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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

- The Group's revenue for FY2020 was approximately HK$453.7 million, representing an decrease of approximately HK$74.8 million or 14.2% from FY2019.

- Gross profit for FY2020 was approximately HK$189.8 million, representing an decrease of approximately HK$58.4 million or 23.5% from FY2019. Gross profit margin decreased from approximately 47.0% for FY2019 to approximately 41.8% for FY2020.

- The Group's loss attributable to owners of the Company was approximately HK$40.4 million as compared to the profit attributable to owners of the Company of approximately HK$26.6 million for FY2019.

- Basic loss per share for FY2020 amounted to approximately HK10.6 cents (Basic earnings per share for FY2019: approximately HK7.2 cents).

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

The board (the "**Board**") of directors (the "**Directors**") of Human Health Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**", "**we**" or "**our**") for the year ended 30 June 2020 ("**FY2020**"), which have been prepared in accordance with the generally accepted accounting principles in Hong Kong, together with comparative figures for the year ended 30 June 2019 ("**FY2019**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 30 June 2020

	Notes	**2020** ***HK$'000***	2019 *HK$'000*
REVENUE	*4*	**453,737**	528,585
Cost of services rendered		**(263,898)**	(280,345)
Gross profit		**189,839**	248,240
Other income and gains	*4*	**11,211**	2,553
Administrative expenses		**(208,425)**	(212,337)
Loss on disposal of financial assets measured at amortised costs		**(4,677)**	–
Other losses		**(21,124)**	–
Finance costs	*6*	**(4,693)**	(175)
Share of losses of a joint venture and an associate		**(1,143)**	(3,558)
(LOSS)/PROFIT BEFORE TAX	*5*	**(39,012)**	34,723
Income tax expense	*7*	**(1,362)**	(8,376)
(LOSS)/PROFIT FOR THE YEAR		**(40,374)**	26,347
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that will not be reclassified to profit or loss:			
Changes in fair value of equity instruments at fair value through other comprehensive income		**(2,711)**	–
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(263)**	(954)

	Notes	**2020** HK$'000	2019 HK$'000
OTHER COMPREHENSIVE LOSS FOR THE YEAR		**(2,974)**	(954)
TOTAL COMPREHENSIVE LOSS/INCOME FOR THE YEAR		**(43,348)**	25,393
(Loss)/profit attributable to:			
Owners of the Company		**(40,374)**	26,624
Non-controlling interests		**–**	(277)
		(40,374)	26,347
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(43,348)**	25,670
Non-controlling interests		**–**	(277)
		(43,348)	25,393
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic and diluted		**HK(10.6) cents**	HK7.2 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

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

	2020	2019
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Other long term payables	**3,459**	4,053
Lease liabilities	**34,166**	–
Deferred tax liabilities	**1,602**	1,868
Total non-current liabilities	**39,227**	5,921
NET ASSETS	**259,049**	313,599
EQUITY		
Equity attributable to owners of the Company		
Share capital	**3,796**	3,796
Reserves	**255,253**	309,803
Total equity	**259,049**	313,599

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

HKFRS 16 Leases

(i) Impact of the adoption of HKFRS 16

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

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

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

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

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

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

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

(ii) The new definition of a lease

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

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

(iii) Accounting as a lessee

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

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

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

Right-of-use asset

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

Lease liability

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

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

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

(iv) Transition

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

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

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

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

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

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

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

3. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

	General practice service		Specialties services		Dental services		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue								
Revenue from external customers	**266,530**	338,687	**127,205**	125,114	**60,002**	64,784	**453,737**	528,585
Intersegment sales	**1,441**	1,731	**4,893**	4,220	**11**	8	**6,345**	5,959
Reconciliation							**460,082**	534,544
Elimination of intersegment sales							**(6,345)**	(5,959)
							453,737	528,585
Segment results	**38,636**	81,809	**(5,909)**	11,802	**5,237**	6,431	**37,964**	100,042
Interest income							**1,657**	1,450
Corporate and unallocated income							**2,843**	1,070
Corporate and unallocated expenses							**(80,333)**	(64,281)
Share of losses from a joint venture and an associate							**(1,143)**	(3,558)
(Loss)/profit before tax							**(39,012)**	34,723
Income tax expense	**(577)**	(6,654)	**(698)**	(1,184)	**(87)**	(538)	**(1,362)**	(8,376)
(Loss)/profit for the year							**(40,374)**	26,347
Segment assets	**179,547**	189,160	**79,769**	72,211	**51,300**	62,996	**310,616**	324,367
Elimination of intersegment receivables							**(51,464)**	(28,036)
Corporate and other allocated assets							**168,842**	112,346
Total assets							**427,994**	408,677
Segment liabilities	**90,923**	49,184	**52,649**	21,395	**31,093**	26,820	**174,665**	97,399
Elimination of intersegment payables							**(51,464)**	(28,037)
Corporate and other allocated liabilities							**45,744**	25,716
Total liabilities							**168,945**	95,078
Other segment information								
Depreciation	**42,660**	2,207	**15,053**	3,983	**6,987**	2,644	**64,700**	8,834
Amortisation of other intangible assets	**736**	737	**347**	347	**528**	528	**1,611**	1,612
Finance costs	**2,819**	–	**394**	–	**281**	–	**3,494**	–
Capital expenditures #	**1,704**	3,263	**6,196**	3,822	**976**	811	**8,876**	7,896

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

Geographical information

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

Information about major customers

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

4. REVENUE, OTHER INCOME AND GAINS

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

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

(i) Disaggregated revenue information

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

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

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

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

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

(ii) Performance obligations

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

Provision of integrated healthcare services

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

Trading of wellness related products

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

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

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

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

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

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

5. (LOSS)/PROFIT BEFORE TAX

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

	2020	2019
	HK$'000	*HK$'000*
Cost of pharmaceutical supplies	**65,691**	55,515
Fees payable to doctors and dentists	**195,972**	223,051
Laboratory expenses	**1,786**	2,317
Depreciation charge		
– Owned property, plant and equipment	**8,888**	10,571
– Right-of-use-assets included within *(note i)*		
– Leasehold land and buildings	**64,834**	–
Amortisation of other intangible assets *(note ii)*	**1,611**	1,612
Fair value loss of financial assets at fair value through profit or loss (included in Other Losses)	**21,124**	–
Loss on disposal of items of property, plant and equipment	**58**	1
Minimum lease payments for leases previously classified as operating leases under HKAS 17	**–**	61,378
Auditor's remuneration	**1,035**	1,775
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**92,465**	92,413
Equity-settled share option expense	**(46)**	268
Pension scheme contributions	**4,262**	3,973
	96,681	96,654
Write down/(reversal of write-down) of inventories to net realisable value *(note iii)*	**449**	(538)

Note:

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

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

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

6. FINANCE COSTS

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

7. INCOME TAX EXPENSE

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 Caymans Islands and the British Virgin Islands.

Hong Kong profits tax has been made at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong. For the year ended 30 June 2020, the first HK$2,000,000 of profits earned by one of the group companies will be taxed at a rate of 8.25% whilst the remaining profits will continue to be taxed at 16.5%. No provision for PRC corporate income tax has been made as the Group's PRC subsidiary had no estimated assessable profits for the year (2019: Nil).

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

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

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

No adjustment has been made to the basic earnings per share amounts presented for the years ended 30 June 2020 and 2019 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

9. TRADE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**36,021**	33,117

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

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

	2020	2019
	HK$'000	*HK$'000*
Within 2 months	**17,476**	24,828
2 to 4 months	**4,210**	5,968
4 to 6 months	**6,276**	1,787
Over 6 months	**8,059**	534
	36,021	33,117

10. TRADE PAYABLES

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

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**15,965**	26,635
1 to 3 months	**3,115**	4,422
Over 3 months	**38**	51
	19,118	31,108

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

11. DIVIDENDS

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

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

FINANCIAL REVIEW

Financial performance for FY2020

Revenue

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

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

In FY2020, our Group recorded revenue amounted to approximately HK$453.7 million, representing a decrease of approximately 14.2% as compared with FY2019.

Our revenue from general practice services decreased by approximately HK$72.2 million or 21.3% from FY2019 to HK$266.5 million for FY2020. The decrease was mainly due to the adverse impact of the outbreak of coronavirus disease 2019 ("**COVID-19**").

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

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

Cost of services rendered

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

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

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

Gross profit and gross profit margin

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

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

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

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

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

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

Other income and gains

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

Administrative expenses

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

Loss on disposal of financial assets measured at amortised costs

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

Other losses

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

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

(i) Investment in Heals Healthcare

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

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

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

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

(ii) Investment in the Limited Partnership

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

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

(iii) Investment in AMORV

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

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

(iv) Convertible bonds issued by ASANA

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

Finance costs

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

Share of losses of a joint venture and an associate

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

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

Income tax expense

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

Loss for the year

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

Loss attributable to owners of the Company

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

BUSINESS REVIEW AND OUTLOOK

Business Review for FY2020

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

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

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

Furthermore, the Group continues to focus on providing excellent healthcare services to our customers as well as development of the wellness and medical aesthetics services. Following the launch of the wellness centre and medical aesthetic centre, the Group puts efforts on providing add-on services to body and mind including disease prevention and health monitoring, integrated coaching services for healthy living as well as enhancement solutions customised to meet the physical and mental needs of our customers. With an aim to provide advanced and premium medical aesthetic treatment, our professional team designs safe and reliable medical aesthetic treatment programmes and tailor-made skin care services to address the needs of the customers.

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

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

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

* *for identification purpose only*

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

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

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

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
- Telemedicine

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

- General Dentistry
- Dental implant
- 3D guided implant surgery
- Crown and bridge
- Periodontal Treatment
- Prosthodontics
- Oral surgery
- Orthodontics
- Endodontics
- Bleaching
- One-hour tooth whitening
- Veneers and laser dentistry
- Advanced oral and maxillofacial surgery
- CAD/CAM Dentistry
- Panoramic radiography
- Cone-beam computed tomography

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

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

General practitioners	48
Specialists	20
Dentists	14
Others	9
Total	91

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

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

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

Business Outlook

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group had net current assets of approximately HK$62.3 million (as at 30 June 2019: approximately HK$128.3 million), which included cash and cash equivalents and pledged deposits of approximately HK$124.7 million (as at 30 June 2019: approximately HK$160.7 million) and interest-bearing bank borrowings of approximately HK$15.6 million which is repayable on demand, at an interest rate of Hong Kong Interbank Offered Rate plus 2% (as at 30 June 2019: approximately HK$9.5 million). As at 30 June 2020, the Group had unutilised loan facility of approximately HK$34.4 million (as at 30 June 2019: approximately HK$40.5 million). The decrease in net current assets was mainly due to the recognition of lease liabilities upon the adoption of HKFRS 16 "Leases" of approximately HK$52.4 million. All the interest- bearing bank borrowings was held in Hong Kong dollars and the cash and cash equivalents and pledged deposits were held in Hong Kong dollars and Renminbi.

As at 30 June 2020, the Group's gearing ratio, which is net debt divided by the adjusted capital plus net debt, is approximately 5.7% (as at 30 June 2019: approximately 2.9%), and net debt-to-equity ratio is approximately 6.0% (as at 30 June 2019: approximately 3.0%).

CAPITAL STRUCTURE

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

CHARGES ON GROUP ASSETS

As at 30 June 2020, a fixed deposit of approximately HK$1.0 million has been pledged to a bank to secure overdrafts of the Group (as at 30 June 2019: approximately HK$1.0 million). In addition, a fixed deposit of approximately HK$1.0 million has been pledged to a bank as collateral security for banking facilities granted to the extent of HK$1.0 million (as at 30 June 2019: approximately HK$1.0 million).

FOREIGN EXCHANGE EXPOSURE

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

SIGNIFICANT INVESTMENTS

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

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

Details of the Business Alliance Agreement and the Heals Subscription Agreement (including the conditions precedents of the completion of the Subscription Shares and the reasons for the issue of the consideration shares) are set out in the announcements of the Company dated 11 October 2018, 12 November 2018, 10 December 2018 and 9 April 2020. As at 30 June 2020, 156,667 shares of Heals Healthcare, which represent approximately 8.7% of the issued share capital of Heals Healthcare, was held by Actwise.

The investment in Heals Healthcare is stated at fair value. The fair value of First Tranche Subscription Shares is recorded as "Financial assets at fair value through other comprehensive income" while the interests of Actwise in the Second Tranche Subscription Shares and Third Tranche Subscription Shares under the Heals Subscription Agreement constitute derivative financial instruments and are recorded as "Financial assets at fair value through profit or loss" in the consolidated statement of financial position. As at 30 June 2020, the fair value of the Subscription Shares and the related derivatives amounted to approximately HK$12.3 million which represents approximately 2.9% of the total assets of the Group as at 30 June 2020. A fair value loss of approximately HK$13.2 million was recorded as at 30 June 2020. For details, please refer to the section headed "Other Losses". No dividend was received from this investment by the Group in FY2020.

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

As stated in the announcement of the Company dated 9 April 2020, due to the protest movement in Hong Kong in the second half of 2019 and the outbreak of the COVID-19 in Hong Kong in the end of January 2020, the building and development of the initial features of the Platform was being affected and was not fully completed in accordance with the terms of the Business Alliance Agreement. As at the date of this announcement, no mutual consensus between the Company and Heals Healthcare could be made in relation to the commencement date of the Initial KPI Measurement Period and the Company is in negotiation with Heals Healthcare in relation to the termination of the Business Alliance Agreement and the Heals Subscription Agreement but no legally binding agreement has been entered into by the Group.

(ii) On 29 May 2019, Actwise and Inno Healthcare Limited ("**Inno Healthcare**"), the general partner of the Limited Partnership, entered into a subscription agreement (the "**LP Subscription Agreement**"), pursuant to which Actwise subscribed for partnership interests in the Limited Partnership with the capital commitment of RMB30 million. Following the acceptance of the LP Subscription Agreement by Inno Healthcare on the same day, Actwise is admitted as a limited partner to the Limited Partnership by entering into a limited partnership agreement (the "**Limited Partnership Agreement**"). As a result of the change of composition of the Limited Partnership in November 2019, Actwise was the holder of approximately 73.2% of the partnership interest in the Limited Partnership as at 30 June 2020. In addition, the investment by the Limited Partnership in New Journey Hospital Group Limited had been completed and the Limited Partnership is registered as the holder of 1,684,808 shares of New Journey Hospital Group Limited.

The investment objective of the Limited Partnership is to invest in New Journey Hospital Group Limited, a holding company of an integrated hospital group in the PRC which primarily engages in the operation of hospitals, primary medical care, internet medical care services, cross border medical care services, elderly care services, supply chain centres and radiotherapy services.

Details of the LP Subscription Agreement and the Limited Partnership Agreement are set out in the announcements of the Company dated 29 May 2019, 9 July 2019 and 10 January 2020.

The investment in the Limited Partnership is stated at fair value and is recorded as "Financial assets at fair value through profit or loss" in the consolidated statement of financial position. As at 30 June 2020, the fair value of the investment in the Limited Partnership amounted to approximately HK$32.4 million, which represents approximately 7.6% of the total assets of the Group as at 30 June 2020. A fair value loss of approximately HK$1.7 million was recorded as at 30 June 2020. For details, please refer to the section headed "Other Losses". No dividend was received from this investment by the Group in FY2020.

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

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

The investment of the Group in AMORV is stated at fair value and is recorded as "Financial assets at fair value through profit or loss" in the consolidated statement of financial position. As at 30 June 2020, the fair value of the investment in AMORV amounted to approximately HK$22.5 million, which represents approximately 5.3% of the total assets of the Group as at 30 June 2020. A fair value loss of approximately HK$1.0 million was recorded as at 30 June 2020. For details, please refer to the section headed "Other Losses". No dividend was received from this investment by the Group in FY2020.

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

CONVERTIBLE BONDS ISSUED BY AND LOAN ADVANCED TO ASANA

On 21 September 2018, (i) We Health International Limited, a wholly owned subsidiary of the Company ("**We Health**"); (ii) ASANA; and (iii) Mr. Ling Ka Him Samuel ("**Mr. Ling**") entered into a subscription agreement ("**ASANA Subscription Agreement**") pursuant to which ASANA shall issue and We Health shall subscribe the Convertible Bonds. The Convertible Bonds at its full value were issued to We Health by ASANA on 21 September 2018.

On 21 September 2018, (i) We Health as lender; (ii) ASANA as borrower; and (iii) Mr. Ling as guarantor entered into a HK$30.95 million secured term loan facility agreement ("**Facility Agreement**") pursuant to which (i) We Health shall at its sole discretion make available to ASANA a Hong Kong dollar term loan facility made available under the Facility Agreement in an aggregate amount of HK$17.2 million at an interest rate of 2% per annum ("**Facility A**"); and (ii) if ASANA utilises Facility A in full, We Health shall at its sole discretion make available to ASANA a Hong Kong dollar term loan facility made available under the Facility Agreement in an aggregate amount of HK$13.75 million at an interest rate of 5% per annum ("**Facility B**").

The Convertible Bonds is secured by a share charge dated 8 August 2018 entered into between Mr. Ling as the chargor and We Health as the chargee (the "**Share Charge**") in relation to a first mortgage of 26,263 (being 55%) ordinary shares in ASANA (the "**Charged Shares**") and its related rights and a first floating charge of the related rights of the Charged Shares.

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

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

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

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

CAPITAL COMMITMENTS

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

CONTINGENT LIABILITIES

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

EMPLOYEES

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

We recruit personnel from the open market and we formulate our recruitment policy based on market conditions, our business demand and expansion plans. We offer different remuneration packages to our employees based on their position. Generally, we pay basic salary and incentives (based on years of service) to all of our employees. To enhance the quality of our services, we adopt prudent assessment criteria when selecting the Group's professional staff including physiotherapist, radiographer, pharmacist, registered nurse and dental hygienist, and take into account a number of factors such as experience, skills and competencies. We assess their credentials and suitability through interviews and aptitude tests as appropriate. We also provide training programmes regularly for our employees at different levels. Details of our human resources programs, training and development will be set out in the "environmental, social and governance report" in the annual report for the year ended 30 June 2020.

USE OF PROCEEDS FROM THE LISTING

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

	Net proceeds	**Utilised amounts**	**Unutilised amounts**
	HK$ million	*HK$ million*	*HK$ million*
Expansion of network in Hong Kong by setting up six new specialist medical centres	39.1	37.3	1.8
Expansion of network in Hong Kong by setting up six new general practice medical centres	5.9	3.9	2.0
Expansion in the PRC market	12.7	10.3	2.4
Acquisition of established medical centres in Hong Kong	8.4	2.8	5.6
Brand building	5.1	3.2	1.9
Enhancement of IT infrastructure	5.1	2.5	2.6
Working capital and other general corporate purposes	8.5	6.7	1.8
	84.8	66.7	18.1

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

FINAL DIVIDEND

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

CORPORATE GOVERNANCE PRACTICE

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

The Board has reviewed the Company's corporate governance practices to ensure its continuous compliance with the CG Code. Save for the deviations from code provision A.2.1 as disclosed below, the Company has complied with all the applicable code provisions set out in the CG Code during FY2020.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

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 30 June 2020, 3,200,000 Share Options had been granted and 2,490,000 Share Options remained outstanding. No Share Option has been exercised or cancelled during FY2020 and 460,000 Share Options were lapsed during FY2020.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed, with the management and the external auditor of the Company, the consolidated financial statements of the Company for FY2020, including the accounting principles and practices adopted by the Group, and discussed the internal control, going concern issues, key audit matters and financial reporting matters related to the preparation of the annual results of the Group for FY2020.

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

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

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for FY2020 as set out in this announcement have been agreed by the Company's auditor to the amounts set out in the Group's draft consolidated financial statements for FY2020. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on this announcement.

ANNUAL GENERAL MEETING

The annual general meeting ("**AGM**") will be held on Wednesday, 2 December 2020. The notice of the AGM will be published and dispatched in due course in the manner as required by the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

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

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual 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 annual report of the Company for FY2020 shall be despatched to the Shareholders 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, 28 September 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.