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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 2019

FINANCIAL HIGHLIGHTS

- The Group's revenue for the Interim Period of FY2020 was approximately HK$254.8 million, representing an increase of approximately HK$1.7 million or 0.7% from the Interim Period of FY2019.

- Gross profit for the Interim Period of FY2020 was approximately HK$117.5 million, representing a decrease of approximately HK$3.3 million or 2.7% from the Interim Period of FY2019. Gross profit margin decreased from approximately 47.7% for the Interim Period of FY2019 to approximately 46.1% for the Interim Period of FY2020.

- The Group's profit attributable to owners of the Company was approximately HK$3.1 million for the Interim Period of FY2020, representing a decrease of approximately HK$7.7 million or 71.1% from the Interim Period of FY2019. This decrease was primarily due to the increase in staff cost, the decrease in gross profit margin, the increase in related expenses on the leases on the adoption of HKFRS16 "Leases" and the offset of the decrease in legal and professional fee and income tax expenses.

- Basic earnings per share for the Interim Period of FY2020 amounted to approximately HK0.8 cents (the Interim Period of FY2019: approximately HK3.0 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 2019 (the "**Interim Period of FY2020**") together with the comparative figures for the six months ended 31 December 2018 (the "**Interim Period of FY2019**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 31 December 2019

	Notes	Six months ended 31 December 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
REVENUE	*4*	**254,805**	253,146
Cost of services rendered		**(137,266)**	(132,318)
Gross profit		**117,539**	120,828
Other income and gains	*4*	**882**	1,734
Administrative expenses		**(111,256)**	(106,137)
Finance costs	*6*	**(2,488)**	–
Share of losses of a joint venture		**(882)**	(2,209)
PROFIT BEFORE TAX	*5*	**3,795**	14,216
Income tax expense	*7*	**(651)**	(3,618)
PROFIT FOR THE PERIOD		**3,144**	10,598
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(143)**	(1,081)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**(143)**	(1,081)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**3,001**	9,517

	Notes	Six months ended 31 December **2019** **_HK$'000_** **(Unaudited)**	2018 _HK$'000_ (Unaudited)
Profit attributable to:			
Owners of the Company		**3,144**	10,875
Non-controlling interests		**–**	(277)
		3.144	10,598
Total comprehensive income attributable to:			
Owners of the Company		**3,001**	9,794
Non-controlling interests		**–**	(277)
		3,001	9,517
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	_9_	**HK0.8 cents**	HK3.0 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2019

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

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

2.1 BASIS OF PREPARATION AND PRESENTATION

These unaudited interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accounts (the "**HKICPA**") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"). These unaudited interim condensed consolidated financial statements were authorised for issue on 25 February 2020.

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

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

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2019.

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

2.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE

The accounting policies adopted in the condensed consolidated financial statements for the six months ended 31 December 2019 are the same with those followed in the preparation of the Group's consolidated financial statements for the year ended 30 June 2019, except for the adoption of the new and revised HKFRSs and interpretation issued by the HKICPA as noted below.

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

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

(i) Impact of the adoption of HKFRS 16

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

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

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

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

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

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

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

(ii) The new definition of a lease

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

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

(iii) Accounting as a lessee

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

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

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

Right-of-use asset

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

Lease liability

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

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

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

(iv) Transition

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

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

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

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)−Int 4 and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)−Int4.

2.3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

3. SEGMENT INFORMATION

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

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

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

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

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

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

Six months ended 31 December

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

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of services rendered.

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

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

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

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Other income and gains		
Bank interest income	**466**	448
Interest income on financial assets at fair value through profit or loss	**257**	143
Interest income on loan receivables	**109**	54
Gain on fair value of financial assets at fair value through profit or loss	**–**	1,032
Others	**50**	57
	882	1,734

5. PROFIT BEFORE TAX

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

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

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

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

6. FINANCE COSTS

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

7. INCOME TAX

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

Hong Kong profits tax has been made at the rate of 16.5% (six months ended 31 December 2018: 16.5%) on the estimated assessable profits arising in Hong Kong. For the period ended 31 December 2019, the first HK$2,000,000 of profits earned by one of the group companies will be taxed at a rate of 8.25% whilst the remaining profits will continue to be taxed at 16.5%. No provision for the People's Republic of China ("**PRC**") corporate income tax has been made as the Group's PRC subsidiary had no estimated assessable profits for the period ended 31 December 2019 (six months ended 31 December 2018: Nil).

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

8. DIVIDENDS

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

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

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

The calculation of the basic earnings per share amount is based on the unaudited consolidated profit for the period attributable to ordinary equity holders of the Company of HK$3,144,000 (six months ended 31 December 2018: HK$10,875,000), and the weighted average number of ordinary shares of 379,552,233 (six months ended 31 December 2018: 363,660,180) in issue during the period ended 31 December 2019.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 31 December 2019 and 31 December 2018 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

10. TRADE RECEIVABLES

	31 December 2019	30 June 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**47,241**	33,117

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

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

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

11. TRADE PAYABLES

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

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

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

FINANCIAL REVIEW

Financial Review for the Interim Period of FY2020

Revenue

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

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

In the Interim Period of FY2020, the Group recorded revenue amounted to approximately HK$254.8 million, representing an increase of approximately HK$1.7 million or 0.7% as compared with the Interim Period of FY2019.

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

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

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

Cost of services rendered

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

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

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

Gross profit and gross profit margin

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

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

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

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

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

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

Other income and gains

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

Administrative expenses

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

The new HKFRS 16 “Leases” was adopted by the Group with effect from 1 July 2019. The new accounting treatment of the leases results in an additional charge before tax of approximately HK$1.5 million for the Interim Period of FY2020 as compared with the rental expense under the old standard. The Group has applied HKFRS 16 using the cumulative effect approach and has not restated the comparative figures presented in the Interim Period of FY2019 which continue to be reported under HKAS17.

Finance cost

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

Share of losses of a joint venture

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

Income tax expense

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

Profit for the period

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

Profit attributable to owners of the Company

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

BUSINESS REVIEW AND OUTLOOK

Business Review for the Interim Period of FY2020

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

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

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

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

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

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

During the Interim Period of FY2020, the Group 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 & venereology
- Psychiatry
- Urology
- Radiology
- Nephrology
- Family medicine
- Clinical Oncology
- Neurosurgery
- Anaesthesiology

Other Services
- Physiotherapy
- Clinical psychology
- Medical aesthetic
- Medical diagnostic
- Endoscopy
- Wellness services

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
- CAD/CAM Dentistry
- Periodontal treatment
- Panoramic radiography
- Cone-beam computed tomography

The Group attributes our prominent market position to our experienced and stable professional team which is comprised of general practitioner, specialist, dentist and others such as physiotherapist, radiographer, registered nurse, pharmacist and dental hygienist.

Set forth below is the number of members in our professional team serving exclusively for the Group as of 31 December 2019:

General practitioners	60
Specialists	23
Dentists	16
Others	13
Total	112

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

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

Business Outlook

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

CAPITAL STRUCTURE

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

CHARGES ON GROUP ASSETS

As at 31 December 2019, a fixed deposit of approximately HK$1.0 million has been pledged to a bank to secure overdrafts of the Group (as at 31 December 2018: HK$1.0 million). In addition, a fixed deposit of approximately HK$1.0 million has been pledged to a bank as collateral security for banking facilities granted to the extent of HK$1.0 million (as at 31 December 2018: HK$1.0 million).

FOREIGN EXCHANGE EXPOSURE

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

SIGNIFICANT INVESTMENTS

On 29 May 2019, Actwise Limited, a wholly owned subsidiary of the Company ("**Actwise**") and Inno Healthcare Limited, the general partner of New Journey Healthcare LP (the "**Limited Partnership**"), entered into a subscription agreement, pursuant to which Actwise subscribed for partnership interests in the Limited Partnership with the capital commitment of RMB30,000,000. As a result of the change of composition of the Limited Partnership during the Interim Period of FY2020, Actwise became the holder of 73.17% of the partnership interest in the Limited Partnership as at 31 December 2019. In addition, the investment by the Limited Partnership in New Journey Hospital Group Limited had been completed and the Limited Partnership is registered as the holder of 1,684,808 shares of New Journey Hospital Group Limited.

Details of the above investment were set out in the announcements dated 29 May 2019, 9 July 2019 and 10 January 2020.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

CAPITAL COMMITMENTS

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

CONTINGENT LIABILITIES

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

EMPLOYEES

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

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

USE OF PROCEEDS FROM THE LISTING

Net proceeds from the listing of the shares of the Company (the "**Shares**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 1 April 2016 (the "**Listing**") amounted to approximately HK$84.8 million (including the net proceeds from the full exercise of the over-allotment option which took place on 21 April 2016), and are intended to be applied in the manner consistent with that set out in the prospectus of the Company dated 17 March 2016. For the period commencing from the Listing to 31 December 2019, the proceeds have been utilised as follows:

	Net proceeds *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	28.4	10.7
Expansion of network in Hong Kong by setting up six new general practice medical centres	5.9	3.9	2.0
Expansion in the PRC market	12.7	10.3	2.4
Acquisition of established medical centres in Hong Kong	8.4	2.8	5.6
Brand building	5.1	3.2	1.9
Enhancement of IT infrastructure	5.1	2.5	2.6
Working capital and other general corporate purposes	8.5	5.7	2.8
	84.8	56.8	28.0

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 FY2020 (the Interim Period of FY2019: 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 FY2020.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

SHARE OPTION SCHEME

The Company adopted a share option scheme on 17 February 2016 (the "**Share Option Scheme**") where certain eligible persons may be granted share options to subscribe for the ordinary Shares for their contribution to, and continuing efforts to promote the interests of the Group and for such other purposes as the Board may approve from time to time. On 4 October 2016 and 28 May 2018, the Group granted share options to certain eligible persons to subscribe for 2,740,000 ordinary Shares and 460,000 ordinary Shares respectively (the "**Share Options**") pursuant to the Share Option Scheme. As at 31 December 2019, 3,200,000 Share Options were granted and 2,720,000 Share Options remained outstanding. No Share Option has been exercised or cancelled during the Interim Period of FY2020 and 230,000 Share Options were lapsed during the Interim Period of FY2020.

REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed, with the management of the Company, the unaudited consolidated interim results for the Interim Period of FY2020, including the accounting principles and practices adopted by the Group, and discussed the internal controls, going concern issues and financial reporting matters related to the preparation of the interim results of the Group for the Interim Period of FY2020.

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

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

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 FY2020 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, 25 February 2020

As at the date of this announcement, the Board comprises Mr. Chan Kin Ping, JP (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.