(6,156)	–
Changes from financing cash flows	(59,430)	5,530
At 30 June 2020	**86,614**	**15,553**

34. LEASES

HKFRS 16 was adopted 1 July 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as 1 July 2019, see note 2.2. The accounting policies applied subsequent to the date of initial application, 1 July 2019, as disclosed in note 2.4.

Nature of leasing activities (in the capacity as lessee)

The Group entered into various lease agreements for office premises and medical centres. These leases have remaining non-cancellable lease terms of between 1 to 3 years. All leases held by the Group comprise fixed payments over the lease term.

The analysis of the net book value of right-of-use assets by class of underlying assets is as follows:

	30 June 2020 ***HK$'000***	1 July 2019 *HK$'000*
Properties leased for own use, carried at depreciated cost	**85,560**	96,581

34. LEASES *(continued)*

Lease liabilities

	Properties
	HK$'000
At 1 July 2019 upon the application of HKFRS 16	94,831
Additions	53,237
Interest expenses	4,132
Lease payments	(59,430)
Rent concessions	(6,156)
At 30 June 2020	**86,614**

Future lease payments are due as follows:

	Minimum lease payments 30 June 2020	**Interest 30 June 2020**	**Present value 30 June 2020**
	HK$'000	***HK$'000***	***HK$'000***
Not later than one year	**54,929**	**(2,481)**	**52,448**
Later than one year and not later than two years	**30,684**	**(724)**	**29,960**
Later than two years and not later than three years	**4,242**	**(36)**	**4,206**
	89,855	**(3,241)**	**86,614**

	Minimum lease payments 1 July 2019	Interest 1 July 2019	Present value 1 July 2019
	HK$'000	*HK$'000*	*HK$'000*
Not later than one year	52,811	(2,905)	49,906
Later than one year and not later than two years	30,823	(1,217)	29,606
Later than two years and not later than three years	14,895	(281)	14,614
More than three years	705	–	705
	99,234	(4,403)	94,831

34. LEASES *(continued)*

Lease liabilities *(continued)*

The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balance 1 July 2019 to recognise lease liabilities relating to leases which were previous classified as operating leases under HKAS 17. Comparative information as at 30 June 2019 has not been restated and the Group did not have any finance liability as at 30 June 2019. Please see note 2.2 for further details about the transition.

The present value of future lease payments are analysed as:

	30 June 2020	1 July 2019
	HK$'000	*HK$'000*
Current liabilities	**52,448**	49,906
Non-current liabilities	**34,166**	44,925
	86,614	94,831

The total cash outflow for leases during 2020 was HK$63,562,000.

Operating leases – lessee

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

At 30 June 2019, the Group had total minimum lease payments under non-cancellable operating leases falling due as follows:

	2019
	HK$'000
Within one year	53,460
In the second to fifth years, inclusive	47,140
	100,600

35. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 34 above, the Group had the following capital commitments.

	2020	2019
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Medical equipment	**262**	70
IT equipment	**75**	–
Leasehold improvements	**–**	40
	337	110

36. 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 year:

	Relationship	Nature	**2020**	2019
			HK$'000	*HK$'000*
Maxland Limited	(1)			
Rental expenses		(i)	**2,727**	2,992
Fees payable to doctors and dentists who are related parties	(2)	(ii)	**34,736**	44,559

Nature of transactions

i. The rental expenses were charged by this related party for the leases of two medical centres at a total amount of HK$249,000 (2019: HK$249,000) per month, on a mutually agreed basis, which approximated to market rates.

ii. The fees represented the professional fees 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.

36. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Relationship of related parties

1. Mr. Chan Kin Ping, JP and Dr. Pang Lai Sheung, controlling shareholders of the Company, have beneficial interests in these related parties.

2. These doctors and dentists are also directors of certain subsidiaries of the Group or senior management of the Group.

(b) Compensation of key management personnel of the Group

	2020 **HK$'000**	2019 *HK$'000*
Salaries, allowances and benefits in kind	**7,645**	8,626
Equity-settled share option expenses	**231**	334
Pension scheme contributions	**72**	72
	7,948	9,032

Further details of Directors' emoluments are included in note 8 to the financial statements.

The related party transactions in respect of note (a) item (i) and fees payable to 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.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Financial assets at fair value through profit or loss *HK$'000*	**Financial assets at fair value through other comprehensive income** *HK$'000*	**Financial assets at amortised cost** *HK$'000*	**Total** *HK$'000*
2020				
Financial assets at fair value through other comprehensive income	**–**	**13,829**	**–**	**13,829**
Financial assets at fair value through profit or loss	**54,970**	**–**	**–**	**54,970**
Trade receivables	**–**	**–**	**36,021**	**36,021**
Financial assets included in prepayments, deposits and other receivables	**–**	**–**	**34,097**	**34,097**
Pledged deposits	**–**	**–**	**2,048**	**2,048**
Cash and cash equivalents	**–**	**–**	**122,615**	**122,615**
	54,970	**13,829**	**194,781**	**263,580**

	Financial assets at fair value through profit or loss *HK$'000*	Financial assets at fair value through other comprehensive income *HK$'000*	Financial assets at amortised cost *HK$'000*	Total *HK$'000*
2019				
Financial assets at fair value through other comprehensive income	–	16,540	–	16,540
Financial assets at fair value through profit or loss	81,418	–	–	81,418
Trade receivables	–	–	33,117	33,117
Financial assets included in prepayments, deposits and other receivables	–	–	26,001	26,001
Pledged deposits	–	–	2,042	2,042
Cash and cash equivalents	–	–	158,622	158,622
	81,418	16,540	219,782	317,740

37. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Financial liabilities

	Financial liabilities at amortised cost	
	2020	2019
	HK$'000	*HK$'000*
Trade payables	**19,118**	31,108
Financial liabilities included in other payables and accruals	**17,064**	20,024
Interest-bearing bank borrowings	**15,553**	9,494
Lease liabilities	**86,614**	–
	138,349	60,626

38. 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 30 June 2020

	Carrying amount	Fair value
	HK$'000	***HK$'000***
Financial assets at fair value through profit or loss	**54,970**	**54,970**
Financial assets at fair value through other comprehensive income	**13,829**	**13,829**
Deposits and other receivables, non-current portion	**19,527**	**19,527**
	88,326	**88,326**

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

Financial assets *(continued)*

As at 30 June 2019

	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
	116,337	116,337

Management has assessed that the fair values of the current portion of deposits, other receivables, trade receivables, cash and cash equivalents, trade payables, other payables and interest-bearing bank borrowings 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.

As at 30 June 2020, the fair values of the Heals Healthcare and an unlisted company have been estimated based on Black-Scholes option pricing model with reference to the enterprise values to sales ("**EV/Sales**").

The investment in redeemable preference shares and unlisted investment funds have been estimated based on market prices of recent transactions of the investments as at 30 June 2019. Due to there were no market prices of recent transactions of the investments as at 30 June 2020, the valuation methodologies were changed to Black-Scholes option pricing model with reference to Price-to-book ratio ("**P/B**") and Discount for lack of marketability ("**DLOM**").

The fair values of the derivative financial instruments have been estimated using scenario analysis by considering alternative possible outcomes as at 30 June 2020 and 30 June 2019. During the year ended 30 June 2020, as the relevant key performance indicator to the derivative financial instruments cannot be fulfilled, the management of the Company considered the possibility of agreed outcome was low after the negotiation with Heals Healthcare. Therefore, the fair value of the derivative financial instruments have been reduced to nil balance as at 30 June 2020.

The fair value of convertible bonds had been estimated with reference to multiples of comparable listed companies, such as the average of price to earnings ratio ("**P/E**") as at 30 June 2019.

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 other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

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

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2020 and 30 June 2019:

As at 30 June 2020

Financial assets at fair value through other comprehensive income

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments				
– Heals Healthcare	Market approach – Black-Scholes option pricing model	EV/Sales and DLOM	EV/Sales: 4.93 DLOM: 15.8%	10% increase in EV/Sales result in increase in fair value by HK$1,103,000, while an 10% decrease in EV/Sales result in decrease in fair value by HK$1,099,000; 10% increase in DLOM result in decrease in fair value by HK$230,000, 10% decrease in DLOM result in increase in fair value by HK$231,000
– Unlisted company	Market approach – Black-Scholes option pricing model	EV/Sales and DLOM	EV/Sales: 8.07 DLOM: 15.8%	10% increase/decrease in EV/Sales result in increase/decrease in fair value by HK$152,000; 10% increase in DLOM result in decrease in fair value by HK$28,000, while 10% decrease in DLOM result in increase in fair value by HK$29,000

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

As at 30 June 2020 *(continued)*

Financial assets at fair value through profit or loss

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Derivative financial instruments	Probabilistic approach	Variation changes on future key performance indicator ("**KPIs**")*	0%	Not applicable
Investment in redeemable preference shares	Market approach – Black-Scholes option pricing model	P/B and DLOM	P/B: 6.02 DLOM: 15.80%	10% increase in P/B result in increase in fair value by HK$892,000, while 10% decrease in P/B result in decrease in fair value by HK$909,000; 10% increase/ decrease in DLOM result in decrease/increase in fair value by HK$423,000
Unlisted investment funds	Market approach – Black-Scholes option pricing model	P/B and DLOM	P/B: 3.18 DLOM: 15.80%	10% increase in P/B result in increase in fair value by HK$2,707,000, while 10% decrease in P/B result in decrease in fair value by HK$2,733,000; 10% increase in DLOM result in decrease in fair value by HK$558,000, while 10% decrease in DLOM result in increase in fair value by HK$559,000

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

As at 30 June 2019

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Convertible bonds	Market comparable companies	P/E	10.7x	5% comparable increase in P/E multiple would result in increase in fair value by HK$273,000;5% comparable decrease in P/E multiple in fair value by HK$165,000
Derivative financial instruments	Probabilistic approach	Variation changes on future key performance indicator ("**KPIs**")*	20%–25%	10% comparable increase/ (decrease) in variation changes on future KPIs would result in (decrease)/increase in fair value by HK$292,000

* The KPIs include the respective targets in (i) the total download volume of the mobile application of Heals Healthcare (the "**Heals App**") by end users introduced through the medical network of the Group; (ii) the revenue generated by Heals Healthcare and its subsidiaries on provision of various administration services in the digital healthcare platform to the medical network of the Group; and (iii) the amount of payment in the Heals App made by end users introduced through the medical network of the Group.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *HK$'000*	Significant observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*	Total *HK$'000*
Financial assets at fair value through other comprehensive income	–	–	13,829	13,829
Financial assets at fair value through profit or loss	–	–	54,970	54,970
	–	–	68,799	68,799

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

Fair value hierarchy *(continued)*

As at 30 June 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at fair value through other comprehensive income	–	–	16,540	16,540
Financial assets at fair value through profit or loss	–	–	81,418	81.418
	–	–	97,958	97,958

The movements in fair value measurements within Level 3 during the year ended are as follows:

	HK$'000
Financial assets at fair value through other comprehensive income	
At 1 July 2018	3,500
Additions	13,040
At 30 June 2019 and 1 July 2019	16,540
Change in fair value recognised in other comprehensive income during the year	(2,711)
30 June 2020	13,829
Financial assets at fair value through profit or loss	
At 1 July 2018	–
Additions	81,418
At 30 June 2019 and 1 July 2019	81,418
Disposal	(11,332)
Change in fair value recognised in profit or loss during the year	(15,116)
30 June 2020	**54,970**

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

Fair value hierarchy *(continued)*

Assets for which fair values are disclosed:

As at 30 June 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) ***HK$'000***	**Significant observable inputs (Level 2)** ***HK$'000***	**Significant unobservable inputs (Level 3)** ***HK$'000***	**Total** ***HK$'000***
Deposits and receivables, non-current portion	**–**	**19,527**	**–**	**19,527**

As at 30 June 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *HK$'000*	Significant observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*	Total *HK$'000*
Deposits, non-current portion	–	18,379	–	18,379

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from Group's financial instruments are interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit/(loss) before tax *HK$'000*	Increase/ (decrease) in equity *HK$'000*
2020			
Hong Kong dollar	**100**	**(146)**	**(146)**
Hong Kong dollar	**(100)**	**146**	**146**
2019			
Hong Kong dollar	100	(48)	(48)
Hong Kong dollar	(100)	48	48

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Maximum exposure and year-end staging as at 30 June 2020

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 30 June 2020. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1 *HK$'000*	**Stage 2** *HK$'000*	**Stage 3** *HK$'000*	**Simplified approach** *HK$'000*	*HK$'000*
Trade receivables*	–	–	–	36,021	36,021
Financial assets included in prepayments, deposits and other receivables					
– Normal**	34,097	–	–	–	34,097
Pledged deposits					
– Not yet past due	2,048	–	–	–	2,048
Cash and cash equivalents					
– Not yet past due	122,615	–	–	–	122,615
	158,760	–	–	36,021	194,781

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Maximum exposure as at 30 June 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Simplified approach *HK$'000*	*HK$'000*
Trade receivables*	–	–	–	33,117	33,117
Financial assets included in prepayments, deposits and other receivables					
– Normal**	26,001	–	–	–	26,001
Pledged deposits					
– Not yet past due	2,042	–	–	–	2,042
Cash and cash equivalents					
– Not yet past due	158,622	–	–	–	158,622
	186,665	–	–	33,117	219,782

* For trade receivables the Group applies the simplified approach for impairment.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

The Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

The maturity profile of the Group's financial liabilities as the end of the reporting period based on the contractual undiscounted payments is as follows:

	On demand *HK$'000*	Less than 3 months *HK$'000*	3 to less than 12 months *HK$'000*	1 to 5 years *HK$'000*	Total *HK$'000*
As at 30 June 2020					
Trade payables	**–**	**19,118**	**–**	**–**	**19,118**
Financial liabilities included in other payables and accruals	**–**	**17,064**	**–**	**–**	**17,064**
Interest-bearing bank borrowings	**15,553**	**–**	**–**	**–**	**15,553**
Lease liabilities	**–**	**14,713**	**37,735**	**34,166**	**86,614**
	15,553	**50,895**	**37,735**	**34,166**	**138,349**

	On demand *HK$'000*	Less than 3 months *HK$'000*	3 to less than 12 months *HK$'000*	1 to 5 years *HK$'000*	Total *HK$'000*
As at 30 June 2019					
Trade payables	–	31,108	–	–	31,108
Financial liabilities included in other payables and accruals	–	20,024	–	–	20,024
Interest-bearing bank borrowings	9,494	–	–	–	9,494
	9,494	51,132	–	–	60,626

In respect of interest-bearing bank borrowings of HK$15,553,000 (2019: HK$9,494,000), the loan agreement contains a repayment on demand clause giving the bank the unconditional right to call in the loan at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

Notwithstanding the above clause, the directors do not believe that the loan will be called their entirety within 12 months, and they consider that the loan will be repaid in accordance with the maturity dates as set out in the loan agreement.

In accordance with the terms of the loan, the contractual undiscounted payments at 30 June 2020 for the interest-bearing bank borrowings in respect of the Group are HK$1,077,000 (2019: HK$601,000) within three months, HK$3,192,000 (2019: HK$1,769,000) in three to twelve months, and HK$12,117,000 (2019: HK$12,236,000) in one to five years.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business.

The Group manages its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2020 and 30 June 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt includes trade payables, other payables and accruals, interest-bearing bank borrowings and contract liabilities, less cash and cash equivalents and pledged deposits. Total capital represents equity attributable to the owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	2020 ***HK$'000***	2019 *HK$'000*
Interest-bearing bank borrowings	**15,553**	9,494
Trade payables	**19,118**	31,108
Other payables and accruals (note 25)	**35,157**	38,189
Contract liabilities	**3,595**	5,392
Lease liabilities	**86,614**	–
Less: Cash and cash equivalents and pledged deposits	**(124,663)**	(160,664)
Net debt/(cash)	**35,374**	(76,481)
Equity attributable to owners of the Company	**259,049**	313,599
Capital and net debt	**294,423**	237,118
Gearing ratio	**0.12**	N/A

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020	2019
	HK$'000	HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**99**	99
Amount due from a subsidiary	**26,282**	–
	26,381	99
CURRENT ASSETS		
Prepayments, deposits and other receivables	**166**	180
Amounts due from subsidiaries	**130,044**	159,709
Dividend receivable from a subsidiary	**–**	18,000
Cash and cash equivalents	**42,309**	26,991
Total current assets	**172,519**	204,880
CURRENT LIABILITIES		
Other payables and accruals	**1,189**	943
Amounts due to subsidiaries	**12,207**	–
Total current liabilities	**13,396**	943
NET CURRENT ASSETS	**159,123**	203,937
Net assets	**185,504**	204,036
EQUITY		
Share capital	**3,796**	3,796
Reserves (note)	**181,708**	200,240
Total equity	**185,504**	204,036

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium *HK$'000*	Other reserve *HK$'000*	Share option reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 July 2018	164,951	99	1,026	7,953	174,029
Profit and total comprehensive income for the year	–	–	–	11,184	11,184
Dividend declared	–	–	–	(10,845)	(10,845)
Equity-settled investment	25,270	–	–	–	25,270
Equity-settled share option arrangements	–	–	602	–	602
At 30 June 2019 and 1 July 2019	190,221	99	1,628	8,292	200,240
Loss and total comprehensive loss for the year	–	–	–	(7,330)	(7,330)
Dividend declared	–	–	–	(11,387)	(11,387)
Equity-settled share option arrangements	–	–	185	–	185
At 30 June 2020	**190,221**	**99**	**1,813**	**(10,425)**	**181,708**

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 September 2020.

Five Years' Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interest of the Group for the last five financial years, as extracted from published audited financial statements and restated/reclassified as appropriate, is set out below:

	Year ended 30 June				
	2016 (Restated) *HK$'000*	2017 *HK$'000*	2018 *HK$'000*	2019 *HK$'000*	**2020** ***HK$'000***
Revenue	498,576	481,147	518,020	528,585	**453,737**
Net (loss)/profits attributable to					
Owners of the Company	23,431	13,469	24,111	26,624	**(40,374)**
Non-controlling interests	–	(878)	(946)	(277)	**–**
	23,431	12,591	23,165	26,347	**(40,374)**

	As at 30 June				
	2016 *HK$'000*	2017 *HK$'000*	2018 *HK$'000*	2019 *HK$'000*	**2020** ***HK$'000***
Total assets	319,111	320,177	343,406	408,677	**427,994**
Total liabilities	(104,409)	(63,636)	(69,166)	(95,078)	**(168,945)**
Non-controlling interests	–	(1,606)	(660)	–	**–**
	214,702	254,935	273,580	313,599	**259,049**