



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



2021
Interim Report 



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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

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Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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LEGAL ADVISER TO THE COMPANY AS TO HONG KONG LAW

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AUDITOR

Ernst & Young, Certified Public Accountants
22/F., CITIC Tower
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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

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Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

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Bank of China Tower
1 Garden Road,
Central, Hong Kong

WEBSITE

www.humanhealth.com.hk

SHARE INFORMATION

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

Management Discussions and Analysis

FINANCIAL REVIEW

Financial Review for the six months ended 31 December 2020 (the "Interim Period of FY2021")

Revenue

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

	Interim Period of FY2021 HK\$'000	Interim Period of FY2020 HK\$'000	% of change
General practice services	134,503	161,649	-16.8%
Specialties services	66,484	59,410	11.9%
Dental services	29,677	33,746	-12.1%
	230,664	254,805	-9.5%

In the Interim Period of FY2021, the Group recorded revenue amounted to approximately HK\$230.7 million, representing the decrease of approximately HK\$24.1 million or 9.5% as compared with the six months ended 31 December 2019 (the "**Interim Period of FY2020**").

Our revenue from general practice services decreased by approximately HK\$27.1 million or 16.8% from the Interim Period of FY2020 to approximately HK\$134.5 million for the Interim Period of FY2021. The decrease was mainly due to the decrease in patient visits for general practice services at our medical centres as a result of the adverse impact of the outbreak of the Coronavirus Disease 2019 ("**COVID-19**") and offset by the increase in revenue of preventive services, testing and outreach services.

Our revenue from specialties services increased by approximately HK\$7.1 million or 11.9% from the Interim Period of FY2020 to approximately HK\$66.5 million for the Interim Period of FY2021. The increase was mainly attributed to the increase in revenue from trading of wellness products and the increase in patient visits for specialties services particularly in diagnostic testing services.

Our revenue from dental services decreased by approximately HK\$4.1 million or 12.1% from the Interim Period of FY2020 to approximately HK\$29.7 million for the Interim Period of FY2021. The decrease was mainly due to the decrease in patient visits for dental services as a result of the adverse impact of the outbreak of COVID-19.

Management Discussions and Analysis

Cost of services rendered

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

	Interim Period of FY2021 HK\$'000	Interim Period of FY2020 HK\$'000	% of change
Fees payable to doctors and dentists	79,776	108,337	-26.4%
Other direct cost	3,890	–	N/A
Cost of pharmaceutical supplies	34,030	27,761	22.6%
Laboratory expenses	1,880	1,019	84.5%
Write-down of inventories to net realisable value	2,119	149	1,322.1%
	<u>121,695</u>	<u>137,266</u>	<u>-11.3%</u>

Our cost of services rendered decreased by approximately HK\$15.6 million or 11.3% from the Interim Period of FY2020 to approximately HK\$121.7 million for the Interim Period of FY2021. This decrease was mainly due to the decrease in fees payable to doctors and dentists as a result of the decrease in revenue and the offset by the increases in other direct cost such as hiring of contract professional staff and cost of pharmaceutical supplies as a result of the increase in associated costs of preventive and testing services.

Gross profit and gross profit margin

Our gross profit decreased by approximately HK\$8.6 million or 7.3% from the Interim Period of FY2020 to approximately HK\$109.0 million for the Interim Period of FY2021 which was mainly due to the decrease in revenue in general practice services. Our gross profit margin increased to approximately 47.2% for Interim Period of FY2021 from approximately 46.1% for the Interim Period of 2020 which was mainly due to the increase in gross profit margin for general practice services and specialties practice services.

Management Discussions and Analysis

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

	Interim Period of FY2021		Interim Period of FY2020	
	HK\$'000	Gross profit margin %	HK\$'000	Gross profit margin %
General practice services	72,246	53.7%	83,586	51.7%
Specialties services	25,150	37.8%	20,356	34.3%
Dental services	11,573	39.0%	13,597	40.3%
	<u>108,969</u>	<u>47.2%</u>	<u>117,539</u>	<u>46.1%</u>

Our gross profit margin for general practice services increased from approximately 51.7% for the Interim Period of FY2020 to approximately 53.7% for the Interim Period of FY2021 mainly due to the percentage decrease in cost of services rendered being higher than the percentage decrease in revenue.

Our gross profit margin for specialties services increased from approximately 34.3% for the Interim Period of FY2020 to approximately 37.8% for the Interim Period of FY2021 mainly due to the percentage increase in revenue being higher than the percentage increase in cost of services rendered.

Our gross profit margin for dental services slightly decreased from approximately 40.3% for the Interim Period of FY2020 to approximately 39.0% for the Interim Period of FY2021.

Other income and gains

Our other income and gains increased by approximately HK\$24.1 million from the Interim Period of FY2020 to approximately HK\$25.0 million for the Interim Period of FY2021 which was mainly due to the subsidies provided by the government under the Employment Support Scheme of approximately HK\$15.9 million and the fair value gain of financial assets at fair value through profit or loss of approximately HK\$5.6 million which was attributable to the fair value gain of the investment in New Journey Healthcare LP (the "**Limited Partnership**").

Administrative expenses

Our administrative expenses increased by approximately HK\$1.2 million or 1.1% from the Interim Period of FY2020 to approximately HK\$112.4 million for the Interim Period of FY2021 which was mainly due to (i) the increase in impairment of trade receivables of approximately HK\$10.7 million for the trade receivables due to the significant impact on the business of several customers of the Group arising from the outbreak of COVID-19 and general economic downturn in Hong Kong and (ii) the offset by (a) the decrease in salaries and related expenses of approximately HK\$7.7 million due to the decrease in the number of full time employees of the Group and (b) the decrease in amortization of right-of-use assets of approximately HK\$1.8 million.

Management Discussions and Analysis

Other losses

Other losses represent the fair value loss of financial assets at fair value through profit or loss of approximately HK\$1.6 million which was attributable to the fair value loss of the investment in AMORV Co., Limited (“AMORV”).

The Group appointed an independent valuer to conduct valuation for the investment in the 5.94% issued share capital of AMORV. As at 31 December 2020, the equity value of AMORV had been estimated by market approach with reference to price-to-book ratio (“P/B Ratio”). The Group considered the market approach is appropriate as compared to income and cost approaches. The fair value of investment in AMORV held by the Group 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 for the Interim Period of FY2021 due to downturn of performance, as at 31 December 2020, a fair value loss of the investment in AMORV of approximately HK\$1.6 million was recorded.

Finance costs

Our finance costs were approximately HK\$1.7 million for the Interim Period of FY2021 (Interim Period of FY2020: HK\$2.5 million). The decrease was mainly due to the decrease in interest-bearing bank borrowings and interest expenses on lease liabilities.

Share of profits/losses of a joint venture and an associate

Our share of profits of a joint venture and an associate was approximately HK\$0.1 million for the Interim Period of FY2021 which represents an increase of approximately HK\$1.0 million from a share of losses of approximately HK\$0.9 million for the Interim Period of FY2020. The increase was mainly due to the increase in revenue of the associate.

Income tax expense

Income tax expense increased by approximately HK\$0.7 million from the Interim Period of FY2020 to approximately HK\$1.4 million for the Interim Period of FY2021. The increase was mainly due to the increase in assessable income. Our effective tax rate decreased from approximately 17.2% for the Interim Period of FY2020 to approximately 7.6% for the Interim Period of FY2021.

Management Discussions and Analysis

Profit for the period

As a result of the foregoing, profit for the period increased by approximately HK\$13.8 million or 437.3% to approximately HK\$16.9 million for the Interim Period of FY2021 from approximately HK\$3.1 million for the Interim Period of FY2020. Our net profit margin increased to approximately 7.3% for the Interim Period of FY2021 from approximately 1.2% for the Interim Period of FY2020.

Profit attributable to owners of the Company

The Group's profit attributable to owners of the Company was approximately HK\$16.9 million for the Interim Period of FY2021, representing the increase of approximately HK\$13.8 million or 437.3% from the Interim Period of FY2020. The increase was primarily attributable to (i) the increase in fair value gain of the Group's financial assets through profit or loss for the Interim Period of FY2021 which was due to the fair value gain of the investment in the Limited Partnership; (ii) the decrease in payroll costs due to the decrease in number of full time employees of the Group; (iii) the increase in other income and gains which was mainly due to the subsidies provided by the government under the Employment Support Scheme; and (iv) offset by (a) the decrease in gross profit which was mainly due to the decrease in revenue in general practice services and (b) the increase in the impairment of trade receivables.

BUSINESS REVIEW AND OUTLOOK

Business Review for the Interim Period of FY2021

Since the first quarter of 2020, the outbreak of COVID-19 has posed unprecedented challenges to individuals and businesses around the world. The business of the medical industry has inevitably been affected. The impact to the business of the Group, particularly the general practice services, mainly arised 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 have postponed or deferred medical treatment to avoid any risk of infection. Our medical aesthetic business was also being affected by the operation suspension measures adopted by the Hong Kong Government and the compulsory quarantine requirements for the customers in the People's Republic of China (the "PRC") and other visitors visiting Hong Kong.

After facing few waves of COVID-19 in Hong Kong, the Group strived to reduce the impact of the pandemic on its business by stepping up efforts in implementing various strategies and to turn adversity into opportunities and the result was satisfactory. Due to the turmoil and uncertainties posed by the pandemic, demands for healthcare services and medical solutions from various sectors were reduced while demands for particular services such as COVID-19 test and preventive healthcare services, on the other hand, increased. During the Interim Period of FY2021, in addition to the participation of Enhanced Laboratory Surveillance Programme of the Centre of Health Protection at all of the Group's medical centres with general practice services to provide the COVID-19 test, the Group has collaborated with different organisations to the provision of COVID-19 testing services at various designated locations in Hong Kong.

Management Discussions and Analysis

With an aim to increase public health awareness, the Group has continuously developed, researched and explored new medical solutions and compatible services which cover disease prevention, cure and rehabilitation to the community. During the Interim Period of FY2021, the Group continued to participate in the Vaccination Subsidy Scheme in order to provide flu vaccine to eligible individuals. Besides, the Group promoted early detection services such as dementia and stroke risk assessment and disease prevention services such as DEXA scan, pap smear and mammography or breasts ultrasound as well as various vaccination campaigns such as HPV vaccine, herpes zoster vaccine and osteoporosis vaccine, etc. through social media platform to satisfy the overwhelming demand for disease prevention of customers of the Group. Furthermore, the Group believes that COVID-19 had enhanced health awareness of the general public. As such, the Group strived to provide disease prevention and health monitoring services, health coaching and overall health enhancement programmes through different channels including social media platforms, its medical centres and its wellness centre.

During the Interim Period of FY2021, the Group continued to strengthen cooperation with the Hong Kong Government by participating in the Public Private Partnership Programmes and Colorectal Cancer Screening Programme launched by the Hong Kong Government and various community care related programmes to bolster the development of the business of the Group.

Apart from broadening the sources of income, the Group also managed to lower its operation costs in multiple aspects, including restructuring its organisational structure, adjusting the cooperation model with its professional team members, applying for rent concession for its medical centres, applying for "Employment Support Scheme" and "Subsidy Scheme for Beauty Parlours" launched by the Hong Kong Government and assessing the performance of its medical centres with cost efficiency as the top priority for considering the tenancy renewals and optimizing the network of its medical centres.

In relation to the investment strategy, the Group prudently and carefully reviewed the existing investments and assessed potential investment opportunities, aiming to facilitate the development of the business of the Group and create investment returns to its shareholders. After taking into account the business development of the Group, the business alliance agreement entered into between the Company and Heals Healthcare (Asia) Limited ("**Heals Healthcare**") dated 11 October 2018 and the subscription agreement entered into between the Company, Actwise Limited ("**Actwise**") and Heals Healthcare dated 11 October 2018 were terminated during the Interim Period of FY2021. As at 31 December 2020, Actwise remained as the holder of 8.17% of the issued shares of Heals Healthcare, pending completion of the arrangement of shares of the Company held by Heals Healthcare and the shares of Heals Healthcare held by the Company after the termination of the business alliance as agreed. Details are set out in the announcements dated 11 October 2018, 12 November 2018, 10 December 2018, 9 April 2020, 7 October 2020 and 23 October 2020.

As most of the economic activities in Mainland China resumed by adopting stringent epidemic control measures, the performance of the Shanghai Human Health Integrated Medical Centre (上海盈健門診部) has significantly increased during the Interim Period of FY2021. This significant increase was mainly attributable to the high demand of high-quality medical aesthetic services in the Mainland China. The Group will continue to replicate its successful business model in Hong Kong and deploy it into the PRC market as well as establishing different partnerships with business partners and hospitals in the PRC to grasp the growing opportunities in Mainland China and develop its business in the Mainland China.

Management Discussions and Analysis

Besides, during the Interim Period of FY2021, the Group is proud to announce that it received various awards such as the “HKIM Market Leadership Award (市場領袖大獎) by Hong Kong Institute of Marketing, the ERB Manpower Developer Award Scheme (ERB人才企業嘉許計劃) by Employees Retraining Board and Partner Employer Award (“友商有良”嘉許計劃) by The Hong Kong General Chamber of Small and Medium Business in recognition of the Group’s past effort and contributions, reinforcing the core values and strategic development of the Group.

Our patient base grew from approximately 2.28 million as of 31 December 2019 to approximately 2.37 million as of 31 December 2020. As of 31 December 2020, the Group operated 61 medical centres in Hong Kong under the following brand names with 106 service points.



As a one-stop medical service provider, during the Interim Period of FY2021, the Group provided a series of healthcare services including but not limited to general practice services, specialties services, dental services, Chinese medicine, physiotherapy, diagnostics & imaging as well as medical aesthetic and wellness services to cater our customers’ different types of medical and wellness needs.

Management Discussions and Analysis

During the Interim Period of FY2021, the Group provided the following comprehensive healthcare services:

General Practice Services	Specialties Services	Dental Services
<ul style="list-style-type: none"> • General consultation • Diagnostic and preventive healthcare services • Minor procedures • Vaccinations • Physical check-ups • Health education activities • Occupational health advices • Work injury assessment • Chinese medicine • Telemedicine 	<p><u>Specialties</u></p> <ul style="list-style-type: none"> • General surgery • Orthopaedics & traumatology • Ophthalmology • Otorhinolaryngology • Paediatrics • Obstetrics & gynaecology • Gastroenterology & hepatology • Respiratory medicine • Cardiology • Paediatric surgery • Dermatology & venereology • Psychiatry • Urology • Radiology • Nephrology • Clinical Oncology • Neurosurgery • Anaesthesiology <p><u>Other Services</u></p> <ul style="list-style-type: none"> • Physiotherapy • Clinical psychology • Medical aesthetic • Medical diagnostic • Endoscopy • Nutritionist services • Health and wellness services 	<ul style="list-style-type: none"> • 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 attributes our prominent market position to our experienced and stable professional team comprising general practitioner, specialist, dentist and others such as physiotherapist, radiographer, registered nurse, pharmacist, dental hygienist and nutritionist.

Set forth below was the number of members in our professional team serving exclusively for the Group as of 31 December 2020:

General practitioners	44
Specialists	17
Dentists	12
Others	10
Total	83

A total number of 122 professionals including general practitioner, specialist, dentist, clinical psychologist, radiographer and registered nurse worked with us on a non-exclusive basis as of 31 December 2020.

Management Discussions and Analysis

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

Business Outlook

Although recent vaccine approvals raised hopes of a turnaround in the COVID-19 in 2021, renewed waves and new variants of the virus posed concerns on the economic outlook in Hong Kong as well as around the world. It is expected that the economy will not fully rebound before the pandemic is effectively controlled. 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 not only fighting against the COVID-19 but also providing various high-quality healthcare and wellness services.

During the rapidly changing environment in 2020, it was clear that the public healthcare system was subject to heavy pressure due to the growing demand on specialties services and preventive healthcare services in the community. Therefore, the Group shall deploy more resources in the development of such services and will continue to strengthen the cooperation with the Hong Kong Government and other organisations and launch various community care related programmes to cater for the specific needs in the community.

Apart from its core business in Hong Kong, the Group keeps on exploring business opportunities in Mainland China. Given the stringent epidemic control measures in the Mainland China and the fact that the performance of the Shanghai Human Health Integrated Medical Centre (上海盈健門診部) has significantly improved in 2020, the Group is optimistic as to the economic recovery in the PRC. The Group considers to allocate more resources either in the development of the existing PRC business or other new businesses to grasp the growing opportunities in the Mainland China and further develop its business in the Mainland China in the coming years.

In relation to the other services of the Group, it believes that health is no longer merely about physical wellness, but has extended from the body to the mind and covers realms including disease prevention, cure, rehabilitation and body-mind balance. On top of our established healthcare network providing diversified medical treatment with various ancillary medical services, we endeavor to deliver customised healthcare solutions with allround service portfolio that fit the customers' physical and mental needs by effectively utilizing big data to devise the tailor-made healthcare solutions that address the needs of its customers. The Group actively shoulders the social responsibility as a leading healthcare service provider by promoting wellness services through different means such as participation in educational talk and community care related programmes and distribution of healthcare related leaflets and videos by various channels including social media platforms, its medical centres and its wellness centre.

Management Discussions and Analysis

In recent years, machine learning, task automation and robotics have already been widely applied in different industries. The Group has already commenced collaboration with companies which are principally engaged in the provision of a wide range of innovation and technology services and data analysis from raw data generation to business insights analysis with focus on the medical industry. Moreover, the number of online transactions in Hong Kong during the last few years increased due to high internet usage in Hong Kong. The Group expects the trend of e-commerce to grow significantly in the upcoming years. In view of this, the Group's online shopping platform which is expected to be launched in the first quarter of 2021 offers a variety of products and services including health check packages, vaccinations, nutrition consultation, supplements, skin care products and anti-epidemic products.

It is worthy to note that, the Group has established its co-branded product "Human Health x Best Care surgical mask" and was put on sale at the vending machines which were installed in our medical centres located at Tsim Sha Tsui, Kowloon Bay and Tseung Kwan O in January 2021. We have also established our own skin care brands "Masquée" and "Renaître" targeting different age group of customers and are expected to be put on sale in our online shopping platform.

All of the above has shown that the Group has adapted its strategy and operations under the new environment and is strived to provide comprehensive and quality healthcare and wellness services that can meet customers' growing demand in efficient and convenient manner. Looking ahead, the Group will continue to expand its healthcare services in all aspects in order to turn adversity into opportunities and to embrace future opportunities in the healthcare industry.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group had net current assets of approximately HK\$94.4 million (as at 30 June 2020: approximately HK\$62.3 million) which included cash and cash equivalents and pledged deposits of approximately HK\$138.6 million (as at 30 June 2020: approximately HK\$124.7 million) and interest-bearing bank borrowings of approximately HK\$13.6 million which is repayable on demand, at an interest rate of Hong Kong Interbank Offered Rate plus 2% (as at 30 June 2020: approximately HK\$15.6 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 31 December 2020, the Group's gearing ratio, which is net debt divided by the adjusted capital plus net debt, was approximately 4.7% (as at 30 June 2020: 5.7%).

CAPITAL STRUCTURE

There was no change in the capital structure of the Company during the Interim Period of FY2021. The capital of the Company comprises ordinary shares and other reserves.

Management Discussions and Analysis

CHARGES ON GROUP ASSETS

As at 31 December 2020, a fixed deposit of approximately HK\$1.0 million has been pledged to a bank to secure overdrafts of the Group (as at 31 December 2019: HK\$1.0 million). In addition, a fixed deposit of approximately HK\$1.0 million has been pledged to a bank as collateral security for banking facilities granted to the extent of HK\$1.0 million (as at 31 December 2019 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

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 at 31 December 2020, Actwise was the holder of approximately 73.2% of the partnership interest in the Limited Partnership and the Limited Partnership was 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 31 December 2020, the fair value of the investment in the Limited Partnership amounted to approximately HK\$38.0 million, which represents approximately 8.6% of the total assets of the Group as at 31 December 2020. A fair value gain of approximately HK\$5.6 million was recorded as at 31 December 2020. No dividend was received from this investment by the Group for the Interim Period of FY2021.

Management Discussions and Analysis

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There was no material acquisition or disposal of subsidiaries, associates and joint ventures during Interim Period of FY2021 and up to the date of this report.

CAPITAL COMMITMENTS

Contracted, but not provided for:
Capital expenditures

31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
1,065	337

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2020.

EMPLOYEES

As at 31 December 2020, the Group had 330 full-time employees (as at 31 December 2019: 411) and 63 part-time employees (as at 31 December 2019: 78).

We recruit personnel from the open market and we formulate our recruitment policy based on market conditions, our business demands and expansion plans. We offer different remuneration packages to our employees based on their position. Generally, we pay basic salary and incentives (based on years of service) to all of our employees. To enhance the quality of our services, we adopt prudent assessment criteria when selecting the Group's professional staff including physiotherapist, chiropractor, radiographer, pharmacist, registered nurse, dental hygienist and nutritionist, 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.

Management Discussions and Analysis

USE OF PROCEEDS FROM THE LISTING

Net proceeds from the listing of the shares of the Company (the “Shares”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 1 April 2016 (the “Listing”) amounted to approximately HK\$84.8 million (including the net proceeds from the full exercise of the over-allotment option which took place on 21 April 2016).

On 24 February 2021, the Board resolved to reallocate the unutilised proceeds and the details of the change in use of proceeds are set out in the announcement of the Company dated 24 February 2021. Breakdown of the unutilised proceeds as at 31 December 2020 and 24 February 2021 and the proposed reallocation are set out as follows:

	Original allocation of net proceeds <i>HK\$ million</i>	Utilised net proceeds as at 31 December 2020 and 24 February 2021 <i>HK\$ million</i>	Unutilised net proceeds as at 31 December 2020 and 24 February 2021 <i>HK\$ million</i>	Proposed change in allocation of unutilised net proceeds <i>HK\$ million</i>	Revised allocation of unutilised net proceeds <i>HK\$ million</i>
Expansion of network in Hong Kong by setting up six new specialist medical centres	39.1	39.1	-	-	-
Expansion of network in Hong Kong by setting up six new general practice medical centres	5.9	5.9	-	-	-
Expansion in the PRC market	12.7	10.3	2.4	5.6	8.0
Acquisition of established medical centres in Hong Kong	8.4	2.8	5.6	(5.6)	-
Brand building	5.1	3.3	1.8	-	1.8
Enhancement of IT infrastructure	5.1	2.7	2.4	-	2.4
Working capital and other general corporate purposes	8.5	7.1	1.4	-	1.4
Total	84.8	71.2	13.6	-	13.6

Management Discussions and Analysis

Having considered the impact to the business of the Group due to the outbreak of COVID-19 and in view of the uncertainties that the COVID-19 may bring to the Group's business in the near future, the Group intends to slow down its network expansion plan by acquisition of established medical centres in Hong Kong. Nonetheless, as most of the economic activities in the Mainland China resumed by adopting stringent epidemic control measures, the Group is optimistic as to the economic recovery in the PRC and would like to grasp the growing opportunities in the Mainland China by further expanding its network in the Mainland China. As such, the Group reassesses the business environment and business strategies of the Group and decides to take a prudent approach to reallocate HK\$5.6 million of the unutilised net proceeds from acquisition of established medical centres in Hong Kong to the expansion in the PRC market.

In view of the above, the Board considers that the above change in use of proceeds from the Listing would allow the Company to deploy its financial resources more efficiently for generating return to its shareholders and therefore, is in the best interest of the Company and its shareholders as a whole and it will not have any material adverse effect on the existing business and operations of the Group.

It is expected that the revised allocation of unutilised amounts will be used on or before 30 June 2022.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the Interim Period of FY2021 (the Interim Period of FY2020: Nil).

Other Information

CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own corporate governance framework.

The Board has reviewed the Company’s corporate governance practices to ensure its continuous compliance with the CG Code. Save for the deviations from code provision A.2.1 as disclosed below, the Company has complied with all the applicable code provisions set out in the CG Code during the Interim Period of FY2021.

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has appointed Mr. Chan Kin Ping, JP as both the chairman and the chief executive officer of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership of the Group and enables more effective and efficient overall strategic planning. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman and chief executive officer of the Company as and when appropriate and suitable by taking into account the circumstances of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct regarding securities transactions by the directors of the Company (the “**Directors**”). In response to a specific enquiry made by the Company, all Directors have confirmed their compliance with the Model Code during the Interim Period of FY2021.

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

SHARE OPTION SCHEME

The Company adopted a share option scheme on 17 February 2016 (the “**Share Option Scheme**”) where certain eligible persons may be granted share options to subscribe for the ordinary Shares for their contribution to, and continuing efforts to promote the interests of the Group and for such other purposes as the Board may approve from time to time. On 4 October 2016 and 28 May 2018, the Group granted share options to certain eligible persons to subscribe for 2,740,000 ordinary Shares and 460,000 ordinary Shares respectively (the “**Share Options**”) pursuant to the Share Option Scheme. As at 31 December 2020, 3,200,000 Share Options were granted and 2,490,000 Share Options remained outstanding. No Share Option has been exercised, cancelled or lapsed during the Interim Period of FY2021.

Other Information

Details of movements of the Share Options granted under the Share Option Scheme during the Interim Period of FY2021 were as follow:

Name of Grantees	Position held with the Group	Offer Date	Exercise Price per Share Option	Exercise Period ^(Note)	Number of Outstanding Share Options as at 1 July 2020	Number of Share Options Granted during the Interim Period of FY2021	Number of Share Options Exercised during the Interim Period of FY2021	Number of Share Options Lapsed during the Interim Period of FY2021	Number of Share Options Cancelled during the Interim Period of FY2021	Number of Outstanding Share Options as at 31 December 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))}	350,000	-	-	-	-	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 (iii))}	1 June 2021 to 31 May 2027 ^{(Note (ii))}	80,000	-	-	-	-	80,000
Other eligible persons – suppliers (in aggregate)	-	28 May 2018	HK\$2.09 ^{(Note (iii))}	1 June 2021 to 31 May 2027 ^{(Note (ii))}	100,000	-	-	-	-	100,000
Total					<u>2,490,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,490,000</u>

Notes:

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

Other Information

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

As at 31 December 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) (a) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

INTERESTS IN SHARES OR UNDERLYING SHARES OF THE COMPANY

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

Notes:

- (i) Mr. Chan Kin Ping, JP ("**Mr. Chan**"), Dr. Pang Lai Sheung ("**Dr. Pang**") and Treasure Group Global Limited ("**Treasure Group**") were our controlling shareholders (as defined in the Listing Rules). Treasure Group was owned as to 50% by Mr. Chan and 50% by Dr. Pang. Mr. Chan is the director of Treasure Group.
- (ii) These Shares were beneficially owned by Treasure Group. Mr. Chan and Dr. Pang were deemed to be interested in these Shares pursuant to Part XV of the SFO.
- (iii) These Shares represented the underlying Shares under the Share Options granted on 4 October 2016.
- (iv) 600,000 Shares represented the underlying Shares under the Share Options granted on 4 October 2016 and 486,000 Shares were beneficially owned by Mr. Poon Chun Pong.
- (v) The percentages were calculated based on the total number of issued Shares as at 31 December 2020.

Other Information

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

Name of Director	Capacity in which the shares were held	Number of shares held	Approximate percentage of total issued shares ^{(Note (i))}
Mr. Chan Kin Ping, JP	Beneficial owner	1	50.00%
Dr. Pang Lai Sheung	Beneficial owner	1	50.00%

Note:

(i) The percentages were calculated based on the total number of issued shares of Treasure Group as at 31 December 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 31 December 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.

Other Information

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

As at 31 December 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 of the Company	Capacity in which the Shares were held	Number of Shares held	Approximate percentage of total issued Shares ^{(Note (iii))}
Treasure Group Global Limited	Beneficial owner ^{(Note (i))}	252,346,286	66.49%
Capital Healthcare International Limited	Beneficial owner ^{(Note (ii))}	25,362,000	6.68%
Capital Healthcare Group Co., Ltd.* (首都醫療健康產業有限公司)	Interest of controlled corporation ^{(Note (ii))}	25,362,000	6.68%
Beijing State-owned Assets Management Co., Ltd.* (北京市國有資產經營有限責任公司)	Interest of controlled corporation ^{(Note (ii))}	25,362,000	6.68%
The People's Government of Beijing Municipality	Interest of controlled corporation ^{(Note (ii))}	25,362,000	6.68%

Notes:

- (i) The Shares were beneficially owned by Treasure Group, a company which was owned as to 50% by Mr. Chan and 50% by Dr. Pang. Therefore, Mr. Chan and Dr. Pang were deemed to be interested in such Shares pursuant to Part XV of the SFO.
- (ii) The Shares were beneficially owned by Capital Healthcare International Limited, which was wholly owned by Capital Healthcare Group Co., Ltd.* (首都醫療健康產業有限公司). Capital Healthcare Group Co., Ltd.* (首都醫療健康產業有限公司) was held as to 73.13% by Beijing State-owned Assets Management Co., Ltd.* (北京市國有資產經營有限責任公司), which was wholly owned by The People's Government of Beijing Municipality. Therefore, Capital Healthcare Group Co., Ltd.* (首都醫療健康產業有限公司), Beijing State-owned Assets Management Co., Ltd.* (北京市國有資產經營有限責任公司) and The People's Government of Beijing Municipality were deemed to be interested in such Shares pursuant to Part XV of the SFO.
- (iii) The percentages were calculated based on the total number of issued Shares as at 31 December 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.

* For identification purpose only

Other Information

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

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

During the Interim Period of FY2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed, with the management of the Company, the unaudited consolidated interim results for the Interim Period of FY2021, including the accounting principles and practices adopted by the Group, and discussed the internal controls, going concern issues and financial reporting matters related to the preparation of the interim results of the Group for the Interim Period of FY2021.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Six months ended 31 December 2020

	Notes	Six months ended 31 December	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
REVENUE			
Cost of services rendered	4	230,664 (121,695)	254,805 (137,266)
Gross profit		108,969	117,539
Other income and gains	4	25,018	882
Administrative expenses		(112,433)	(111,256)
Other losses		(1,648)	–
Finance costs	6	(1,723)	(2,488)
Share of profits/(losses) of a joint venture and an associate		109	(882)
PROFIT BEFORE TAX	5	18,292	3,795
Income tax expense	7	(1,398)	(651)
PROFIT FOR THE PERIOD		16,894	3,144
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income will not be reclassified to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income		394	–
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		446	(143)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		840	(143)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		17,734	3,001
Profit attributable to:			
Owners of the Company		16,894	3,144
Non-controlling interests		–	–
		16,894	3,144
Total comprehensive income attributable to:			
Owners of the Company		17,734	3,001
Non-controlling interests		–	–
		17,734	3,001
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted		HK4.5 cents	HK0.8 cents

Condensed Consolidated Statement of Financial Position

31 December 2020

	Notes	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	75,324	103,445
Goodwill	11	31,964	31,964
Other intangible assets		7,795	8,601
Investment in an associate	12	2,197	1,954
Financial assets at fair value through other comprehensive income	13	14,224	13,829
Financial assets at fair value through profit or loss	14	58,918	54,970
Deposits		12,245	19,527
Deferred tax assets		1,694	1,657
Total non-current assets		204,361	235,947
CURRENT ASSETS			
Inventories		14,049	12,099
Trade receivables	15	51,672	36,021
Prepayments, deposits and other receivables		31,688	18,883
Tax recoverable		965	381
Pledged deposits		2,049	2,048
Cash and cash equivalents		136,579	122,615
Total current assets		237,002	192,047
CURRENT LIABILITIES			
Trade payables	16	37,313	19,118
Other payables and accruals		32,110	31,698
Lease liabilities		44,139	52,448
Contract liabilities		10,346	3,595
Interest-bearing bank borrowings		13,606	15,553
Tax payables		5,056	7,306
Total current liabilities		142,570	129,718
NET CURRENT ASSETS		94,432	62,329
TOTAL ASSETS LESS CURRENT LIABILITIES		298,793	298,276

Condensed Consolidated Statement of Financial Position

31 December 2020

	Note	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Other long term payable		2,834	3,459
Lease liabilities		17,557	34,166
Deferred tax liabilities		1,482	1,602
Total non-current liabilities		<u>21,873</u>	<u>39,227</u>
Net assets		<u>276,920</u>	<u>259,049</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	3,796	3,796
Reserves		273,124	255,253
Total equity		<u>276,920</u>	<u>259,049</u>

Mr. Chan Kin Ping, JP
Director

Dr. Pang Lai Sheung
Director

Condensed Consolidated Statement of Changes in Equity

Six months ended 31 December 2020

		Attributable to owners of the Company							Non-controlling interests	Total equity
Notes	Share capital	Share premium*	Other reserve*	Exchange reserve*	Share option reserve*	Retained profits*	Subtotal			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 July 2019 (audited)		3,796	190,221	21,732	(990)	1,628	97,212	313,599	-	313,599
Profit for the period		-	-	-	-	-	3,144	3,144	-	3,144
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations		-	-	-	(143)	-	-	(143)	-	(143)
Total comprehensive income for the period		-	-	-	(143)	-	3,144	3,001	-	3,001
Equity settled share option arrangements	18	-	-	-	-	131	-	131	-	131
Final 2019 dividend declared		-	-	-	-	-	(11,387)	(11,387)	-	(11,387)
At 31 December 2019 (unaudited)		<u>3,796</u>	<u>190,221</u>	<u>21,732</u>	<u>(1,133)</u>	<u>1,759</u>	<u>88,969</u>	<u>305,344</u>	<u>-</u>	<u>305,344</u>
At 1 July 2020 (audited)		3,796	190,221	19,021	(1,253)	1,813	45,451	259,049	-	259,049
Profit for the period		-	-	-	-	-	16,894	16,894	-	16,894
Other comprehensive income for the period:										
Fair value gain on financial assets at fair value through other comprehensive income		-	-	394	-	-	-	394	-	394
Exchange differences on translation of foreign operations		-	-	-	446	-	-	446	-	446
Total comprehensive income for the period		-	-	394	446	-	16,894	17,734	-	17,734
Equity settled share option arrangements	18	-	-	-	-	137	-	137	-	137
At 31 December 2020 (unaudited)		<u>3,796</u>	<u>190,221</u>	<u>19,415</u>	<u>(807)</u>	<u>1,950</u>	<u>62,345</u>	<u>276,920</u>	<u>-</u>	<u>276,920</u>

* These reserve accounts comprise the consolidated reserves of HK\$273,124,000 as at 31 December 2020 (30 June 2020: HK\$255,253,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

Six months ended 31 December 2020

		Six months ended 31 December	
	Notes	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		18,292	3,795
Adjustments for:			
Depreciation	5	34,522	36,524
Amortisation of other intangible assets	5	806	806
Write-down of inventories to net realisable value	5	2,119	149
Share option expenses		137	131
Impairment of trade receivables	5	10,655	–
Share of (profits)/losses of a joint venture and an associate		(109)	882
Loss on disposal of items of property, plant and equipment	5	44	14
Fair value gain of financial assets at fair value through profit or loss, net		(3,948)	–
Under-provision of reinstatement costs		165	–
Interest on bank borrowings	6	168	269
Interest on lease liabilities	6	1,555	–
Rent concession	4	(3,157)	–
Interest income	4	(200)	(832)
		61,049	41,738
(Increase)/decrease in inventories		(4,069)	475
Increase in trade receivables		(26,306)	(14,124)
Increase in prepayments, deposits and other receivables		(5,598)	(2,223)
Increase/(decrease) in trade payables		18,195	(3,158)
Increase/(decrease) in other payables and accruals		655	(5,028)
Increase/(decrease) in contract liabilities		6,751	(1,540)
Cash generated from operations		50,677	16,140
Interest received		200	634
Hong Kong taxes paid, net		(4,388)	322
Net cash flows generated from operating activities		46,489	17,096

Condensed Consolidated Statement of Cash Flows

Six months ended 31 December 2020

	Six months ended 31 December	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of items of property, plant and equipment	5	6
Purchase of items of property, plant and equipment	(1,526)	(5,374)
Settlement of provision	(516)	–
Increase in time deposits with maturity of more than three months when acquired	(41,223)	(101)
Increase in prepayments for property, plant and equipment	(265)	(481)
Net cash flows used in investing activities	(43,525)	(5,950)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank borrowings granted	–	9,006
Bank borrowings repaid	(1,947)	(999)
Bank borrowings interest paid	(147)	(206)
Lease interest	(1,555)	–
Repayment of principal portion of lease liability	(26,344)	(29,738)
Dividend paid	(542)	(10,830)
Net cash flows used in financing activities	(30,535)	(32,767)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(27,571)	(21,621)
Cash and cash equivalents at beginning of period	109,169	145,169
Effect of foreign exchange rate changes, net	312	(89)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	81,910	123,459

Condensed Consolidated Statement of Cash Flows

Six months ended 31 December 2020

	Six months ended 31 December	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	80,872	79,814
Non-pledged time deposits	55,707	57,197
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	136,579	137,011
Pledged time deposit with maturity less than three months when acquired	1,038	1,037
Non-pledged time deposits with maturity more than three months when acquired	(55,707)	(14,589)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	81,910	123,459

Notes to the Condensed Consolidated Financial Statements

1. CORPORATE INFORMATION

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

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

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

2.1 BASIS OF PREPARATION AND PRESENTATION

These unaudited interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accounts (the “**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”).

These unaudited interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in the annual financial statements for the year ended 30 June 2020, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2020. Details of any changes in accounting policies are set out in note 2.2. The adoption of the new and revised Hong Kong Financial Reporting Standard (“**HKFRSs**”) has no material effect on these unaudited interim condensed consolidated financial statements. The Group has not early adopted any new and revised HKFRSs that has been issued but not yet effective in the current accounting period.

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

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 30 June 2020.

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

Notes to the Condensed Consolidated Financial Statements

2.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3

Definition of a Business

Amendments to HKFRS 9, HKAS 39 and HKFRS 7

Interest Rate Benchmark Reform

Amendments to HKAS 1 and HKAS 8

Definition of Material

The revised HKFRS are not relevant to the preparation of the Group's interim condensed consolidated financial information.

2.3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing these unaudited interim condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 30 June 2020.

3. SEGMENT INFORMATION

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

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

Notes to the Condensed Consolidated Financial Statements

3. SEGMENT INFORMATION *(continued)*

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

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

Six months ended 31 December

	General practice services		Specialties services		Dental services		Total	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Segment revenue:								
Revenue from external customers	134,503	161,649	66,484	59,410	29,677	33,746	230,664	254,805
Intersegment sales	1,602	1,188	3,613	2,461	22	5	5,237	3,654
							235,901	258,459
Reconciliation:								
Elimination of intersegment sales							(5,237)	(3,654)
							230,664	254,805
Segment results	31,011	33,627	(6,705)	(3,499)	4,218	3,860	28,524	33,988
Interest income							200	832
Corporate and unallocated income							19,188	47
Corporate and unallocated expenses							(29,729)	(30,190)
Share of profits/(losses) of a joint venture and an associate							109	(882)
Profit before tax							18,292	3,795
Income tax (expense)/credit	(157)	(381)	(1,261)	(125)	20	(145)	(1,398)	(651)
Profit for the period							16,894	3,144

Notes to the Condensed Consolidated Financial Statements

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of services rendered.

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

	Six months ended 31 December	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue		
Integrated healthcare services income	228,056	254,805
Trading of wellness related products	2,608	–
	230,664	254,805
Disaggregated revenue information		
Types of services		
General practice services	134,503	161,649
Specialties services	63,876	59,410
Dental services	29,677	33,746
Trading of wellness related products	2,608	–
Total revenue	230,664	254,805

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

Other income and gains		
Bank interest income	200	466
Interest income on financial assets at fair value through profit or loss	–	257
Interest income on loan receivables	–	109
Government subsidies*	16,055	–
Rent concession	3,157	–
Fair value gain of financial assets at fair value through profit or loss	5,596	–
Others	10	50
	25,018	882

* The Group recognised government subsidies of approximately HK\$16,055,000 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.

Notes to the Condensed Consolidated Financial Statements

5. PROFIT BEFORE TAX

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

	Six months ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of pharmaceutical supplies	34,030	27,761
Fees payable to doctors and dentists	79,776	108,337
Other direct cost	3,890	–
Laboratory expenses	1,880	1,019
Depreciation		
Property, plant and equipment	4,411	4,582
Right-of-use assets	30,111	31,942
	34,522	36,524
Amortisation of other intangible assets*	806	806
Impairment of trade receivables	10,655	–
Fair value losses of financial assets at fair value through profit or loss**	1,648	–
Loss on disposal of items of property, plant and equipment	44	14
Auditor's remuneration	671	518
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	44,531	51,726
Equity-settled share option expense	64	131
Pension scheme contributions	1,785	2,266
	46,380	54,123
Write-down of inventories to net realisable value***	2,119	149
Operating lease payments in respect of centres and office – Short-term lease expenses	–	347
	–	347

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

** The fair value losses of financial assets at fair value through profit or loss is included in other losses in the condensed consolidated statement of profit or loss and other comprehensive income.

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

Notes to the Condensed Consolidated Financial Statements

6. FINANCE COSTS

	Six months ended 31 December	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest on bank borrowings	168	269
Interest on lease liabilities	1,555	2,219
	<u>1,723</u>	<u>2,488</u>

7. INCOME TAX

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

Hong Kong profits tax has been made at the rate of 16.5% (six months ended 31 December 2019: 16.5%) on the estimated assessable profits arising in Hong Kong. For the period ended 31 December 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 the People's Republic of China ("PRC") corporate income tax has been made as the Group's PRC subsidiary had no estimated assessable profits for the period (six months ended 31 December 2019: Nil).

	Six months ended 31 December	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current		
Charge for the period	1,614	963
Over-provision in prior year	(60)	-
Deferred	(156)	(312)
Total tax charge for the period	<u>1,398</u>	<u>651</u>

8. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 31 December 2020 (six months ended 31 December 2019: Nil).

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.

Notes to the Condensed Consolidated Financial Statements

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

The calculation of the basic earnings per share amount is based on the unaudited consolidated profit for the period attributable to ordinary equity holders of the Company of HK\$16,894,000 (six months ended 31 December 2019: HK\$3,144,000), and the weighted average number of ordinary shares of 379,552,233 (six months ended 31 December 2019: 379,552,233) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 31 December 2020 and 31 December 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.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2020, additions of property, plant and equipment amounted to HK\$1,867,000 (six months ended 31 December 2019: HK\$5,759,000).

In addition, the Group has entered into several leases for centres in Hong Kong during the six months ended 31 December 2020. Addition of right-of use assets amounted to HK\$4,583,000 (six months ended 31 December 2019: HK\$43,848,000) has been recognised for the current period.

11. GOODWILL

	<i>HK\$'000</i>
Cost and net carrying amount at 1 July 2019, 30 June 2020, 1 July 2020 and 31 December 2020	<u>31,964</u>
At 1 July 2019, 30 June 2020, 1 July 2020 and 31 December 2020	
Cost	31,964
Accumulated impairment	<u>–</u>
Net carrying amount	<u>31,964</u>

12. INVESTMENT IN AN ASSOCIATE

	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
Share of net assets	<u>2,197</u>	<u>1,954</u>

Notes to the Condensed Consolidated Financial Statements

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
Unlisted equity investments, at fair value		
– Heals Healthcare	12,072	12,284
– Unlisted company	2,152	1,545
	14,224	13,829

Management designated the above 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 dependent 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 31 December 2020, The Group has 10% of equity interest in the above-mentioned company.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
Investment in redeemable preference shares	20,889	22,537
Unlisted investment funds	38,029	32,433
	58,918	54,970

The Group subscribed redeemable preference shares in an unlisted company established in the British Virgin Island, 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.

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 for partnership interests in the Limited Partnership with the capital commitment of RMB30 million. As at 31 December 2020, the Group was the holder of approximately 73.2% of the partnership interest in the Limited Partnership.

Notes to the Condensed Consolidated Financial Statements

15. TRADE RECEIVABLES

	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
Trade receivables	62,327	36,021
Impairment	(10,655)	–
	51,672	36,021

Most of the patients of the medical and dental practices settle payment 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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing. As at 31 December 2020, impairment losses of HK\$10,655,000 had been made (six months ended 31 December 2019: nil).

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

	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
Within 2 months	38,474	17,476
2 to 4 months	7,821	4,210
4 to 6 months	3,496	6,276
Over 6 months	1,881	8,059
	51,672	36,021

Notes to the Condensed Consolidated Financial Statements

16. TRADE PAYABLES

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

	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
Within 1 month	29,407	15,965
1 to 3 months	7,786	3,115
Over 3 months	120	38
	37,313	19,118

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\$4,534,000.

17. SHARE CAPITAL

	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
Issued and fully paid 379,552,233 (30 June 2020: 379,552,233) ordinary shares of HK\$0.01 each	3,796	3,796

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

Notes to the Condensed Consolidated Financial Statements

18. SHARE OPTION SCHEME

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

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

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

18. SHARE OPTION SCHEME (continued)

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

	Six months ended 31 December			
	2020		2019	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 July	2.205	2,490	2.197	2,950
Lapsed during the period	-	-	2.214	(230)
At 31 December	<u>2.205</u>	<u>2,490</u>	<u>2.195</u>	<u>2,720</u>

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

At 31 December 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
<u>62</u>	<u>2.090</u>	<u>1-6-23 to 31-5-27</u>
<u>2,490</u>		

At 31 December 2019

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
135	2.090	1-6-21 to 31-5-27
135	2.090	1-6-22 to 31-5-27
<u>140</u>	<u>2.090</u>	<u>1-6-23 to 31-5-27</u>
<u>2,720</u>		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

Notes to the Condensed Consolidated Financial Statements

18. SHARE OPTION SCHEME (continued)

The fair value of share options granted on 4 October 2016 and 28 May 2018 were HK\$2,251,000 and HK\$571,000 respectively. The Group recognised a share option expense of HK\$137,000 during the six months ended 31 December 2020 (six months ended 31 December 2019: HK\$131,000).

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:

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

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

No other feature of the options granted was incorporated into the measurement of fair value. The fair value of the option are subject to the above inputs and the limitation of the Binomial Model.

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.

The share option reserve comprises the fair value of share options granted which are yet to be exercised. The amount will either be transferred to share capital when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

Notes to the Condensed Consolidated Financial Statements

19. CAPITAL COMMITMENTS

The Group had the following capital commitments.

	31 December 2020 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Audited)
Contracted, but not provided for:		
Medical equipment	–	262
IT equipment	1,065	75
	1,065	337

20. RELATED PARTY TRANSACTIONS

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

	<i>Relationship</i>	<i>Nature</i>	Six months ended 31 December 2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Maxland Limited				
Rental expenses	(1)	(i)	1,476	1,496
Fees payable to doctors and dentists who are related parties	(2)	(ii)	18,618	19,120

Nature of transactions

- (i) The rental expenses was charged by this related party for the lease of two medical centres at total amount of HK\$246,000 (2019: HK\$249,000) per month, on a mutually agreed basis, which approximated to market rates.
- (ii) The fees represented the professional fee payable to these doctors and dentists for their professional services rendered to the Group. The fees were determined based on the terms as set out in the respective service contracts entered into by the parties and at a rate considered by the directors to be the market rate.

Notes to the Condensed Consolidated Financial Statements

20. RELATED PARTY TRANSACTIONS *(continued)*

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

Relationship of related parties

- (1) Mr. Chan Kin Ping, JP and Dr. Pang Lai Sheung, controlling shareholders of the Company, have beneficial interests in this related party.
- (2) These doctors and dentists are also directors of certain subsidiaries of the Group, senior management of the Group or associate of controlling shareholder of the Company.

The related party transactions in respect of note (a) item (i) and fees payable to Dr. Chan Siu Yu, Dr. Lau Wai Man, Dr. Seto Siu Keung and Dr. Choi Tat Fai, Richard (up to 30 August 2019) included in item (ii) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

At the end of the reporting period, the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Financial assets

As at 31 December 2020 (Unaudited)

	Carrying amount HK\$'000	Fair value HK\$'000
Financial assets at fair value through profit or loss	58,918	58,918
Financial assets at fair value through other comprehensive income	14,224	14,224
Deposits, non-current portion	12,245	12,245
	<u>85,387</u>	<u>85,387</u>

As at 30 June 2020 (Audited)

	Carrying amount HK\$'000	Fair value 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, non-current portion	19,527	19,527
	<u>88,326</u>	<u>88,326</u>

Notes to the Condensed Consolidated Financial Statements

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

Financial assets *(continued)*

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 31 December 2020, the fair value of Heals Healthcare has been estimated based on Black-Scholes option pricing model, while its equity value was derived under market approach with reference to enterprise value to sales ("**EV/Sales**") of its comparable companies. The fair value of the unlisted company has been estimated under market approach with reference to EV/Sales of its comparable companies.

The fair values of the investment in redeemable preference shares and unlisted investment funds have been estimated based on Black-Scholes option pricing model with reference to price-to-book ratio ("**P/B**") and discount for lack of marketability ("**DLOM**").

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.

Notes to the Condensed Consolidated Financial Statements

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

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 31 December 2020

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Financial assets at fair value through other comprehensive income	-	-	14,224	14,224
Financial assets at fair value through other profit or loss	-	-	58,918	58,918
	-	-	73,142	73,142

As at 30 June 2020

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Financial assets at fair value through other comprehensive income	-	-	13,829	13,829
Financial assets at fair value through other profit or loss	-	-	54,970	54,970
	-	-	68,799	68,799

Notes to the Condensed Consolidated Financial Statements

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

Fair value hierarchy *(continued)*

Assets for which fair values are disclosed:

As at 31 December 2020

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Deposits, non-current portion	-	12,245	-	12,245

As at 30 June 2020

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Deposits, non-current portion	-	19,527	-	19,527