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UMP HEALTHCARE HOLDINGS LIMITED

聯合醫務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 722)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

The board of directors (“Board”) of UMP Healthcare Holdings Limited (the “Company” or “UMP”) is pleased to announce the interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 31 December 2019 together with the comparative figures for the corresponding period in 2018.

	Six months ended		Increase/ (decrease)
	2019	2018	
	HK\$'000	HK\$'000	
	(Unaudited)	(Unaudited)	
Revenue	306,813	261,701	17.2%
Profit/(loss) before tax	58,304	(7,735)	853.7%
Depreciation and amortisation	35,392	9,863	258.8%
EBITDA ⁽¹⁾	92,610	(1,121)	8,361.4%
Net profit/(loss)	49,166	(14,554)	437.8%
Revenue by business lines			
Hong Kong & Macau Corporate Healthcare Solution Services	129,914	121,293	7.1%
Hong Kong & Macau Clinical Healthcare Services	201,633	164,805	22.3%
PRC Healthcare Business	27,697	24,387	13.6%
Total before elimination of Inter-business lines sales	359,244	310,485	15.7%
Reconciliation:			
Elimination of inter-business lines sales	(52,431)	(48,784)	
	306,813	261,701	17.2%

	Six months ended		Increase/ (decrease)	Notes
	31 December			
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)		
<i>Operating profit by business lines</i>				
Hong Kong & Macau Corporate				
Healthcare Solution Services	18,873	16,062	17.5%	
Operating profit margin	14.5%	13.2%		
Hong Kong & Macau Clinical Healthcare Services	28,341	18,876	50.1%	
Operating profit margin	14.1%	11.5%		
PRC Healthcare Business	(2,602)	(599)	334.4%	
Operating profit margin	(9.4%)	(2.5%)		
<i>Adjusted EBITDA⁽²⁾</i>				
EBITDA	92,610	(1,121)	8,361.4%	(a)
<i>Reconciliations:</i>				
Gain on disposal of subsidiaries	(1,162)	(8,557)		(b)
Equity-settled share-based payment expense/(reversal of equity-settled share-based payment expense, net)	(12,436)	48,833		(c)
Non-recurring special dividend from an equity investment	(3,900)	–		(d)
Rental expenses on leases as if under HKAS 17 “Leases” ⁽³⁾	(24,805)	–		(e)
	<u>50,307</u>	<u>39,155</u>	28.5%	(f)
(f) = (a) + (b) + (c) + (d) + (e)				
(1) EBITDA represents earnings before interest (including interest expenses on lease liabilities), tax, depreciation (including depreciation on right-of-use assets) and amortisation.				
(2) Adjusted EBITDA is adjusted for certain non-cash, non-operating items and rental expenses (see note (3) below), giving shareholders a proxy of operating cashflow generated by the Group’s businesses in Hong Kong, Macau and PRC.				
(3) Upon adoption of HKFRS 16 “Leases” during the period, the rental expenses of the Group’s leases are recorded as depreciation of right-of-use assets and interest expenses on finance liabilities while the prior period’s rental expenses were included in the line item “Property, rental and related expenses”. Such reconciling item was made for comparison purpose.				
Operating profit by business lines and adjusted EBITDA are not standard measures under Hong Kong Financial Reporting Standards (“HKFRS”) and therefore should not be considered in isolation or constructed as substitutes for analysis of HKFRS financial measures.				

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six months ended 31 December 2019

	<i>Notes</i>	Six months ended 31 December	
		2019	2018
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
REVENUE	5	306,813	261,701
Other income and gains	5	10,922	13,612
Professional services expenses		(122,181)	(107,078)
Employee benefit expense		(72,585)	(67,343)
Property, rental and related expenses		(6,270)	(24,893)
Cost of inventories consumed		(15,455)	(13,001)
Depreciation and amortisation		(35,392)	(9,863)
Other expenses, net		(6,378)	(62,173)
Finance cost		(1,968)	–
Share of profits and losses of:			
Joint ventures		(169)	128
Associates		967	1,175
		<hr/>	<hr/>
PROFIT/(LOSS) BEFORE TAX	6	58,304	(7,735)
Income tax expense	7	(9,138)	(6,819)
		<hr/>	<hr/>
PROFIT/(LOSS) FOR THE PERIOD		49,166	(14,554)
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Owners of the Company		45,551	(16,501)
Non-controlling interests		3,615	1,947
		<hr/>	<hr/>
		49,166	(14,554)
		<hr/> <hr/>	<hr/> <hr/>
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY			
HOLDERS OF THE COMPANY	9		
Basic		HK6.046 cents	HK(2.208) cents
		<hr/> <hr/>	<hr/> <hr/>
Diluted		HK5.990 cents	HK(2.208) cents
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 31 December 2019

	Six months ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	<u>49,166</u>	<u>(14,554)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(587)	(1,012)
Share of other comprehensive loss of an associate	(18)	(76)
Share of other comprehensive loss of a joint venture	—	(46)
	<u> </u>	<u> </u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<u>(605)</u>	<u>(1,134)</u>
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of equity investments designated at fair value through other comprehensive income	<u>(11,376)</u>	<u> </u>
	<u> </u>	<u> </u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(11,981)</u>	<u>(1,134)</u>
	<u> </u>	<u> </u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>37,185</u>	<u>(15,688)</u>
	<u> </u>	<u> </u>
Attributable to:		
Owners of the Company	33,570	(17,635)
Non-controlling interests	<u>3,615</u>	<u>1,947</u>
	<u> </u>	<u> </u>
	<u>37,185</u>	<u>(15,688)</u>
	<u> </u>	<u> </u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

		31 December 2019 <i>HK\$'000</i> (Unaudited)	30 June 2019 <i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		95,378	101,061
Right-of-use assets		81,433	–
Goodwill	10	172,729	163,711
Other intangible assets		80,719	79,378
Investments in joint ventures		–	1,158
Investments in associates		9,932	8,976
Financial assets at amortised cost	11	30,962	46,668
Investments at fair value through other comprehensive income	12	41,441	52,938
Deferred tax assets		1,581	1,300
Deposits		20,369	15,927
		534,544	471,117
CURRENT ASSETS			
Inventories		11,822	11,803
Trade receivables	13	99,019	104,997
Prepayments, other receivables and other assets		29,838	20,951
Financial assets at fair value through profit or loss		2,319	2,400
Financial assets at amortised cost	11	33,027	14,066
Due from associates		4,734	4,077
Due from related companies		5,980	3,633
Tax recoverable		202	58
Pledged deposits		1,354	1,354
Cash and cash equivalents		241,803	207,644
		430,098	370,983

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

31 December 2019

	<i>Notes</i>	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Audited)
CURRENT LIABILITIES			
Trade payables	14	50,452	49,589
Other payables and accruals		86,335	73,084
Due to associates		10	138
Due to related companies		891	620
Due to a joint venture		67	180
Derivative financial instrument		743	743
Lease liabilities		44,647	–
Tax payable		21,206	14,362
		<hr/>	<hr/>
Total current liabilities		204,351	138,716
		<hr/>	<hr/>
NET CURRENT ASSETS		225,747	232,267
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		760,291	703,384
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Lease liabilities		40,879	–
Deferred tax liabilities		14,211	14,609
Provision		2,791	2,813
		<hr/>	<hr/>
Total non-current liabilities		57,881	17,422
		<hr/>	<hr/>
Net assets		702,410	685,962
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	15	758	758
Reserves		629,132	612,237
		<hr/>	<hr/>
		629,890	612,995
		<hr/>	<hr/>
Non-controlling interests		72,520	72,967
		<hr/>	<hr/>
Total equity		702,410	685,962
		<hr/> <hr/>	<hr/> <hr/>

NOTES

1. CORPORATE AND GROUP INFORMATION

UMP Healthcare Holdings Limited is a limited liability company incorporated in the Cayman Islands. The principal place of business of the Company is located at Room 1404–1408, 14/F., Wing On House, 71 Des Voeux Road Central, Hong Kong.

During the period, the Group was principally engaged in the provision of healthcare services which include:

- corporate healthcare solution services;
- medical and dental services;
- medical imaging and laboratory services;
- other auxiliary medical services; and
- healthcare management services.

The shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on 27 November 2015 (the “Listing”).

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 31 December 2019 have been prepared in accordance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and equity investments which have been measured at fair value. The unaudited condensed consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The unaudited 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 2019.

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements of the Group for the six months ended 31 December 2019 are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 30 June 2019, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), which are effective for the Group’s annual period beginning on 1 July 2019.

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

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of HKFRS 16 are described below:

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 July 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of office properties, medical centres and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 July 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 July 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 July 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 July 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics

The impacts arising from the adoption of HKFRS 16 as at 1 July 2019 were as follows:

	At 30 June 2019	Restatement adjustment on adoption of HKFRS 16	At 1 July 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Statement of Financial Position			
Assets			
Right-of-use assets	–	104,725	104,725
	<u>–</u>	<u>104,725</u>	<u>104,725</u>
Liabilities			
Current lease liabilities	–	51,042	51,042
Non-current lease liabilities	–	57,334	57,334
	<u>–</u>	<u>57,334</u>	<u>57,334</u>
Total liabilities	–	108,376	108,376
	<u>–</u>	<u>108,376</u>	<u>108,376</u>
Retained profits	137,664	(3,651)	134,013
	<u>137,664</u>	<u>(3,651)</u>	<u>134,013</u>

The lease liabilities as at 1 July 2019 reconciled to the operating lease commitments as at 30 June 2019 is as follows:

	<i>HK\$'000</i> (Unaudited)
Operating lease commitments as at 30 June 2019	68,605
Weighted average incremental borrowing rate as at 1 July 2019	<u>3.91%</u>
Discounted operating lease commitments as at 1 July 2019	64,400
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 30 June 2020	(324)
Add: Payments for optional extension periods not recognised as at 30 June 2019	<u>44,300</u>
Lease liabilities as at 1 July 2019	<u>108,376</u>

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 30 June 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 July 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

4. OPERATING SEGMENT INFORMATION

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

- (a) Corporate healthcare solution services (“Corporate Healthcare Solution Services to Contract Customers”) segment engages in the provision of corporate healthcare solutions to contract customers; and
- (b) Clinical healthcare services (“Clinical Healthcare Services”) segment engages in the provision of medical and dental services, health check-up and other auxiliary services.

Management monitors the results of the Group's operating segments separately for the purpose of facilitating decision-making process of resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measurement of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, other income and gains, and share of profits and losses of joint ventures and associates as well as head office and corporate expenses are excluded from such measurement.

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

(a) **Revenue and results**

	Corporate Healthcare Solution Services to Contract Customers <i>HK\$'000</i>	Clinical Healthcare Services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 31 December 2019 (unaudited)			
Segment revenue (note 5):			
External sales	132,418	174,395	306,813
Intersegment sales	791	51,640	52,431
	<u>133,209</u>	<u>226,035</u>	<u>359,244</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(52,431)</u>
Revenue			<u><u>306,813</u></u>
Segment results	21,927	30,902	52,829
<i>Reconciliation:</i>			
Interest income			3,054
Other income and gains			7,868
Share of profits and losses of:			
Joint ventures			(169)
Associates			967
Corporate and other unallocated expenses, net			<u>(6,245)</u>
Profit before tax			<u><u>58,304</u></u>
Six months ended 31 December 2018 (unaudited)			
Segment revenue (note 5):			
External sales	121,834	139,867	261,701
Intersegment sales	705	48,079	48,784
	<u>122,539</u>	<u>187,946</u>	<u>310,485</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(48,784)</u>
Revenue			<u><u>261,701</u></u>
Segment results	16,058	24,175	40,233
<i>Reconciliation:</i>			
Interest income			3,249
Other income and gains			10,363
Share of profits and losses of:			
Joint ventures			128
Associates			1,175
Corporate and other unallocated expenses			<u>(62,883)</u>
Loss before tax			<u><u>(7,735)</u></u>

(b) **Information about major customers**

Revenue from a major customer which accounted for 10% or more of the Group's revenue from the Corporate Healthcare Solution Services to Contract Customers segment is set out below:

	Six months ended 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Customer A	22,095	23,290

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Provision of corporate healthcare solution services:		
Medical services	119,962	112,691
Dental services	12,456	9,143
Provision of clinical healthcare services:		
Medical services	145,952	109,209
Dental services	28,443	30,658
	306,813	261,701

Disaggregated revenue information
Six months ended 31 December 2019

Segments	Corporate Healthcare Solution Services to Contract Customers HK\$'000	Clinical Healthcare Services HK\$'000	Total HK\$'000
Type of services			
Medical services	119,962	145,952	265,914
Dental services	12,456	28,443	40,899
	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	132,418	174,395	306,813
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Geographical markets			
Hong Kong and Macau	129,123	149,993	279,116
PRC	3,295	24,402	27,697
	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	132,418	174,395	306,813
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Six months ended 31 December 2018

Segments	Corporate Healthcare Solution Services to Contract Customers HK\$'000	Clinical Healthcare Services HK\$'000	Total HK\$'000
Type of services			
Medical services	112,691	109,209	221,900
Dental services	9,143	30,658	39,801
	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	121,834	139,867	261,701
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Geographical markets			
Hong Kong and Macau	120,588	116,727	237,315
PRC	1,246	23,140	24,386
	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	121,834	139,867	261,701
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

An analysis of other income and gains is as follows:

	Six months ended 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Other income and gains		
Administrative support fees	663	523
Bank interest income	902	233
Interest income on financial assets at amortised cost	1,962	1,991
Interest income on investments at fair value through other comprehensive income	190	1,025
Dividend income from investments at fair value through other comprehensive income	4,447	–
Dividend income from financial assets at fair value through profit or loss	66	66
Gain on disposal of subsidiaries	1,162	8,557
Others	1,530	1,217
	<u>10,922</u>	<u>13,612</u>
	<u>10,922</u>	<u>13,612</u>

6. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amortisation of intangible assets	1,203	56
Depreciation of property, plant and equipment	10,897	9,807
Depreciation of right-of-use assets	23,292	–
Equity-settled share-based payment expense (including employees and professional consultants and other business partner) (note)	2,714	48,833
Reversal of equity-settled share-based payment expense (note)	(15,150)	–
Fair value loss on financial assets at fair value through profit or loss	81	140
Foreign exchange differences, net	(16)	(83)
Gains on disposal of subsidiaries	(1,162)	(8,557)
Loss on acquisition of minority interest of a subsidiary	–	88
Write-off of items of property, plant and equipment	153	16

Note: The balance in the prior period included share-based payment expenses of approximately HK\$46 million in connection with the issuance of warrants to a business partner of the Group, Zheng He Health and Medical Resources Limited. During the period, due to certain non-market conditions were not fulfilled upon on expiration of the contractual arrangement, the corresponding equity-settled share-based payment expense was reversed.

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 31 December 2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/ jurisdictions in which the Group operates.

	Six months ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – Hong Kong		
Charge for the period	8,001	5,737
Current – Elsewhere		
Charge for the period	1,583	1,255
Overprovision in prior periods	–	26
Deferred	(446)	(199)
Total tax charge for the period	9,138	6,819

8. DIVIDENDS

	Six months ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Dividend recognised as distribution during the period:		
Final dividend for the year ended 30 June 2019:		
HK2.55 cents (year ended 30 June 2018: HK2.35 cents)		
per ordinary share	<u>19,324</u>	<u>17,587</u>
Dividend proposed after the end of the reporting period:		
Interim dividend for the six months ended 31 December 2019:		
HK0.65 cent (six months ended 31 December 2018:		
HK0.65 cent) per ordinary share	<u>4,926</u>	<u>4,922</u>

The proposed interim dividend of HK0.65 cent per ordinary share in respect of the year ending 30 June 2020 was approved by the board of directors on 26 February 2020. The interim dividend of HK0.65 cent per ordinary share in respect of the year ended 30 June 2019 was approved by the board of directors on 27 February 2019.

The final dividend of HK2.55 cents per ordinary share, with a scrip dividend alternative, in respect of the year ended 30 June 2019 was approved by the Company's shareholders at the annual general meeting held on 20 November 2019. The final dividend of HK2.35 cents per ordinary share in respect of year ended 30 June 2018 was approved by the Company's shareholders at the annual general meeting held on 15 November 2018.

9. EARNINGS/(LOSS) 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 six months ended 31 December 2019 attributable to ordinary equity holders of the Company of HK\$45,551,000, and the weighted average number of ordinary shares of 753,422,467 in issue which have excluded the shares held under the share award scheme during the period. The calculation of the basic loss per share amount for the six months ended 31 December 2018 was based on the unaudited consolidated loss of HK\$16,501,000, and the weighted average number of ordinary shares of 747,501,870 in issue which have excluded the shares held under the share award scheme during the period.

The calculation of the diluted earnings per share amount is based on the unaudited consolidated profit for the six months ended 31 December 2019 attributable to ordinary equity holders of the Company of HK\$45,551,000. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares of 753,422,467 in issue during the period and excluded the shares held under the share award scheme, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares of 7,053,638 assumed to have been issued at no consideration on the deemed exercise of all share options and shares under the share award scheme into ordinary shares.

No adjustment has been made to the basic loss per share amount presented for the six months ended 31 December 2018 in respect of a dilution as the impact of the potential dilutive ordinary shares outstanding had an anti-dilutive effect on the basic loss per share amount presented for the six months ended 31 December 2018.

10. GOODWILL

	31 December 2019 <i>HK\$'000</i> (Unaudited)	30 June 2019 <i>HK\$'000</i> (Audited)
At beginning of period/year	163,711	58,227
Acquisitions of subsidiaries/businesses (<i>note 16</i>)	<u>9,018</u>	<u>105,484</u>
At end of period/year	<u><u>172,729</u></u>	<u><u>163,711</u></u>

11. FINANCIAL ASSETS AT AMORTISED COST

	31 December 2019 <i>HK\$'000</i> (Unaudited)	30 June 2019 <i>HK\$'000</i> (Audited)
Financial assets at amortised cost	<u><u>63,989</u></u>	<u><u>60,734</u></u>
Analysed into:		
Non-current portion	30,962	46,668
Current portion	<u>33,027</u>	<u>14,066</u>
	<u><u>63,989</u></u>	<u><u>60,734</u></u>

As at 31 December 2019, the Group's financial assets at amortised cost have fixed maturity dates between 2020 and 2023 and fixed interest rates ranging from 4.25% to 8.50% per annum (30 June 2019: 4.25% to 8.50% per annum).

12. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December	30 June
	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Investments at fair value through other comprehensive income		
Unlisted equity investments, at fair value	13,808	17,828
Listed equity investments, at fair value	21,883	29,360
Listed debt investments, at fair value	5,750	5,750
	<u>41,441</u>	<u>52,938</u>

The above investments were designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

13. TRADE RECEIVABLES

	31 December	30 June
	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables	99,019	104,997

The Group's trading terms with its contract customers are mainly on credit. The credit period is generally one month, extending up to two months for major customers. Each contract customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a designated policy to monitor and minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aging 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:

	31 December	30 June
	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within 1 month	60,002	71,823
1 to 2 months	18,007	12,350
2 to 3 months	10,721	12,531
Over 3 months	10,289	8,293
	<u>99,019</u>	<u>104,997</u>

14. TRADE PAYABLES

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

	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Audited)
Within 1 month	32,310	30,609
1 to 3 months	17,928	18,587
Over 3 months	214	393
	50,452	49,589

The trade payables are non-interest-bearing and are normally settled on terms of ranging from 30 to 90 days.

15. SHARE CAPITAL

	31 December 2019 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Audited)
Authorised:		
5,000,000,000 (30 June 2019: 5,000,000,000) ordinary shares of HK\$0.001 (30 June 2019: HK\$0.001) each	5,000	5,000
Issued and fully paid:		
757,818,000 (30 June 2019: 757,818,000) ordinary shares of HK\$0.001 (30 June 2019: HK\$0.001) each	758	758

The movements in the Company's authorised and issued share capital during the period from 1 July 2018 to 31 December 2019 are as follows:

	<i>Note</i>	Number of ordinary shares	Nominal value of ordinary shares <i>HK\$'000</i>
Authorised:			
At 1 July 2018, at 31 December 2018, at 30 June 2019, at 1 July 2019 and at 31 December 2019		5,000,000,000	5,000
Issued and fully paid:			
At 1 July 2018		753,405,000	753
Exercise of share options	<i>(a)</i>	4,413,000	5
At 30 June 2019, at 1 July 2019 and at 31 December 2019		757,818,000	758

- (a) The subscription rights attaching to (i) 3,200,000 share options were exercised at the subscription price of HK\$1.2228 per share, resulting in the issue of 3,200,000 ordinary shares of HK\$0.001 each for a total cash consideration, before expenses, of HK\$3,913,000; and (ii) 1,213,000 share options were exercised at the subscription price of HK\$1.27 per share, resulting in the issue of 1,213,000 ordinary shares of HK\$0.001 each for a total cash consideration, before expenses, of HK\$1,541,000. An aggregate amount of HK\$1,693,000 was transfer from the share-based payment reserve to the share premium account upon the exercise of the share options.

16. BUSINESS COMBINATION

In order to increase the range of healthcare services offered and to continually provide comprehensive and integrated healthcare services for the benefit of the patients, on 28 October 2019, the Group entered into a sales and purchase agreement with several third parties to acquire 100% equity interest in a company which is engaged in the provision of magnetic resonance imaging, scanning and laboratory service in Hong Kong for a consideration of HK\$12.5 million. The major assets acquired comprised of property, plant and equipment and other operating assets. As at 31 December 2019, the valuation of the identifiable net assets acquired has not been finalised and accordingly, the Group has initially recognised provisional fair value of identifiable net assets of HK\$3,491,000 and provisional goodwill of HK\$9,018,000 in accordance with HKFRS 3 (Revised) *Business Combinations*.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

UMP was founded in 1990, with the vision of giving everyone access to trusted and affordable care, so that everyone can freely pursue their dreams without worrying about their health. We are proud to say that we have certainly come a long way since 1990. Together with our over 700 partner doctors and healthcare providers, UMP is delivering and administering over 1.6 million patient visits a year across Hong Kong, Macau and Mainland China.

As we celebrate our 30th anniversary this year, our emotions cannot be more mixed. On the one hand, notwithstanding the economic challenges faced by many corporates in Hong Kong in the past 12 months, UMP has sustained its financial performance by achieving overall revenue growth across its business units and with strong growth in Adjusted EBITDA. UMP has continued to execute well on its stated strategies:

- In Hong Kong and Macau, UMP has continued to embrace using technology to digitalise the patient's journey and has recruited new UMPeople to join us to revamp our Third Party Administration services, while also preparing for the launch of our new premium healthcare services for non-corporate customers. Our paperless claims process has been widely praised by payers, providers and patients for its convenience. UMP is also actively exploring partnerships with various well established healthcare groups in Hong Kong, forming strategic alliances to broaden its breadth and depth of healthcare service offerings. In our recent dialogues with our clients, we have received much praises for UMP's determination to innovate, to change, and to keep investing in upgrading our service offerings;
- In Mainland China, our UMPeople have also been restless in expanding the coverage and scope of our GOLDTM programme. Since our last reporting, the GOLDTM programme is now delivering family doctor training to over 200 doctors in Mainland China, with a focus on the Greater Bay Area ("GBA"). Our GBA public-private partnership ("PPP") clinic network with various regional governments has also increased to 30 outlets spreading across Guangzhou, Dongguan, Zhongshan, Zhuhai, Foshan and Shenzhen, making us one of the largest outpatient clinic network in the GBA. Plans are already in place for the construction of a larger number of PPP clinics in 2020. Our newly established virtual care team has also been restless, working tirelessly to launch our telemedicine platform in Mainland China, thereby connecting a large number of our GOLDTM trained doctors to deliver on-demand, face to face online consultations to our members. Since the introduction of the telemedicine services in January 2020, we have also received encouraging feedback from all users.

On the other hand, we, together with everyone in Hong Kong, Macau and Mainland China, are all facing one of the toughest time since SARS. When UMP went through SARS in 2003, we all hoped that similar kind of epidemics would not happen again. History, unfortunately, does have a way of repeating itself.

The way UMP is handling the coronavirus situation, however, is the same. Thanks to our frontline doctors and clinical staff, and supported by our business administration team, we have continued to open up most of our outpatient service locations to serve our public. It is touching to see that all of our staff have continued to work with great pride and with a sense of mission in maintaining, as much as we can, a smile and a dedication to see work and life as normal. We want to express our most sincere gratitude to all of our clinical and administration staff. You are what UMPeople stands for.

We also kept thinking about how we can contribute our expertise and technology to offer our help. At the start of February 2020, we decided to partner up with the Yuexiu Government and Panyu Government, Guangzhou City, to offer online tele-consultation services to all citizens living in these districts. We then also offered the same to a large number of corporations so that their staff and their family members can promptly obtain healthcare advice. Our medical team across Hong Kong and Mainland China have also been in frequent daily discussions on how best we should answer to patients' enquiries relating to the coronavirus. More importantly, our online doctors have also been good listeners and counsellors to many patients who have come under immense stress during these uncertain times.

We foresee challenging operating conditions over the next few months that may lead to negative financial performance in the short term. However, we are also confident that history will repeat itself for UMP again. History shows that those organisations who stay true to their vision, who persevere in difficult times and who make timely contributions to the society will ultimately thrive.

Although our offline clinics have suffered significant decrease in patient volume during the coronavirus outbreak, our online consultation services are receiving significant interests from all of our customers. We believe the future of making healthcare more accessible and affordable to all requires UMP to continue to invest in our technology to connect patients, as timely as possible, to the appropriate care. We will therefore continue to innovate to bring new solutions to our patients and our clients, regardless of the climate we are operating in.

Winston Churchill once famously said, "Success is not final, failure is not fatal: It is the courage to continue that counts". The coronavirus epidemic is a good reminder to UMP that we must not stay complacent with our success in the past and must continue to adapt and innovate. Any failures from trying new business initiatives is never fatal, and we will continue to try new initiatives to adhere to our vision. Most importantly, our tenacity to continue to deliver our services to our patients and clients, at all times, is all that counts.

We thank you for your support and we look forward to updating you further at our next report.

OUR BUSINESS

UMP's business scope consists of the following business lines:

1. Hong Kong & Macau Corporate Healthcare Solution Services

UMP provides corporate healthcare solutions through the design and administration of tailored healthcare benefits plans for its Contract Customers. The recent extension of Third Party Administration (“TPA”) service to our insurance company clients enriched UMP's corporate healthcare solutions scope. UMP aims to provide convenient, reliable, coordinated, comprehensive and affordable healthcare services through the well-established and multi-specialties UMP Network. As at 31 December 2019, the UMP Network comprises more than 700 points of services located across Hong Kong and Macau.

The Group's Contract Customers comprise (i) insurance companies, which enter into contracts with the Group for healthcare services for their policyholders or employees of their policyholders and (ii) corporations, which enter into contracts with the Group for healthcare services for their employees and/or their dependants. When designing healthcare benefits plans, the Group collaborates closely with the Contract Customers and designs and refines corporate healthcare benefits plans, with each plan tailored to each customer's needs based on factors such as industry or occupational health-related concerns, scope of healthcare benefits desired, employee demographic as well as their budget.

2. Hong Kong & Macau Clinical Healthcare Services

UMP provides medical, dental and auxiliary services to Self-paid Patients. For medical services, UMP provides (i) general practice services, which serves as the first point of contact for the patients and (ii) specialist services covering more than 18 different specialties. For dental services, UMP provides both primary dental care and secondary dental care such as dental implants. For auxiliary services, UMP provides services such as medical imaging and laboratory services, physiotherapy and vision care.

3. PRC Healthcare Business

Our PRC Healthcare Business currently consists of (i) health check-up business; (ii) corporate healthcare solutions business; (iii) selected outpatient services such as family medicine within the clinics we own and operate and (iv) provision of professional training to doctors and nurses under our GOLD™ training programme. As our corporate healthcare solutions business is still at a development stage, the revenue and operating profit for this business segment is primarily contributed by our health check-up business. Our current focus is on the development of our PRC Healthcare Business in Beijing, Shanghai, Guangzhou, Shenzhen and other Greater Bay Area.

BUSINESS LINES ANALYSIS

Hong Kong & Macau Corporate Healthcare Solution Services

Revenue for this business line has increased 7.1% from HK\$121.3 million to HK\$129.9 million (before intersegment elimination) due to a general increase in patient visits and average spending per visit, while our operating profit (operating profit before tax and before non-recurring items) has increased approximately 17.5% from HK\$16.1 million to HK\$18.9 million. Our results show that we are able to generate increase in revenue through the marketing to and the delivering of a comprehensive suite of services to our corporate customers, insurance companies and patients.

Hong Kong & Macau Clinical Healthcare Services

Revenue for this business line has increased approximately 22.3% from HK\$164.8 million to HK\$201.6 million (before intersegment elimination) due to a general increase in patient visits and average spending per visit, while our operating profit (operating profit before tax and before non-recurring items) has increased approximately 50.1% from HK\$18.9 million to HK\$28.3 million. The increase in revenue and operating profit in 1HFY2020 is due to the full period recognition of financial results of previously acquired clinical healthcare businesses in FY2019.

PRC Healthcare Business

Revenue for this business line has increased approximately 13.6% from HK\$24.4 million to HK\$27.7 million (before intersegment elimination) primarily due to the increase in the number of health check-ups, while our operating loss (operating loss before tax and before non-recurring items) has increased from HK\$0.6 million to HK\$2.6 million. The increase in operating loss was primarily attributable to the increase in people investment for the rapid development of GOLD™ medical professional training and the virtual care businesses.

The following table sets out the revenue and operating profit for our business lines for the six months ended 31 December 2019 and the corresponding period for comparison:

Revenue by business lines

	Six months ended 31 December		Increase
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	
Hong Kong & Macau Corporate Healthcare Solution Services	129,914	121,293	7.1%
Hong Kong & Macau Clinical Healthcare Services	201,633	164,805	22.3%
PRC Healthcare Business	27,697	24,387	13.6%
TOTAL	359,244	310,485	15.7%

Operating profit by business lines

	Six months ended 31 December		Increase/ (decrease)
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	
Hong Kong & Macau Corporate Healthcare Solution Services Operating profit margin	18,873 14.5%	16,062 13.2%	17.5%
Hong Kong & Macau Clinical Healthcare Services Operating profit margin	28,341 14.1%	18,876 11.5%	50.1%
PRC Healthcare Business	(2,602)	(599)	334.4%

(1) Business lines revenue presented above are before intersegment sales elimination.

(2) Operating profit by business lines represent operating profit before tax for each business line and excluding non-recurring items.

FINANCIAL REVIEWS

1HFY2020 compared to 1HFY2019

Revenue

During 1HFY2020, we primarily generated revenue from (i) the provision of corporate healthcare solutions to Contract Customers in Hong Kong and Macau; (ii) the provision of clinical healthcare services in Hong Kong and Macau and (iii) the provision of healthcare services in the PRC.

Total consolidated revenue increased by 17.2% from HK\$261.7 million in 1HFY2019 to HK\$306.8 million in 1HFY2020, primarily due to (i) an increase in revenue from HK\$237.3 million to HK\$279.1 million from the provision of corporate healthcare solution services to Contract Customers and provision of clinical healthcare services to Self-paid Patients in Hong Kong and Macau; and (ii) an increase in revenue from HK\$24.4 million to HK\$27.7 million from the PRC Healthcare Business.

Provision of corporate healthcare solution services to Contract Customers in Hong Kong and Macau

Revenue from the provision of corporate healthcare solution services to Contract Customers in Hong Kong and Macau increased 7.1% from HK\$120.6 million in 1HFY2019 to HK\$129.1 million in 1HFY2020.

- **Medical.** Revenue generated from the provision of Medical Services to Contract Customers increased by 4.8% from HK\$111.5 million for 1HFY2019 to HK\$116.7 million for 1HFY2020, primarily due to an increase in the number of visits from patients seeking Medical Services and the average spending per visit.
- **Dental.** Revenue generated from the provision of Dental Services to Contract Customers increased by 36.3% from HK\$9.1 million for 1HFY2019 to HK\$12.4 million for 1HFY2020, primarily due to an increase in the number of visits from the patients seeking Dental Services and the average spending per visit.

Provision of clinical healthcare services in Hong Kong and Macau

- **Medical.** Revenue generated from the provision of Medical Services to Self-paid Patients increased by 41.1% from HK\$86.1 million for 1HFY2019 to HK\$121.5 million for 1HFY2020, primarily due to an increase in the number of self-paid patient visits from patients seeking our Medical Services and the average spending per visit.
- **Dental.** Revenue generated from the provision of Dental Services to Self-paid Patients decreased by approximately 7.5% from HK\$30.7 million for 1HFY2019 to HK\$28.4 million for 1HFY2020 due to the decrease in number of self-paid patient visits.

PRC Healthcare Business

Revenue generated from the PRC Healthcare Business increased from HK\$24.4 million in 1HFY2019 to HK\$27.7 million in 1HFY2020, primarily due to an increase in the number of health check-ups for the PRC residents traveling abroad for study or for work and the health check-ups for corporate employees and insurance scheme members.

Other Income and Gains

Other income and gains primarily comprise administrative support fees (including fees derived from providing administrative support to Affiliated Doctors, Affiliated Dentists and Affiliated Auxiliary Services Providers), interest income from financial assets at amortised cost, dividend income from investments at fair value through other comprehensive income and investments at fair value through profit or loss, bank savings and gain on disposal of subsidiaries and fixed assets.

Other income and gains decreased by 19.9% from HK\$13.6 million in 1HFY2019 to HK\$10.9 million in 1HFY2020. The decrease was primarily due to the gain on disposal of a subsidiary which was the beneficial owner of the investment properties upon the completion of disposal in September 2018, did not incur in 1HFY2020, partly offset by the receipt of special dividend from an investment at fair value through other comprehensive income.

Professional Services Expenses

Professional services expenses primarily comprise fees paid to Doctors, Dentists and Auxiliary Services Providers for Medical Services, Dental Services and Auxiliary Services rendered within the UMP Network, as well as fees paid to third party laboratories and testing centres for services rendered to the Group.

Professional services expenses increased by 14.1% from HK\$107.1 million for 1HFY2019 to HK\$122.2 million for 1HFY2020, primarily due to an increase in the cost of services rendered by doctors, dentists and other professionals. The increment percentage is generally in line with the increase in the Group's consolidated revenue in 1HFY2020.

Property Rental and Related Expenses

Property rental and related expenses decreased by 74.7% from HK\$24.9 million for 1HFY2019 to HK\$6.3 million for 1HFY2020, primarily due to certain rental expenses were reflected as depreciation of right-of-use and interest expense on lease liabilities upon the adoption of HKFRS 16.

Depreciation and Amortisation

Depreciation and amortisation significantly increased by from HK\$9.9 million 1HFY2019 to HK\$35.4 million for 1HFY2020, primarily due to the adoption of HKFRS16 which led to the depreciation of the right-of-use-assets recognised at the commencement date of the lease, on a straight-line basis over the shorter of the estimated useful life and the lease term.

Other Expenses, net

Other expenses, net primarily comprise provision of impairment loss, net made to the Group's amount due from/to associated companies, warrants expenses and general overhead expenses such as utilities, operation and other administrative expenses such as audit fees, legal fees, repair and maintenance expenses incurred with respect to the Group's offices and medical equipment, printing expenses and bank charges.

Other expenses, net, decreased by 89.7% from approximately HK\$62.2 million in 1HFY2019 to HK\$6.4 million in 1HFY2020, primarily due to (i) a non-cash equity-settled share-based payment expense of HK\$46 million incurred in 1HFY2019 in connection with the issuance of 110,411,000 Warrants of the Company to Zheng He in accordance with terms and conditions of the Warrant Instrument, which did not recur in 1HFY2020; and (ii) during 1HFY2020, a reversal of the non-cash equity-settled share-based payment expense of approximately HK\$15 million was recorded since the associated terms and conditions for the Second and Third Vesting Milestones had not been met before its expiration on 14 November 2019. Please refer to the announcements of the Company dated 27 July 2018, 30 August 2018 and 6 December 2018 and the circular of the Company dated 29 October 2018 (the "Circular") for further details.

Summary of operational data for 1HFY2020 with comparative figures for 1HFY2019

Revenue by operating segment

	Six months ended 31 December		Increase/ (decrease)
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	
Provision of corporate			
healthcare solution services	132,418	121,834	8.7%
Medical	119,962	112,691	6.5%
Dental	12,456	9,143	36.2%
Provision of clinical			
healthcare services	174,395	139,867	24.7%
Medical	145,952	109,209	33.6%
Dental	28,443	30,658	(7.2%)
TOTAL	306,813	261,701	17.2%

Number of visits by operating segment

	Six months ended 31 December		Increase/ (decrease)
	2019	2018	
Provision of corporate			
healthcare solution services	636,819	613,218	3.8%
Medical	621,427	600,858	3.4%
Dental	15,392	12,360	24.5%
Provision of clinical			
healthcare services	144,134	131,737	9.4%
Medical	124,749	109,576	13.8%
Dental	19,385	22,161	(12.5%)
TOTAL	780,953	744,955	4.8%

KEY FINANCIAL POSITION ITEMS

Right-of-use assets

Under HKFRS 16, the new accounting policy adopted in 1HFY2020, right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

As at 31 December 2019, the Group's right-of-use assets amounted to HK\$81.4 million (30 June 2019: Nil).

Investment in joint ventures

The 50:50 joint venture, Shanghai He Dun, with a dentist group founded in late July 2016 for the purpose of establishment of a platform with dental professionals in Shanghai and to provide dental services to the Group in Shanghai, was wound up during 1HFY2020 which led to a zero carrying amount as at 31 December 2019 (HK\$1.2 million as at 30 June 2019).

Financial Assets at Amortised Cost

Financial assets at amortised cost primarily represent the marketable corporate bonds issued by listed corporations with fixed interest rates from 4.25% to 8.50% per annum. The marketable debt securities which will mature within one year and more than one year are classified as current assets and non-current assets, respectively. The Group receives related interest payments semi-annually and annually.

As at 31 December 2019 and 30 June 2019, the Group's financial assets at amortised cost amounted to HK\$64.0 million (of which HK\$33.0 million is classified as current assets and HK\$31.0 million is classified as non-current assets) and HK\$60.7 million (of which HK\$14.0 million is classified as current assets and HK\$46.7 million is classified as non-current assets), respectively.

Lease liabilities

Under HKFRS 16, the new accounting policy adopted in 1HFY2020, lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

As at 31 December 2019, the carrying amount of lease liabilities amounted to HK\$85.5 million (of which HK\$44.7 million is classified as current liabilities and HK\$40.8 million is classified as non-current liabilities), while nil as at 30 June 2019 before the adoption of HKFRS 16.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has historically funded its operations primarily by cash generated from operating activities. Upon the listing of the shares of the Company on the Hong Kong Stock Exchange, the Group intended to satisfy its liquidity requirements using a combination of cash generated from operating activities and net proceeds from the Global Offering. The Group may also seek to borrow to satisfy liquidity requirements. As of 31 December 2019, the Group had a cash and cash equivalents of HK\$241.8 million.

As of the date of this announcement, the Group did not have any bank borrowings or outstanding bank loans and did not enter into any bank loan facilities.

CAPITAL STRUCTURE

The Company entered into a subscription agreement (the "Subscription Agreement") with Zheng He and Law Siu Wah, Eddie ("Mr. Law"), the ultimate beneficial owner and ultimate controller of Zheng He on 24 October 2018.

Details regarding the issue of unlisted warrants were already set out in the Company's announcements dated 27 July 2018, 30 August 2018, and 6 December 2018, and in the Company's circular dated 29 October 2018. On 6 December 2018, the Company issued an aggregate of 110,411,000 Warrants to three (3) Zheng He Parties as nominated by Zheng He, entitling them to subscribe for up to an aggregate of 110,411,000 Warrant Shares at HK\$2.06 per Warrant Share in accordance with the terms and conditions of the Warrant Instrument. During the year ended 30 June 2019, 36,803,667 Warrants were vested and during the period, the remaining 73,607,333 unvested and unexercised Warrants have lapsed on 14 November 2019.

During FY2019, the subscription price of 36,803,667 Warrants were adjusted due to the distribution of the interim dividend of HK0.65 cent per Share for the six months ended 31 December 2018 resulted in the adjustment of the initial subscription price ("Initial Subscription Price") of the issued unlisted warrants of the Company from HK\$2.06 to HK\$2.0521 (the "First Adjusted ISP") in accordance with the Warrant Instrument.

During 1HFY2020, the distribution of the final dividend by the Company resulted in the adjustment of the Initial Subscription Price from the First Adjusted ISP of HK\$2.0521 to HK\$2.0136 in accordance with the Warrant Instrument.

Save for the above, there has been no change in the capital structure of the Company during the period ended 31 December 2019. The capital of the Company comprises ordinary shares and other reserves.

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES

On 1 November 2019, the Company acquired 100% equity interest in a medical scanning and laboratory centre in a consideration of HK\$12.5 million. Please refer to Note 16 of the Notes to Financial Statements under the heading of "Business Combinations" on page 23 of this announcement for details.

Save as aforesaid, there was no material acquisition or disposal of subsidiaries undertaken by the Group during 1HFY2020.

CAPITAL EXPENDITURE

The capital expenditure during the period was primarily related to decoration and the acquisitions of plant and equipment for the Group's medical and medical imaging centres. For 1HFY2020, the Group incurred capital expenditure in an aggregate amount of approximately HK\$17.8 million (1HFY2019: HK\$7.1 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Apart from strengthening the Group's current business and the future plans as disclosed in the Prospectus, the Group did not have any specific future plan for material investments or capital assets as of 31 December 2019.

INDEBTEDNESS

Contingent Liabilities

As at 31 December 2019, the Group did not have any material off-balance sheet arrangements.

Capital Commitment

The Group has no material outstanding capital commitment as at 31 December 2019.

PLEDGE OF ASSETS

As at 31 December 2019, the Group has pledged certain deposits with an aggregate carrying amount of HK\$1.4 million (30 June 2019: HK\$1.4 million) in connection with a surety bond issued by a bank in favour of an independent third party for potential damages of dental equipment and potential disruption of Medical Services, and a bank guarantee issued by a bank in favour of a landlord for leasing of a medical centre of the Group.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2019, the Group had a total of 429 (30 June 2019: 456) full-time employees. For 1HFY2020, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately HK\$72.6 million (1HFY2019: HK\$67.3 million).

The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis, together with reference to the profitability of the Group, prevailing remuneration benchmarks in the industry, and market conditions within the general framework of the Group's remuneration system.

In addition, the Company also adopted the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme, where eligible employees and consultants are entitled to subscribe for the Shares for their contribution to the Group. As at 31 December 2019, 27,008,000 options remained outstanding under the Pre-IPO Share Option Scheme and none of the share options under the Pre-IPO Share Option Scheme have been exercised during 1HFY2020. As at 31 December 2019, 19,270,000 options granted under the Post-IPO Share Option Scheme and none of the share options under the Post-IPO Share Option Scheme have been exercised during 1HFY2020.

The Company has also adopted the Share Award Scheme to provide an incentive and reward to selected participants for their contribution to the Group. Certain Shares have been purchased and 1,290,000 awarded shares have been granted under the Share Award Scheme during 1HFY2020.

The remuneration packages of the Directors are reviewed by the Remuneration Committee and approved by the Board, according to the relevant Director's experience, responsibility, workload and the time devoted to the Group, the Company's operating results and comparable market statistics.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK0.65 cent per ordinary share for the six months ended 31 December 2019 (FY2018 interim dividend: HK0.65 cent). The interim dividend will be payable to the shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 18 March 2020. It is expected that the interim dividend will be paid on or about Thursday, 9 April 2020.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Monday, 16 March 2020 to Wednesday, 18 March 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 13 March 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance and transparency. The Company confirms that it has complied with the code provisions of the Corporate Governance Code during the six months ended 31 December 2019, save for the deviation from code provision A.2.1 as mentioned below.

According to code provision A.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Dr. Sun Yiu Kwong, the Chairman, is also the Chief Executive Officer. The Board believes that vesting the roles of both chairman and chief executive in an experienced and qualified person such as Dr. Sun Yiu Kwong provides the Company with strong and consistent leadership while allowing effective and efficient planning and implementation of business decisions and strategies. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group.

The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors.

Having made specific enquiry with all Directors, the Company confirmed that the Directors have complied with the Model Code during the six months ended 31 December 2019.

Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with the Code of Conduct for Securities Transactions by employees on terms of which are no less exacting than those set out in the Model Code. To the best knowledge of the Company, there was no incident of non-compliance of the Code of Conduct for Securities Transactions by employees during the six months ended 31 December 2019.

REVIEW OF INTERIM RESULTS

The Audit Committee, which comprises three independent non-executive Directors, namely Mr. Lee Luen Wai, John *BBS JP* (chairman), Dr. Li Kwok Tung, Donald *SBS JP* and Mr. Yeung Wing Sun, Mike, has reviewed, together with the management of the Company, the unaudited interim results of the Group for the six months ended 31 December 2019 and considered that they were prepared in compliance with the relevant accounting standards, the Listing Rules and the applicable legal requirements, and that the Company has made appropriate disclosure thereof.

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

During the six months ended 31 December 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER REPORTING PERIOD

There was no material acquisition or disposal of subsidiaries undertaken by the Group after 31 December 2019 and up to the date of this announcement.

PUBLICATION OF THE UNAUDITED INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is required to be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the designated website of the Company at www.ump.com.hk, respectively. The interim report of the Company for the six months ended 31 December 2019 will be despatched to the shareholders of the Company and published on the websites of the Hong Kong Stock Exchange and the Company in due course.

DEFINITIONS

“1HFY2019”	the six months ended 31 December 2018;
“1HFY2020”	the six months ended 31 December 2019;
“Affiliated Clinic(s)”	clinic(s) which is/are not operated by the Group but which has entered or will enter into an agreement directly with the Group to offer Medical Services, Dental Services and/or Auxiliary Services to the Plan Members;
“Affiliated Doctor(s)”, “Affiliated Dentist(s)” or “Affiliated Auxiliary Services Provider(s)”	doctor(s)/dentist(s)/auxiliary services provider(s) who has entered or will enter into an agreement directly with the Group to provide services to Plan Members and who, in accordance with the terms of such agreement, has received or will receive an amount from the Group based on the volume of Plan Members treated;
“Audit Committee”	the audit committee of the Board;
“Auxiliary Services”	include, among others, imaging and laboratory services, physiotherapy, traditional Chinese medicine, vision care and optometry and child health assessment;
“Auxiliary Services Provider(s)”	auxiliary services provider(s) who is/are or will be engaged directly by the Group as a consultant to provide Auxiliary Services in the UMP Medical Centres in accordance with the terms of a consultancy agreement with the Group, and the Affiliated Auxiliary Service Providers;
“Board”	the board of Directors of the Company;
“Company” or “UMP”	UMP Healthcare Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the main board of the Hong Kong Stock Exchange (stock code: 722);
“Contract Customers”	collectively, insurance companies and corporations which have entered or will enter into corporate plans with the Group for healthcare benefits for Plan Members;

“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules;
“Dental Services”	include primary dental services such as scaling and polishing and secondary dental services such as crown and bridge, orthodontics, implants and whitening;
“Dentist(s)”	dentist(s) who is/are or will be engaged directly by the Group as a consultant to provide Dental Services in the UMP Medical Centres in accordance with the terms of a consultancy agreement with the Group, and the Affiliated Dentists;
“Director(s)”	the director(s) of the Company;
“Doctor(s)”	doctor(s) who is/are or will be engaged directly by the Group as a consultant to provide Medical Services in the UMP Medical Centres in accordance with the terms of a consultancy agreement with the Group, and the Affiliated Doctors;
“FY2019”	the year ended 30 June 2019;
“general practitioner”, “general practice” or “GP”	doctors trained in general practice and best suited to act as first point of contact for patients, having the required knowledge to refer patients to the appropriate specialists or services as required;
“Global Offering”	the offer of the shares of the Company to the public in Hong Kong and outside the United States of America in offshore transactions in reliance on Regulation S, the details of which are set out in “Structure of the Global Offering” of the Prospectus;
“Group”, “we”, “our” or “us”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Hong Kong & Macau Clinical Healthcare Services”	provision of clinical healthcare services to Self-paid Patients as described in “Business Overview and Outlook” of this announcement;

“Hong Kong & Macau Corporate Healthcare Solution Services”	provision of corporate healthcare solutions as described in “Business Overview and Outlook” of this announcement;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
“Macau”	the Macau Special Administrative Region of the PRC;
“Medical” or “Medical Services”	includes general practice and specialist practice;
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules;
“Plan Members”	members of the Group’s corporate healthcare benefits plans, who typically include group medical insurance policyholders and employees of corporations and/or their dependants;
“Post-IPO Share Option Scheme”	the post-IPO share option scheme approved and adopted by the Board on 2 November 2015;
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, Macau and Taiwan);
“PRC Healthcare Business”	consists of (i) health check-up business; (ii) corporate healthcare solutions business; (iii) selected outpatient services such as family medicine within the clinics we own and operate and (iv) provision of professional training to doctors and nurses under our GOLD™ training programme etc.;
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme approved and adopted by the Board on 18 August 2015;
“Prospectus”	the prospectus of the Company dated 17 November 2015;
“Remuneration Committee”	the remuneration committee of the Board;

“Self-paid Patients”	patients who visit a UMP Medical Centre operated by the Group and pay for services using cash or credit card;
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.001 each in the share capital of the Company;
“Share Award Scheme”	the share award scheme approved and adopted by the Board on 30 June 2016;
“specialist practice” or “specialist services”	a range of specialist practice, including Family Medicine, Internal Medicine, Surgery, Paediatrics, Cardiology, Dermatology, Otorhinolaryngology, Orthopaedics, Ophthalmology, Urology, Gastroenterology and Hepatology, Radiology, Endocrinology and Diabetes. Please see www.ump.com.hk for the updated list of specialist practices;
“UMP Medical Centre”	medical centre offering Medical Services, Dental Services and/or Auxiliary Services which is operated by the Group;
“UMP Network”	consists of (i) UMP Medical Centres which are operated by the Group and (ii) Affiliated Clinics which are clinics not operated by the Group but which has entered into an agreement with the Group to offer Medical Services, Dental Services and/or Auxiliary Services to Plan Members;
“Warrants”	an aggregate of 110,411,000 warrants of the Company issued by the Company on 6 December 2018, and that are exercisable, subject to certain conditions, onto a total of 110,411,000 new Shares of the Company. Please refer to the announcements of the Company dated 27 July 2018, 30 August 2018 and 6 December 2018 and the circular of the Company dated 29 October 2018 for details; and

“Zheng He”

Zheng He Health and Medical Resources Limited, a private company limited by shares incorporated in British Virgin Islands (or such company or trust which is under the control of Mr. Law Siu Wah, Eddie or his family trust or estate).

In this announcement, the terms “subsidiary” and “substantial shareholder” shall have the same meanings given to such terms in the Listing Rules, unless the context otherwise requires.

By the order of the Board
UMP Healthcare Holdings Limited
SUN Yiu Kwong
Chairman and Chief Executive Officer

Hong Kong, 26 February 2020

As at the date of this announcement, the Board comprises Dr. SUN Yiu Kwong as Chairman, Chief Executive Officer and executive director, Ms. KWOK Cheuk Kwan, Jacquen as managing director and executive director, Mr. TSANG On Yip, Patrick, Dr. SUN Man Kin, Michael, Mr. LEE Kar Chung, Felix and Dr. LEE Pak Cheung, Patrick as executive directors, and Mr. LEE Luen Wai, John BBS JP, Dr. LI Kwok Tung, Donald SBS JP and Mr. YEUNG Wing Sun, Mike as independent non-executive directors.