



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



2024
Interim Report

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

Corporate Information

EXECUTIVE DIRECTORS

Mr. Chan Kin Ping, BBS, JP
(*Chairman and Chief Executive Officer*)
Dr. Pang Lai Sheung
Mr. Poon Chun Pong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lui Sun Wing
Mr. Chan Yue Kwong Michael
Mr. Sin Kar Tim

AUDIT COMMITTEE

Mr. Sin Kar Tim (*Chairman*)
Dr. Lui Sun Wing
Mr. Chan Yue Kwong Michael

REMUNERATION COMMITTEE

Dr. Lui Sun Wing (*Chairman*)
Mr. Chan Kin Ping, BBS, JP
Mr. Chan Yue Kwong Michael
Mr. Sin Kar Tim

NOMINATION COMMITTEE

Mr. Chan Yue Kwong Michael (*Chairman*)
Dr. Lui Sun Wing
Mr. Chan Kin Ping, BBS, JP
Mr. Sin Kar Tim

COMPANY SECRETARY

Ms. Man Ching Yan, CFA ACG HKACG

AUTHORISED REPRESENTATIVES

Mr. Poon Chun Pong
Ms. Man Ching Yan

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

12th Floor
Enterprise Square Two
3 Sheung Yuet Road
Kowloon Bay
Kowloon, Hong Kong

LEGAL ADVISER TO THE COMPANY AS TO HONG KONG LAW

Howse Williams
27th Floor, Alexandra House
18 Chater Road
Central, Hong Kong

AUDITOR

Ernst & Young, Registered Public Interest
Entity Auditor
27th Floor, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Corporate Information

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17th Floor
Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank
83 Des Voeux Road Central
Central, Hong Kong

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road
Central, Hong Kong

WEBSITE

www.humanhealth.com.hk

SHARE INFORMATION

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

Management Discussions and Analysis

FINANCIAL REVIEW

Financial performance for the six months ended 31 December 2023 (the "Interim Period of FY2024")

Revenue

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

	Interim Period of FY2024 HK\$'000	Interim Period of FY2023 HK\$'000	% of change
General practice services	198,929	588,497	-66.2%
Specialties services	65,152	57,903	12.5%
Dental services	31,109	34,874	-10.8%
	295,190	681,274	-56.7%

In the Interim Period of FY2024, the Group recorded revenue amounted to approximately HK\$295.2 million, representing the decrease of approximately HK\$386.1 million or 56.7% as compared with the six months ended 31 December 2022 (the "Interim Period of FY2023"). The decrease was mainly due to the decrease in revenue generated from COVID-19 related preventive, testing, vaccination and outreach services of approximately HK\$453.4 million. After exclusion of the revenue generated from such services, the Group's revenue increased by approximately 29.6% as compared with the Interim Period of FY2023.

Our revenue from general practice services decreased by approximately HK\$389.6 million or 66.2% from the Interim Period of FY2023 to approximately HK\$198.9 million for the Interim Period of FY2024. The decrease was mainly due to the decrease in revenue generated from COVID-19 related preventive, testing, vaccination and outreach services of approximately HK\$453.4 million. After exclusion of the revenue generated from such services, the Group's revenue of general practice services increased by approximately 47.3% as compared with the Interim Period of FY2023.

Our revenue from specialties services increased by approximately HK\$7.3 million or 12.5% from the Interim Period of FY2023 to approximately HK\$65.2 million for the Interim Period of FY2024. The increase was mainly attributed to the increase in patient visits and the increase in average spending per visit of the specialties services.

Our revenue from dental services decreased by approximately HK\$3.8 million or 10.8% from the Interim Period of FY2023 to approximately HK\$31.1 million for the Interim Period of FY2024. The decrease was mainly attributed to the decrease in patient visits of the dental services.

Management Discussions and Analysis

Cost of services rendered

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

	Interim Period of FY2024 HK\$'000	Interim Period of FY2023 HK\$'000	% of change
Fees payable to doctors and dentists	97,060	88,863	9.2%
Other direct cost	5,159	83,094	-93.8%
Cost of pharmaceutical supplies	50,430	39,371	28.1%
Laboratory expenses	2,018	2,297	-12.1%
Write-down/(reversal of write-down) of inventories to net realisable value	17	(191)	-108.9%
	154,684	213,434	-27.5%

Our cost of services rendered decreased by approximately HK\$58.8 million or 27.5% from the Interim Period of FY2023 to approximately HK\$154.7 million for the Interim Period of FY2024. This decrease was mainly due to the decrease in other direct cost such as hiring of contract professional staff.

Gross profit and gross profit margin

Our gross profit decreased by approximately HK\$327.3 million or 70.0% from the Interim Period of FY2023 to approximately HK\$140.5 million for the Interim Period of FY2024. Our gross profit margin decreased to approximately 47.6% for Interim Period of FY2024 from approximately 68.7% for the Interim Period of 2023 which was mainly due to the decrease in gross profit margin for general practice services.

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

	Interim Period of FY2024		Interim Period of FY2023	
	HK\$'000	Gross profit margin %	HK\$'000	Gross profit margin %
General practice services	110,848	55.7%	430,101	73.1%
Specialties services	16,738	25.7%	23,640	40.8%
Dental services	12,920	41.5%	14,099	40.4%
	140,506	47.6%	467,840	68.7%

Management Discussions and Analysis

Our gross profit margin for general practice services decreased from approximately 73.1% for the Interim Period of FY2023 to approximately 55.7% for the Interim Period of FY2024 mainly due to the percentage decrease in revenue of general practice services being higher than the percentage decrease in cost of such services rendered.

Our gross profit margin for specialties services decreased from approximately 40.8% for the Interim Period of FY2023 to approximately 25.7% for the Interim Period of FY2024 mainly due to the percentage increase in cost of service rendered of specialties services being higher than the percentage increase in revenue of such services.

Our gross profit margin for dental services slightly increased from approximately 40.4% for the Interim Period of FY2023 to approximately 41.5% for the Interim Period of FY2024.

Other income and gains/(losses), net

Our other income and gains/(losses), net increased by approximately HK\$11.2 million from the Interim Period of FY2023 to approximately HK\$10.5 million for the Interim Period of FY2024 which was mainly due to the increase in bank interest income of approximately HK\$6.0 million and the net fair value changes on the Group's financial assets at fair value through profit or loss which turned from a net fair value loss of approximately HK\$3.6 million for the Interim Period of FY2023 to a net fair value gain of approximately HK\$2.4 million for the Interim Period of FY2024.

Administrative expenses

Our administrative expenses decreased by approximately HK\$14.7 million or 10.8% from approximately HK\$136.7 million for the Interim Period of FY2023 to approximately HK\$122.0 million for the Interim Period of FY2024 which was mainly due to (i) the decrease in staff cost of approximately HK\$9.3 million and (ii) the decrease in depreciation and amortization of right-of-use assets of approximately HK\$2.8 million.

Finance costs

Our finance costs was approximately HK\$4.3 million for the Interim Period of FY2024 (Interim period of FY2023: approximately HK\$4.1 million).

Share of losses of associates

Our share of losses of associates was approximately HK\$0.8 million for the Interim Period of FY2024 (Interim period of FY2023: approximately HK\$1.2 million).

Income tax expense

Our income tax expense decreased by approximately HK\$53.1 million from approximately HK\$57.0 million for the Interim Period of FY2023 to approximately HK\$3.9 million for the Interim Period of FY2024 due to the decrease in assessable income. Our effective tax rate decreased from approximately 17.5% for the Interim Period of FY2023 to approximately 16.3% for the Interim Period of FY2024.

Management Discussions and Analysis

Profit for the period

As a result of the foregoing, profit for the period decreased by approximately HK\$248.1 million or 92.5% from approximately HK\$268.1 million for the Interim Period of FY2023 to approximately HK\$20.0 million for the Interim Period of FY2024. Our net profit margin decreased from approximately 39.4% for the Interim Period of FY2023 to approximately 6.8% for the Interim Period of FY2024.

Profit attributable to owners of the Company

The Group's profit attributable to owners of the Company was approximately HK\$20.0 million for the Interim Period of FY2024, representing the decrease of approximately HK\$248.1 million or 92.5% from the Interim Period of FY2023. The decrease was primarily attributable to (i) the decrease in revenue of the Group's general practice services arising from the continuous decrease in demand for and provision of COVID-19 related preventive, testing, vaccination and outreach services; and (ii) the decrease in gross profit due to the decrease in revenue of general practice services.

BUSINESS REVIEW AND OUTLOOK

Business Review for the Interim Period of FY2024

During the Interim Period of FY2024, the Group managed to maintain remarkable resilience and adaptability, indicating its strategic vision, operational excellence, and commitment to its stakeholders. While the Group experienced a decrease in revenue, it is important to highlight that the Group has made significant strides in upgrading its operational effectiveness and efficiency.

The Group recorded revenue of approximately HK\$295.2 million for the Interim Period of FY2024 as compared with the revenue of approximately HK\$681.3 million for the Interim Period of FY2023. The decrease in the Group's revenue for the period was primarily due to the decrease in revenue generated from COVID-19 related preventive, testing, vaccination and outreach services of approximately HK\$453.4 million. After exclusion of the revenue generated from such services, the Group's revenue increased by approximately 29.6% as compared with the Interim Period of FY2023. The profit attributable to owners of the Company for the Interim Period of FY2024 was approximately HK\$20.0 million as compared with the profit attributable to owners of the Company of approximately HK\$268.1 million for the Interim Period of FY2023. Apart from the above-mentioned financial information, it is also noteworthy that the Group's overall financial performance during the Interim Period of FY2024 has showcased steady growth when compared with the previous interim periods before the onset of COVID-19 pandemic. Having recognised the importance of maintaining a strong financial position and sustaining future growth, the Group actively implemented strategies to upgrade its operational effectiveness and efficiency.

Overall, the Group maintained a strong focus on cost management and implemented high efficiency operation management measures. During the Interim Period of FY2024, the Group has made notable progress in advancing its strategic goals, continuous investment in expediting the upgrade and enhancement of its IT infrastructure and digital transformation, increased the medical services market share through strengthened partnership with the Hong Kong Government and strategic partners, and was committed to delivering value to its stakeholders.

Management Discussions and Analysis

Strong Tenacity in General Practice Segment

During the Interim Period of FY2024, with the post-pandemic resumption of normalcy in Hong Kong, the Group's revenue from COVID-19 related services witnessed a sharp decline owing to the weakened demand for these services. In spite of such challenges posed, the Group's general practice segment remained resilient, witnessing a corresponding increase in the number of patient visits of general practice services for common diseases such as influenza and other upper respiratory tract infections. As mentioned in "Financial Review" section, after exclusion of the revenue generated from COVID-19 related services, the Group's revenue of general practice services increased by approximately 47.3% as compared with the Interim Period of FY2023. More importantly, throughout the years, the Group's general practice segment has exhibited solid growth in terms of revenue stream, service quality, customer base and market opportunity capturing capability.

The Group swiftly adapted its operational strategies to seize emerging opportunities and cater to the evolving healthcare needs of patients during the Interim Period of FY2024. Its dedicated team of healthcare professionals continued to provide comprehensive primary healthcare services, ensuring the well-being of its patients.

The Group has strived to build a complete and strategic medical centre network over the years, serving as an integrated medical service platform that can provide fast, convenient and comprehensive medical services to patients. During the Interim Period of FY2024, the Group acquired a medical centre at Lam Tin as a new service point.

In addition, the Group focused on bolstering its general practice offerings and enhancing the capabilities in areas such as family medicine, preventive care, and chronic disease management. By adopting a holistic approach to healthcare, the Group aimed to promote overall wellness and empower its patients to lead healthier lives.

Furthermore, the Group was committed to delivering personalised and patient-centric care. The Group implemented comprehensive health assessments and tailored treatment plans to address the specific needs of each patient. By fostering strong and long-term relationships, the Group aimed to establish trust with and provide continuity of care to its customers.

Overall, the Group's strategic investments in general healthcare, consumer healthcare, and preventive medicine reflect its dedication to meeting the evolving needs of its customers and capitalising on the growing market potential in the healthcare services sector. Through the establishment of the "InHealth Plus" brand, the constant promotion of its online shopping platform, and the opening of Healthy Square H2, the Group remains dedicated to upholding the highest standards of care, adapting to the changing healthcare landscape, and providing comprehensive and accessible primary healthcare services to the customers.

Stable Performance in Specialties and Dental Segments

During the Interim Period of FY2024, the Group's specialties services experienced a stable growth and the performance of dental services maintained stable as compared with that of the Interim Period of FY2023. Along with the increase in demand for both medical, healthcare and dental services during the post-pandemic era, the Group has expanded its specialties and dental teams and upgraded its facilities in order to provide comprehensive and personalised services for its patients.

Management Discussions and Analysis

The revenue from the specialties services of the Group during the Interim Period of FY2024 amounted to approximately HK\$65.2 million (Interim Period of FY2023: approximately HK\$57.9 million), an approximately 12.5% year on year growth. During the Interim Period of FY2024, the Group expanded its eye care services at Healthy Square H2 and this strategic expansion on ophthalmology services is expected to contribute as a core revenue growth within the specialties segment of the Group.

In respect of dental services, the Group continued its strategy of developing high-end dental services during the Interim Period of FY2024 and the revenue of dental services amounted to approximately HK\$31.1 million, as compared with approximately HK\$34.9 million for the Interim Period of FY2023. In addition, the Group's ongoing investment in dental technology and equipment has played a vital role in driving growth in this segment.

Promising Prospect of Rehabilitation Services

During the Interim Period of FY2024, the Group's rehabilitation services continued to exhibit steady growth. Building upon the participation in the "Pilot Rehabilitation Programme for Employees Injured at Work" (the "**Pilot Programme**") launched by the Labour Department of Hong Kong and the establishment of the Work Injury Rehabilitation Office, the Group fortified its position in the medical services landscape. The Pilot Programme progressed favourably, providing a stable source of income for the Group and reinforcing its commitment to delivering exceptional rehabilitation services.

Through a strategic partnership with CUHK Medical Centre Limited, the Group delivered professional rehabilitation and case management services to injured employees under the Pilot Programme. This collaboration enabled the Group to streamline its services and provide top-notch rehabilitation solutions to meet the needs of injured individuals. The Group remains optimistic about the potential of the rehabilitation market in Hong Kong and the opportunity to expand its service offerings and enhance capabilities.

Looking ahead, the Hong Kong Government proposes to extend its rehabilitation services to other industries, the Group shall continuously leverage its expertise and persistently explore new business opportunities and is dedicated to facilitating the overall development of its medical services in the rehabilitation sector.

Development of Healthy Square H2

During the Interim Period of FY2024, the Group's mega health hub, Healthy Square H2, located at Star House in Tsim Sha Tsui, showcased a sturdy performance and progress. With a strong focus on providing comprehensive healthcare solutions, the Group has expanded its range of services to include advanced eye healthcare procedures, notably covering Cataract, Vision Correction, and Retinal Diseases. By catering to the healthcare needs of elderly, middle-aged, and young individuals, it is aimed to ensure accessibility to high-quality eye care services for all segments of the population. This commitment to inclusive care aligns with the Group's mission of delivering exceptional and personalised healthcare solutions.

Management Discussions and Analysis

In addition to its expanded eye care services, the Group continued to excel in providing integrated services, addressing the growing demands of customers and enhancing overall customer experience. Noteworthy advancements included the establishment of a licensed day procedure centre, the expansion of health management services, and the incorporation of strategic collaborations with renowned brands and online-offline platforms. These collaborations enriched the retail centres within Healthy Square H2, offering customers a diverse range of health and wellness products and services.

Through its centralised and streamlined approach to healthcare delivery, Healthy Square H2 prioritised customer convenience and satisfaction. Its sustained development manifested its ability to adapt to the dynamic healthcare landscape, driving Healthy Square H2 as a premier destination for the provision of comprehensive healthcare services.

Steadfastness in the PRC Business

During the Interim Period of FY2024, the Group's PRC business maintained steady. Through the existing Shanghai Human Health Integrated Medical Centre (上海盈健門診部), operated by Pingan Yingjian Medical Management (Shanghai) Limited* (平安盈健醫療管理(上海)有限公司) ("**Pingan Yingjian**", an associate of the Group), the Group continued to deliver high-quality medical aesthetic services to its customers.

Although the business of the Shanghai centre experienced challenges as the economy of the PRC has not fully recovered from the COVID-19 pandemic, it prioritised customer satisfaction and enhanced the overall experience during the Interim Period of FY2024. Through facility upgrades and ongoing improvement initiatives, Pingan Yingjian aimed to create an exceptional healthcare environment for its valued customers. By leveraging its expertise and adapting to market dynamics, Pingan Yingjian has established itself as a trusted provider of health and wellness services in the region. In addition, it has strategically allocated its resources for the achievement of maximising the value of its stakeholders. The Group's PRC business segment demonstrated a testament to the Group's commitment to delivering quality services and promoting health and well-being in the PRC market.

Brand Recognitions and Affirmations

During the Interim Period of FY2024, the Group proactively undertook its corporate social responsibilities, enhancing and optimising its healthcare services for the public while safeguarding the community's well-being. This concerted effort resulted in heightened customer satisfaction and increased engagement, leading to notable accolades and commendations for the Group's societal contributions:

- Health Partnership Award 2023 — Outstanding Integrated Medical and Health Service Award (2023健康同行夥伴大獎：傑出綜合醫健服務獎) by ETNet
- Hong Kong Marketer of the Year and Hong Kong Power Brand 2022/2023 by HKIM
- Manpower Developers (人才企業) by the ERB Manpower Developer Award Scheme (ERB人才企業嘉許計劃)
- 10+ Caring Company Logo (商界展關懷) by the Hong Kong Council of Social Service for 14h consecutive year
- Happy Company (開心工作間) by the Promoting Happiness Index Foundation and the Chinese Manufacturers' Association of Hong Kong for more than 10 consecutive years

* For identification purpose only

Management Discussions and Analysis

Professional Services Provided by the Group

As at 31 December 2023, the Group operated 54 medical centres, 1 day procedure centre, 3 retail centres and 1 community pharmacy in Hong Kong under the following brand names with 107 service points.



As a leading and comprehensive healthcare service provider in Hong Kong, the Group maintained its position during the Interim Period of FY2024 by delivering an extensive range of healthcare services which encompass, but are not limited to, general practice services, specialties services, dental services, Chinese medicine, physiotherapy, outreach, rehabilitation and case management, diagnostics and imaging, day procedure and endoscopy, medical aesthetic and wellness services as well as sale of healthcare products and services. This diverse array of offerings effectively addressed the various medical and wellness requirements of customers, ensuring their holistic and comprehensive healthcare needs were met.

Management Discussions and Analysis

During the Interim Period of FY2024, the Group provided the following comprehensive healthcare services:

General Practice Services	Specialties Services	Dental Services
<ul style="list-style-type: none"> • General consultation • Diagnostic and preventive healthcare services • Minor procedures • Vaccinations • Physical check-ups • Health education activities • Occupational health advices • Work injury assessment • Chinese medicine • Telemedicine • COVID-19 related services • Outreach services • Sale of healthcare related products and services • Rehabilitation and case management services 	<p><u>Specialties</u></p> <ul style="list-style-type: none"> • General surgery • Orthopaedics & traumatology • Ophthalmology • Otorhinolaryngology • Paediatrics • Obstetrics & gynaecology • Gastroenterology & hepatology • Cardiology • Paediatric surgery • Dermatology & venereology • Psychiatry • Urology • Nephrology • Clinical Oncology • Neurosurgery • Anaesthesiology • Radiology <p><u>Other Services</u></p> <ul style="list-style-type: none"> • Clinical Psychology • Physiotherapy • Medical aesthetics • Medical diagnostic • Day Procedure and Endoscopy • Nutritionist services • Health and wellness services • Trading of wellness related products 	<p><u>General Dentistry</u></p> <ul style="list-style-type: none"> • Dental Implant • Root Canal Therapy • Microscopic Endodontics • Crown, Bridge & Denture • Minor Oral Surgery • Root Planing • Orthodontic Treatment (Brace, Clear Aligner) • 3D Guided Implant Surgery • 3D Intraoral Scanning • Intraoral Digital Impression • CAD/CAM Dentistry • Laser Dentistry • Cone-beam Computed Tomography • Cephalometric Imaging • Panoramic Radiography • Filling & Extraction • Dental Scaling <p><u>Cosmetics Dentistry</u></p> <ul style="list-style-type: none"> • Teeth Whitening • Laser Gum Bleaching • Graphite Tattoo Removal • Gingival Margin Recontouring • Upper Lip Repositioning • Veneer <p><u>Specialist Dentistry</u></p> <ul style="list-style-type: none"> • Endodontics • Orthodontics • Prosthodontics • Periodontics • Oral and Maxillofacial Surgery <p><u>Other Services</u></p> <ul style="list-style-type: none"> • Same-day Dental Service • Emergency Dental Treatment • Complex Dental Surgery

The Group credits its prominent market position to its highly skilled and experienced team of healthcare professionals. Its dedicated professional team consists of general practitioner, specialist, dentist, as well as other specialised experts such as clinical psychologist, physiotherapist, radiographer, optometrist, registered nurse, pharmacist, dental hygienist, nutritionist, case manager and rehabilitation manager. With a total of 462 members, this diverse and talented team ensures the delivery of comprehensive, professional, and patient-centred care services to the community.

Management Discussions and Analysis

Business Outlook

The heightened public awareness of health, stemming from the COVID-19 pandemic, creates a favourable environment for the healthcare services sector and public-private partnerships in the post-pandemic era. However, although the borders of Hong Kong and mainland China reopened during the Interim Period of FY2024, which has presented an opportunity for the Group to some extent, the increase in inbound visitors and rise in medical demands were lower than expected.

The Group acknowledges the ongoing challenges and uncertainty in the global economic outlook as the long-term economic landscape remains complex and unpredictable. In light of this, the board of directors of the Company (the “**Board**”) maintains a cautious optimism towards the Group’s business growth and financial performance sustainability for the second half of FY2024.

Under these circumstances, the Group is committed to consistently refining its business strategy in line with market trends, focusing on enhancing operational efficiency, expanding its service offerings, and actively engaging medical professionals and other talents. Furthermore, the Group continues to consolidate partnerships with the Hong Kong Government and other strategic allies to ensure its sustainable development and deliver high-quality healthcare services in the face of a complex and unpredictable economic landscape.

Deliberate Business Expansion Strategy

To cope with diverse business needs, the Group acquired a medical centre as a new service point during the Interim Period of FY2024, demonstrating its commitment to strategic expansion. The Group will continue to proactively seek suitable acquisitions that align with its long-term business objectives.

However, considering that the global economic landscape remains uncertain which poses challenges and potential risks, the Group will adopt a prudent approach to its expansion plans, ensuring that each acquisition is carefully evaluated and fits into its strategic framework. Through a disciplined and strategic approach to expansion, combined with a focus on operational excellence, the Group aspires to navigate the uncertainties of the global economy and achieve continued and steady growth in the second half of FY2024.

Workforce and Operation Optimisation

The Group continued to prioritise cost restructuring and workforce optimisation efforts to enhance operational efficiency during the Interim Period of FY2024. Owing to the shrink in COVID-19 related services, the Group has streamlined its manpower, ensuring a lean and agile workforce structure.

In the meantime, the Group has strategically optimised its professional team to ensure that it has the right talent in place to deliver high-quality healthcare services and maintain its commitment to exceptional patient care.

Management Discussions and Analysis

Moreover, the Group has allocated additional resources towards talent retention initiatives. Attaching importance to its skilled workforce, the Group understands the importance of attracting and retaining top talent in the competitive healthcare industry. By investing in talent development, training programs, and engagement enhancement initiatives, the Group aims to foster a supportive and enriching work environment that encourages professional growth and long-term commitment from its professional team and staff.

Through tactical workforce and operation optimisations, the Group intends to enhance efficiency, maintain its competitive edge in the healthcare sector, as well as remain well-positioned in navigating the challenges and opportunities that lie ahead in the second half of FY2024 and beyond.

Solid Collaborations and Partnerships to Reinforce Market Position

During the Interim Period of FY2024, the Group continued to make desirable progress in its key collaborations and partnerships established during past years which have been proven to be highly effective for the Group's overall development.

In regard to its collaboration with the Hong Kong Government, the Group has been actively working towards supporting the development and the primary healthcare system. With the Primary Healthcare Blueprint as a guide, the Group intends to contribute to the long-term sustainability of the healthcare system in Hong Kong. By fully collaborating with the government, the Group seeks to maintain a healthy healthcare system that meets the increasing demand for primary healthcare services and private medical spending. As the market sentiment towards physical health remains attentive, the Group recognizes the enormous expansion potential for private medical services and is committed to seizing the market opportunities.

The strategic partnership with UMP Healthcare Holdings Limited ("**UMP Healthcare**") has shown promising progress through the development of the ProCare Integrated Medical Imaging & Laboratory Centre (Tsim Sha Tsui), managed by UMP Healthcare. This facility offers integrated imaging and laboratory services, leveraging the resources, networks, and professional expertise of both entities. The collaboration continues to enhance the Group's business operations, fortify its position in the healthcare industry, and bolster its presence in both the business-to-business and business-to-consumer markets.

Since the Group made a strategic investment in BioMed Technology Holdings Limited ("**BioMed**") in May 2023, focusing on the development of gut microbiome technology based on precision medicine, the collaboration has progressed well with joint efforts in co-brand marketing and promotion of gut microbiome products. Furthermore, the Group and BioMed have been working on the development of microbiome-based products, attempting to restore the balance of gut flora and alleviate discomfort caused by taking antibiotics. The collaboration between the two parties is expected to extend to the Greater Bay Area, allowing for broader market reach and potential expansion opportunities.

Looking into the second half of FY2024, by leveraging these collaborations and partnerships, the Group remains committed to delivering first-class and innovative healthcare solutions and services to its customers. All these collaborations position the Group for sustainable growth and solidifies its leading posture in the healthcare industry. With a focus on continuous innovations and advancements, the Group endeavours to further capitalise on the strengths and synergies generated through these strategic alliances, driving value for its stakeholders and contributing to the overall development of the healthcare sector.

Management Discussions and Analysis

Ongoing Digitalisation and Service Optimisation

Throughout the Interim Period of FY2024, the Group remained dedicated to continuously investing in its IT infrastructure and driving digital transformation with an aim to streamline the range of services offered by the Group, intensify engagement with stakeholders, and enhance overall customer satisfaction and experience.

With its next-generation integrated clinic operating platform in place, the Group was enabled to effectively manage its engagement with customers (B2C), corporate partners (B2B), and the Hong Kong Government (B2G), delivering personalised and seamless customer services, while improving overall management and operational efficiency.

Other key initiatives were the introduction of a “Ticketing” queuing system and an “eHealth station” virtual health station across its medical centres which were designed to manage patient flow, improve access to healthcare services, and support various health measurements.

By investing in IT infrastructure and digitalisation, the Group is proactively positioning itself to meet the changing needs of the healthcare industry. Looking ahead to the second half of FY2024, the Group is committed to further advancing its IT capabilities in order to deliver cutting-edge, personalised services and foster stronger stakeholder relationships. These strategic investments are anticipated to drive operational excellence, streamline processes, enhance data security, and optimise resource utilisation, enabling the Group to thrive in the digital era and shape the future of healthcare services.

Outlook for Second Half of FY2024

Building upon the strategic initiatives of the Interim Period of FY2024, the Group has demonstrated its resilience and innovative capabilities in navigating market challenges. Stepping into the second half of FY2024, the Group remains committed to delivering high-quality and comprehensive healthcare services to its customers while adapting to the changing landscape.

Notwithstanding the revenue from general practice services was affected by the decrease in demand for and provision of COVID-19 related services, the Group will continue to proactively explore new business opportunities to address evolving customer needs. By expanding its market share, enhancing operational efficiency, and improving stakeholder engagement, the Group strives to solidify its leading position in the healthcare industry.

Digitisation and automation will continue to be prioritised as the Group seeks to optimise operational effectiveness and efficiency. Also, with the increasing demand for healthcare services, the Group is well-positioned to capitalise on these opportunities. It remains confident in its ability to achieve sustainable growth and deliver long-term returns to its shareholders. While monitoring potential macroeconomic and industry-specific challenges, the Group will take necessary measures to mitigate risks and seize the opportunities that lie ahead.

All in all, the Group’s outlook for the second half of FY2024 is characterised by its commitment to excellence, adaptability, and innovation. Through strategic initiatives, digital transformation, and a customer-centric strategy, the Group is poised for continuous delivering value to its stakeholders.

Management Discussions and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group had net current assets of approximately HK\$392.7 million (as at 30 June 2023: approximately HK\$447.8 million), which included cash and cash equivalents and pledged deposits of approximately HK\$485.4 million (as at 30 June 2023: approximately HK\$642.3 million). As at 31 December 2023, the Group had interest-bearing bank borrowings of approximately \$33.3 million (as at 30 June 2023: approximately HK\$36.5 million). As at 31 December 2023, the Group had unutilised loan facility of approximately HK\$19.3 million (as at 30 June 2023: approximately HK\$16.8 million). All the interest-bearing bank borrowings and unutilised loan facility were 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 2023, the Group's gearing ratio, which is net debt (represents interest-bearing bank borrowings) divided by the adjusted capital plus net debt, is approximately 4.2% (as at 30 June 2023: approximately 4.3%).

CAPITAL STRUCTURE

There was no change in the capital structure of the Company during the Interim Period of FY2024. The capital of the Company comprises ordinary shares and other reserves.

CHARGES ON GROUP ASSETS

As at 31 December 2023, a fixed deposit of approximately HK\$1.0 million (as at 30 June 2023: 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. Properties which were held by the Group have been pledged to banks for the bank mortgage loans of approximately HK\$31.9 million (as at 30 June 2023: approximately HK\$32.6 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.

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 FY2024 and up to the date of this interim report.

SIGNIFICANT INVESTMENTS

There was no significant investments during Interim Period of FY2024 and up to the date of this interim report.

Management Discussions and Analysis

CAPITAL COMMITMENTS

	31 December 2023 <i>HK\$'000</i> (Unaudited)	30 June 2023 <i>HK\$'000</i> (Audited)
Contracted, but not provided for: Capital expenditures	2,438	2,073

The expected source of funding for such capital commitments would be internal resources of the Group.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2023 (as at 30 June 2023: Nil).

EMPLOYEES

As at 31 December 2023, the Group had 386 full-time employees (as at 31 December 2022: 541) and 403 part-time employees (as at 31 December 2022: 1,137).

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, radiographer, optometrist, pharmacist, registered nurse, dental hygienist, nutritionist, case manager and rehabilitation manager, etc 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.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the Interim Period of FY2024 (the Interim Period of FY2023: Nil).

Other Information

CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix C1 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 C.2.1 of Part 2 of the CG Code as disclosed below, the Company has complied with all the applicable code provisions set out in the CG Code during the Interim Period of FY2024.

Under the code provision C.2.1 of Part 2 of the CG Code, 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, BBS, 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. In addition, since the major decisions of the Group, including but not limited to material transactions undertaken by the Group and corporate governance, will require discussion and approval by all Board members, the Board believes that the other Board members have sufficient power in scrutinising and/or monitoring the exercise of power by the chairman and chief executive officer. 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 C3 to the Listing Rules (the “**Model Code**”) as its own code of conduct regarding securities transactions by the directors of the Company (the “**Directors**”). In response to a specific enquiry made by the Company, all Directors have confirmed their compliance with the Model Code during the Interim Period of FY2024.

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 SCHEMES

(1) SHARE OPTION SCHEME

The Company adopted a share option scheme pursuant to the written resolution of the shareholders of the Company on 17 February 2016 (the “**2016 Share Option Scheme**”). To bring the terms of the 2016 Share Option Scheme in line with the amended Chapter 17 of the Listing Rules, the Company sought and obtained the approval from the shareholders at the annual general meeting of the Company held on 7 December 2023 (the “**Adoption Date**”) to make certain amendments to the 2016 Share Option Scheme and to adopt the amended share option scheme (the “**2023 Share Option Scheme**”). Please refer to the supplemental circular of the Company dated 10 November 2023 for details.

Following the adoption of the 2023 Share Option Scheme, the 2016 Share Option Scheme has been superseded. While no further options may be granted pursuant to the 2016 Share Option Scheme, any outstanding options granted thereunder prior to the Adoption Date remain valid and are subject to the provisions of the 2023 Share Option Scheme. For the purpose of this interim report, references to the Share Option Scheme refer to the 2016 Share Option Scheme and/or 2023 Share Option Scheme, as the context requires.

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 2023, 3,200,000 Share Options were granted and 180,000 Share Options remained outstanding. No Share Option has been granted, exercised, cancelled or lapsed during the Interim Period of FY2024.

Details of movements of the Share Options granted under the Share Option Scheme during the Interim Period of FY2024 were as follow:

Name of Grantees	Position held with the Group as at 31 December 2023	Offer Date	Exercise Price per Share Option	Exercise Period	Number of	Number of	Number of	Number of	Number of	
					Share Options Outstanding as at 1 July 2023	Share Options Granted during the Interim Period of FY2024	Share Options Exercised during the Interim Period of FY2024	Share Options Lapsed during the Interim Period of FY2024	Share Options Cancelled during the Interim Period of FY2024	Share Options Outstanding as at 31 December 2023
Other eligible persons – employees (in aggregate)	-	28 May 2018	HK\$2.09 ^{(Note (ii))}	1 June 2021 to 31 May 2027 ^{(Note (iii))}	80,000	-	-	-	-	80,000
Other eligible persons – suppliers (in aggregate) ^{(Note (iii))}	-	28 May 2018	HK\$2.09 ^{(Note (ii))}	1 June 2021 to 31 May 2027 ^{(Note (iii))}	100,000	-	-	-	-	100,000
Total					180,000	-	-	-	-	180,000

Other Information

Notes:

- (i) The Share Options shall be exercisable from 1 June 2021 to 31 May 2027 (both dates inclusive) subject to a vesting scale in 3 tranches set out below:
 - (a) The first 33% of the Share Options shall be exercisable from 1 June 2021 to 31 May 2027;
 - (b) The second 33% of the Share Options shall be exercisable from 1 June 2022 to 31 May 2027; and
 - (c) The remaining 34% of the Share Options shall be exercisable from 1 June 2023 to 31 May 2027.
- (ii) The closing price of the shares of the Company (the "**Shares**") immediately before the date on which the Share Options were granted on 28 May 2018 was HK\$2.02 per Share.
- (iii) The grantee who is supplier of the Company is Dr. Seto Siu Keung ("**Dr. Seto**"), who is a co-head of dental unit of the Group. Dr. Seto was granted 100,000 Share Options. The Share Options were granted to the grantee based on the fact that the grantee had provided great contributions to the development of the dental unit of the Group, particularly on the high-end dental services and management of the dentists team. The Board considered that the grantee had provided contributions to the Group in his practice area and reward should be given to the grantee.
- (iv) No performance target is required to be met before exercise of the Share Options.

(2) SHARE AWARD SCHEME

The Company adopted the share award scheme (the "**Share Award Scheme**") by ordinary resolution of the shareholders of the Company in the annual general meeting held on 7 December 2023. Please refer to the supplemental circular of the Company dated 10 November 2023 for details. The purposes and objectives of the Share Award Scheme are to recognise the contributions by certain eligible participants, provide them with incentives in order to retain them for the continual operation and development of the Group, and attract suitable personnel for further development of the Group.

During the Interim Period of FY2024, no share award was granted, issued, vested, cancelled or lapsed pursuant to the Share Award Scheme.

The maximum number of new Shares which may be issued in respect of all share awards to be granted under the Share Award Scheme, all share options to be granted under the Share Option Scheme, and all share options and share awards to be granted under any other share schemes of the Company shall not be, in aggregate, more than 37,955,223 Shares, representing approximately 10% of the Shares in issue as at the Adoption Date. The maximum number of new Shares which may be issued in respect of all share awards to be granted under the Share Award Scheme, all share options to be granted under the Share Option Scheme, and all share options and share awards to be granted under any other share schemes of the Company to the service providers of the Company, shall not be, in aggregate, more than 30,364,178 Shares, representing approximately 8% of the Shares in issue as at the Adoption Date.

The total number of share options available for grant pursuant to the Share Option Scheme as at 1 July 2023 was 35,000,000 Shares.

Other Information

The total number of share options and share awards available for grant pursuant to the Share Option Scheme and Share Award Scheme as at 31 December 2023 was 37,955,223 Shares, and the total number of share options and share awards available for grant to the service providers of the Company pursuant to the Share Option Scheme and Share Award Scheme as at 31 December 2023 was 30,364,178 Shares.

No share options or share awards were granted under the Share Option Scheme or the Share Award Scheme during the Interim Period of FY2024. The total number of Shares that may be issued in respect of the share options and share awards granted under all share schemes of the Company during the Interim Period of FY2024 divided by the weighted average number of Shares in issue for the period was 0%.

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

As at 31 December 2023, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**") (a) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Interests in Shares or underlying Shares

Name of Director	Capacity in which the Shares were held	Number of Shares held	Approximate percentage of total issued Shares ^{(Note (iii))}
Mr. Chan Kin Ping, BBS, JP	Interest of controlled corporation ^{(Note (i))}	252,346,286 ^{(Note (ii))}	66.49%
	Beneficial owner	6,850,000	1.80%
Dr. Pang Lai Sheung	Interest of controlled corporation ^{(Note (i))}	252,346,286 ^{(Note (ii))}	66.49%
Mr. Poon Chun Pong	Beneficial owner	486,000	0.13%

Notes:

- (i) Mr. Chan Kin Ping, BBS, JP ("**Mr. Chan**"), Dr. Pang Lai Sheung ("**Dr. Pang**") and Treasure Group Global Limited ("**Treasure Group**") were our controlling shareholders (as defined in the Listing Rules). Treasure Group was owned as to 50% by Mr. Chan and 50% by Dr. Pang. Mr. Chan is the director of Treasure Group.
- (ii) These Shares were beneficially owned by Treasure Group. Mr. Chan and Dr. Pang were deemed to be interested in these Shares pursuant to Part XV of the SFO.
- (iii) The percentages were calculated based on the total number of issued Shares as at 31 December 2023.

Other Information

Interests in shares of Treasure Group Global Limited (the "Associated Corporation")

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

Note:

(i) The percentages were calculated based on the total number of issued shares of Treasure Group as at 31 December 2023.

All the above interests in the Shares and the shares of the Associated Corporation were long positions and the class of shares in which the interests are held are ordinary shares of the respective companies.

Save as disclosed above, as at 31 December 2023, none of the Directors nor chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or the Associated Corporation, which were required to be notified to the Company and the Stock Exchange or recorded in the register as aforesaid.

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

As at 31 December 2023, so far as it is known by or otherwise notified by any Director or the chief executives of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares (a) which would fall to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) as recorded in the register required to be kept under section 336 of the SFO:

Name of substantial shareholder of the Company	Capacity in which the Shares were held	Number of Shares held	Approximate percentage of total issued Shares ^{(Note (ii))}
Treasure Group Global Limited	Beneficial owner ^{(Note (i))}	252,346,286	66.49%

Notes:

(i) The Shares were beneficially owned by Treasure Group, a company which was owned as to 50% by Mr. Chan and 50% by Dr. Pang. Therefore, Mr. Chan and Dr. Pang were deemed to be interested in such Shares pursuant to Part XV of the SFO.

(ii) The percentages were calculated based on the total number of issued Shares as at 31 December 2023.

Other Information

All the above interests in the Shares were long positions and the class of Shares in which the interests are held are ordinary Shares.

Save as disclosed above, the Directors are not aware of any other corporations or person who, as at 31 December 2023, had any interests or short positions in the Shares or underlying Shares (a) which would fall to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) as recorded in the register required to be kept under Section 336 of the SFO.

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

During the Interim Period of FY2024, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed, with the management of the Company, the unaudited consolidated interim results for the Interim Period of FY2024, 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 FY2024.

On behalf of the Board
Chan Kin Ping, BBS, JP
Chairman

Hong Kong, 27 February 2024

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Six months ended 31 December 2023

	Notes	Six months ended 31 December	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
REVENUE	4	295,190	681,274
Cost of services rendered		(154,684)	(213,434)
Gross profit		140,506	467,840
Other income and gains/(losses), net	4	10,482	(710)
Administrative expenses		(122,019)	(136,727)
Finance costs	6	(4,275)	(4,136)
Share of losses of associates		(760)	(1,175)
PROFIT BEFORE TAX	5	23,934	325,092
Income tax expense	7	(3,901)	(56,980)
PROFIT FOR THE PERIOD		20,033	268,112
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive loss that will not be reclassified to profit or loss:			
Changes in fair value of financial assets at fair value through other comprehensive income, net		(3,086)	(93)
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		136	(448)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		(2,950)	(541)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		17,083	267,571
Profit attributable to:			
Owners of the Company		20,033	268,112
Total comprehensive income attributable to:			
Owners of the Company		17,083	267,571
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted		HK 5.3 cents	HK 70.6 cents

Interim Condensed Consolidated Statement of Financial Position

31 December 2023

	Notes	31 December 2023 HK\$'000 (Unaudited)	30 June 2023 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	222,808	221,864
Investment properties		24,450	25,950
Goodwill	11	31,964	31,964
Other intangible assets		2,961	3,767
Investments in associates		10,378	11,158
Loan to an associate		11,445	11,340
Financial assets at fair value through other comprehensive income	12	8,818	11,904
Financial assets at fair value through profit or loss	13	85,969	83,539
Prepayments, deposits and other receivables		58,793	62,595
Deferred tax assets		1,681	2,414
Total non-current assets		459,267	466,495
CURRENT ASSETS			
Inventories		32,759	28,326
Trade receivables	14	48,339	101,628
Prepayments, deposits and other receivables		24,051	22,657
Tax recoverable		22,120	2,110
Pledged deposits		1,016	1,013
Cash and cash equivalents		484,412	641,257
Total current assets		612,697	796,991
CURRENT LIABILITIES			
Trade payables	15	54,492	57,357
Other payables and accruals		50,665	79,443
Lease liabilities		47,388	48,131
Contract liabilities		24,395	29,111
Interest-bearing bank borrowings		33,275	36,510
Tax payable		9,813	98,625
Total current liabilities		220,028	349,177
NET CURRENT ASSETS		392,669	447,814
TOTAL ASSETS LESS CURRENT LIABILITIES		851,936	914,309

Interim Condensed Consolidated Statement of Financial Position

31 December 2023

	Note	31 December 2023 HK\$'000 (Unaudited)	30 June 2023 HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Other long-term payables		7,305	7,620
Lease liabilities		79,570	97,850
Deferred tax liabilities		489	622
Total non-current liabilities		87,364	106,092
NET ASSETS			
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	3,796	3,796
Reserves		760,776	804,421
Total equity		764,572	808,217

Mr. Chan Kin Ping, BBS, JP
Director

Dr. Pang Lai Sheung
Director

Interim Condensed Consolidated Statement of Changes in Equity

Six months ended 31 December 2023

		Attributable to owners of the Company						
		Share capital	Share premium*	Other reserve*	Exchange reserve*	Share option reserve*	Retained profits*	Total equity
Notes		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	At 1 July 2022 (audited)	3,796	190,221	26,792	(638)	2,108	519,667	741,946
	Profit for the period	-	-	-	-	-	268,112	268,112
	Other comprehensive loss for the period:							
	Fair value loss on financial assets at fair value through other comprehensive income, net	-	-	(93)	-	-	-	(93)
	Exchange differences on translation of foreign operations	-	-	-	(448)	-	-	(448)
	Total comprehensive income/(loss) for the period	-	-	(93)	(448)	-	268,112	267,571
	Equity-settled share option arrangements	17	-	-	-	8	-	8
	Lapse of share options	17	-	-	-	(1,899)	1,899	-
	Final 2022 dividend	8	-	-	-	-	(113,866)	(113,866)
	At 31 December 2022 (unaudited)	<u>3,796</u>	<u>190,221</u>	<u>26,699</u>	<u>(1,086)</u>	<u>217</u>	<u>675,812</u>	<u>895,659</u>
	At 1 July 2023 (audited)	3,796	190,221	27,411	(1,973)	223	588,539	808,217
	Profit for the period	-	-	-	-	-	20,033	20,033
	Other comprehensive loss for the period:							
	Fair value loss on financial assets at fair value through other comprehensive income, net	-	-	(3,086)	-	-	-	(3,086)
	Exchange differences on translation of foreign operations	-	-	-	136	-	-	136
	Total comprehensive income/(loss) for the period	-	-	(3,086)	136	-	20,033	17,083
	Final 2023 dividend	8	-	-	-	-	(60,728)	(60,728)
	At 31 December 2023 (unaudited)	<u>3,796</u>	<u>190,221</u>	<u>24,325</u>	<u>(1,837)</u>	<u>223</u>	<u>547,844</u>	<u>764,572</u>

* These reserve accounts comprise the consolidated reserves of HK\$760,776,000 as at 31 December 2023 (30 June 2023: HK\$804,421,000) in the condensed consolidated statement of financial position.

Interim Condensed Consolidated Statement of Cash Flows

Six months ended 31 December 2023

	Notes	Six months ended 31 December	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		23,934	325,092
Adjustments for:			
Depreciation	5	32,310	35,087
Amortisation of other intangible assets	5	806	806
Write-down/(reversal of write-down) of inventories to net realisable value	5	17	(191)
Equity-settled share option expense		–	8
Share of losses of associates		760	1,175
(Gain)/loss on disposal of items of property, plant and equipment, net	5	(15)	8
Changes in fair value of investment properties, net	4	1,500	1,000
Fair value (gain)/loss of financial assets at fair value through profit or loss, net	4	(2,430)	3,555
Underprovision/(overprovision) of reinstatement costs		235	(79)
Interest on bank borrowings	6	1,084	748
Interest on lease liabilities	6	3,090	3,292
Interest in discounted amounts of provision for reinstatement costs arising from the passage of time	6	101	96
Interest in discounted amounts of rental deposits arising from the passage of time	4	(113)	(144)
Interest income	4	(8,499)	(2,232)
		52,780	368,221
Increase in inventories		(4,450)	(11,010)
Decrease in trade receivables		53,289	130,938
Decrease/(increase) in prepayments, deposits and other receivables		2,484	(2,633)
(Decrease)/increase in trade payables		(2,865)	5,232
Decrease in other payables and accruals		(29,336)	(17,757)
(Decrease)/increase in contract liabilities		(4,716)	11,119
		67,186	484,110
Cash generated from operations		67,186	484,110
Interest received		8,228	2,232
Hong Kong profits tax paid, net		(112,123)	(30,848)
		(36,709)	455,494
Net cash flows (used in)/from operating activities		(36,709)	455,494

Interim Condensed Consolidated Statement of Cash Flows

Six months ended 31 December 2023

	Six months ended 31 December	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of items of property, plant and equipment	17	–
Purchase of items of property, plant and equipment	(26,356)	(5,878)
Settlement of provision	(386)	(17)
Decrease/(increase) in time deposits with maturity of more than three months when acquired	45,945	(84,421)
Increase in prepayments for property, plant and equipment	–	(30,326)
	<hr/> 19,220 <hr/>	<hr/> (120,642) <hr/>
Net cash flows from/(used in) investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank loans	(3,235)	(2,898)
Bank loan interest paid	(923)	(553)
Lease interest	(3,090)	(3,292)
Repayment of principal portion of lease liabilities	(25,565)	(25,657)
Dividend paid	(60,646)	(113,833)
	<hr/> (93,459) <hr/>	<hr/> (146,233) <hr/>
Net cash flows used in financing activities		
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(110,948)	188,619
Cash and cash equivalents at beginning of period	295,104	145,729
Effect of foreign exchange rate changes, net	51	(448)
	<hr/> 184,207 <hr/>	<hr/> 333,900 <hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		

Interim Condensed Consolidated Statement of Cash Flows

Six months ended 31 December 2023

	Six months ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	184,207	287,666
Non-pledged time deposits	300,205	255,257
	<hr/>	<hr/>
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	484,412	542,923
Pledged time deposits with maturity less than three months when acquired	–	1,039
Non-pledged time deposits with maturity more than three months when acquired	(300,205)	(210,062)
	<hr/>	<hr/>
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	184,207	333,900
	<hr/>	<hr/>

Notes to Interim 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 12th Floor, Enterprise Square Two, 3 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.

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

In the opinion of the directors, the immediate 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 (“**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”).

The unaudited interim condensed consolidated 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 consolidated financial statements for the year ended 30 June 2023.

The unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and investment properties which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to nearest thousand except when otherwise indicated.

Notes to Interim Condensed Consolidated Financial Statements

2.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2023, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The adoption of the new and revised 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.

2.3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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.

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.

Notes to Interim Condensed Consolidated Financial Statements

3. SEGMENT INFORMATION *(continued)*

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment 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, share of losses of associates, 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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Segment revenue								
Revenue from external customers	198,929	588,497	65,152	57,903	31,109	34,874	295,190	681,274
Intersegment sales	704	1,249	3,005	2,720	9	9	3,718	3,978
							298,908	685,252
Reconciliation:								
Elimination of intersegment sales							(3,718)	(3,978)
							295,190	681,274
Segment results	55,833	359,592	(16,621)	(5,778)	4,274	6,558	43,486	360,372
Interest income							8,612	2,376
Corporate and unallocated income							4,555	2,305
Corporate and unallocated expenses							(31,959)	(38,786)
Share of losses of associates							(760)	(1,175)
Profit before tax							23,934	325,092
Income tax expense	(3,483)	(55,745)	-	(287)	(418)	(948)	(3,901)	(56,980)
Profit for the period							20,033	268,112

Notes to Interim Condensed Consolidated Financial Statements

4. REVENUE, OTHER INCOME AND GAINS/(LOSSES), NET

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

	Six months ended 31 December	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue		
Integrated healthcare services income	<u>295,190</u>	<u>681,274</u>
Disaggregated revenue information		
Types of services		
General practice services	198,929	588,497
Specialties services	65,152	57,903
Dental services	<u>31,109</u>	<u>34,874</u>
Total revenue from contracts with customers	<u>295,190</u>	<u>681,274</u>

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

An analysis of the Group's other income and gains/(losses), net is as follows:

	Six months ended 31 December	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Other income and gains/(losses), net		
Bank interest income	8,228	2,232
Interest income from loan to an associate	271	–
Government subsidies	351	1,185
Fair value gain/(loss) of financial assets at fair value through profit or loss, net	2,430	(3,555)
Fair value loss of investment properties	(1,500)	(1,000)
Interest in discounted amounts of rental deposits arising from the passage of time	113	144
Rental income from investment properties	260	260
Others	<u>329</u>	<u>24</u>
Total other income and gains/(losses), net	<u>10,482</u>	<u>(710)</u>

Notes to Interim Condensed Consolidated Financial Statements

5. PROFIT BEFORE TAX

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

	Six months ended 31 December	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Cost of pharmaceutical supplies	50,430	39,371
Fees payable to doctors and dentists	97,060	88,863
Laboratory expenses	2,018	2,297
Other direct cost (note iv)	5,159	83,094
Depreciation charge (note i)	32,310	35,087
Amortisation of other intangible assets (note i)	806	806
(Gain)/loss on disposal of property, plant and equipment, net	(15)	8
Auditor's remuneration	1,056	991
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	58,329	67,931
Equity-settled share option expense	–	8
Pension scheme contributions (defined contribution schemes) (note iii)	2,531	2,244
	60,860	70,183
 Write-down/(reversal of write-down) of inventories to net realisable value (note ii)	 17	 (191)

Notes:

- (i) The depreciation charge and amortisation of other intangible assets for the period are included in administrative expenses in the interim condensed consolidated statement of profit or loss and other comprehensive income.
- (ii) The write-down/(reversal of write-down) of inventories to net realisable value is included in cost of services rendered in the interim condensed consolidated statement of profit or loss and other comprehensive income.
- (iii) As at 31 December 2023 and 2022, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years.
- (iv) Other direct cost includes HK\$2,800,000 (six months ended 31 December 2022: HK\$80,094,000) of other employee benefit expense for the six months ended 31 December 2023.

Notes to Interim Condensed Consolidated Financial Statements

6. FINANCE COSTS

	Six months ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	1,084	748
Interest on lease liabilities	3,090	3,292
Interest in discounted amounts of provision for reinstatement costs arising from the passage of time	101	96
	<hr/>	<hr/>
Total	4,275	4,136
	<hr/>	<hr/>

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 provided at the rate of 16.5% (six months ended 31 December 2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (six months ended 31 December 2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (six months ended 31 December 2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 31 December 2022: 16.5%). No provision for the People's Republic of China ("PRC") corporate income tax has been made as the Group's PRC subsidiary had no estimated assessable profits for the period (six months ended 31 December 2022: Nil).

	Six months ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current		
Charge for the period	3,307	55,885
Overprovision in prior years	(6)	–
Deferred	600	1,095
	<hr/>	<hr/>
Total tax charge for the period	3,901	56,980
	<hr/>	<hr/>

Notes to Interim Condensed Consolidated Financial Statements

8. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 31 December 2023 (six months ended 31 December 2022: Nil).

On 7 December 2023, the Company approved the declaration of the final dividend of HK16 cents for the year ended 30 June 2023 (for the year ended 30 June 2022: HK30 cents) per ordinary share amounting to a total of approximately HK\$60,728,000 (for the year ended 30 June 2022: HK\$113,866,000).

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\$20,033,000 (six months ended 31 December 2022: HK\$268,112,000), and the number of ordinary shares of 379,552,233 (six months ended 31 December 2022: 379,552,233) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 31 December 2023 and 31 December 2022 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2023, additions of property, plant and equipment amounted to HK\$13,316,000 (six months ended 31 December 2022: HK\$7,239,000).

In addition, the Group has entered into several leases for centres in Hong Kong during the six months ended 31 December 2023. Addition of right-of use assets amounted to HK\$19,940,000 (six months ended 31 December 2022: HK\$20,188,000) has been recognised for the current period.

11. GOODWILL

	<i>HK\$'000</i>
At 1 July 2022, 30 June 2023, 1 July 2023 and 31 December 2023	
Cost	31,964
Accumulated impairment	—
	<hr/>
Net carrying amount	<u>31,964</u>

Notes to Interim Condensed Consolidated Financial Statements

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2023 HK\$'000 (Unaudited)	30 June 2023 HK\$'000 (Audited)
Unlisted equity investments, at fair value		
– Heals Healthcare	1,057	1,982
– Unlisted company	7,761	9,922
Total	8,818	11,904

Management designated the above investments as financial assets at fair value through other comprehensive income, as the Group considers these investments to be strategic in nature.

On 10 December 2018, the Group subscribed 156,667 ordinary shares of Heals Healthcare (Asia) Limited (“**Heals Healthcare**”), an independent third party, at a deemed consideration of HK\$13,040,000. On 3 May 2021, the Group disposed of 51,804 shares at a consideration of HK\$10,361,000.

On 24 January 2018, the Group acquired 100,000 ordinary shares of an unlisted company incorporated in Hong Kong, at a consideration of HK\$3,500,000. On 26 July 2021, the Group acquired additional 38,793 ordinary shares at a consideration of \$45,000. At 31 December 2023, the Group has 10.29% equity interest in the above-mentioned company.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2023 HK\$'000 (Unaudited)	30 June 2023 HK\$'000 (Audited)
Investment in redeemable preference shares	32,498	33,844
Unlisted investment funds	46,418	43,015
Other unlisted investment	7,053	6,680
Total	85,969	83,539

During the year ended 30 June 2019, the Group subscribed redeemable preference shares in an unlisted company established in the British Virgin Islands, at a consideration of US\$3,000,000 (equivalent to HK\$23,550,000). As the rights and obligations of the ownership over this redeemable preference shares are substantially different from the ownership of ordinary shares of the unlisted company, the Group’s investment in this redeemable preference shares is measured at fair value through profit or loss.

Notes to Interim Condensed Consolidated Financial Statements

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

During the year ended 30 June 2019, the Group entered into an amended and restated exempted limited partnership agreement with Inno Healthcare Limited in relation to the formation of New Journey Healthcare LP (“**Limited Partnership**”) and subscribed 8.8% of the committed fund size amounting to RMB30,000,000 (equivalent to HK\$34,125,000). As detailed in the Company’s announcement dated 10 January 2020, following the change of composition of the Limited Partnership in late 2019, the Group was the holder of approximately 73.2% of the partnership interest in the Limited Partnership as at 31 December 2023 and 30 June 2023, and the Limited Partnership invested in New Journey Health Group Ltd (formerly known as New Journey Hospital Group Ltd). Pursuant to the terms of the limited partnership agreement, the directors of the Company considered the control of the limited partnership remained with the general partner and the Group as a limited partner does not have any controlling power nor exert any significant influence over the Limited Partnership.

During the year ended 30 June 2023, the Group invested in an unlisted investment, which represent a convertible loan issued by a private company in BVI of US\$850,000 (equivalent to HK\$6,680,000).

14. TRADE RECEIVABLES

	31 December 2023 HK\$'000 (Unaudited)	30 June 2023 HK\$'000 (Audited)
Trade receivables	60,282	113,571
Impairment	(11,943)	(11,943)
Net carrying amount	48,339	101,628

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 90 days to its trade customers under other business activities. The Group seeks to maintain strict control over its outstanding receivables and has personnel to monitor the implementation of measures to minimise the credit risk.

The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

Notes to Interim Condensed Consolidated Financial Statements

14. TRADE RECEIVABLES (continued)

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 2023 HK\$'000 (Unaudited)	30 June 2023 HK\$'000 (Audited)
Within 2 months	35,795	73,897
2 to 4 months	8,438	6,767
4 to 6 months	2,029	17,757
Over 6 months	2,077	3,207
Total	48,339	101,628

The movements in the loss allowance for impairment of trade receivables are as follow:

	31 December 2023 HK\$'000 (Unaudited)	30 June 2023 HK\$'000 (Audited)
At beginning of year	11,943	11,754
Impairment losses, net	-	189
At end of year/period	11,943	11,943

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.

Notes to Interim Condensed Consolidated Financial Statements

15. 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 2023 HK\$'000 (Unaudited)	30 June 2023 HK\$'000 (Audited)
Within 1 month	49,522	48,936
1 to 3 months	4,322	8,411
Over 3 months	648	10
Total	54,492	57,357

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

The trade payables of the Group included fees payable to doctors and dentists who are related parties of the Group for the amount of HK\$2,173,000.

16. SHARE CAPITAL

	31 December 2023 HK\$'000 (Unaudited)	30 June 2023 HK\$'000 (Audited)
Issued and fully paid: 379,552,233 (30 June 2023: 379,552,233) ordinary shares of HK\$0.01 each	3,796	3,796

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

Notes to Interim Condensed Consolidated Financial Statements

17. SHARE OPTION SCHEME AND SHARE AWARD SCHEME

Share Option Scheme

Pursuant to the written resolution of the shareholders of the Company on 17 February 2016, the Company adopted a share option scheme (the “**2016 Share Option Scheme**”) for the purpose of providing incentives or rewards to eligible participants for their contribution to, and continuing efforts to promote the interests of the Group. To bring the terms of the 2016 Share Option Scheme in line with the amended Chapter 17 of the Listing Rules, the Company sought and obtained the approval from the shareholders at the annual general meeting of the Company held on 7 December 2023 (the “**Adoption Date**”) to make certain amendments to the 2016 Share Option Scheme and to adopt the amended share option scheme (the “**2023 Share Option Scheme**”). Eligible participants of the 2023 Share Option Scheme include any director of a Group Company (as defined in the 2023 Share Option Scheme), any employee (whether full time or part time) of a Group Company, any director or employee of any holding company or fellow subsidiary or associated company of the Company, and service providers (as defined in the 2023 Share Option Scheme) of the Group. The 2023 Share Option Scheme became effective on the Adoption Date, unless otherwise cancelled or amended, will remain in force for 10 years from 1 April 2016.

The maximum number of new Shares which may be issued in respect of all share awards to be granted under the Share Award Scheme (as defined below), all share options to be granted under the 2023 Share Option Scheme, and all share options and share awards to be granted under any other share schemes of the Company shall not be, in aggregate, more than 37,955,223 Shares, representing approximately 10% of the Shares in issue as at the Adoption Date. The maximum number of new Shares which may be issued in respect of all share awards to be granted under the Share Award Scheme, all share options to be granted under the 2023 Share Option Scheme, and all share options and share awards to be granted under any other share schemes of the Company to the service providers of the Company, shall not be, in aggregate, more than 30,364,178 Shares, representing approximately 8% of the Shares in issue as at the Adoption Date. The maximum number of Shares issuable in respect of share options to each eligible participant in the 2023 Share Option Scheme within any 12-month period shall not exceed 1% of the shares of the Company in issue up to the date of grant. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options and/or share awards granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is a proposed grantee of the options). In addition, any share options and/or share awards granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at the date of grant, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of grant. The exercise period of the share options granted is determinable by the directors, and commences after the date on which the option is duly accepted by the grantee in accordance with the terms of the 2023 Share Option Scheme (“**Commencement Date**”) and ends on a date not later than the last day of the 10-year period after the Commencement Date.

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

Notes to Interim Condensed Consolidated Financial Statements

17. SHARE OPTION SCHEME AND SHARE AWARD SCHEME *(continued)*

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

Following the adoption of the 2023 Share Option Scheme, the 2016 Share Option Scheme has been superseded. While no further options may be granted pursuant to the 2016 Share Option Scheme, any outstanding options granted thereunder prior to the Adoption Date remain valid and are subject to the provisions of the 2023 Share Option Scheme.

For the purpose of this note, references to the Share Option Scheme refer to the 2016 Share Option Scheme and/or 2023 Share Option Scheme, as the context requires.

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

	Six months ended 31 December			
	2023		2022	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 July	2.090	180	2.205	2,490
Lapsed during the period	–	–	2.214	(2,310)
At 31 December	2.090	180	2.090	180
Exercisable at the end of the period	2.090	180	2.090	118

The options outstanding at the end of the period have a weighted average remaining contractual life of 3.4 years (31 December 2022: 4.4 years) and the weighted average exercise price is HK\$2.090 (31 December 2022: HK\$2.090).

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

At 31 December 2023

Number of options '000	Exercise price* HK\$ per share	Exercise period
59	2.090	1-6-21 to 31-5-27
59	2.090	1-6-22 to 31-5-27
62	2.090	1-6-23 to 31-5-27
180		

Notes to Interim Condensed Consolidated Financial Statements

17. SHARE OPTION SCHEME AND SHARE AWARD SCHEME (continued)

At 31 December 2022

Number of options '000	Exercise price* HK\$ per share	Exercise period
59	2.090	1-6-21 to 31-5-27
59	2.090	1-6-22 to 31-5-27
62	2.090	1-6-23 to 31-5-27
<hr/> <hr/> 180		

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

The fair value of share options granted on 28 May 2018 were HK\$223,000. The Group did not recognise a share option expense during the six months ended 31 December 2023 (six months ended 31 December 2022: HK\$8,000).

The fair value of equity-settled share options granted was estimated as at the date of grant using the Binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Option granted on 28 May 2018
Underlying stock price	HK\$2.09
Exercise price	HK\$2.09
Contractual Option life	9 years
Risk-free rate	2.86%
Expected dividend yield	0.96%
Expected volatility of underlying shares	64%
Exercise multiple	Employees: 2.20
Weighted average estimated fair value for each share option	Employees: HK\$1.2413

Notes to Interim Condensed Consolidated Financial Statements

17. SHARE OPTION SCHEME AND SHARE AWARD SCHEME *(continued)*

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

No other feature of the options granted was incorporated into the measurement of fair value. The fair value of the option is subject to the above inputs and the limitation to the binomial model.

At the end of the reporting period, the Company had 180,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 180,000 additional ordinary shares of the Company and additional share capital of HK\$1,800 (before issue expenses) and share premium of HK\$598,000 (after transfer of the share options' fair value from the share option reserve upon exercise).

At the date of approval of these financial statements, the Company had 180,000 share options outstanding under the Share Option Scheme, which represented approximately 0.05% of the Company's shares in issue as at that date.

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

Share Award Scheme

The Company adopted the share award scheme (the "**Share Award Scheme**") by ordinary resolution of the shareholders of the Company in the annual general meeting held on 7 December 2023. The purposes and objectives of the Share Award Scheme are to recognise the contributions by certain eligible participants, provide them with incentives in order to retain them for the continual operation and development of the Group, and attract suitable personnel for further development of the Group.

No share award was granted, issued, vested, cancelled or lapsed pursuant to the Share Award Scheme during and end of the reporting period.

Notes to Interim Condensed Consolidated Financial Statements

18. CAPITAL COMMITMENTS

The Group had the following capital commitments.

	31 December 2023 HK\$'000 (Unaudited)	30 June 2023 HK\$'000 (Audited)
Contracted, but not provided for:		
Medical equipment	292	739
Office equipment	114	29
IT equipment	2,018	1,305
Leasehold improvement	14	–
	2,438	2,073

19. RELATED PARTY TRANSACTIONS

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

	Relationship	Nature	Six months ended 31 December 2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Maxland Limited				
Rental expenses	(1)	(i)	–	1,248
Fees payable to doctors and dentists who are related parties	(2)	(ii)	7,313	6,211
Integrated healthcare services income charged to a related party	(3)	(iii)	8,431	7,934
Donation made to a related party	(3)	(iv)	2,024	–

Notes to Interim Condensed Consolidated Financial Statements

19. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Nature of transactions

- (i) For interim period ended 31 December 2023, no rental paid to related party (31 December 2022: HK\$1,248,000). The rental paid was charged by this related party for the lease of one medical centre at total amount of HK\$208,000 per month, on a mutually agreed basis, which approximated to market rates.
- (ii) The fees represented the professional fees payable to these doctors and dentists for their professional services rendered to the Group. The fees were determined based on the terms as set out in the respective service contracts entered into by the parties and at a rate considered by the directors to be the market rate.
- (iii) The income represented the service income charged for the integrated healthcare services provided by the Group. The income was determined based on the terms as set out in the respective service contracts entered into by the parties and at a rate considered by the directors to be the market rate.
- (iv) During the period, a subsidiary of the Company donated HK\$2,024,000 to a related party for public welfare service.

Relationship of related parties

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

Notes to Interim Condensed Consolidated Financial Statements

19. RELATED PARTY TRANSACTIONS *(continued)*

(b) Compensation of key management personnel of the Group

	Six months ended 31 December	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Audited)
Salaries, allowances and benefits in kind	3,648	4,704
Pension scheme contributions	27	36
	3,675	4,740

The related party transactions in respect of note (a) items (i) and fees payable to Dr. Pang Lai Sheung, Dr. Chan Siu Yu, Dr. Lau Wai Man and Dr. Seto Siu Keung included in note (a) item (ii) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

Financial assets

As at 31 December 2023 (Unaudited)

	Carrying amount HK\$'000	Fair value HK\$'000
Loan to an associate	11,445	11,445
Financial assets at fair value through profit or loss	85,969	85,969
Financial assets at fair value through other comprehensive income	8,818	8,818
Deposits, non-current portion	36,028	36,028
	142,260	142,260

Notes to Interim Condensed Consolidated Financial Statements

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

Financial assets *(continued)*

As at 30 June 2023 (Audited)

	Carrying amount HK\$'000	Fair value HK\$'000
Loan to an associate	11,340	11,340
Financial assets at fair value through profit or loss	83,539	83,539
Financial assets at fair value through other comprehensive income	11,904	11,904
Deposits, non-current portion	37,406	37,406
	<u>144,189</u>	<u>144,189</u>

Management has assessed that the fair values of the current portion of financial assets included in prepayments, deposits and other receivables, trade receivables, pledged deposits, cash and cash equivalents, trade payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings and lease liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the non-current portion of deposits and loan to an associate have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, which approximate to their carrying amounts.

Notes to Interim Condensed Consolidated Financial Statements

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

Financial assets *(continued)*

The fair values of Heals Healthcare were estimated based on the Black-Scholes option pricing model with reference to enterprise values to sales ("**EV/Sales**") and discount for lack of marketability ("**DLOM**") as at 31 December 2023 and 30 June 2023, while the fair values of the unlisted investment funds were estimated based on the Black-Scholes option pricing model with reference to price-to-book ratio ("**P/B**") and DLOM as at 31 December 2023 and 30 June 2023.

The valuation methodology on estimating the fair value of the investment in redeemable preference shares was changed from the Black-Scholes option pricing model with reference to adjusted prices of recent transactions of the investment as at 30 June 2023 to the Black-Scholes option pricing model with reference to forward EV/Sales and DLOM as at 31 December 2023.

The valuation methodology on estimating the fair value of the unlisted company was changed from adjusted prices of recent transactions of the investment as at 30 June 2023 to P/B and DLOM as at 31 December 2023.

The Group invested in another unlisted investment, which refers to convertible loans issued by a private company in the BVI. The Group has estimated the fair values of the unlisted investment by using the binomial model with reference to EV/Sales and DLOM as well as the market interest rates of instruments with similar risk and time to maturity as at 31 December 2023 and 30 June 2023.

The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the interim condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in interim condensed profit or loss or other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Notes to Interim Condensed Consolidated Financial Statements

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

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2023 (unaudited)

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Financial assets at fair value through other comprehensive income	–	–	8,818	8,818
Financial assets at fair value through profit or loss	–	–	85,969	85,969
Total	–	–	94,787	94,787

As at 30 June 2023 (audited)

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Financial assets at fair value through other comprehensive income	–	–	11,904	11,904
Financial assets at fair value through profit or loss	–	–	83,539	83,539
Total	–	–	95,443	95,443

Notes to Interim Condensed Consolidated Financial Statements

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

Fair value hierarchy *(continued)*

Assets for which fair value are disclosed:

As at 31 December 2023 (unaudited)

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Loan to an associate	–	11,445	–	11,445
Deposits, non-current portion	–	36,028	–	36,028
Total	–	47,473	–	47,473

As at 30 June 2023 (audited)

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Loan to an associate	–	11,340	–	11,340
Deposits, non-current portion	–	37,406	–	37,406
Total	–	48,746	–	48,746