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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 2018

FINANCIAL HIGHLIGHTS

- The Group's revenue for the Interim Period of FY2019 was approximately HK$253.1 million, representing the decrease of approximately HK$0.2 million or 0.1% from the Interim Period of FY2018.
- Gross profit for the Interim Period of FY2019 was approximately HK$120.8 million, representing the increase of approximately HK$2.8 million or 2.4% from the Interim Period of FY2018. Gross profit margin increased to approximately 47.7% for the Interim Period of FY2019 from approximately 46.6% for the Interim Period of FY2018.
- The Group's profit attributable to owners of the Company was approximately HK$10.9 million for the Interim Period of FY2019, representing the increase of approximately HK$0.6 million or 5.7% from the Interim Period of FY2018. This increase was primarily due to the gain on fair value of financial assets at fair value through profit or loss of HK$1.0 million.
- Basic earnings per Share for the Interim Period of FY2019 amounted to approximately HK3.0 cents (the Interim Period of FY2018: approximately HK2.8 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 2018 (the "**Interim Period of FY2019**") together with the comparative figures for the six months ended 31 December 2017 (the "**Interim Period of FY2018**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 31 December 2018

		Six months ended 31 December	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**253,146**	253,362
Cost of services rendered		**(132,318)**	(135,354)
Gross profit		**120,828**	118,008
Other income and gains	*4*	**1,734**	237
Administrative expenses		**(106,137)**	(101,985)
Share of losses of a joint venture		**(2,209)**	(2,728)
PROFIT BEFORE TAX	*5*	**14,216**	13,532
Income tax expenses	*6*	**(3,618)**	(3,753)
PROFIT FOR THE PERIOD		**10,598**	9,779
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(1,081)**	621
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**(1,081)**	621
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**9,517**	10,400

	Note	Six months ended 31 December **2018** HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Profit/(loss) attributable to:			
Owners of the Company		**10,875**	10,284
Non-controlling interests		**(277)**	(505)
		10,598	9,779
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**9,794**	10,905
Non-controlling interests		**(277)**	(505)
		9,517	10,400
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic and diluted		**HK3.0 cents**	HK2.8 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

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

2.1 BASIS OF PREPARATION AND PRESENTATION

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

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2018.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE

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

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

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

HKFRS 9 *Financial Instruments*

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

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

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

(i) Classification and measurement

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

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

– Debt instruments at amortised cost;

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

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

– Financial assets at fair value through profit or loss.

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

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

Equity instruments

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

(ii) Impairment of financial assets

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

HKFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

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

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

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	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Segment revenue:								
Revenue from external customers	**157,464**	160,942	**62,966**	60,320	**32,716**	32,100	**253,146**	253,362
Intersegment sales	**762**	333	**2,119**	2,195	**5**	1	**2,886**	2,529
							256,032	255,891
Reconciliation:								
Elimination of intersegment sales							**(2,886)**	(2,529)
							253,146	253,362
Segment results	**36,911**	34,799	**4,453**	3,252	**3,363**	4,344	**44,727**	42,395
Interest income							**645**	155
Management fee income from a related party							**–**	79
Corporate and unallocated income							**1,058**	–
Corporate and unallocated expenses							**(30,005)**	(26,369)
Share of losses of a joint venture							**(2,209)**	(2,728)
Profit before tax							**14,216**	13,532
Income tax expense	**(2,524)**	(2,675)	**(783)**	(766)	**(311)**	(312)	**(3,618)**	(3,753)
Profit for the period							**10,598**	9,779

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	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Integrated healthcare services income	**253,146**	253,362
Other income and gains		
Bank interest income	**448**	155
Interest income on financial assets at fair value through profit or loss	**143**	–
Interest income on loan receivables	**54**	–
Management fee income	**–**	79
Gain on fair value of financial assets at fair value through profit or loss	**1,032**	–
Others	**57**	3
	1,734	237

5. PROFIT BEFORE TAX

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

	Six months ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of pharmaceutical supplies	**23,714**	22,980
Fees payable to doctors and dentists	**107,490**	110,967
Laboratory expenses	**1,185**	1,343
Depreciation	**5,156**	4,147
Amortisation of other intangible assets*	**806**	806
Loss on disposal of items of property, plant and equipment	**25**	17
Minimum lease payments under operating leases:		
Land and buildings	**30,637**	31,503
Auditor's remuneration	**815**	790
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**45,188**	44,728
Equity-settled share option expense	**374**	295
Pension scheme contributions	**2,067**	1,939
	47,629	46,962
Write-down/(reversal of write-down) of inventories to net realisable value**	**(71)**	64

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

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

6. INCOME TAX

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

Hong Kong profits tax has been made at the rate of 16.5% (six months ended 31 December 2017: 16.5%) on the estimated assessable profits arising in Hong Kong. No provision for the People's Republic of China ("**PRC**") corporate income tax has been made as the Group's PRC subsidiary had no estimated assessable profits for the period (six months ended 31 December 2017: Nil).

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

7. DIVIDENDS

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

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

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

The calculation of the basic earnings per share amount is based on the unaudited consolidated profit for the period attributable to ordinary equity holders of the Company of HK$10,875,000 (six months ended 31 December 2017: HK$10,284,000), and the weighted average number of ordinary shares of 363,660,180 (six months ended 31 December 2017: 361,502,000) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 31 December 2018 and 31 December 2017 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

9. TRADE RECEIVABLES

	31 December 2018	30 June 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**37,692**	31,936

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

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

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

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

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

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 2018	30 June 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month	**25,383**	22,061
1 to 3 months	**2,542**	3,335
Over 3 months	**41**	45
	27,966	25,441

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

FINANCIAL REVIEW

Financial Review for the Interim Period of FY2019

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

In the Interim Period of FY2019, the Group recorded revenue amounted to approximately HK$253.1 million, representing the decrease of approximately HK$0.2 million or 0.1% as compared with the Interim Period of FY2018.

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

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

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

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

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

Gross profit and gross profit margin

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

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

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

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

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

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

Other income and gains

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

Administrative expenses

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

Share of losses of a joint venture

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

Income tax expenses

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

Profit for the period

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

Profit attributable to owners of the Company

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

BUSINESS REVIEW AND OUTLOOK

Business Review for the Interim Period of FY2019

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

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

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

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

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

* *For identification purpose only*

During the Interim Period of FY2019, 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
- Chinese medicine

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
- Nephrology
- Family medicine

Other Services

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

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 professional team comprising general practitioner, specialist, dentist and others such as physiotherapist, radiographer, registered nurse, pharmacist and dental hygienist.

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

General practitioners	58
Specialists	23
Dentists	17
Others	13
Total	111

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

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

Business Outlook

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a good financial position during the Interim Period of FY2019. As at 31 December 2018, the Group had net current assets of approximately HK$172.8 million (as at 30 June 2018: approximately HK$179.7 million) and cash and cash equivalents and pledged deposits of approximately HK$176.6 million (as at 30 June 2018: approximately HK$189.8 million). The cash and cash equivalents and pledged deposits were held in Hong Kong dollars and Renminbi. The Group did not have any interest-bearing borrowings during the Interim Period of FY2019. Thus, gearing ratio, which is net debt divided by the adjusted capital plus net debt, and net debt-to-equity ratio, were both not applicable to the Group. The Group did not have any financial instruments for hedging purposes.

CAPITAL STRUCTURE

There was no change in the capital structure of the Company during the Interim Period of FY2019. The capital of the Company comprises ordinary shares and other reserves.

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

CHARGES ON GROUP ASSETS

As at 31 December 2018, a fixed deposit of approximately HK$1.0 million has been pledged to a bank to secure overdrafts of the Group. In addition, a fixed deposit of approximately HK$1.0 million has been pledged to a bank as collateral security for banking facilities granted to the extent of HK$1.0 million.

FOREIGN EXCHANGE EXPOSURE

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

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

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

CAPITAL COMMITMENTS

	31 December 2018	30 June 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Capital expenditures	**15**	779

CONTINGENT LIABILITIES

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

EMPLOYEES

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

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

USE OF PROCEEDS FROM THE LISTING

Net proceeds from the listing of the shares of the Company (the "**Shares**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 1 April 2016 (the "**Listing**") amounted to approximately HK$84.8 million (including the net proceeds from the full exercise of the over-allotment option which took place on 21 April 2016), and are intended to be applied in the manner consistent with that set out in the prospectus of the Company dated 17 March 2016. For the period commencing from the Listing to 31 December 2018, the proceeds has been utilised as follows:

	Net proceeds *HK$ million*	**Utilised amounts** *HK$ million*	**Unutilised amounts** *HK$ million*
Expansion of network in Hong Kong by setting up six new specialist medical centres	39.1	20.6	18.5
Expansion of network in Hong Kong by setting up six new general practice medical centres	5.9	3.9	2.0
Expansion in the PRC market	12.7	10.3	2.4
Acquisition of established medical centres in Hong Kong	8.4	2.8	5.6
Brand building	5.1	2.5	2.6
Enhancement of IT infrastructure	5.1	2.2	2.9
Working capital and other general corporate purposes	8.5	4.8	3.7
	84.8	47.1	37.7

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

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the Interim Period of FY2019 (the Interim Period of FY2018: 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 FY2019.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding securities transactions by the Directors. In response to a specific enquiry made by the Company, all Directors have confirmed their compliance with the Model Code during the Interim Period of FY2019.

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

SHARE OPTION SCHEME

The Company adopted a share option scheme on 17 February 2016 (the "**Share Option Scheme**") where certain eligible persons may be granted share options to subscribe for the ordinary Shares for their contribution to, and continuing efforts to promote the interests of the Group and for such other purposes as the Board may approve from time to time. On 4 October 2016 and 28 May 2018, the Group granted share options to certain eligible persons to subscribe for 2,740,000 ordinary Shares and 460,000 ordinary Shares respectively (the "**Share Options**") pursuant to the Share Option Scheme. As at 31 December 2018, 3,200,000 Share Options were granted and 3,150,000 Share Options remained outstanding. No Share Option has been exercised or cancelled during the Interim Period of FY2019 and 50,000 Share Options were lapsed during the Interim Period of FY2019.

REVIEW OF INTERIM RESULTS

The unaudited consolidated interim results for the Interim Period of FY2019 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 FY2019, including the accounting principles and practices adopted by the Group, and discussed the internal controls, going concern issues and financial reporting matters related to the preparation of the interim results of the Group for the Interim Period of FY2019.

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

During the Interim Period of FY2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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 FY2019 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 2019

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.