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Human Health Holdings Limited

盈健醫療集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1419)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 30 JUNE 2023;
FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS;
PROPOSED ADOPTION OF SHARE AWARD SCHEME; AND
PROPOSED AMENDMENTS TO THE MEMORANDUM AND
ARTICLES OF ASSOCIATION**

FINANCIAL HIGHLIGHTS

- The Group's revenue for FY2023 was approximately HK\$1,001.7 million, representing a decrease of approximately 10.7% as compared with that for FY2022.
- Gross profit for FY2023 was approximately HK\$593.2 million, representing a decrease of approximately 10.1% from FY2022. Gross profit margin slightly increased from approximately 58.8% for FY2022 to approximately 59.2% for FY2023.
- The Group's profit attributable to owners of the Company for FY2023 was approximately HK\$180.8 million, representing a decrease of approximately HK\$194.5 million or approximately 51.8% as compared to approximately HK\$375.3 million for FY2022.
- Basic earnings per share for FY2023 amounted to approximately HK47.6 cents (FY2022: approximately HK98.9 cents).
- The Board proposed declaration of final dividend of HK16 cents for FY2023 (FY2022: HK30 cents).

The board (the “**Board**”) of directors (the “**Directors**”) of Human Health Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**” or “**our**”) for the year ended 30 June 2023 (“**FY2023**”), which have been prepared in accordance with the generally accepted accounting principles in Hong Kong, together with comparative figures for the year ended 30 June 2022 (“**FY2022**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 30 June 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
REVENUE	4	1,001,746	1,121,793
Cost of services rendered		<u>(408,510)</u>	<u>(462,108)</u>
Gross profit		593,236	659,685
Other income and gains, net	4	3,384	32,321
Administrative expenses		(347,964)	(241,833)
Finance costs	6	(8,297)	(2,934)
Share of losses of associates		<u>(1,543)</u>	<u>(1,977)</u>
PROFIT BEFORE TAX	5	238,816	445,262
Income tax expense	7	<u>(57,977)</u>	<u>(69,953)</u>
PROFIT FOR THE YEAR		<u>180,839</u>	<u>375,309</u>
OTHER COMPREHENSIVE INCOME/ (LOSS)			
Other comprehensive income that will not be reclassified to profit or loss:			
Changes in fair value of financial assets at fair value through other comprehensive income, net		619	2,224
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>(1,335)</u>	<u>(240)</u>
OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR		<u>(716)</u>	<u>1,984</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>180,123</u>	<u>377,293</u>

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit attributable to:			
Owners of the Company		180,839	375,309
		<u><u>180,839</u></u>	<u><u>375,309</u></u>
Total comprehensive income attributable to:			
Owners of the Company		180,123	377,293
		<u><u>180,123</u></u>	<u><u>377,293</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	8	HK47.6 cents	HK98.9 cents
		<u><u>HK47.6 cents</u></u>	<u><u>HK98.9 cents</u></u>
Diluted		HK47.6 cents	HK98.9 cents
		<u><u>HK47.6 cents</u></u>	<u><u>HK98.9 cents</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	2023 HK\$'000	2022 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		221,864	224,378
Investment properties		25,950	27,300
Goodwill		31,964	31,964
Other intangible assets		3,767	5,379
Investments in associates		11,158	1,175
Loan to an associate		11,340	–
Financial assets at fair value through other comprehensive income		11,904	11,285
Financial assets at fair value through profit or loss		83,539	83,125
Prepayments, deposits and other receivables		62,595	37,139
Deferred tax assets		2,414	4,936
Total non-current assets		466,495	426,681
CURRENT ASSETS			
Inventories		28,326	18,329
Trade receivables	9	101,628	422,336
Prepayments, deposits and other receivables		22,657	18,887
Tax recoverable		2,110	–
Pledged deposits		1,013	2,049
Cash and cash equivalents		641,257	270,332
Total current assets		796,991	731,933
CURRENT LIABILITIES			
Trade payables	10	57,357	40,375
Other payables and accruals		79,443	77,361
Lease liabilities		48,131	39,248
Contract liabilities		29,111	5,717
Interest-bearing bank borrowings		36,510	42,216
Tax payable		98,625	96,177
Total current liabilities		349,177	301,094
NET CURRENT ASSETS		447,814	430,839
TOTAL ASSETS LESS CURRENT LIABILITIES		914,309	857,520

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Other long-term payables	7,620	7,681
Lease liabilities	97,850	107,006
Deferred tax liabilities	622	887
	<hr/>	<hr/>
Total non-current liabilities	106,092	115,574
	<hr/>	<hr/>
NET ASSETS	808,217	741,946
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the Company		
Share capital	3,796	3,796
Reserves	804,421	738,150
	<hr/>	<hr/>
Total equity	808,217	741,946
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NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

Human Health Holdings Limited is a limited liability company incorporated in the Cayman Islands. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at 12th Floor, Enterprise Square Two, 3 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 30 June 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “**Conceptual Framework**”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 July 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 July 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 July 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 July 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

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 treatments.

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

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

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

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

	General practice services		Specialties services		Dental services		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue								
Revenue from external customers	819,067	954,143	115,413	104,419	67,266	63,231	1,001,746	1,121,793
Intersegment sales	2,716	2,648	5,121	6,011	27	14	7,864	8,673
							<u>1,009,610</u>	<u>1,130,466</u>
<i>Reconciliation:</i>								
Elimination of intersegment sales							<u>(7,864)</u>	<u>(8,673)</u>
							<u>1,001,746</u>	<u>1,121,793</u>
Segment results	397,497	489,028	(72,784)	(677)	10,090	8,303	334,803	496,654
<i>Reconciliation:</i>								
Interest income							8,491	199
Corporate and unallocated income							4,985	28,943
Corporate and unallocated expenses							(106,265)	(78,081)
Finance costs							(1,655)	(476)
Share of losses from associates							<u>(1,543)</u>	<u>(1,977)</u>
Profit before tax							238,816	445,262
Income tax expense	(56,442)	(69,372)	(614)	(173)	(921)	(408)	<u>(57,977)</u>	<u>(69,953)</u>
Profit for the year							<u>180,839</u>	<u>375,309</u>
Segment assets	795,011	712,305	167,668	161,705	63,816	63,685	1,026,495	937,695
<i>Reconciliation:</i>								
Elimination of intersegment receivables							(112,641)	(53,121)
Corporate and other unallocated assets							<u>349,632</u>	<u>274,040</u>
Total assets							<u>1,263,486</u>	<u>1,158,614</u>

	General practice services		Specialties services		Dental services		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment liabilities	249,787	196,835	216,483	154,130	21,138	26,116	487,408	377,081
<i>Reconciliation:</i>								
Elimination of intersegment payables							(112,641)	(53,121)
Corporate and other unallocated liabilities							<u>80,502</u>	<u>92,708</u>
Total liabilities							<u><u>455,269</u></u>	<u><u>416,668</u></u>
Other segment information								
Depreciation	31,545	35,294	25,492	10,308	5,226	5,996	62,263	51,598
Unallocated depreciation							<u>10,915</u>	<u>9,865</u>
Total							<u><u>73,178</u></u>	<u><u>61,463</u></u>
Amortisation of other intangible assets	737	737	346	346	529	528	1,612	1,611
Impairment of trade receivables, net	281	108	(116)	989	24	2	189	1,099
Impairment of property, plant and equipment	14,375	10,957	47,426	–	–	–	61,801	10,957
Loss on disposal of items of property, plant and equipment, net	118	1	189	9	–	–	307	10
Unallocated loss/(gain) on disposal of items of property, plant and equipment, net							<u>7</u>	<u>(40)</u>
							<u>314</u>	<u>(30)</u>
Finance costs	2,675	1,305	3,752	814	144	190	6,571	2,309
Unallocated finance costs							<u>1,726</u>	<u>625</u>
							<u>8,297</u>	<u>2,934</u>
Capital expenditures [#]	24,073	5,407	52,351	635	5,048	350	81,472	6,392
Unallocated capital expenditures [#]							<u>797</u>	<u>75,443</u>
							<u><u>82,269</u></u>	<u><u>81,835</u></u>

[#] Capital expenditure consists of additions to property, plant and equipment, other than right-of-use assets of properties.

Geographical information

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

Information about major customers

During the year ended 30 June 2023, 45.7% (2022: 53.3%) of the Group's total revenue was derived from a single customer of the general practice services segment.

4. REVENUE, OTHER INCOME AND GAINS, NET

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue		
Integrated healthcare services income	<u>1,001,746</u>	<u>1,121,793</u>

(i) Disaggregated revenue information

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Types of services		
General practice services	819,067	954,143
Specialties services	115,413	104,419
Dental services	<u>67,266</u>	<u>63,231</u>
	<u>1,001,746</u>	<u>1,121,793</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Integrated healthcare services income	<u>2,912</u>	<u>4,909</u>

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

(ii) **Performance obligations**

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

Provision of integrated healthcare services

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

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other income and gains, net		
Bank interest income	8,032	199
Interest income from loan to an associate	205	–
Interest in discounted amounts of rental deposits arising from the passage of time	254	–
Fair value gain/(loss) of financial assets at fair value through profit or loss, net	(6,266)	25,521
Fair value gain/(loss) of investment properties, net	(1,350)	959
Government subsidies	1,509	2,582
COVID-19-related rent concessions from lessors	–	2,543
Rental income from investment properties	520	261
Others	480	256
	<u>3,384</u>	<u>32,321</u>

The Group recognised government subsidies of approximately HK\$1,072,000 (2022: HK\$2,275,000) in respect of Coronavirus Disease 2019 (“COVID-19”) related subsidies, including are related to Employment Support Scheme (“ESS”) and Retailed Sector Subsidy Scheme under Anti-Epidemic Fund. Under the term of the ESS, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees. As at the end of the reporting period, there were no unfulfilled conditions or other contingencies attaching to the government subsidies that had been recognised by the Group.

5. PROFIT BEFORE TAX

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost of pharmaceutical supplies	83,417	140,899
Fees payable to doctors and dentists	189,307	167,231
Laboratory expenses	5,020	3,821
Depreciation charge (<i>note i</i>)	73,178	61,463
Amortisation of other intangible assets (<i>note i</i>)	1,612	1,611
Loss/(gain) on disposal of property, plant and equipment, net	314	(30)
Auditor's remuneration	2,053	1,606
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	137,466	103,534
Equity-settled share option expense	14	44
Pension scheme contributions (defined contribution schemes) (<i>note iii</i>)	4,465	3,825
	<u>141,945</u>	<u>107,403</u>
Impairment of trade receivables, net (<i>note i</i>)	189	1,099
Impairment of property, plant and equipment (<i>note i</i>)	61,801	10,957
(Reversal of write-down)/write-down of inventories to net realisable value (<i>note ii</i>)	<u>(80)</u>	<u>58</u>

Notes:

- (i) The depreciation charge, amortisation of other intangible assets, impairment of trade receivables, net and impairment of property, plant and equipment for the year are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.
- (ii) The (reversal of write-down)/write-down of inventories to net realisable value is included in cost of services rendered in the consolidated statement of profit or loss and other comprehensive income.
- (iii) As at 30 June 2023 and 2022, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years.

6. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on bank borrowings	1,655	476
Interest on lease liabilities	6,447	2,426
Interest in discounted amounts of provision for reinstatement costs arising from the passage of time	<u>195</u>	<u>32</u>
	<u><u>8,297</u></u>	<u><u>2,934</u></u>

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% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, 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 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%). No provision for PRC corporate income tax has been made as the Group's PRC subsidiary had no estimated assessable profits for the year (2022: Nil).

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current		
Charge for the year	55,737	71,370
Overprovision in prior years	(17)	(4)
Deferred	<u>2,257</u>	<u>(1,413)</u>
Total tax charge for the year	<u><u>57,977</u></u>	<u><u>69,953</u></u>

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$180,839,000 (2022: HK\$375,309,000), and the weighted average number of ordinary shares of 379,552,000 (2022: 379,552,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 30 June 2023 and 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.

9. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	113,571	434,090
Impairment	<u>(11,943)</u>	<u>(11,754)</u>
	<u>101,628</u>	<u>422,336</u>

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.

There is a certain concentration of credit risk. The total trade receivables due from the Group's largest debtor as at 30 June 2023 and 2022 accounted for 52% and 86% of the Group's total trade receivables, respectively, while 74% and 94% of the total trade receivables were due from the five largest debtors as at 30 June 2023 and 2022, respectively.

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

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 2 months	73,897	131,565
2 to 4 months	6,767	146,392
4 to 6 months	17,757	139,920
Over 6 months	<u>3,207</u>	<u>4,459</u>
	<u>101,628</u>	<u>422,336</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At beginning of year	11,754	10,655
Impairment losses, net	<u>189</u>	<u>1,099</u>
At end of year	<u>11,943</u>	<u>11,754</u>

10. TRADE PAYABLES

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	48,936	27,057
1 to 3 months	8,411	12,543
Over 3 months	10	775
	<u>57,357</u>	<u>40,375</u>

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

The trade payables of the Group included fee payable to doctors and dentists who are related parties of the Group for the amount of HK\$2,259,000 (2022: HK\$1,794,000).

11. DIVIDENDS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Proposed final dividend – HK16 cents (2022: HK30 cents) per ordinary share	<u>60,728</u>	<u>113,866</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

FINANCIAL REVIEW

Financial Performance for FY2023

Revenue

Our revenue represents the value of healthcare 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:

	2023	2022	% of change
	HK\$'000	HK\$'000	
General practice services	819,067	954,143	-14.2%
Specialties services	115,413	104,419	10.5%
Dental services	67,266	63,231	6.4%
	<u>1,001,746</u>	<u>1,121,793</u>	-10.7%

In FY2023, our Group recorded revenue amounted to approximately HK\$1,001.7 million, representing a decrease of approximately 10.7% as compared with that for FY2022.

Our revenue from general practice services decreased by approximately HK\$135.1 million or 14.2% from FY2022 to approximately HK\$819.1 million for FY2023. The decrease was mainly attributed to the decrease in demand for Coronavirus Disease 2019 (“COVID-19”) related preventive, testing, vaccination and outreach services.

Our revenue from specialties services increased by approximately HK\$11.0 million or 10.5% from FY2022 to approximately HK\$115.4 million for FY2023. The increase was mainly attributable to the increase in patient visits and the increase in average spending per visit of the specialties services.

Our revenue from dental services increased by approximately HK\$4.0 million or 6.4% from FY2022 to approximately HK\$67.3 million for FY2023. The increase was mainly attributable to the increase in average spending per visit of the dental services.

Cost of services rendered

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

	2023	2022	% of change
	HK\$'000	HK\$'000	
Fees payable to doctors and dentists	189,307	167,231	13.2%
Other direct cost	130,846	150,099	-12.8%
Cost of pharmaceutical supplies	83,417	140,899	-40.8%
Laboratory expenses	5,020	3,821	31.4%
(Reversal of write-down)/write-down of inventories to net realisable value	<u>(80)</u>	<u>58</u>	-237.9%
	<u>408,510</u>	<u>462,108</u>	-11.6%

Our cost of services rendered decreased by approximately HK\$53.6 million or 11.6% from FY2022 to approximately HK\$408.5 million for FY2023. The decrease was mainly due to the decrease in other direct cost such as hiring of contract professional staff and the decrease in cost of pharmaceutical supplies due to the decrease in revenue generated from COVID-19 related preventive, testing, vaccination and outreach services.

Gross profit and gross profit margin

Our gross profit decreased by approximately HK\$66.4 million or 10.1% from FY2022 to approximately HK\$593.2 million for FY2023 as a result of the decrease in revenue of general practice services. Our gross profit margin slightly increased from approximately 58.8% for FY2022 to approximately 59.2% for FY2023.

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

	Year ended 30 June			
	2023		2022	
	<i>HK\$'000</i>	<i>Gross profit margin %</i>	<i>HK\$'000</i>	<i>Gross profit margin %</i>
General practice services	523,872	64.0%	595,608	62.4%
Specialties services	42,428	36.8%	38,623	37.0%
Dental services	26,936	40.0%	25,454	40.3%
	<u>593,236</u>	<u>59.2%</u>	<u>659,685</u>	<u>58.8%</u>

Our gross profit margin for general practice services increased from approximately 62.4% for FY2022 to approximately 64.0% for FY2023 mainly as a result of the percentage decrease in cost of general practice services rendered being higher than the percentage decrease in revenue of general practice services.

Our gross profit margin for specialties services remained stable and slightly decreased from approximately 37.0% for FY2022 to approximately 36.8% for FY2023.

Our gross profit margin for dental services slightly decreased from approximately 40.3% for FY2022 to approximately 40.0% for FY2023.

Other income and gains, net

Our other income and gains, net decreased by approximately HK\$28.9 million from approximately HK\$32.3 million for FY2022 to approximately HK\$3.4 million for FY2023 mainly due to the net fair value changes on the Group's financial assets at fair value through profit or loss and investment properties which turned from a net fair value gain of approximately HK\$26.5 million for FY2022 to a net fair value loss of approximately HK\$7.6 million for FY2023, and offset by the increase in bank interest income of approximately HK\$7.8 million.

Administrative expenses

Our administrative expenses increased by approximately HK\$106.1 million or 43.9% from approximately HK\$241.8 million for FY2022 to approximately HK\$348.0 million for FY2023 mainly due to (i) the increase in impairment of property, plant and equipment of approximately HK\$50.8 million owing to the under-expected performance of our facilities management related businesses; (ii) the increase in staff costs of approximately HK\$25.1 million; and (iii) the increase in depreciation and amortisation of right-of-use assets of approximately HK\$11.7 million.

Finance costs

Our finance costs were approximately HK\$8.3 million for FY2023 (FY2022: approximately HK\$2.9 million).

Share of losses of associates

Our share of losses of associates was approximately HK\$1.5 million (FY2022: approximately HK\$2.0 million).

Income tax expense

Our income tax expense decreased by approximately HK\$12.0 million from approximately HK\$70.0 million for FY2022 to approximately HK\$58.0 million for FY2023. The decrease was mainly due to the decrease in assessable income. Our effective tax rate increased from approximately 15.7% for FY2022 to approximately 24.3% for FY2023.

Profit for the year

As a result of the foregoing, profit for the year decreased by approximately HK\$194.5 million from approximately HK\$375.3 million for FY2022 to approximately HK\$180.8 million for FY2023. Our net profit margin of the Group was approximately 18.1% and 33.5% for FY2023 and FY2022 respectively.

Profit attributable to owners of the Company

The Group's profit attributable to owners of the Company was approximately HK\$180.8 million for FY2023 as compared to approximately HK\$375.3 million for FY2022. The decrease in profit attributable to owners of the Company for FY2023 was primary due to (i) the decrease in revenue of general practice services arising from the decrease in demand for COVID-19 related preventive, testing, vaccination and outreach services; (ii) the decrease in gross profit due to the decrease in revenue of general practice services; (iii) the net fair value changes on the Group's financial assets at fair value through profit or loss and investment properties which turned from a net fair value gain for FY2022 to a net fair value loss for FY2023; and (iv) the increase in impairment of property, plant and equipment.

BUSINESS REVIEW AND OUTLOOK

Business Review for FY2023

During FY2023, the Group has demonstrated strong resilience and adaptability in the challenging economic and business environment in Hong Kong. The Group's efforts to diversify its scope of service as well as to enhance its market share through strengthened partnership with the Hong Kong Government and strategic partners, have empowered it to maintain its leadership position in the healthcare sector and weather the impact brought by the market challenges.

Following the resumption of normalcy in Hong Kong with the change of COVID-19 policy of the Hong Kong Government in February 2023, the revenue from COVID-19 related services saw a significant decline in the second half of FY2023, as a result, the Group's overall revenue for FY2023 decreased approximately 10.7% as compared with that of FY2022. In summary, while the Group recorded an increase in revenue from specialties services and dental services, it was not sufficient to offset the decrease in revenue from general practice services during the second half of FY2023.

Owing to the significant decline in the revenue from COVID-19 related services during second half of FY2023, the profit after tax for FY2023 was approximately HK\$180.8 million, a decrease of 51.8% as compared to that for FY2022. During the year, the Group has taken effort to manage its costs while continue to provide high-quality services to its customers.

Overall, the Group's ability to fight against the pandemic and adapt rapid changes of the demand from the community and deliver solid results is a testament to its strategic vision, operational excellence, and commitment to its stakeholders.

Slowdown in Growth of General Practice Services

Ever since the COVID-19 pandemic broke out in Hong Kong, the Group has continuously spared no efforts to fulfill its social responsibility and seize the market opportunities, support the public by providing comprehensive services covering testing, vaccination, quarantine support and treatment, telemedicine, preventive, public to private outpatient and respective outreach services, as well as selling healthcare related products and services through a variety of channels. Along with the resumption of normalcy in Hong Kong, the Group recorded an increase in number of patient visits of general practice services for common diseases such as influenza and other upper respiratory tract infection, however, the demand for COVID-19 related services and products during the second half of FY2023 significantly dropped, which led to the decrease in revenue from the Group's general practice services segment.

In addition, the market potential of healthcare services sector and public-private partnerships are expected to grow and the Group has turned to allocate more resources to invest in general healthcare, consumer healthcare and preventive medicine. As citizens are compelled to attach greater importance to healthcare by the pandemic, the Group managed to grasp the business

opportunities generated from the rising demand in the disease prevention services during FY2023 by providing health monitoring, integrated health enhancement programmes and early detection services via various channels. The Group continued to promote early detection services such as helicobacter pylori test, cancer screening, gut health assessment, dementia and stroke risk assessment, etc. and participated in the Public Private Partnership Programme and Colorectal Cancer Screening Programme and various community care related programmes at the same time.

For the sale of healthcare products and services, owing to the prevalence of “Long-COVID” symptoms among the public, the Group has extended its range of offerings to include Chinese herbal decoction, probiotics and other supplements, which will be obtainable for purchase at its healthcare centre under the novel brand name of “InHealth Plus”, its online shopping platform, as well as the newly opened mega health hub – Healthy Square H2. In addition, the Group’s membership programmes can further enhance customer engagement and loyalty. One was designed for its e-shop, which allows customers to access exclusive discounts, promotions, and personalised recommendations. The other one is the H2 Rewards Application for Healthy Square H2, which offers unique benefits to members such as discounts on healthcare products, redeemable rewards points, member-exclusive activities, health lectures and the updated healthcare related information. These membership programmes are components of the Group’s strategic initiatives to underpin customer relationships and drive revenue growth. By offering personalised experiences and rewards, the Group aims to enhance customer engagement and satisfaction and increase customer value. Additionally, the data gathered from these programmes will provide valuable insights into customer preferences and behavior, enabling the Group to optimise its marketing strategies and product offerings.

Sturdy Scalability in Specialties and Dental Segments

During FY2023, the overall performance of specialties services and dental services of the Group witnessed solid growth as compared with that in FY2022. With the ease of the pandemic, patients were more willing to visit hospitals and clinics for non-emergency medical needs. Furthermore, the Group’s continuous efforts to extend the scope of specialties and dental services as well as to enhance the quality of medical services and patient experiences contributed to the growth of these segments.

The revenue generated from the specialties services of the Group during FY2023 amounted to approximately HK\$115.4 million (FY2022: approximately HK\$104.4 million). In view of the growth potential of specialties services due to the strong demand on medical and healthcare services during post-pandemic era, the Group has expanded its specialist team and several specialties services such as Ophthalmology, Otorhinolaryngology, Gastroenterology & Hepatology, General Surgery, Orthopaedics & Traumatology and Dermatology & Venereology by engaging respective specialists during FY2023.

In respect of dental services, the Group continued its strategy of developing high-end dental services during FY2023 and the revenue of dental services amounted to approximately HK\$67.3 million, an increase of 6.4% as compared with that of FY2022. The Group's dental team, comprising of highly skilled and experienced dentists, provided comprehensive and personalised dental care for its patients. The Group's continuous investment in dental technology and equipment enabled faster and more accurate diagnosis and treatment, making an essential contribution to the growth in this segment.

Official Opening of Healthy Square H2 – Mega Health Hub

To further expand its specialties and dental services and enhance its capabilities, the Group has established the mega health hub – Healthy Square H2 at Star House in Tsim Sha Tsui, which is a healthcare facility that offers a wide range of medical and health-tech services. The health hub integrates several services under one roof, making it convenient for customers to access more comprehensive care at once. The one-stop services provided at the mega health hub mainly include specialties, day surgery, dental, community pharmacy, physical examination, early detection, nutritionist, wellness management as well as sales of healthcare products and services and a creative activity centre offering health lectures and activities, etc.

More specifically, providing specialties services in the same location allows for more centralised and extensive range of specialised services. With the newly established day procedure centre with license under Private Healthcare Facilities Ordinance, specialists can provide patients with more options for the treatment and convenient services. The health management centre provides a range of medical diagnostic imaging services include Mammogram, DEXA, X-Ray, FibroScan, etc., nutrition services, wellness management and vaccinations. The community pharmacy provides customers with various medications and supplements, allowing customers whom have long-term medication needs or without doctor's consultation to obtain the health advice through the consultation with the on-site pharmacist, while the dental centre offers a range of services, including check-ups, cleanings, and treatments. The retail centres of the health hub collaborate with different brands and online-offline platforms to provide customers with a broader range of health and wellness products and services.

Steady Development of Rehabilitation Services

During FY2023, the Group took a momentous step by establishing a Work Injury Rehabilitation Office and providing services under the “Pilot Rehabilitation Programme for Employees Injured at Work” launched by the Labour Department of Hong Kong (the “**Pilot Programme**”). This initiative reinforced the Group's medical services layout, and the Pilot Programme has progressed favorably, contributing a stable source of income to the Group.

The Pilot Programme offers private out-patient rehabilitation treatment services to injured construction employees who are expected to be absent from work or have been absent from work for six weeks or more following a work-related injury. The Group has forged a strategic partnership with CUHK Medical Centre Limited to provide professional rehabilitation and case management services to the injured employees under the Pilot Programme.

The Group remains optimistic towards the potential of the rehabilitation market in Hong Kong and is committed to optimising its services to provide top-notch rehabilitation and case management services to injured employees and facilitate the overall development of the Group's medical services. The Group believes that the Pilot Programme presents a unique opportunity to expand its service offerings and enhance its capabilities, and it will continue to explore new business opportunities in the rehabilitation market to meet the evolving needs of its customers.

Positive Prospect on PRC Business Development

During FY2023, the Shanghai Human Health Integrated Medical Centre (上海盈健門診部) – the medical centre operated by Pingan Yingjian Medical Management (Shanghai) Limited* (平安盈健醫療管理(上海)有限公司) (“**Pingan Yingjian**”, the associate of the Group) focused on nourishing customer retention, attracting new customers through referral programs, and providing premium, high-quality and high-value added medical aesthetic and other aesthetic services to enhance customer experiences.

In view of the expansion of the medical centre in October 2021, the huge growth potential of healthcare industry during the post-pandemic era in the PRC, along with the reopening of the border of the PRC, the Group has entered into loan agreement with Pingan Yingjian for the provision of shareholder's loan of RMB10.5 million for a term of three years on 5 January 2023 by utilising the unutilised net proceeds from the initial public offering of the Company for the expansion in the PRC market. The loan to Pingan Yingjian will be used as its working capital for the existing and expanding business. The medical centre plans to continue its efforts to provide high-quality medical aesthetic services while also introducing new services to meet the diverse needs of its customers. The revamp and expansion of the existing centre will involve upgrading the facilities and thus, enhancing the overall customer experience. The commitment to continuous improvement and increase customer satisfaction of the medical centre in Shanghai is in line with the Group's mission to promote health and wellness for all.

Brand Recognitions and Affirmations

Along with increased customer satisfaction and engagement, the Group garnered a number of accolades which recognise its contribution to the society and its commitment to providing customers with the quality service as well as accompanying them in the life-long journey of pursuing wellness:

- Social Capital Builder Awards 2022–24 (2022–24社會資本動力獎) by Home and Youth Affairs Bureau & Community Investment and Inclusion Fund

* For identification purpose only

- Partner Employer Award 2022 (2022友商有良嘉許計劃) by The Hong Kong General Chamber of Small and Medium Business
- Brand Design Awards 2023 (2023最佳設計品牌大獎) by Hong Kong Designers Association

Professional Services Provided by the Group

As at 30 June 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 103 service points.



As a one-stop healthcare service provider in Hong Kong, during FY2023, the Group continued to provide a series of healthcare services including but 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 aesthetics and wellness services as well as sales of healthcare products and services to cater customers' different types of medical and wellness needs.

During FY2023, 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 • Respiratory medicine • Cardiology • Paediatric surgery • Dermatology & Venereology • Psychiatry • Urology • Nephrology • Clinical Psychology • Clinical Oncology • Neurosurgery • Anaesthesiology • Radiology <p><u>Other Services</u></p> <ul style="list-style-type: none"> • 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 • Crown, Bridge, Denture • Minor Oral Surgery, Wisdom Teeth Extraction • Root Planing • Orthodontic Treatment (Brace, Clear Aligner) • 3D Guided Implant Surgery • Intraoral Digital Impression • CAD/CAM Dentistry • Laser Dentistry • Cone-beam Computed Tomography • Cephalometric Imaging • Panoramic Radiography • Filling, Extraction • Dental Scaling & Prophylaxis <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"> • 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 • Dental Treatment under Monitored Anesthesia Care

The Group attributes its prominent market position to its experienced professional team comprised of general practitioner, specialist, dentist and others such as optometrist, clinical psychologist, physiotherapist, radiographer, registered nurse, pharmacist, dental hygienist, nutritionist, case manager and rehabilitation manager with a total number of 558 members, to provide comprehensive, professional and person-centric care services to the community.

Business Outlook

With the relaxation of pandemic-related restrictions and the reopening of Hong Kong and Mainland China's borders, number of inbound visitors is expected to increase, thus bringing a surge in the demand from visitors. In addition, the general public's awareness of health issues has significantly increased, the Group is optimistic towards the growing market potential of healthcare services sector and public-private partnerships in Hong Kong during the post-pandemic era. However, ongoing challenges and uncertainty over the global economic outlook suggest that the long-term economic outlook remains complex and uncertain. Therefore, the Board remains cautiously optimistic towards the Group's upcoming business growth and financial performance sustainability for the year ending 30 June 2024 ("FY2024").

Given the circumstances, the Group remains dedicated to continuously refining its business strategy in alignment with market trends, enhancing operational efficiency and effectiveness, broadening its scope of service, proactively engaging medical professionals and other talents, and stepping up partnerships with the Hong Kong Government and other strategic allies. All these efforts are expected to ensure the Group's sustainable development in the face of challenging conditions.

Expansion of Eye Healthcare Services

Looking into the coming fiscal year, as part of its strategy to provide more comprehensive healthcare solutions, the Group plans to expand its eye healthcare services at Healthy Square H2. The Group shall provide its customers a wider range of eye related procedures, covering Cataract, Vision Correction, and Retinal Diseases. The expansion of these services is expected to make ophthalmology services to be one of the core revenue streams for specialties segment of the Group. Additionally, the Group aims to provide its services that cater to elderly, middle-aged and young segments, ensuring that high-quality eye healthcare services are accessible to all.

Standing Alliances with Hong Kong Government and Strategic Partners

Over the past years, collaborations with the Hong Kong Government and strategic alliances have been testified as a pivotal and effective strategy of development for the Group. In light of this, the Group has been and will be consistently looking for close cooperation with the Hong Kong Government in the area of healthcare and strategic partnerships with organisations having similar vision and values.

During FY2023, with the Primary Healthcare Blueprint issued by the Hong Kong Government to formulate the direction of development and strategies for strengthening Hong Kong's primary healthcare system, the demand for primary healthcare services and private medical spending are anticipated to increase. Since the pandemic, the Group has seen more attentive social sentiment to physical health, and the demand for more comprehensive medical services is rising. The Group thus believes there is enormous expansion potential for private medical services and, as a leading private healthcare service provider, the Group will strive to grasp

the market opportunities by fully collaborating with the Hong Kong Government with an aim to maintain a sustainable and healthy healthcare system that supports every citizen in Hong Kong over the long run.

Regarding alliances with key partners, the Group entered into a strategic collaboration with UMP Healthcare Holdings Limited (“**UMP Healthcare**”, a company listed on the main board of the Stock Exchange of Hong Kong Limited) in February 2023 to develop a new integrated imaging and laboratory centre at Tsim Sha Tsui – ProCare Integrated Medical Imaging & Laboratory Centre (Tsim Sha Tsui) managed by UMP Healthcare. With the resources, networks, and professional expertise jointly provided by both parties, the synergy generated from this collaboration is anticipated to bolster the Group’s long-term business operations. The Group believes that such a partnership will fortify the Group’s position in the business-to-business and business-to-consumer markets, augment the efficacy and efficiency of its medical facilities, and solidify its leading position in the healthcare industry.

Additionally, in May 2023, the Group strategically invested in BioMed Technology Holdings Limited (“**BioMed**”) for developing on gut microbiome technology based on precision medicine, providing advanced and affordable non-pharmaceutical health management solutions that help people to improve sub health and metabolic syndromes effectively. Along with the strategic investment in BioMed, the Group launched collaborations on various fronts including co-brand marketing and promotion of gut microbiome products. The collaboration between two parties is expected to extend to the Greater Bay Area. In response to the current market demands in Hong Kong, BioMed and the Group plan to roll out more microbiome-based products that help people to restore the balance of gut flora as well as alleviate discomfort after taking antibiotics.

Sustaining Commitment to Digitalisation and Service Optimisation

The Group has made continuous investment in expediting the upgrade and enhancement of its IT infrastructure and digitalisation transformation. Apart from the development of the next-generation integrated clinic operating platform together with the well-established digital registration programme which are expected to empower the Group to better manage its business engagement with consumers (B2C), corporate partners (B2B) as well as the Hong Kong Government (B2G). In addition, the Group has launched “Ticketing”, a queuing system and “eHealth station”, a virtual health station supporting various measurements such as blood pressure, blood oxygen, cholesterol, etc at most of its medical centres. Both systems leverage cutting-edge technology to provide customers with a seamless and efficient experience, avoid long queuing time and improving overall customer satisfaction. The investment in IT infrastructure and digital transformation is a key part of the Group’s strategy to stay ahead of industry trends and meet the evolving needs of its customers. The Group is continuously exploring new ways to utilise technology to enhance its management efficiency, streamline operational processes, and boost customer satisfaction.

Outlook for FY2024

The Group's strategic initiatives in FY2023 have demonstrated its ability to innovate and resilience towards market challenges. Looking ahead to FY2024, while the revenue from general practice services will unavoidably be adversely affected by the cessation of the COVID-19 related services, the Group will remain committed to delivering high-quality and holistic healthcare services to its customers and will continue to explore new business opportunities in response to evolving customer needs. The Group aims to consolidate its leading position in the healthcare industry by expanding its market share, increasing its scale and efficiency, and enhancing its stakeholder engagement during FY2024. At the same time, the Group will also continue to prioritise digitisation and automation to improve operational efficiency and effectiveness.

All in all, the Group is well-positioned to capitalise on the increasing demand for healthcare services in the region, and it stays confident in its ability to deliver sustainable growth and long-term returns to its shareholders. As always, the Group will remain vigilant in monitoring the impact of any potential macroeconomic or industry-specific challenges and will take appropriate measures to mitigate any risks. The Group is well-prepared to embrace the opportunities that lie ahead.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, the Group had net current assets of approximately HK\$447.8 million (as at 30 June 2022: approximately HK\$430.8 million), which included cash and cash equivalents and pledged deposits of approximately HK\$642.3 million (as at 30 June 2022: approximately HK\$272.4 million). As at 30 June 2023, the Group had interest-bearing bank borrowings of approximately HK\$36.5 million which comprise (i) bank mortgage loans of approximately HK\$32.6 million (as at 30 June 2022: HK\$34.4 million) which will be matured in 2036 at an interest of Hong Kong Interbank Offered Rate plus 1.2% and (ii) interest-bearing bank borrowings of approximately HK\$3.9 million (as at 30 June 2022: approximately HK\$7.8 million) which will be matured in 2024 at an interest rate of Hong Kong Interbank Offered Rate plus 1.75%. As at 30 June 2023, the Group had unutilised loan facility of approximately HK\$16.8 million (as at 30 June 2022: approximately HK\$12.9 million). All the interest-bearing bank borrowings was held in Hong Kong dollars and the cash and cash equivalents and pledged deposits were held in Hong Kong dollars and Renminbi.

As at 30 June 2023, the Group's gearing ratio, which is net debt (represents interest-bearing bank borrowings) divided by the total capital plus net debt, is approximately 4.3% (as at 30 June 2022: approximately 5.4%).

CAPITAL STRUCTURE

There was no change in the capital structure of the Company during FY2023. The capital of the Company comprises ordinary shares and other reserves.

CHARGES ON GROUP ASSETS

As at 30 June 2023, no fixed deposit has been pledged to a bank to secure an overdraft facility of the Group (as at 30 June 2022: approximately HK\$1.0 million). A fixed deposit of approximately HK\$1.0 million has been pledged to a bank as collateral security for banking facilities granted to the extent of HK\$1.0 million (as at 30 June 2022: approximately HK\$1.0 million). Properties which were held by the Group have been pledged to banks for the bank mortgage loans of approximately HK\$32.6 million (as at 30 June 2022: HK\$34.4 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 acquisitions or disposals of subsidiaries, associates and joint ventures during FY2023 and up to the date of this announcement.

SIGNIFICANT INVESTMENTS

There was no significant investments during FY2023 and up to the date of this announcement.

CAPITAL COMMITMENTS

	As at 30 June	
	2023	2022
	HK\$'000	HK\$'000
Contracted, but not provided for:		
Capital expenditure	<u>2,073</u>	<u>2,520</u>

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 30 June 2023 (as at 30 June 2022: Nil).

EMPLOYEES

As at 30 June 2023, the Group had 428 full-time employees (as at 30 June 2022: 542) and 426 part-time employees (as at 30 June 2022: 1,157).

We recruit personnel from the open market and we formulate our recruitment policy based on market conditions, our business demand and expansion plans. We offer different remuneration packages to our employees based on their positions. Generally, we pay basic salaries 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 and nutritionist, 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. Details of our human resources programs, training and development will be set out in the "Environmental, Social and Governance Report" in the annual report for the year ended 30 June 2023.

USE OF PROCEEDS FROM THE LISTING

Net proceeds from the listing of the shares of the Company (the "Shares" and each a "Share") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 1 April 2016 (the "Listing") amounted to approximately HK\$84.8 million (including the net proceeds from the full exercise of the over-allotment option which took place on 21 April 2016). On 24 February 2021, the Board resolved to reallocate the unutilised proceeds and the details of the change in use of proceeds are set out in the announcement of the Company dated 24 February 2021. For the period commencing from the Listing to 30 June 2023, the proceeds has been utilised as follows:

	Net proceeds (after reallocation on 24 February 2021) HK\$ million	Unutilised amounts as at 30 June 2022 HK\$ million	Utilised amounts during FY2023 HK\$ million	Utilised amounts as at 30 June 2023 HK\$ million	Unutilised amounts as at 30 June 2023 HK\$ million
Expansion of network in Hong Kong by setting up six new specialist medical centres	39.1	–	–	39.1	–
Expansion of network in Hong Kong by setting up six new general practice medical centres	5.9	–	–	5.9	–
Expansion in the PRC market	18.3	8.0	8.0	18.3	–
Acquisition of established medical centres in Hong Kong	2.8	–	–	2.8	–
Brand building	5.1	–	–	5.1	–
Enhancement of IT infrastructure	5.1	–	–	5.1	–
Working capital and other general corporate purposes	8.5	–	–	8.5	–
	<u>84.8</u>	<u>8.0</u>	<u>8.0</u>	<u>84.8</u>	<u>–</u>

As of 30 June 2023, the net proceeds from the Listing have been fully utilised by the Company.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK16 cents per Share for FY2023 (FY2022: HK30 cents) (the “**Final Dividend**”). The payment of the Final Dividend is subject to approval by the shareholders of the Company (the “**Shareholders**”) at the forthcoming annual general meeting to be held on Thursday, 7 December 2023 (the “**AGM**”). Upon obtaining the Shareholders’ approval, the Final Dividend is expected to be paid on or around Friday, 29 December 2023 to the Shareholders whose names appear on the register of members of the Company on Friday, 15 December 2023.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Shareholders’ entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 4 December 2023 to Thursday, 7 December 2023, both days inclusive, during which no transfer of Shares will be registered. In order to be entitled to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 1 December 2023.

For the purpose of ascertaining the Shareholders’ entitlement to receive the Final Dividend, the register of members of the Company will be closed from Wednesday, 13 December 2023 to Friday, 15 December 2023, both days inclusive, during which no transfer of Shares will be registered. In order to qualify for receiving the Final Dividend, all duly completed transfer forms accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 12 December 2023.

CORPORATE GOVERNANCE PRACTICE

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

The Board has reviewed the Company’s corporate governance practices to ensure its continuous compliance with the CG Code. Save for the deviations from code provision C.2.1 as disclosed below, the Company has complied with all the applicable code provisions set out in the CG Code during FY2023.

Under the code provision C.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has appointed Mr. Chan Kin Ping, 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 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct regarding securities transactions by the Directors. In response to a specific enquiry made by the Company, all Directors have confirmed their compliance with the Model Code during FY2023.

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

SHARE OPTION SCHEME

The Company adopted a share option scheme on 17 February 2016 (the “**Share Option Scheme**”) where certain eligible persons may be granted share options to subscribe for the ordinary Shares for their contribution to, and continuing efforts to promote the interests of the Group and for such other purposes as the Board may approve from time to time. On 4 October 2016 and 28 May 2018, the Group granted share options to certain eligible persons to subscribe for 2,740,000 ordinary Shares and 460,000 ordinary Shares respectively (the “**Share Options**”) pursuant to the Share Option Scheme. As at 30 June 2023, 3,200,000 Share Options had been granted and 180,000 Share Options remained outstanding. During FY2023, 2,310,000 Share Options were lapsed and no Share Option has been granted, exercised or cancelled.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed, with the management and the external auditor of the Company, the consolidated financial statements of the Company for FY2023, including the accounting principles and practices adopted by the Group, and discussed the internal control, going concern issues, key audit matters and financial reporting matters related to the preparation of the annual results of the Group for FY2023.

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

During FY2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for FY2023 as set out in this announcement have been agreed by the Company's auditor to the amounts set out in the Group's draft consolidated financial statements for FY2023. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Company's auditor on this announcement.

ANNUAL GENERAL MEETING

The AGM will be held on Thursday, 7 December 2023. The notice of the AGM will be published and dispatched in due course in the manner as required by the Listing Rules.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.humanhealth.com.hk. The annual report of the Company for FY2023 shall be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

PROPOSED ADOPTION OF SHARE AWARD SCHEME

The Board is pleased to announce that, on 26 September 2023, the Board has resolved to propose the adoption of the share award scheme (the "**Share Award Scheme**") for the approval by the Shareholders.

The purposes of the Share Award Scheme are to recognise and reward certain eligible participants (the “**Eligible Participants**”) for their contribution and continuing efforts to promote the growth and development of the Group, to give incentives to the Eligible Participants in order to retain them for the continual operation and development of the Group and align the interests of the Eligible Participants with those of the Group, as well as to attract suitable personnel to contribute to the continual operation and further development of the Group.

The Share Award Scheme will constitute a share scheme under Chapter 17 of the Listing Rules.

The adoption of the Share Award Scheme and the authorisation for the Board to grant the share awards pursuant to the Share Award Scheme and to allot and issue the shares of the Company pursuant to the grant of the share awards are subject to the approval of the Shareholders by way of passing the ordinary resolution(s) to be proposed at the AGM.

A circular containing, among other things, details and principal terms of the Share Award Scheme together with a notice of the AGM will be despatched to the Shareholders in accordance with the requirements of the Listing Rules.

As at the date of this announcement, the Share Award Scheme remains subject to the approval of the Shareholders. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Company’s securities.

PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

On 26 September 2023, the Board has resolved to amend the existing memorandum of association of the Company (the “**Memorandum of Association**”) to bring the existing Memorandum of Association in line with the amendments made to the applicable laws of the Cayman Islands and to amend the existing second amended and restated articles of association of the Company (the “**Articles**”) in order to facilitate the implementation of the Share Award Scheme (the “**Proposed Amendments**”). The Board proposed to amend the article 48 and article 144(2) of the Articles to facilitate the issuance of share awards to all proposed eligible participants under the Share Award Scheme.

The Board proposes to make and incorporate the Proposed Amendments by way of adoption of a new set of amended and restated memorandum of association and third amended and restated articles of association of the Company (the “**New Memorandum and Articles of Association**”).

The Proposed Amendments and the adoption of the New Memorandum and Articles of Association are subject to consideration and approval by the Shareholders by way of a special resolution to be proposed at the AGM.

A circular containing, among other things, particulars relating to Proposed Amendments and the adoption of the New Memorandum and Articles of Association together with a notice of the AGM will be despatched to the Shareholders according to the applicable law, the Articles and the Listing Rules.

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

Hong Kong, 26 September 2023

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

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