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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

- The Group's revenue for the Interim Period of FY2018 was approximately HK$253.4 million, representing the increase of approximately HK$19.5 million or 8.3% from the Interim Period of FY2017 (Restated).

- Gross profit for the Interim Period of FY2018 was approximately HK$118.0 million, representing the increase of approximately HK$7.3 million or 6.6% from the Interim Period of FY2017 (Restated). Gross profit margin decreased to approximately 46.6% for the Interim Period of FY2018 from approximately 47.3% for the Interim Period of FY2017 (Restated).

- The Group's profit attributable to owners of the Company was approximately HK$10.3 million for the Interim Period of FY2018, representing the increase of approximately HK$5.6 million or 119.6% from the Interim Period of FY2017 (Restated). This increase was primarily due to (i) the increase in the number of patient visits as a result of the seasonal flu effect in summer 2017 for general practice services; (ii) the acquisition of We Health International Limited which brought synergies and bolstered the development of the specialties services business and the strengthened cooperation with the Hong Kong Government on the public and private partnership programme for the specialties services; and (iii) the developed high-end dental services with an experienced professional team and the benefit from the Community Care Fund launched by the Hong Kong Government to cover dental services.

- Basic earnings per Share for the Interim Period of FY2018 amounted to approximately HK2.8 cents (the Interim Period of FY2017 (Restated): approximately HK1.3 cents).

The board (the "**Board**") of directors (the "**Directors**") of Human Health Holdings Limited (the "**Company**") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**", "**we**" or "**our**") for the six months ended 31 December 2017 (the "**Interim Period of FY2018**") together with the comparative figures for the six months ended 31 December 2016 (the "**Interim Period of FY2017**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 31 December 2017

	Notes	Six months ended 31 December 2017 HK$'000 (Unaudited)	2016 HK$'000 (Restated) (Unaudited)
REVENUE	4	**253,362**	233,884
Cost of services rendered		**(135,354)**	(123,212)
Gross profit		**118,008**	110,672
Other income and gains	4	**237**	356
Administrative expenses		**(101,985)**	(101,277)
Share of losses of a joint venture		**(2,728)**	(2,060)
PROFIT BEFORE TAX	5	**13,532**	7,691
Income tax expense	6	**(3,753)**	(3,322)
PROFIT FOR THE PERIOD		**9,779**	4,369
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**621**	(661)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		**621**	(661)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**10,400**	3,708
Profit attributable to:			
Owners of the Company		**10,284**	4,684
Non-controlling interests		**(505)**	(315)
		9,779	4,369

	Note	2017 HK$'000 (Unaudited)	2016 HK$'000 (Restated) (Unaudited)
		Six months ended 31 December	
Total comprehensive income attributable to:			
Owners of the Company		**10,905**	4,023
Non-controlling interests		**(505)**	(315)
		10,400	3,708
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*	**HK**	HK
Basic and diluted		**2.8 cents**	1.3 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	**31 December 2017 HK$'000 (Unaudited)**	30 June 2017 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**15,971**	15,841
Goodwill		**31,964**	31,964
Other intangible assets		**12,629**	13,435
Investment in a joint venture		**11,386**	13,669
Deposits		**12,568**	15,912
Deferred tax assets		**1,512**	1,671
Total non-current assets		**86,030**	92,492
CURRENT ASSETS			
Inventories		**7,143**	7,604
Tax recoverable		**2,850**	3,937
Trade receivables	*9*	**34,674**	31,451
Prepayments, deposits and other receivables		**15,550**	11,819
Due from a related party		**73**	29
Pledged deposits		**2,039**	2,039
Cash and cash equivalents		**171,260**	170,806
Total current assets		**233,589**	227,685
CURRENT LIABILITIES			
Trade payables	*10*	**24,670**	23,663
Other payables and accruals		**28,811**	29,008
Tax payables		**1,671**	5,954
Total current liabilities		**55,152**	58,625
NET CURRENT ASSETS		**178,437**	169,060
TOTAL ASSETS LESS CURRENT LIABILITIES		**264,467**	261,552

	31 December 2017	30 June 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Other long term payable	**2,139**	2,450
Deferred tax liabilities	**2,322**	2,561
Total non-current liabilities	**4,461**	5,011
Net assets	**260,006**	256,541
EQUITY		
Equity attributable to owners of the Company		
Share capital	**3,615**	3,615
Reserves	**255,290**	251,320
	258,905	254,935
Non-controlling interest	**1,101**	1,606
Total equity	**260,006**	256,541

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 COMMON CONTROL COMBINATIONS

On 1 February 2017, the Group acquired 90% and 10% equity interests in We Health International Limited and its subsidiaries ("**We Health Group**") from Mr. Chan Kin Ping and Great Praise Limited, a company beneficially owned by Dr. Pang Lai Sheung, respectively, with an aggregate consideration of HK$2.8 million. On the same day, the loan from a shareholder, Mr. Chan Kin Ping, of approximately HK$40.4 million to We Health International Limited was waived by Mr. Chan Kin Ping.

The Group and We Health Group were under the common control of Mr. Chan Kin Ping and Dr. Pang Lai Sheung (the "**Controlling Shareholders**") before and after the common control combinations. To consistently apply the Group's accounting policy for common control combinations, the acquisition of We Health Group has been accounted for based on the principles of merger accounting as if the acquisition had occurred on the date when the combining entities first came under the common control of the Controlling Shareholders. Accordingly, the condensed consolidated statements of profit or loss and other comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows of the Group for the six months ended 31 December 2016 and 2017 include the results and cash flows of We Health Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholders, where this is a shorter period.

The comparative amounts of the financial statements of the Group have been restated to include the financial statement items of We Health Group. The effect of the acquisition on and, hence, the items so restated in the comparative financial statements are summarised below:

Effect on the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 31 December 2016

	As previously reported	Acquisition of We Health Group	Consolidation adjustments	As restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE	224,636	9,640	(392)	233,884
Cost of services rendered	(118,415)	(5,189)	392	(123,212)
Gross profit	106,221	4,451	–	110,672
Other income and gains	1,399	–	(1,043)	356
Administrative expenses	(96,504)	(5,816)	1,043	(101,277)
Share of losses of a joint venture	(2,060)	–	–	(2,060)
PROFIT/(LOSS) BEFORE TAX	9,056	(1,365)	–	7,691
Income tax expense	(3,350)	28	–	(3,322)
PROFIT/(LOSS) FOR THE PERIOD	5,706	(1,337)	–	4,369
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in periods:				
Exchange differences on translation of foreign operations	(661)	–	–	(661)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	(661)	–	–	(661)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	5,045	(1,337)	–	3,708
Profit attributable to:				
Owners of the Company	6,021	(1,337)	–	4,684
Non-controlling interests	(315)	–	–	(315)
	5,706	(1,337)	–	4,369
Total comprehensive income attributable to:				
Owners of the Company	5,360	(1,337)	–	4,023
Non-controlling interests	(315)	–	–	(315)
	5,045	(1,337)	–	3,708

2.2 BASIS OF PREPARATION AND PRESENTATION

The interim condensed consolidated financial statements are unaudited and have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accounts (the "**HKICPA**").

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2017.

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2017.

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to Hong Kong Financial Reporting Standards (**"HKFRS"**) 12 included in *Annual Improvements to HKFRSs 2014-2016 Cyc*le	Disclosure of Interests in Other Entities: Clarification of the Scope of *HKFRS 12*.

The adoption of the above new and revised standards has had no significant financial impact on the financial statements.

3. SEGMENT INFORMATION

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

(a) General practice services segment engages in the provision of general medical consultation and related services;

(b) Specialties services segment engages in the provision of specialist services and related medical services; and

(c) Dental services segment which comprises the provision of dental services and related treatment.

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

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

Six months ended 31 December

	General practice services		Specialties services		Dental services		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)		(Restated)		(Restated)
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Segment revenue:								
Revenue from external customers	**160,942**	154,514	**60,320**	54,019	**32,100**	25,351	**253,362**	233,884
Intersegment sales	**333**	1,047	**2,195**	2,605	**1**	6	**2,529**	3,658
							255,891	237,542
Reconciliation:								
Elimination of intersegment sales							**(2,529)**	(3,658)
							253,362	233,884
Segment results	**34,799**	32,732	**3,252**	1,350	**4,344**	1,644	**42,395**	35,726
Interest income							**155**	247
Management fee income from a related party							**79**	75
Corporate and unallocated expenses							**(26,369)**	(26,297)
Share of losses of a joint venture							**(2,728)**	(2,060)
Profit before tax							**13,532**	7,691
Income tax expense	**(2,675)**	(2,943)	**(766)**	19	**(312)**	(398)	**(3,753)**	(3,322)
Profit for the period							**9,779**	4,369

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	
	2017	2016
	HK$'000	*HK$'000*
		(Restated)
	(Unaudited)	(Unaudited)
Revenue		
Integrated healthcare services income	**253,362**	233,884
Other income and gains		
Bank interest income	**155**	247
Management fee income	**79**	75
Others	**3**	34
	237	356

5. PROFIT BEFORE TAX

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

	Six months ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
		(Restated)
	(Unaudited)	(Unaudited)
Cost of pharmaceutical supplies	**22,980**	18,966
Fees payable to doctors and dentists	**110,967**	102,380
Laboratory expenses	**1,343**	1,704
Depreciation	**4,147**	3,362
Amortisation of other intangible assets*	**806**	806
Loss/(gain) on disposal of items of property, plant and equipment	**17**	(39)
Minimum lease payments under operating leases:		
Land and buildings	**31,503**	30,519
Auditors' remuneration	**790**	885
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**44,728**	45,267
Equity-settled share option expense	**295**	141
Pension scheme contributions	**1,939**	1,930
	46,962	47,338
Write-down of inventories to net realisable value**	**64**	162

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

** The write-down 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.

6. INCOME TAX

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

Hong Kong profits tax has been made at the rate of 16.5% (six months ended 31 December 2016: 16.5%) on the estimated assessable profits arising in Hong Kong. No provision for the People's Republic of China ("PRC") corporate income tax has been made as the Group's PRC subsidiary had no estimated assessable profits for the period (six months ended 31 December 2016: Nil).

	Six months ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
		(Restated)
	(Unaudited)	(Unaudited)
Current		
Charge for the period	**3,889**	3,344
Over-provision in prior years	**(56)**	–
Deferred	**(80)**	(22)
Total tax charge for the period	**3,753**	3,322

7. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 31 December 2017 (six months ended 31 December 2016: Nil).

A final dividend of HK2 cents per ordinary share for the year ended 30 June 2017 amounting to HK$7,230,040 was approved by the shareholders of the Company on 30 November 2017.

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

The calculation of the basic earnings per share amount is based on the unaudited consolidated profit for the period attributable to ordinary equity holders of the Company of HK$10,284,000 (six months ended 31 December 2016 (restated): HK$4,684,000), and the weighted average number of ordinary shares of 361,502,000 (six months ended 31 December 2016: 361,502,000) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 31 December 2017 and 31 December 2016 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

9. TRADE RECEIVABLES

	31 December 2017	30 June 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**34,674**	31,451

Most of the patients of the medical and dental practices settle in cash. Payments by patients using medical cards or corporate customers will normally be settled within 1 to 6 months. The Group allows an average credit period of 70 days to its trade customers under other business activities. The Group seeks to maintain strict control over its outstanding receivables and has personnel to monitor the implementation of measures to minimise the credit risk. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

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

	31 December 2017	30 June 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 2 months	**25,167**	25,122
2 to 4 months	**8,324**	4,605
4 to 6 months	**907**	1,378
Over 6 months	**276**	346
	34,674	31,451

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

	31 December 2017	30 June 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**33,137**	22,800
Less than 1 month past due	**787**	3,360
1 to 3 months past due	**434**	2,956
Over 3 months	**316**	2,335
	34,674	31,451

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track with the Group. Based on past experience, the directors of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

10. 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 2017	30 June 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month	**20,713**	21,482
1 to 3 months	**3,914**	2,171
Over 3 months	**43**	10
	24,670	23,663

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

11. COMPARATIVE AMOUNTS

As further explained in note 2.1, certain comparative amounts have been restated as a result of the adoption of merger accounting for the common control combinations taking place on 1 February 2017.

FINANCIAL REVIEW

Financial Review for the Interim Period of FY2018

Revenue

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

	Interim Period of FY2018 *HK$'000*	Interim Period of FY2017 *HK$'000* *(Restated)*	% of change
General practice services	**160,942**	154,514	4.2%
Specialties services	**60,320**	54,019	11.7%
Dental services	**32,100**	25,351	26.6%
	253,362	233,884	8.3%

In the Interim Period of FY2018, the Group recorded revenue amounted to approximately HK$253.4 million, representing the increase of approximately HK$19.5 million or 8.3% as compared with Interim Period of FY2017 (Restated).

Our revenue from general practice services increased by approximately HK$6.4 million or 4.2% from the Interim Period of FY2017 (Restated) to approximately HK$160.9 million for the Interim Period of FY2018. The increase was mainly due to the increase in the number of patient visits as a result of the seasonal flu effect in summer 2017.

Our revenue from specialties services increased by approximately HK$6.3 million or 11.7% from the Interim Period of FY2017 (Restated) to approximately HK$60.3 million for the Interim Period of FY2018. The increase was mainly attributed to the acquisition of We Health International Limited which brought synergies and bolstered the development of the specialties services business and the strengthened cooperation with the Hong Kong Government on the public and private partnership programme for the specialties services.

Our revenue from dental services increased by approximately HK$6.8 million or 26.6% from the Interim Period of FY2017 (Restated) to approximately HK$32.1 million for the Interim Period of FY2018. The increase was mainly attributed to the developed high-end dental services with an experienced professional team and the benefit from the Community Care Fund launched by the Hong Kong Government to cover dental services.

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 FY2018	Interim Period of FY2017	
	HK$'000	*HK$'000*	% of change
		(Restated)	
Fees payable to doctors and dentists	**110,967**	102,380	8.4%
Cost of pharmaceutical supplies	**22,980**	18,966	21.2%
Laboratory expenses	**1,343**	1,704	-21.2%
Write-down of inventories to net realisable value	**64**	162	-60.5%
	135,354	123,212	9.9%

Our cost of services rendered increased by approximately HK$12.1 million or 9.9% from the Interim Period of FY2017 (Restated) to approximately HK$135.4 million for the Interim Period of FY2018. This increase was mainly due to the increase in fees payable to doctors and dentists and cost of pharmaceutical supplies which were in line with the increase in our revenue for the Interim Period of FY2018.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$7.3 million or 6.6% from the Interim Period of FY2017 (Restated) to approximately HK$118.0 million for the Interim Period of FY2018 as a result of increase in revenue. Our gross profit margin slightly decreased to approximately 46.6% for Interim Period of FY2018 from approximately 47.3% for the Interim Period of 2017 (Restated) which was mainly due to decrease in gross profit margin for general practice services.

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

	Interim Period of FY2018		Interim Period of FY2017 (Restated)	
	HK$'000	***Gross profit margin %***	*HK$'000*	*Gross profit margin %*
General practice services	**82,525**	**51.3%**	80,507	52.1%
Specialties services	**22,425**	**37.2%**	20,035	37.1%
Dental services	**13,058**	**40.7%**	10,130	40.0%
	118,008	**46.6%**	110,672	47.3%

Our gross profit margin for general practice services decreased from approximately 52.1% for the Interim Period of FY2017 (Restated) to approximately 51.3% for the Interim Period of FY2018 mainly due to the increase in cost of pharmaceutical supplies.

Our gross profit margin for specialties services slightly increased from approximately 37.1% for the Interim Period of FY2017 (Restated) to approximately 37.2% for the Interim Period of FY2018.

Our gross profit margin for dental services increased from approximately 40.0% for the Interim Period of FY2017 (Restated) to approximately 40.7% for the Interim Period of FY2018 as a result of lower percentage in fee payable to dentists during the Interim period of FY2018 as their remuneration packages were different based on their experiences and length of services with us.

Other income and gains

Our other income and gains decreased by approximately HK$0.12 million or 33.4% from the Interim Period of FY2017 (Restated) to approximately HK$0.24 million for the Interim Period of FY2018 which was mainly due to the decrease in interest income of approximately HK$0.09 million.

Administrative expenses

Our administrative expenses increased by approximately HK$0.7 million or 0.7% to approximately HK$102.0 million for the Interim Period of FY2018 from approximately HK$101.3 million for the Interim Period of FY2017 (Restated) which was mainly due to (i) the increase in rental expenses of approximately HK$1.0 million upon renewal of several tenancies during the Interim Period of FY2018; (ii) the increase in depreciation expenses of approximately HK$0.8 million; and (iii) the offset by the decrease in long service payment and annual leave expenses of approximately HK$0.8 million.

Share of losses of a joint venture

Our share of losses of a joint venture increased by approximately HK$0.7 million or 32.4% from the Interim Period of FY2017 (Restated) to approximately HK$2.7 million for the Interim Period of FY2018. The increase was mainly because the joint venture is still in start-up stage.

Income tax expense

Income tax expense increased by approximately HK$0.4 million or 13.0% to approximately HK$3.8 million for the Interim Period of FY2018 from approximately HK$3.3 million for the Interim Period of FY2017 (Restated). The increase was mainly due to the increase in assessable income as a result of increase in revenue. Our effective tax rate decreased from approximately 43.2% for the Interim Period of FY2017 (Restated) to approximately 27.7% for the Interim Period of FY2018.

Profits for the period

As a result of the foregoing, profit for the period increased by approximately HK$5.4 million or 123.8% to approximately HK$9.8 million for the Interim Period of FY2018 from approximately HK$4.4 million for the Interim Period of FY2017 (Restated). Our net profit margin also increased to approximately 3.9% for the Interim Period of FY2018 from approximately 1.9% for the Interim Period of FY2017 (Restated).

Profits attributable to owners of the Company

The Group's profit attributable to owners of the Company was approximately HK$10.3 million for the Interim Period of FY2018, representing the increase of approximately HK$5.6 million or 119.6% from the Interim Period of FY2017 (Restated). The increase was primarily attributable to the increase in revenue and the corresponding increase in gross profit.

BUSINESS REVIEW AND OUTLOOK

Business Review for the Interim Period of FY2018

The overall performance of our business during the Interim Period of FY2018 was encouraging. We focused on expanding our scope of services and continued to provide comprehensive, one-stop and quality healthcare services to customers. Through the acquisition of We Health International Limited, we have extended to medical diagnostic and endoscopy services business which have facilitated the development of our specialties services business as part of our expansion strategy. We have also benefited from the strengthened cooperation with the Hong Kong Government which has launched a series of subsidised screening programmes for the community, particularly to the elderly. In addition, we further extended the specialties services to a urology practice, and the provision of more comprehensive and advanced ophthalmological services, aimed to meet the growing demand of specialties services from the community.

In view of the huge potential for growth, we strived to develop our dental services and have opened a dental centre with a team of experienced professional dentists providing high-end dental services. Furthermore, with the benefit from the establishment of the Community Care Fund Elderly Dental Assistance Programme by the Hong Kong Government, the number of visits by our patients as well as the revenue for the dental services increased approximately 31.4% and 26.6% respectively for the Interim Period of FY2018.

With regard to the operations in the People's Republic of China (the "**PRC**"), Shanghai Human Health Integrated Medical Centre continued to benefit from being the flagship centre of the Group in the PRC and it provided a full range of services to capture the opportunities arising from the rapid growth of the medical services industry in the PRC.

Apart from the increase in revenue and profits for all the services, our patient base grew from approximately 1.89 million as at 31 December 2016 to approximately 2.03 million as at 31 December 2017, whereas our patient visits during the Interim Period of FY2018 were approximately 0.60 million as compared to approximately 0.57 million during the Interim Period of FY2017 (Restated).

As at 31 December 2017, the Group operated 68 medical centres in Hong Kong under the following brand names with 125 service points.

During the Interim Period of FY2018, we provided the following comprehensive healthcare services:

General Practice Services

- General consultation
- Diagnostic and preventive healthcare services
- Minor procedures
- Vaccinations
- Physical check-ups
- Health education activities
- Occupational health advices
- Work injury assessment

Specialties Services

Specialties

- General surgery
- Orthopaedics & traumatology
- Ophthalmology
- Otorhinolaryngology
- Paediatrics
- Obstetrics & gynaecology
- Gastroenterology & hepatology
- Respiratory medicine
- Cardiology
- Paediatric surgery
- Dermatology
- Geriatric medicine
- Psychiatry
- Urology
- Radiology
- Public health medicine

Other Services

- Physiotherapy
- Clinical psychology
- Medical aesthetic
- Chiropractic
- Medical diagnostic

Dental Services

- Oral examination
- Dental implant
- Crown and bridge
- Endodontics
- Prosthodontics
- Oral surgery
- Bleaching
- One-hour tooth whitening
- Orthodontics
- Veneers and laser dentistry
- Advanced oral and maxillofacial surgery
- Periodontal treatment
- Panoramic radiography
- Cone-beam computed tomography

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

Set forth below is the number of members in our exclusive professional team as at 31 December 2017:

General practitioners	65
Specialists	27
Dentists	19
Others	12
Total	123

In addition to the exclusive professional team above, a total number of 66 professionals including general practitioner, specialist, dentist and clinical psychologist worked with us on a non-exclusive basis as at 31 December 2017.

Our clientele includes individual customer and corporate customer, the latter of which encompass medical scheme management company, insurance company and corporation. Our suppliers include general practitioner, specialist, dentist and clinical psychologist (all of whom are under contractual relationship with us), as well as pharmaceutical products distributor and manufacturer, laboratory and imaging centre.

Business Outlook

In recent years, people are becoming more health conscious and the standard for health has continuously evolved over time, thus we are pursuing the goal of accompanying our customers along the life-long journey of not only good health but also wellness. We are dedicated to devise the finest healthcare solutions that truly suit the needs of our customers and strive to provide well-being solutions across different life stages.

Besides, in view that public healthcare service is constantly tight in Hong Kong, private healthcare operators are assuming vital role in guarding the health of Hong Kong people. We are poised to meet the growing demand by continuing to develop our network that can avail fully integrated, high quality and comprehensive healthcare services to local communities. Our major focus in the coming year will be to optimise efficiency and maximise effectiveness of the operations of the medical centres by strengthening the IT infrastructure. We will also adapt new technologies and equipment in order to achieve the goal of bolstering our foothold in the greater health and wellness field.

Our principal business objective remains achieving sustainable growth in our current business and strengthening our capability to secure more business opportunities. In addition to the existing high-quality and comprehensive healthcare services, we continue to expand our scope of services, review potential acquisitions and investment opportunities and embrace the challenges we may face in the future.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a good financial position during the Interim Period of FY2018. As at 31 December 2017, the Group had net current assets of approximately HK$178.4 million (as at 30 June 2017: approximately HK$169.1 million) and cash and cash equivalents and pledged deposits of approximately HK$173.3 million (as at 30 June 2017: approximately HK$172.8 million). The cash and cash equivalents and pledged deposits were held in Hong Kong dollars and Renminbi. The Group did not have any interest-bearing borrowings during the Interim Period of FY2018. Thus, gearing ratio, which is net debt divided by the adjusted capital plus net debt, and net debt-to-equity ratio, were both not applicable to the Group. The Group did not have any financial instruments for hedging purposes.

CAPITAL STRUCTURE

There was no change in the capital structure of the Company during the Interim Period of FY2018. The capital of the Company comprises ordinary shares and other reserves.

CHARGES ON GROUP ASSETS

As at 31 December 2017, a fixed deposit of approximately HK$1.0 million has been pledged to a bank to secure overdrafts of the Group. In addition, a fixed deposit of approximately HK$1.0 million has been pledged to a bank as collateral security for banking facilities granted to the extent of HK$1.0 million.

FOREIGN EXCHANGE EXPOSURE

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

CAPITAL COMMITMENTS

	31 December 2017 *HK$'000* **(Unaudited)**	30 June 2017 *HK$'000* (Audited)
Contracted, but not provided for:		
Medical equipment	**157**	180
IT equipment and software	**1,373**	–
	1,530	180

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2017.

EMPLOYEES

As at 31 December 2017, the Group had 393 full-time employees (as at 31 December 2016: 430) and 78 part-time employees (as at 31 December 2016: 62).

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

USE OF PROCEEDS FROM THE LISTING

Net proceeds from the listing of the shares of the Company (the "**Shares**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 1 April 2016 (the "**Listing**") amounted to approximately HK$84.8 million (including the net proceeds from the full exercise of the over-allotment option which took place on 21 April 2016), and are intended to be applied in the manner consistent with that set out in the prospectus of the Company dated 17 March 2016. For the period commencing from the Listing to 31 December 2017, the proceeds has been utilised as follows:

	Net Proceeds	**Utilised Amounts**	**Unutilised Amounts**
	HK$ million	*HK$ million*	*HK$ million*
Expansion of network in Hong Kong by setting up six new specialist medical centres	39.1	17.7	21.4
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	0.6	4.5
Enhancement of IT infrastructure	5.1	1.1	4.0
Working capital and other general corporate purposes	8.5	4.1	4.4
	84.8	40.5	44.3

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the Interim Period of FY2018 (the Interim Period of FY2017: Nil).

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 FY2018.

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has appointed Mr. Chan Kin Ping as both the chairman and the chief executive officer of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership 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. 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 FY2018.

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

SHARE OPTION SCHEME

The Company adopted a share option scheme on 17 February 2016 (the "**Share Option Scheme**") where certain eligible persons may be granted share options to subscribe for the 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, the Group granted share options to certain eligible persons to subscribe for 2,740,000 ordinary Shares of HK$0.01 each (the "**Share Options**") pursuant to the Share Option Scheme. As at 31 December 2017, 2,740,000 Share Options were granted and remained outstanding and no Share Option has been exercised, lapsed or cancelled during the Interim Period of FY2018.

REVIEW OF INTERIM RESULTS

The unaudited consolidated interim results for the Interim Period of FY2018 have been reviewed by the auditor of the Company in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants.

In addition, the audit committee of the Company has reviewed, with the management and the auditor of the Company, the unaudited consolidated interim results for the Interim Period of FY2018, 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 FY2018.

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

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.humanhealth.com.hk. The interim report of the Company for the Interim Period of FY2018 shall be despatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 27 February 2018

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

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