



Town Health International Medical Group Limited 康健國際醫療集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code : 3886)



Interim Report
2023

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Wong Chi Kit Nelson
(Chief Executive Officer) (Note 1)

Dr. Wong Chun Wa
(Chairman) (Note 2)

Mr. Ng Ting Chi

Ms. Yao Yuan

Ms. Lau Wai Yee, Susanna

Ms. Zhao Xiangke *(Note 3)*
(Chief Financial Officer)

Mr. Jin Zhaogen *(Note 4)*

Dr. Tsang Wah Tak, Kenneth *(Note 5)*

Mr. Shiu Shu Ming *(Note 6)*

Mr. Liu Gefeng *(Note 7)*

Dr. Law Kwan Kin *(Note 8)*

Non-executive Directors

Mr. Hou Jun

Mr. Chan Chun Hong *(Note 9)*

Mr. Kong Dechang *(Note 10)*

Independent Non-executive Directors

Mr. Ho Kwok Wah, George, *MH*

Mr. Yu Xuezhong

Dr. Xu Weiguo

Mr. Chui Tsan Kit

Mr. Han Wenxin

Mr. Hung Hing Man *(Note 11)*

Mr. Tang Chi Kong *(Note 12)*

BOARD COMMITTEES

Audit Committee

Mr. Ho Kwok Wah, George, *MH* *(Chairman)*

Mr. Yu Xuezhong

Dr. Xu Weiguo

Remuneration Committee

Mr. Ho Kwok Wah, George, *MH*
(Chairman)

Ms. Lau Wai Yee, Susanna

Mr. Yu Xuezhong

Dr. Xu Weiguo

Mr. Chui Tsan Kit

Mr. Tang Chi Kong *(Note 12)*

Mr. Jin Zhaogen *(Note 4)*

Dr. Tsang Wah Tak, Kenneth *(Note 5)*

Mr. Chan Chun Hong *(Note 9)*

Nomination Committee

Mr. Ho Kwok Wah, George, *MH*
(Chairman) (Note 13)

Ms. Lau Wai Yee, Susanna *(Note 14)*

Mr. Yu Xuezhong

Dr. Xu Weiguo

Mr. Chui Tsan Kit

Mr. Tang Chi Kong *(Note 12)*

Mr. Jin Zhaogen *(Note 4)*

Dr. Tsang Wah Tak, Kenneth *(Note 5)*

Mr. Chan Chun Hong *(Note 9)*

Mr. Kong Dechang *(Note 10)*

COMPANY SECRETARY

Mr. Kwok Chung On
(Appointed on 20 June 2023)

Mr. Kwan Chung Man
(Resigned on 20 June 2023)

AUDITORS

Moore Stephens CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM10
Bermuda

CORPORATE INFORMATION

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

6th Floor, Town Health Technology Centre
10-12 Yuen Shun Circuit
Siu Lek Yuen
Shatin, New Territories
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
Chong Hing Bank Limited
CMB Wing Lung Bank Limited
Credit Suisse AG, Hong Kong Branch
Dah Sing Bank, Limited
Hang Seng Bank Limited
UBS AG, Hong Kong Branch

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Management (Bermuda) Limited
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM10
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

WEBSITE

www.townhealth.com

Notes:

1. On 20 June 2023, Dr. Wong Chi Kit Nelson was appointed as the Chief Executive Officer.
2. On 7 August 2023, Dr. Wong Chun Wa was appointed as the chairman of the Company.
3. With effect from the conclusion of the AGM, Ms. Zhao Xiangke retired as an executive Director.
4. With effect from the conclusion of the AGM, Mr. Jin Zhaogen retired as an executive Director and ceased to be a member of each of the Nomination Committee and the Remuneration Committee. With effect from 20 June 2023, Mr. Jin Zhaogen resigned as the Chief Executive Officer.
5. With effect from the conclusion of the AGM, Dr. Tsang Wah Tak, Kenneth retired as an executive Director, ceased to be a deputy chairman of the Company and a member of each of the Nomination Committee and the Remuneration Committee.
6. With effect from the conclusion of the AGM, Mr. Shiu Shu Ming retired as an executive Director.
7. With effect from the conclusion of the AGM, Mr. Liu Gefeng retired as an executive Director and ceased to be a deputy chairman of the Company.
8. With effect from 2 March 2023, Dr. Law Kwan Kin resigned as an executive Director.

CORPORATE INFORMATION

9. On 2 March 2023, Mr. Chan Chun Hong was appointed as an executive Director. On 20 June 2023, Mr. Chan Chun Hong was appointed as the chairman of the Company and a member of each of the Nomination Committee and the Remuneration Committee. With effect from 7 August 2023, Mr. Chan Chun Hong was removed as the chairman of the Company, re-designated from an executive Director to a non-executive Director and ceased to be a member of each of the Nomination Committee and the Remuneration Committee. With effect from 16 August 2023, the duties of Mr. Chan Chun Hong as a non-executive Director were suspended.
10. With effect from the conclusion of the AGM, Mr. Kong Dechang retired as a non-executive Director and ceased to be the chairman of the Company and the chairman of the Nomination Committee.
11. On 10 February 2023, Mr. Hung Hing Man was appointed as an independent non-executive Director.
12. On 10 February 2023, Mr. Tang Chi Kong was appointed as an independent non-executive Director. On 7 August 2023, Mr. Tang Chi Kong was appointed as a member of each of the Nomination Committee and the Remuneration Committee.
13. On 20 June 2023, Mr. Ho Kwok Wah, George, *MH* was appointed as the chairman of the Nomination Committee.
14. On 20 June 2023, Ms. Lau Wai Yee, Susanna was appointed as a member of the Nomination Committee.

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2023:

- The Group recorded revenue of approximately HK\$916,833,000 (2022: approximately HK\$710,873,000).
- The Group recorded a profit of approximately HK\$38,683,000 (2022: loss of approximately HK\$6,824,000).

As at 30 June 2023:

- The Group had net current assets and net assets of approximately HK\$1,309,686,000 and HK\$3,786,892,000, respectively.
- The Group had a current ratio of 3.24 and a gearing ratio of 2.40%.

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2023 (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group is pleased to report its results for the six months ended 30 June 2023.

During the period under review, the Group recorded an unaudited consolidated profit of approximately HK\$38,683,000 (2022: loss of approximately HK\$6,824,000). Such significant change from unaudited consolidated loss to unaudited consolidated profit was mainly attributable to (i) the increase in the revenue of the Group recorded for the six months ended 30 June 2023; and (ii) the share of profits of associates recorded for the six months ended 30 June 2023.

Increase in Revenue

The Group recorded revenue of approximately HK\$916,833,000 for the six months ended 30 June 2023 (2022: approximately HK\$710,873,000), which was mainly contributed by (a) the increase in demand for medical services and managed medical network in Hong Kong as well as mainland hospital management and medical services; and (b) the contribution from Central Medical Holdings Limited after the Group's acquisition in August 2022. Details of revenue from different business segments of the Group will be explained in subsequent paragraphs.

Share of Profits of Associates

The Group recorded share of profits of associates of approximately HK\$3,399,000 for the six months ended 30 June 2023 (2022: share of losses of associates of approximately HK\$11,243,000). Such significant change from share of losses to profits was mainly contributed by the rapid recovery of operations of certain associates of the Group due to Covid Pandemic subsiding in the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Mainland China's sudden reversal of its zero-COVID policy in Dec 2022 paved the way for Hong Kong to open up to the World again. Relaxation of border control in 2023 was timely for 3 reasons: 1) Most citizens had already contracted Covid-19 in the local 5th wave or been fully vaccinated by then, 2) Highly effective oral antivirals against Covid-19 had become available and 3) Zero-COVID policy with its high economic damage was unsustainable. In the first half of 2023, Hong Kong benefited from post-Covid economic recovery with the return of mainland and international visitors while the demand for chronic disease management for our ageing population was ever increasing. The significant reduction of the labour force posed challenges to our daily operations and raised our staff costs. In mainland China, living with Covid set the scene for rapid recovery of the Group's outpatient and inpatient services there. During the period, the Group recorded an unaudited consolidated profit of approximately HK\$38,683,000 (2022: loss of approximately HK\$6,824,000), turning loss into profit.

Healthcare Service Network of the Group

As of 30 June 2023, the Group had 417 healthcare service points covering multiple practices, including 240 general practice service points, 67 specialist service points, 20 dental service points and 90 auxiliary service points. As of 30 June 2023, the Group had 792 doctors, dentists and auxiliary service staff (including 394 general practitioners, 235 specialists, 32 dentists and 131 auxiliary service staff), all of whom provided healthcare services via the Group's network of self-operated and affiliated medical service centres.

Businesses in Hong Kong

Managed Medical Network – Vio

In the first half of 2023, the Group's medical network management business in Hong Kong recorded revenue of approximately HK\$238,105,000 (2022: approximately HK\$201,972,000), accounting for approximately 25.97% (2022: approximately 28.41%) of the Group's revenue for the six months ended 30 June 2023, with a year-on-year increase in net profit. With a return to normalcy, local economic activities gradually returned to normal, leading to a significant growth in Vio's performance. However, Vio's business operations have not yet fully recovered to the pre-pandemic level, mainly due to the reduction of local workforce which has reduced the size of Vio's patient base and hence the number of outpatient visits.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)

Businesses in Hong Kong (Continued)

Managed Medical Network – Vio (Continued)

Vio's medical network and service points continued to expand. Vio has invited more new specialists to join the medical network, including those practising in clinical microbiology and infection, haematology & haematological oncology, clinical oncology, neurosurgery, gastroenterology & hepatology, obstetrics & gynaecology, clinical psychology and psychiatry. In addition, Vio started to operate a medical centre at Citylink Plaza in Sha Tin in March 2023 to cater for the growing general medical needs of residents in Sha Tin.

As the only major medical network awarded with the ISO 9001:2015 quality management system certification, Vio takes quality management seriously so as to serve patients and clients better and strive to continuously improve service quality and customer satisfaction. Vio continued to upgrade its IT system, and the development of the web-based system was progressing on schedule during the period. Vio also continued to provide employees with on-the-job training and held regular internal meetings to reiterate the importance of customer service, introduce new or change of medical scheme rules, and reinforce data security awareness. Vio routinely optimizes the environment of medical centres and maintains infection control measures to ensure that patients and clients can receive medical services in a safe and comfortable environment.

Medical Services

In the first half of 2023, the revenue from the Group's medical services was approximately HK\$389,333,000 (2022: approximately HK\$270,217,000), accounting for approximately 42.46% (2022: approximately 38.01%) of the Group's revenue for the six months ended 30 June 2023. With the easing of Covid-19 infections, the number of outpatient visits of self-operated medical centre chain strongly rebounded, resulting in a steady growth in the performance of general practice services, specialist services and dental services.

In respect of general practice and dental services, the Group continues to manage one of the largest and most extensive medical centre chain in Hong Kong, and provide comprehensive primary healthcare services, chronic disease management and dental services. The medical centres are widely distributed in Hong Kong Island, Kowloon and the New Territories. During the period, the Group continued to optimize the environment of medical centres in response to market conditions and customer needs, while promoting diversified business development. As the treatment through combination of traditional Chinese medicine and western medicine is quite popular in some quarters, the Group collaborated with a traditional Chinese medicine brand to establish traditional Chinese medicine services in its Town Health Integrated Medical Centres, to provide customers with integrated western and traditional Chinese medicine services that include the treatment elements of traditional Chinese medicine including acupuncture, cupping and manual therapy etc.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)

Businesses in Hong Kong (Continued)

Medical Services (Continued)

In respect of specialist services, the Group has established a team of specialists with outstanding reputation and extensive clinical experience in their respective specialties. The Group has established a number of cardiology and orthopaedics brands with market-leading positions, including “Hong Kong Cardiac Centre”, “Hong Kong Cardiac Diagnostic Centre”, “Hong Kong Traumatology & Orthopaedics Institute” and “TOI Physiotherapy Centre”. During the period, the department of orthopaedics planned to set up medical centres in Tsuen Wan and Sha Tin, and would establish a new sports trauma physical therapy sub-brand “Elite Physiotherapy and Sports Rehabilitation” for professional athletes and those suffering from sports injuries, to provide one-stop services for trauma treatment, rehabilitation training and sports performance improvement, to meet the increasing needs of residents in Tsuen Wan and Sha Tin for orthopaedic and physiotherapy services.

In August 2022, the Group completed the acquisition of Central Medical Holdings Ltd., an integrated private medical services provider. Central Medical’s multi-specialty medical centres under the brand name Hong Kong Medical Consultants located in Hong Kong’s core Central Business District aim to provide comprehensive, high-quality and cost-effective medical services to patients in different age groups in Hong Kong and those from the Greater Bay Area. Their specialist team comprise senior doctors with outstanding achievements and extensive clinical experience in their respective fields. During the period, the specialist team further enhanced its strength through recruitment of new specialists in orthopaedics, cardiothoracic and pulmonary surgery, haematology and haematological oncology, etc. The continuing development of Hong Kong Medical Consultants will raise the Group’s high-end specialist service level and capabilities, enabling the Group to extend its service scope to cover multiple service levels from general practice and dentistry to top-tier multi-specialty medical services, providing both patients and those seeking health screening with one-stop and high-quality medical experience.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(CONTINUED)*

Businesses in Hong Kong *(Continued)*

Medical Services (Continued)

In the first half of 2023, the medical services industry ushered in a period of important opportunities. After the epidemic, the overall health awareness of society has increased, resulting in Hong Kong citizens' stronger demands for medical services and especially for high-quality private medical services. Our high-quality medical services also attract medical tourists from the Mainland China to receive our medical services. During the period, the Group seized the development opportunities in this industry and took various measures simultaneously. In terms of recruiting medical talents, the Group continued to invite general practitioners, specialists and dentists to join the Group and develop together through a collaborative system. In respect of developing corporate clients, the Group cooperated with large enterprises, as well as some enterprises in the Mainland China, to provide Hong Kong medical benefits to their customers and employees. In exploring smart healthcare, the Group utilized telemedicine to facilitate Hong Kong citizens to receive video consultation and provide second medical opinions to overseas customers. In terms of developing medical tourism, the Group created one-stop medical tourism service experience catering to the needs of medical tourists. To strengthen customer experience management, the Group comprehensively improved customer service quality through internal performance assessment, customer questionnaire survey and complaint handling mechanism.

Businesses in Mainland China

Hospital Management Business

In view of normalized management of epidemic in the Mainland China and the increasingly obvious trend of population aging, the hospital management business of Nanyang Xiangrui, a subsidiary of the Company, continued to operate stably, and all business segments developed in a balanced manner. In the first half of 2023, Nanyang Xiangrui recorded a double-digit growth in revenue, and the overall performance was gratifying. During the period, Nanshi Hospital managed by Nanyang Xiangrui adopted the effective "general hospital + branches" operation model, and the revenue from medical services maintained a rapid growth. Nanyang Ruishi Ophthalmology Hospital, a subsidiary of Nanyang Xiangrui, gradually matured its SMILE femtosecond surgery technology, and its performance developed by leaps and bounds. Henan Hengyixiang Pharmaceuticals Co., Ltd. and Nanyang Jianke Medical Technology Co., Ltd., being subsidiaries of Nanyang Xiangrui, engaged in supply chain services for pharmaceuticals and consumables, also achieved outstanding business performance. The above businesses continued to provide a strong driving force for the growth of the Group's performance.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)

Businesses in Mainland China (Continued)

Hospital Management Business (Continued)

Nanshi Hospital managed by Nanyang Xiangrui is a national Grade III Level A hospital. During the period, it achieved rapid growth by strengthening discipline construction, enhancing the strength of specialties, and promoting the development of internet hospital. In the first half of 2023, the number of outpatient visits, inpatient visits and surgeries at Nanshi Hospital increased by more than 30% compared with that before the epidemic, driving high-quality growth in revenue from medical services.

In terms of the general hospital, the burns department of Nanshi Hospital was invited to co-organize the “19th National Academic Conference of Burns and Wound Repair of the Chinese Association of the Integration of Traditional and Western Medicine”. The meeting gathered experts in the fields of burns and chronic wounds from across the country to share cases and exchange clinical experience, which helped improve the professional level of the Burn & Plastic Surgery Centre of Nanshi Hospital. In addition, Nanshi Hospital proactively participated in the formation and development of medical alliances. During the period, Nanyang Xiangrui signed a strategic cooperation agreement with Shandong Heze Luxin Hospital, the only private Grade III hospital specializing in cardiovascular and cerebrovascular diseases in Shandong Province, to jointly establish a stroke medical alliance. Both parties took the opportunity of establishing a medical alliance to jointly explore stroke prevention knowledge and medical services, integrate each other’s high-quality medical resources, and improve the combined stroke treatment capabilities of private hospitals in Henan and Shandong provinces. The cooperation also marked the first step in the development of Nanshi Hospital’s Cerebrovascular Disease Centre out of Henan Province.

In terms of branches, the profitability of Nanyang Ruishi Ophthalmology Hospital improved, and during the period, its net profit doubled year-on-year. In August 2017, Nanyang Ruishi Ophthalmology Hospital took the lead in introducing the world’s leading VisuMax femtosecond laser system in Nanyang City, Henan Province. As of 30 June 2023, the myopic refractive surgery team of Nanyang Ruishi Ophthalmology Hospital has completed more than 10,000 SMILE femtosecond laser myopia surgeries. The postoperative effects of customers were good and the satisfaction rate of post-operative survey reached 99.9%, which marked that Nanyang Ruishi Ophthalmology Hospital’s SMILE femtosecond laser myopia surgery was highly recognized and praised in terms of medical technology, diagnosis and treatment services, and patient satisfaction.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)

Businesses in Mainland China (Continued)

Hospital Management Business (Continued)

Nanshi Hospital is committed to promoting the integration of physical medical care and internet hospital. During the period, Nanshi Hospital popularized its internet hospital through the “inside hospital + outside hospital” promotion model. Inside the hospital, Nanshi Hospital distributed leaflets to customers and conducted publicity and education at the bedside. Outside the hospital, Nanshi Hospital adopted online streaming, social media publicity and telephone follow-up, etc. to introduce the public to use internet hospital services. During the period, the usage of internet hospital services in Nanshi Hospital increased significantly. In the first half of 2023, the usage of internet hospital services was close to 170,000 visits. From March 2022 when the internet hospital of Nanshi Hospital was put into service to June 2023, it has served nearly 420,000 visits, and its outreach community service has served more than 5,000 visits.

Health Management Business

During the period, the Group’s health management institutions located in Jinan City in Shandong Province and Guangzhou City and Shenzhen City in Guangdong Province gradually recovered from the epidemic and resumed normal operations. The local management team continued to develop characteristic businesses according to local conditions, and the high-quality customer base continued to expand.

In Jinan City, Shandong Province, Town Health International Health Management Centre operated stably, and the health check, stomatology and beauty services performed steadily. The health check segment continued to optimize customer acquisition channels and expand individual and corporate group health check customers, and developed high-end health check market targeting high-spending groups. During the period, in response to the development of the epidemic, Town Health International Health Management Centre held large-scale public health science popularizing lectures and provided a follow-up check plan for those recovered from Covid-19. In addition, Town Health International Health Management Centre and Shanghai Huada Medical Laboratory Co., Ltd. jointly established a base for early tumor screening and cardiovascular disease genetic testing to provide customers with genetic testing that can be performed at home, breaking through the limitations of previous in-store testing, improving medical care efficiency and reducing testing costs.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)

Businesses in Mainland China (Continued)

Health Management Business (Continued)

In Guangzhou City, Guangdong Province, Guangzhou Integrated Clinic has long-term cooperation with nearby hospitals and reproductive medicine centres to continue to provide customers with differentiated gynecological services including peripheral supporting services for assisted reproductive services and life cycle healthcare services for female. During the period, Guangzhou Integrated Clinic planned to launch cardiopulmonary exercise testing, and provided health management services such as post-testing exercise guidance and nutrition guidance for people with infertility, obesity and sports trauma. It has purchased cardiopulmonary exercise testing equipment and recruited professionals and will be put into service in the second half of 2023. In the meantime, the pharmacies opened by Guangzhou Integrated Clinic have also introduced more assisted reproductive medicines and healthcare products to meet the needs of customers holistically. In addition, Guangzhou Integrated Clinic also collaborated with third parties to provide pain management services.

In Shenzhen City, Guangdong Province, Ganghe Clinic continued to focus on providing distinctive services such as reproductive medicine, gynecological services, etc. During the period, Ganghe Clinic also proactively played the role of a hub connecting the businesses in the Mainland China and Hong Kong to promote the continuous growth of the Group's medical tourism and cross-border medical treatment.

Other Businesses

With the relaxation of epidemic prevention measures and the recovery of normal customs clearance between Hong Kong and the Mainland China, TBM, which is mainly engaged in aesthetic medical and beauty and wellness supplemented by comprehensive health business, recorded a year-on-year increase in revenue and net profit in the first half of 2023. The significant improvement in results was mainly due to the booming growth trend of the long-suppressed demand for beauty and healthcare under the normalization of the epidemic.

During the period, TBM, comprising the brands such as "The Beauty Medical", "SH Medical Centre", "Callidora", "CO Health Care" and "DI BEING BEAUTY", etc., employed a total of 13 full-time or part-time doctors and established 15, 10, 9 and 3 centres in Hong Kong, Shenzhen, Shanghai and Guangzhou, respectively. In Hong Kong, TBM increased online and offline advertising and marketing efforts which successfully attracted a large number of tourists to the centres, and thus recruited more manpower to cope with the additional customer flow. In the Mainland China, the operating performance of the centres in Shanghai, Shenzhen and Guangzhou resumed growth since February 2023, and the number of store visits and store revenue recovered rapidly during the period, re-injecting momentum into TBM's development in the market of the Mainland China.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)

Other Businesses (Continued)

Leveraging on the advantages arising from its presence in Hong Kong, Shenzhen and Guangzhou in the Greater Bay Area, TBM promoted the integration and complementarity of aesthetic medical resources in Hong Kong and the Mainland China. Through exchange and cooperation in terms of talents, technology and information, it realized the effective connection between Hong Kong's high-end beauty technology and the market in the Mainland China, and created an integrated aesthetic medical ecosystem in the Greater Bay Area, which not only expanded TBM's influence in the Greater Bay Area, but also provided better services to customers in Hong Kong and the Mainland China.

While continuing to promote digitalization and constantly improving the database, TBM empowers the continuous development of beauty and comprehensive health businesses with technology and uses big data for refined centre management. Big data can help TBM's front-line sales staff to grasp the consumption needs of each customer, provide tailor-made personalized service courses, and further optimize customer experience. Big data can also assist TBM in understanding the characteristics of customer groups for each centre, so as to provide appropriate store management training, improve customer service quality, and strengthen customer loyalty. In addition, big data can help TBM strengthening the customer attraction effects of marketing strategies. By analyzing customers' habits and preferences in browsing media and using social platforms, it can accurately place advertisements to target audiences, to attract old customers and bring in new customers, thereby improving conversion rate and reducing customer acquisition costs of TBM.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

In the second half of 2023, it is expected that local demand and inbound tourism will continue to be the main growth drivers for the economy of Hong Kong. With the re-opening of our border, the economic situation and prospects of Hong Kong will continue to improve. The government's new and more welcoming talent importation policy to increase the local workforce and the launch of its various public-private medical partnership programmes, should boost the long-term demand for healthcare services in Hong Kong. The distribution of consumption vouchers by the government and a series of "Happy Hong Kong" activities should also provide additional support for the local utilisation of optional healthcare services. In keeping with advanced economies, Hong Kong can provide more holistic care integrating Chinese and western medicine, which may have enhancing effects in the treatment of certain cancer treatment. Services provided by private medical institutions in Hong Kong are becoming increasingly popular among medical tourists who demand high-quality medical services, including consultation and treatment by renowned specialists, health screening and the use of various new treatment, vaccines and advanced medical equipment. Meanwhile, it is Mainland China's policy to promote public health and high-quality healthcare service through collaboration with Hong Kong service providers. With the implementation of various policies to help Hong Kong integrate with other cities in the Greater Bay Area in health service provision. Private medical institutions in Hong Kong are encouraged to develop healthcare services in the Greater Bay Area. All these favourable factors will bring huge opportunities for the Group to develop cross-border medical services and medical tourism.

As an industry leader with a strong professional medical team and abundant high-quality medical resources, the Group will adapt to changes in the economic situation and the development trend of the medical industry and adjust its business strategy in a timely manner for continuous business development. In the future, the Group will further integrate existing medical resources and build a comprehensive cross-border medical and healthcare service ecosystem to satisfy customers' various demands from the perspectives of prevention, diagnosis, outpatient, hospitalization, rehabilitation, nursing, and drug delivery. The Group is committed to building a world-class medical group rooted in Hong Kong and based in the Greater Bay Area which serves the whole country and connects with the world in its outlook, striving to continuously create greater value for customers and shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK (CONTINUED)

During the Pandemic, the Group cooperated and worked closely with the government in carrying out a series of anti-epidemic works, and thereby earned mutual trust with the government and the public. The Group will support the government's primary healthcare development strategy, and in the future, it will proactively participate in the government's various public-private medical partnership programmes to provide citizens with high-quality primary healthcare including chronic disease management, dental health care, etc. The Group has worked with other major medical peers to establish an association representing private medical practices, to advocate a win-win strategy for the public and our industry.

Businesses in Hong Kong

In terms of medical network management, the business of Vio is a mature one. It has many experienced medical and management staff, a good brand reputation and customer loyalty. It provides medical scheme management services with high quality for many long-term customers, and fully demonstrated its operational resilience during the Pandemic. As we return to normalcy in the post-Covid era, Vio will leverage on its competitive advantages accumulated in its 75 years' existence to further improve services and develop new schemes to improve customer satisfaction, and hopefully win more service contracts from large enterprises and insurance companies, in order to propel further growth in revenue. Vio will also continue to invest resources in upgrading its I.T. system. It plans to firstly launch a number of new I.T. modules for medical centres, and then start developing I.T. modules for back-end applications to improve operational and management efficiency. Meanwhile, Vio has started a project to enhance network security, with a view to further enhancing customers' confidence in Vio's I.T. system through obtaining accreditation in information security.

In terms of medical services, the Group will continue to expand the boundaries of the medical business, and take practical measures in various aspects including recruiting medical talents, developing corporate clients, exploring smart healthcare, developing medical tourism, and strengthening customer experience management. The Group attaches great importance to the development of high-end specialist care and is optimistic about its prospects. It will continue to expand its multi-disciplinary specialist medical team and is committed to increasing the Group's market share in this segment. Hong Kong Medical Consultants, the premier specialty brand of the Group, plans to further recruit new doctors in various specialties, including respiratory medicine, orthopaedics and psychiatry, to meet the growing demand for such specialist care and thereby increasing its revenue contribution to the Group. The Group seeks to promote the continuous business development of the self-operated clinic chain through the two-way referral mechanism of primary healthcare and specialists and help to facilitate the stable growth of operating income and enhance profitability.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK (CONTINUED)

Businesses in Mainland China

In terms of hospital management business, Nanyang Xiangrui has exported a professional management team and advanced management model to Nanshi Hospital, and the operation model of “general hospital + branches” is effective. Nanshi Hospital will continue to maintain a rapid growth momentum by strengthening the discipline construction of core departments, expanding the scope of rehabilitation medical services, and developing internet hospital. In the second half of 2023, Nanshi Hospital will continue to strengthen business cooperation and academic exchanges with large-scale Grade III Level A comprehensive hospitals, improve the professional level of key disciplines including burns, neurology, neurosurgery, cardiovascular medicine and cardiac surgery, and consolidate the competitive advantages of brand departments such as the Burn & Plastic Surgery Centre, the Cerebrovascular Disease Centre, chest pain centre, trauma centre, etc. After being listed as a national rehabilitation centre by the Chinese Association of Rehabilitation Medicine, the rehabilitation centre of Nanshi Hospital has been approved by Nanyang Science and Technology Bureau, Nanyang Health and Sports Commission and Nanyang Municipal Administration for Market Regulation to build a clinical research centre for rehabilitation medicine. The rehabilitation centre of Nanshi Hospital will integrate the resources and experience of Nanshi Chinese Medicine Rehabilitation Hospital and the rehabilitation centre of Nanshi Hospital’s Youtian Branch. Meanwhile, it will cooperate with provincial hospitals in Henan Province for management cooperation and academic exchanges and targets to build a comprehensive rehabilitation centre to divert high-quality rehabilitation resources to the west of Nanyang City and expand the scope of rehabilitation medical services. In addition, Nanshi Hospital’s internet hospital has brought many new opportunities to Nanyang Xiangrui. Nanyang Xiangrui will intensify marketing efforts to promote the services of Nanshi Hospital’s internet hospital through “inside hospital + outside hospital” and “online + offline” channels. Meanwhile, a community comprehensive rehabilitation service centre of nearly 3,000 square meters will be built in the downtown area to promote penetration of Nanshi Hospital’s outpatient, inpatient and health check services as well as telemedicine, rehabilitation management and chronic disease management into the community and coordinated development. These measures will continuously increase the return visit rate and re-examination rate of patients, promote the continuous growth of the number of visits to Nanshi Hospital, and further enhance profitability.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK (CONTINUED)

Businesses in Mainland China (Continued)

In terms of health management business, the Group's health management institutions in various regions continue to deepen the market in which they operate, and strengthen resource sharing and customer referral among institutions. In the second half of 2023, Guangzhou Integrated Clinic in Guangzhou City will join hands with Ganghe Clinic in Shenzhen City to provide VIP services for reproductive services to further expand the customer base, increase business volume and share high-quality reproductive medical resources. Meanwhile, Guangzhou Integrated Clinic will officially launch cardiopulmonary exercise testing, and will establish traditional Chinese medicine services for the treatment of sleep disorders on the basis of existing pain management services. Guangzhou Integrated Clinic will also undertake marketing in Guangzhou City and its surrounding areas to enhance customers' awareness of the new project and increase service sales.

Other Businesses

In terms of other business, TBM's business has covered aesthetic medical and beauty and wellness, pain management and hair densifying treatment, and the layout of the comprehensive health business of "beauty + health care" is gradually taking shape. In the second half of 2023, taking advantage of the growing demand for beauty and healthcare under the normalization of the epidemic, TBM will continue to look for places with high traffic flow in Hong Kong and the Mainland China to establish new centres and will also continue to seek for potential merger and acquisition opportunities to further expand TBM's advantage of scale and profitability. Meanwhile, TBM will strengthen the synergy and cooperation between Hong Kong and Shenzhen and Guangzhou, and promote the effective integration of resources in Hong Kong and the Mainland China, so as to enhance the competitiveness and influence of TBM in the Greater Bay Area.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group has adopted a prudent approach in financial resources management and maintaining an appropriate level of cash and cash equivalents to meet the requirements of day-to-day operations and business development, while controlling borrowings at a healthy level.

As at 30 June 2023, the Group held bank balances and cash of approximately HK\$985,990,000 (31 December 2022: approximately HK\$971,939,000) and fixed and pledged bank deposits of approximately HK\$324,524,000 (31 December 2022: approximately HK\$398,653,000). In order to achieve better cost control and minimise the costs of funds, the Group's treasury activities are centralised and substantial cash is generally deposited with banks in Hong Kong and the PRC and denominated mostly in HK\$, RMB and US\$. As at 30 June 2023, the Group had bank borrowings of approximately HK\$82,178,000 (31 December 2022: approximately HK\$113,896,000) of which approximately HK\$3,484,000 (31 December 2022: approximately HK\$33,740,000) are repayable within one year. The Group's loans were arranged on a floating interest rate basis. As at 30 June 2023, the Group had available unutilised banking facilities of HK\$270,000,000 (31 December 2022: HK\$270,000,000). Details of the bank borrowings of the Group are set out in note 20 to the condensed consolidated financial statements for the six months ended 30 June 2023 set out in this interim report.

As at 30 June 2023, the Group's net current assets amounted to approximately HK\$1,309,686,000 (31 December 2022: approximately HK\$1,433,526,000) and the Group had a current ratio (defined as total current assets divided by total current liabilities) of 3.24 (31 December 2022: 3.90). As at 30 June 2023, the Group's gearing ratio (defined as total bank borrowings divided by equity attributable to owners of the Company) was 2.40% (31 December 2022: 3.26%). The Group considers the level of liabilities of a company reflects its financial health. The Group strives to keep the level of borrowings at a minimum and to maintain ample internal resources to support its business operations, not only to reduce interest burden, but also to enable the Group to respond to changes and capture business opportunities in a timely manner when they arise. As such, both current ratio and gearing ratio are useful in assessing the Group's financial positions. While higher current ratio reflects sufficiency of the Group's assets and the capability of the Group to meet its debt repayment obligations, lower gearing ratio represents lesser reliance on debt financing and greater financial stability of the Group. During the period under review, the Group's liquidity position was well-managed and the Group's financial resources were sufficient to support its business operations. Where necessary, the Group may also consider other fund raising activities when opportunity arises under favourable market conditions.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES *(CONTINUED)*

Major currencies used for the Group's transactions were HK\$, RMB and US\$. As HK\$ are pegged to the US\$ and the fiscal policy of the Central Government of the PRC in relation to RMB was stable throughout the period under review, the Group considers that the foreign exchange exposure of the Group was manageable. The Group regularly reviews the currency exchange risks and closely monitors the fluctuation of foreign currencies. The Group will take appropriate measures to avoid excessive foreign exchange rate risks when necessary.

During the period under review, the Group did not use any financial instruments for hedging activities.

CAPITAL STRUCTURE

As at 30 June 2023, the Group had equity attributable to owners of the Company of approximately HK\$3,422,793,000 (31 December 2022: approximately HK\$3,491,416,000).

SHARE CAPITAL

Details of movements in the share capital of the Company during the period under review are set out in note 22 to the condensed consolidated financial statements for the six months ended 30 June 2023 set out in this interim report.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any significant investment, material acquisition and disposal during the period under review.

PLEDGE OF ASSETS

As at 30 June 2023, certain of the Group's assets of approximately HK\$341,064,000 (31 December 2022: approximately HK\$330,914,000) were pledged to secure the Group's mortgage loans and general banking facilities granted.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group had no significant contingent liabilities (31 December 2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

EVENTS AFTER REPORTING PERIOD

Subsequent to the end of reporting period, there were changes in Directors' roles and duties. For details, please refer to the announcements of the Company dated 7 August 2023 and 16 August 2023.

Except for the event described above, until the approval date of the condensed consolidated financial statements of the Company for the six months ended 30 June 2023, there is no significant event after the reporting period that need to be disclosed.

HUMAN RESOURCES AND TRAINING SCHEMES

As at 30 June 2023, the Group employed 1,400 staff (31 December 2022: 1,395). Total employee costs, including directors' emoluments, amounted to approximately HK\$374,556,000 for the six months ended 30 June 2023 (2022: approximately HK\$355,721,000). The salary and benefits levels of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. Remuneration packages are reviewed annually.

Training is valued as essential to the personal growth of employees, which also ensures and improves the Group's customer services. Apart from the strict code of conduct that all employees shall follow, employees are also provided with customised trainings and handbooks with respect to their specialities.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF NET PROCEEDS FROM ISSUE OF SHARES

Issue of subscription shares and convertible preference shares

Pursuant to the CPS Subscription Agreement and ordinary shares subscription agreement, both dated 31 October 2014 and entered into among the Company, Fubon Life, Fubon Insurance and Broad Idea, on 29 December 2014, the Company allotted and issued (i) 459,183,673 Shares at HK\$0.98 per share; and (ii) 374,999,999 Convertible Preference Shares at HK\$1.2 per share. Each of the net proceeds from the Ordinary Shares Subscription and the net proceeds from the CPS Subscription amounted to approximately HK\$440 million. The aggregate net proceeds from the Ordinary Shares Subscription and the CPS Subscription amounted to approximately HK\$880 million.

As at 1 January 2023, the unutilised net proceeds from the Ordinary Shares Subscription and the CPS Subscription amounted to approximately HK\$312 million. During the six months ended 30 June 2023, the net proceeds from the Ordinary Shares Subscription and the CPS Subscription of approximately HK\$45 million have been utilised under the planned use category of acquisition, investment and development of hospitals and medical institutions in the PRC, and medical or healthcare related business in Hong Kong. The use of the net proceeds and the expected timeline of the unutilised net proceeds from the Ordinary Shares Subscription and the CPS Subscription are as follows:

| Use of net proceeds | Planned use of net proceeds (HK\$ million) | Actual use of net proceeds as at 30 June 2023 (HK\$ million) | Unutilised balance of net proceeds as at 30 June 2023 (HK\$ million) | Expected timeline for utilisation of unutilised net proceeds |
|---------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------------------------|----------------------------------------------------------------------|--------------------------------------------------------------|
| Acquisition, investment and development of hospitals and medical institutions in the PRC, and medical or healthcare related business in Hong Kong | 650 | 582 | 68 | End of 2023 |
| Investment and development of several medical specialty centres in Hong Kong and one dental chain in the PRC | 150 | 13 | 137 | End of 2023 |
| Developing a “one-stop, IT O2O platform” to integrate the Group’s growing variety of healthcare and well-being business segments | 80 | 18 | 62 | End of 2023 |
| Total | 880 | 613 | 267 | |

The Group has applied and plans to continue to apply the unutilised net proceeds in the manner as intended.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF NET PROCEEDS FROM ISSUE OF SHARES (CONTINUED)

Issue of shares to China Life Insurance

On 5 January 2015, the Company entered into an investment agreement with China Life Insurance, pursuant to which China Life Insurance has agreed to subscribe for 1,785,098,644 Shares. Upon completion of the CLG Subscription which took place on 29 May 2015, 1,785,098,644 Shares were allotted and issued to China Life Insurance at HK\$0.98 per Share. The net proceeds from the issue of Shares to China Life Insurance amounted to approximately HK\$1,746 million.

As at 1 January 2023 and 30 June 2023, the unutilised net proceeds from the CLG Subscription amounted to approximately HK\$996 million. During the six months ended 30 June 2023, the Group did not utilise any net proceeds from the CLG Subscription. The use of the net proceeds and the expected timeline of the unutilised net proceeds from the CLG Subscription are as follows:

| Use of net proceeds | Planned use of net proceeds (HK\$ million) | Actual use of net proceeds as at 30 June 2023 (HK\$ million) | Unutilised balance of net proceeds as at 30 June 2023 (HK\$ million) | Expected timeline for utilisation of unutilised net proceeds |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|--------------------------------------------------------------------|----------------------------------------------------------------------------|--------------------------------------------------------------|
| Developing a dental chain in the PRC and investing in or acquiring dental clinics and/or hospitals in the PRC; developing or acquiring medical clinics in the PRC; developing hospitals, investing in or acquiring public or private hospitals in the PRC; and developing or acquiring rehabilitation hospitals and where appropriate in conjunction with nursing and/or aged care homes in the PRC | 1,500 | 646 | 854 | End of 2023 |
| Developing or acquiring business in provision of health check, laboratory testing and medical diagnostic services in the PRC | 150 | 104 | 46 | End of 2023 |
| Developing managed care business in the PRC and cross border healthcare platform for medical tourism business | 96 | 0 | 96 | End of 2023 |
| Total | 1,746 | 750 | 996 | |

The Group has applied and plans to continue to apply the unutilised net proceeds in the manner as intended.

MANAGEMENT DISCUSSION AND ANALYSIS

ISSUE OF THE CONVERTIBLE BONDS

According to the Share Purchase Agreement in relation to the Acquisition at the consideration of HK\$476,000,000, the Company had paid HK\$120,000,000 in cash to the Seller and issued the Convertible Bonds to the nominees of the Seller in three tranches on 26 August 2022 as follows:

- (i) Tranche A in the sum of HK\$120,000,000, with maturity date falling on 12 months from the date of issue of the Convertible Bonds;
- (ii) Tranche B in the sum of HK\$120,000,000, with maturity date falling on 24 months from the date of the issue of the Convertible Bonds; and
- (iii) Tranche C in the sum of HK\$116,000,000, with maturity date falling on 36 months from the date of issue of the Convertible Bonds.

The Convertible Bonds do not bear any interest. The Convertible Bonds carry the Conversion Rights to convert the outstanding principal amount of the Convertible Bonds into the Conversion Shares (in integral multiples of 1,000,000 Shares) at the conversion price of HK\$0.76 per Conversion Share.

Redemption of the Convertible Bonds

During the six months ended 30 June 2023, there was redemption of the Convertible Bonds in the principal amount of HK\$4,105,000. As at 30 June 2023, the Tranche A Convertible Bonds have been fully redeemed and the outstanding principal amount of the Convertible Bonds was HK\$236,000,000.

Dilutive impact of the Convertible Bonds

Assuming the outstanding Convertible Bonds of HK\$236,000,000 are converted in full at the conversion price of HK\$0.76 per Conversion Share, a maximum of 303,000,000 Conversion Shares will be issued, representing (i) approximately 4.47% of the issued share capital of the Company as at the date of this interim report; and (ii) approximately 4.28% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming that there is no change in the issued share capital of the Company from the date of this interim report up to the full conversion of the outstanding Conversion Bonds). Such allotment and issue of the Conversion Shares will result in the respective shareholdings of the Shareholders being diluted by approximately 4.3%.

MANAGEMENT DISCUSSION AND ANALYSIS

ISSUE OF THE CONVERTIBLE BONDS (CONTINUED)

Dilutive impact of the Convertible Bonds (Continued)

Assuming that there is no other change in the shareholding of the substantial shareholders of the Company since the date of this interim report, the shareholding of the substantial shareholders of the Company as at the date of this interim report immediately before and after the exercise of the Conversion Rights is set out below for illustration purposes:

| Name of Shareholder | Shareholding immediately before the exercise of the Conversion Rights | | Shareholding immediately after the exercise of the Conversion Rights | |
|----------------------|-----------------------------------------------------------------------|----------------------------------------|----------------------------------------------------------------------|----------------------------------------|
| | Number of Shares held | Approximate percentage of shareholding | Number of Shares held | Approximate percentage of shareholding |
| China Life Insurance | 1,785,098,644 | 26.35% | 1,785,098,644 | 25.23% |
| Broad Idea | 1,418,576,764 | 20.94% | 1,418,576,764 | 20.05% |
| Dr. Cho | 1,418,576,764 | 20.94% | 1,418,576,764 | 20.05% |
| Dr. Choi | 1,420,776,764 | 20.98% | 1,420,776,764 | 20.08% |
| Classictime | 790,442,000 | 11.67% | 790,442,000 | 11.17% |
| Minerva Group | 790,442,000 | 11.67% | 790,442,000 | 11.17% |

Taking into account that as at 30 June 2023, the Group had total net assets of approximately HK\$3,786,892,000 and total net current assets of approximately HK\$1,309,686,000 and the measures taken by the Group to maintain its financial position, the Company expects that it will be able to meet its redemption obligations under the Convertible Bonds.

An analysis of the Company's share price at which it would be equally financially advantageous for the holders of the outstanding Convertible Bonds to convert or redeem the outstanding Convertible Bonds based on their implied internal rate of return on the respective maturity date is set out below:

| | Share price (HK\$) |
|----------------------------------------------------------------------------------------------------------------|--------------------|
| 26 August 2024 (i.e. the maturity date of the Tranche B Convertible Bonds) for the Tranche B Convertible Bonds | 0.76 per Share |
| 26 August 2025 (i.e. the maturity date of the Tranche C Convertible Bonds) for the Tranche C Convertible Bonds | 0.76 per Share |

Further details of the Acquisition are set out in the announcements of the Company dated 11 July 2022, 15 August 2022 and 26 August 2022.

DISCLOSURE OF INTERESTS

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

As at 30 June 2023, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) Long positions in the Shares

| Name of Director | Capacity | Number of Shares held | Approximate% of shareholding of the Company (Note 1) |
|--------------------------|------------------|-----------------------|------------------------------------------------------|
| Dr. Wong Chun Wa | Beneficial owner | 20,000 | 0.00030% |
| Ms. Yao Yuan | Beneficial owner | 120,000 | 0.00177% |
| Ms. Lau Wai Yee, Susanna | Beneficial owner | 8,000 | 0.00012% |
| Mr. Chui Tsan Kit | Beneficial owner | 4,000 | 0.00006% |

Note:

1. The total number of Shares as at 30 June 2023 (that was, 6,773,522,452 Shares) has been used for the calculation of the approximate percentage.

DISCLOSURE OF INTERESTS

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

(ii) Long positions in the ordinary shares of associated corporations

| Name of Director | Name of associated corporation | Capacity | Number of shares held | Approximate % of shareholding |
|-------------------------|-----------------------------------------------------------|--------------------------------------|-----------------------|-------------------------------|
| Dr. Wong Chi Kit Nelson | Easton Flame Global Limited | Beneficial owner | 13 | 13.00% |
| Dr. Wong Chun Wa | Best Tree International Limited | Beneficial owner | 49 | 49.00% |
| Dr. Wong Chun Wa | Hong Kong Traumatology and Orthopaedics Institute Limited | Interest of a controlled corporation | 850 (Note 1) | 85.00% |
| Dr. Wong Chun Wa | TOI Anaesthesiology and Pain Centre Limited | Interest of controlled corporations | 6 (Note 2) | 60.00% |

Notes:

- Such 850 shares of Hong Kong Traumatology and Orthopaedics Institute Limited was held by Best Tree International Limited, which is beneficially owned as to 49% by Dr. Wong Chun Wa. As such, Dr. Wong Chun Wa was deemed to be interested in the 850 shares of Hong Kong Traumatology and Orthopaedics Institute Limited held by Best Tree International Limited under Part XV of the SFO.
- Such 6 shares of TOI Anaesthesiology and Pain Centre Limited was held by Hong Kong Traumatology and Orthopaedics Institute Limited, which is beneficially owned as to 85% by Best Tree International Limited, which in turn is beneficially owned as to 49% by Dr. Wong Chun Wa. As such, Dr. Wong Chun Wa was deemed to be interested in the 6 shares of TOI Anaesthesiology and Pain Centre Limited held by Hong Kong Traumatology and Orthopaedics Institute Limited under Part XV of the SFO.

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(CONTINUED)*

Save as disclosed above, as at 30 June 2023, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the Convertible Bonds in the principal amount of HK\$107,828,000 held by a company wholly owned by Dr. Tsang Wah Tak, Kenneth (who retired as an executive Director with effect from the conclusion of the AGM) and the Convertible Bonds in the principal amount of HK\$23,791,000 held by a company wholly owned by Mr. Shiu Shu Ming (who retired as an executive Director with effect from the conclusion of the AGM), at no time during the six months ended 30 June 2023 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies, a party to any arrangement to enable the Directors or chief executives of the Company or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

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

As at 30 June 2023, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

DISCLOSURE OF INTERESTS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Substantial shareholders' long positions in the Shares

| Name of Shareholder | Capacity | Number of Shares held | Total number of Shares held | Approximate% of shareholding of the Company (Note 1) |
|----------------------|--------------------------------------|---------------------------|-----------------------------|------------------------------------------------------|
| China Life Insurance | Beneficial owner | 1,785,098,644 | 1,785,098,644 | 26.35% |
| Broad Idea | Beneficial owner | 1,418,576,764 (Note 2) | 1,418,576,764 | 20.94% |
| Dr. Cho | Interest of a controlled corporation | 1,418,576,764 (Note 2) | 1,418,576,764 | 20.94% |
| Dr. Choi | Interest of a controlled corporation | 1,418,576,764 (Note 2) | 1,420,776,764 | 20.98% |
| | Beneficial owner | 2,200,000 | | |
| Classictime | Beneficial owner | 790,442,000 (Note 3) | 790,442,000 | 11.67% |
| Minerva Group | Interest of a controlled corporation | 790,442,000 (Note 3) | 790,442,000 | 11.67% |

Notes:

1. The total number of Shares as at 30 June 2023 (that was, 6,773,522,452 Shares) has been used for the calculation of the approximate percentage.
2. Such 1,418,576,764 Shares were held by Broad Idea. Broad Idea is beneficially owned by Dr. Cho as to 50.1% and Dr. Choi as to 49.9%. As such, Dr. Cho and Dr. Choi were deemed to be interested in the 1,418,576,764 Shares held by Broad Idea under Part XV of the SFO.
3. Such 790,442,000 Shares were held by Classictime, a wholly-owned subsidiary of Minerva Group. Accordingly, Minerva Group was deemed to be interested in the 790,442,000 Shares held by Classictime under Part XV of the SFO.

DISCLOSURE OF INTERESTS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Save as disclosed above, as at 30 June 2023, the Company has not been notified by any persons (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

During the six months ended 30 June 2023, a subsidiary of the Company repurchased a total of 27,026,000 Shares on the Stock Exchange, with the aggregate consideration paid (before expenses) amounting to HK\$9,887,350 and such Shares were cancelled on 20 January 2023. Particulars of the repurchases of the Shares during the six months ended 30 June 2023 are as follows:

| Date of repurchase | Number of Shares repurchased | Consideration per Share | | Aggregate consideration paid (before expenses) |
|--------------------|------------------------------|-------------------------|----------------|------------------------------------------------|
| | | Highest HK\$ | Lowest HK\$ | HK\$ |
| 4 January 2023 | 15,100,000 | 0.370 | 0.360 | 5,578,750 |
| 5 January 2023 | 11,000,000 | 0.365 | 0.360 | 3,985,000 |
| 9 January 2023 | 926,000 | 0.350 | 0.345 | 323,600 |
| | 27,026,000 | | | 9,887,350 |

Further details of the above Share repurchases are set out in the next day disclosure returns of the Company dated 4 January 2023, 5 January 2023, 9 January 2023 and 20 January 2023.

Save as disclosed above, during the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed Shares.

CORPORATE GOVERNANCE

The Board is committed to maintaining a good corporate governance standard. The Board believes that a good corporate governance standard will provide a framework for the Group to formulate the business strategies and policies, and manage the associated risks through effective internal control procedures. It will also enhance the transparency of the Group and strengthen the accountability to the shareholders and creditors.

AUDITORS

Moore Stephens CPA Limited was the auditors of the Group with effect from 15 February 2018. Moore Stephens CPA Limited was re-appointed as the auditors of the Company in the annual general meetings held on 29 June 2018, 27 June 2019, 29 June 2020, 28 June 2021, 28 June 2022 and 20 June 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2023, the Company has complied with the code provisions as set out in the Corporate Governance Code (“CG Code”) contained in Appendix 14 to the Listing Rules save as disclosed below.

Code provision F.2.2 of the CG Code stipulates that the chairman of the Board should attend the annual general meeting of the Company. Mr. Kong Dechang, the then chairman of the Company, was unable to attend the AGM due to physical discomfort.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors’ securities transactions. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2023.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this interim report, there was a sufficient public float of the Company as required under the Listing Rules.

CORPORATE GOVERNANCE

CHANGES IN DIRECTORS' INFORMATION

Mr. Hou Jun, a non-executive Director, resigned as a non-executive director of Sino-Ocean Group Holding Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 3377), with effect from 26 June 2023.

Save as disclosed above, there was no change in information in respect of the Directors and chief executives of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

As at 30 June 2023, the Audit Committee comprised three independent non-executive Directors, namely Mr. Ho Kwok Wah, George, *MH* as the chairman of the Audit Committee, Mr. Yu Xuezhong and Dr. Xu Weiguo. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters including the review of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2023 and this interim report.

REVIEW OF INTERIM RESULTS

The condensed consolidated financial information for the six months ended 30 June 2023 has not been audited, but has been reviewed by the audit committee of the Board. Moore Stephens CPA Limited, as the Company's auditors, has reviewed the condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

By order of the Board
Town Health International Medical Group Limited
Wong Chi Kit Nelson
Chief Executive Officer and Executive Director

INDEPENDENT AUDITOR'S REVIEW REPORT



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Independent Auditor's Review Report to the Board of Directors of Town Health International Medical Group Limited

(Incorporated in Cayman Islands and continued in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Town Health International Medical Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 72, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" ("HKAS 34"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

INDEPENDENT AUDITOR'S REVIEW REPORT

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements as at 30 June 2023 are not prepared, in all material respects, in accordance with HKAS 34.

Moore Stephens CPA Limited

Certified Public Accountants

Cheung Sai Kit

Practising Certificate Number: P05544

Hong Kong, 25 August 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

| | Notes | Six months ended 30 June | |
|------------------------------------|-------|---------------------------------|---------------------------------|
| | | 2023 (unaudited) HK\$'000 | 2022 (unaudited) HK\$'000 |
| Revenue | 4 | 916,833 | 710,873 |
| Cost of sales | | (674,371) | (522,791) |
| Gross profit | | 242,462 | 188,082 |
| Other income | 6 | 23,124 | 24,583 |
| Administrative expenses | | (196,737) | (188,056) |
| Other gains and losses, net | 7 | 1,219 | 839 |
| Finance costs | 8 | (10,915) | (1,543) |
| Share of results of associates | | 3,399 | (11,243) |
| Share of results of joint ventures | | (4,452) | (3,640) |
| Profit before tax | | 58,100 | 9,022 |
| Income tax expenses | 9 | (19,417) | (15,846) |
| Profit (loss) for the period | 10 | 38,683 | (6,824) |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

| | Note | Six months ended 30 June 2023 (unaudited) HK\$'000 | 2022 (unaudited) HK\$'000 |
|-------------------------------------------------------------------------------------------|------|----------------------------------------------------------------|---------------------------------|
| Other comprehensive expense for the period | | | |
| <i>Items that will not be reclassified to profit or loss:</i> | | | |
| Fair value changes in equity instruments at fair value through other comprehensive income | | (19,685) | (955) |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange difference arising on the translation of foreign operations | | (65,874) | (58,116) |
| Share of other comprehensive income (expense) of an associate and a joint venture | | 2,274 | (498) |
| | | (63,600) | (58,614) |
| | | (83,285) | (59,569) |
| Total comprehensive expense for the period | | (44,602) | (66,393) |
| Profit (loss) for the period attributable to: | | | |
| Owners of the Company | | 21,061 | (25,337) |
| Non-controlling interests | | 17,622 | 18,513 |
| | | 38,683 | (6,824) |
| Total comprehensive income (expense) attributable to: | | | |
| Owners of the Company | | (50,468) | (70,384) |
| Non-controlling interests | | 5,866 | 3,991 |
| | | (44,602) | (66,393) |
| Earnings (loss) per share (HK cent(s)) | | | |
| – Basic and diluted | 12 | 0.31 | (0.34) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

| | | 30 June 2023 (unaudited) HK\$'000 | 31 December 2022 (audited) HK\$'000 |
|------------------------------------------------------------------------|-------|------------------------------------------------------|----------------------------------------------|
| | Notes | | |
| Non-current assets | | | |
| Investment properties | 13 | 525,684 | 528,580 |
| Property, plant and equipment | 13 | 511,127 | 542,857 |
| Right-of-use assets | 13 | 147,666 | 133,103 |
| Loans receivable | 14 | 49,993 | 49,904 |
| Goodwill | 15 | 769,895 | 781,704 |
| Intangible assets | | 406,194 | 417,948 |
| Interests in associates | 16 | 284,686 | 292,190 |
| Interests in joint ventures | | 4,614 | 22,211 |
| Equity instruments at fair value through other comprehensive income | 17 | 49,255 | 27,785 |
| Deferred tax assets | | 2,564 | 2,117 |
| Fixed bank deposits | | 21,608 | 23,436 |
| | | 2,773,286 | 2,821,835 |
| Current assets | | | |
| Inventories | | 58,139 | 57,298 |
| Trade and other receivables | 18 | 531,175 | 509,634 |
| Financial assets at fair value through profit or loss | | 6,155 | – |
| Loans receivable | 14 | 8,372 | 9,069 |
| Promissory notes | | – | – |
| Amounts due from associates | | 1,243 | 1,184 |
| Tax recoverable | | 1,296 | 3,504 |
| Pledged bank deposits | | 161,577 | 148,286 |
| Fixed bank deposits | | 141,339 | 226,931 |
| Bank balances and cash | | 985,990 | 971,939 |
| | | 1,895,286 | 1,927,845 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

| | Notes | 30 June 2023 (unaudited) HK\$'000 | 31 December 2022 (audited) HK\$'000 |
|----------------------------------------------|-------|--------------------------------------------|----------------------------------------------|
| Current liabilities | | | |
| Trade and other payables | 19 | 291,938 | 291,511 |
| Contract liabilities | | 26,067 | 17,256 |
| Amount due to an investee | | 292 | 292 |
| Amounts due to non-controlling interests | | 44,374 | 49,882 |
| Bank borrowings | 20 | 16,015 | 46,719 |
| Lease liabilities | | 68,823 | 63,728 |
| Tax payable | | 23,766 | 24,931 |
| Convertible bonds | 21 | 114,325 | – |
| | | 585,600 | 494,319 |
| Net current assets | | | |
| | | 1,309,686 | 1,433,526 |
| Total assets less current liabilities | | | |
| | | 4,082,972 | 4,255,361 |
| Non-current liabilities | | | |
| Bank borrowings | 20 | 66,163 | 67,177 |
| Lease liabilities | | 90,033 | 83,521 |
| Deferred tax liabilities | | 35,490 | 37,195 |
| Convertible bonds | 21 | 104,394 | 213,878 |
| | | 296,080 | 401,771 |
| | | 3,786,892 | 3,853,590 |
| Capital and reserves | | | |
| Share capital | 22 | 67,735 | 68,364 |
| Reserves | | 3,355,058 | 3,423,052 |
| Equity attributable to owners of the Company | | 3,422,793 | 3,491,416 |
| Non-controlling interests | | 364,099 | 362,174 |
| Total equity | | 3,786,892 | 3,853,590 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

| | Attributable to owners of the Company | | | | | | | | | | | | | Non-controlling interests HK\$'000 | Total HK\$'000 |
|-------------------------------------------------------------------------------------------|---------------------------------------|---------------------------|----------------------------------------|-----------------------------|-----------------------------------|----------------------------|------------------------------------------|---------------------------------------------|----------------------------|---------------------------------------|---------------------------------|---------------------------------|-------------------|---------------------------------------|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Capital redemption reserve HK\$'000 | Capital reserve HK\$'000 | Distributable reserve HK\$'000 | Other reserves HK\$'000 | Property revaluation reserve HK\$'000 | Investment revaluation reserves HK\$'000 | Treasury share HK\$'000 | Convertible bonds reserve HK\$'000 | Translation reserve HK\$'000 | Accumulated profits HK\$'000 | Total HK\$'000 | | |
| At 1 January 2023 (audited) | 68,364 | 3,044,069 | 9,020 | 10,033 | 62,677 | (64,464) | 95,231 | (94,111) | (10,819) | 33,115 | (45,822) | 384,123 | 3,481,416 | 382,174 | 3,853,590 |
| Profit for the period | - | - | - | - | - | - | - | - | - | - | - | 21,061 | 21,061 | 17,622 | 38,683 |
| Exchange difference arising on the translation of foreign operations | - | - | - | - | - | - | - | - | - | - | (54,118) | - | (54,118) | (11,756) | (65,874) |
| Share of other comprehensive income of an associate and a joint venture | - | - | - | - | - | - | - | - | - | - | 2,274 | - | 2,274 | - | 2,274 |
| Fair value changes in equity instruments at fair value through other comprehensive income | - | - | - | - | - | - | - | (19,685) | - | - | - | - | (19,685) | - | (19,685) |
| Other comprehensive expense for the period | - | - | - | - | - | - | - | (19,685) | - | - | (51,844) | - | (71,529) | (11,756) | (83,285) |
| Total comprehensive income (expense) for the period | - | - | - | - | - | - | - | (19,685) | - | - | (51,844) | 21,061 | (50,468) | 5,866 | (44,602) |
| Partial disposal of a subsidiary | - | - | - | - | - | - | - | - | - | - | - | - | - | 432 | 432 |
| Cancellation of ordinary shares | (629) | (20,217) | - | - | - | - | - | - | 20,846 | - | - | - | - | - | - |
| Repurchase of ordinary shares (note 22) | - | - | - | - | - | - | - | - | (10,027) | - | - | - | (10,027) | - | (10,027) |
| Dividends declared | - | - | - | - | - | - | - | - | - | - | - | (8,128) | (8,128) | - | (8,128) |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | - | (4,373) | (4,373) |
| At 30 June 2023 (unaudited) | 67,735 | 3,023,852 | 9,020 | 10,033 | 62,677 | (64,464) | 95,231 | (113,796) | - | 33,115 | (97,666) | 397,056 | 3,422,793 | 364,099 | 3,786,892 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

| | Attributable to owners of the Company | | | | | | | | | | | Non-controlling interests HK\$'000 | Total HK\$'000 |
|-------------------------------------------------------------------------------------------|---------------------------------------|---------------------------|----------------------------------------|-----------------------------|-----------------------------------|----------------------------|------------------------------------------|---------------------------------------------|---------------------------------|---------------------------------|-----------------------|---------------------------------------|----------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Capital redemption reserve HK\$'000 | Capital reserve HK\$'000 | Distributable reserve HK\$'000 | Other reserves HK\$'000 | Property revaluation reserve HK\$'000 | Investment revaluation reserves HK\$'000 | Translation reserve HK\$'000 | Accumulated profits HK\$'000 | Total HK\$'000 | | |
| At 1 January 2022 (audited) (Loss) profit for the period | 75,261 | 3,341,639 | 9,020 | 10,033 | 62,677 | (74,496) | 95,231 | (86,009) | 35,055 | 386,624 (25,337) | 3,855,035 (25,337) | 370,399 18,513 | 4,225,434 (6,824) |
| Exchange difference arising on the translation of foreign operations | - | - | - | - | - | - | - | - | (43,594) | - | (43,594) | (14,522) | (58,116) |
| Share of other comprehensive expense of a joint venture | - | - | - | - | - | - | - | - | (498) | - | (498) | - | (498) |
| Fair value changes in equity instruments at fair value through other comprehensive income | - | - | - | - | - | - | - | (955) | - | - | (955) | - | (955) |
| Other comprehensive expense for the period | - | - | - | - | - | - | - | (955) | (44,092) | - | (45,047) | (14,522) | (59,569) |
| Total comprehensive (expense) income for the period | - | - | - | - | - | - | - | (955) | (44,092) | (25,337) | (70,384) | 3,991 | (66,393) |
| Acquisition of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | (360) | (360) |
| Acquisition of additional interests in subsidiaries | - | - | - | - | - | (8) | - | - | - | - | (8) | (1,007) | (1,015) |
| Dividends declared | - | - | - | - | - | - | - | - | - | (11,289) | (11,289) | - | (11,289) |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | (6,400) | (6,400) |
| At 30 June 2022 (unaudited) | 75,261 | 3,341,639 | 9,020 | 10,033 | 62,677 | (74,504) | 95,231 | (86,964) | (9,037) | 349,998 | 3,773,354 | 366,623 | 4,139,977 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

| | Six months ended | |
|---------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| | 30 June | |
| | 2023 (unaudited) HK\$'000 | 2022 (unaudited) HK\$'000 |
| Net cash generated from operating activities | 76,704 | 11,662 |
| Investing activities | | |
| Interest income received | 14,857 | 12,927 |
| Repayment (advances) of loans receivables | 457 | (44,722) |
| Dividend received from associates | 13,404 | 26,981 |
| Dividend received from financial assets at fair value through other comprehensive income | 1,260 | – |
| Increase in pledged bank deposits | (20,680) | (805) |
| Decrease in fixed bank deposits | 81,048 | 602,283 |
| Acquisition of property, plant and equipment | (3,924) | (23,137) |
| Purchase of financial assets at fair value through profit or loss | – | (15,640) |
| Purchase of financial assets at fair value through other comprehensive income | (41,155) | – |
| Proceeds from disposal of financial assets at fair value through profit or loss | – | 15,790 |
| Proceeds from disposal of property, plant and equipment | 3,002 | 665 |
| Distribution from a joint venture | 6,860 | – |
| Acquisition of subsidiaries | – | (5,199) |
| Investment in a joint venture | – | (12,200) |
| Other cash flows (used in) arising from investing activities | (59) | 3,096 |
| Net cash generated from investing activities | 55,070 | 560,039 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

| | Six months ended 30 June | |
|------------------------------------------------------------------------------------------------|-----------------------------|------------------|
| | 2023 | 2022 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| Financing activities | | |
| Proceed from partial disposal of subsidiaries | 432 | – |
| Dividend paid to non-controlling interests | (4,373) | (6,400) |
| Interest paid | (6,074) | (1,543) |
| Repurchase of ordinary shares | (10,027) | – |
| Repayment to non-controlling interests | (5,508) | – |
| Repayment of bank borrowings | (31,718) | (619) |
| Repayment of lease liabilities | (39,141) | (31,688) |
| Other cash flows used in financing activities | – | (1,265) |
| Net cash used in financing activities | (96,409) | (41,515) |
| Increase in cash and cash equivalents | 35,365 | 530,186 |
| Cash and cash equivalents at the beginning of period | 971,939 | 910,458 |
| Effect of foreign exchange rates changes | (21,314) | (20,757) |
| Cash and cash equivalents at the end of period, representing bank balances and cash | 985,990 | 1,419,887 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. GENERAL

The Company is registered in Bermuda as an exempted company under the laws of Bermuda.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The addresses of the registered office and the principal place of business of the Company are disclosed in the section headed "Corporate Information" of this interim report.

The condensed consolidated financial statements are presented in Hong Kong Dollars ("HK\$"), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA as well as with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The 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 financial statements for the year ended 31 December 2022.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

| | |
|--------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17) | Insurance Contracts |
| Amendments to HKAS 8 | Definition of Accounting Estimates |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to HKAS 12 | International Tax Reform – Pillar Two Model Rules |

The application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements, but is expected to affect the disclosures of the Group's accounting policies in the Group's annual consolidated financial statements for the year ending 31 December 2023.

Amendments to HKFRSs in issue but not yet effective

The Group has not applied the following amendments to HKFRSs, which have been issued but are not yet effective, in these condensed consolidated financial statements:

| | |
|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹ |
| Amendment to HKFRS 36 | Lease Liabilities in a Sale and Leaseback ² |
| Amendments to HKAS 1 | Classification Liabilities as Current or Non-current and Related amendments to Hong Kong Interpretation 5 (2020) ² |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants ² |
| Amendments to HKAS 7 and HKFRS 7 | Supplier Finance Arrangements ² |

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

The Group is assessing the full impact of the amendments to standards and interpretations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

4. REVENUE

Revenue represents the aggregate of the net amounts received and receivable from third parties for the period. There is no seasonality or cyclical of the interim operations of the Group. Disaggregation of revenue from contracts with customers are as follows:

| | Six months ended | |
|-----------------------------------------------------------|-------------------------|-------------|
| | 30 June | |
| | 2023 | 2022 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| Revenue recognised under HKFRS15 | | |
| Hong Kong medical services | | |
| – Medical services | 359,576 | 239,923 |
| – Dental services | 29,757 | 30,294 |
| | 389,333 | 270,217 |
| Hong Kong managed medical network business | 238,105 | 201,972 |
| Mainland hospital management and medical services | 283,378 | 233,613 |
| | 910,816 | 705,802 |
| Revenue recognised under other accounting standard | | |
| Others | | |
| – Rental income | 6,017 | 5,071 |
| Total | 916,833 | 710,873 |
| Revenue recognised under HKFRS15 | | |
| Timing of revenue recognition | | |
| At a point in time | 877,771 | 654,918 |
| Over time | 33,045 | 50,884 |
| | 910,816 | 705,802 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

4. REVENUE (CONTINUED)

Revenue from Hong Kong medical services (including provision of medical and dental services), majority of Hong Kong managed medical network business and Mainland hospital management and medical services (including selling healthcare and pharmaceutical products and provision of medical and dental services) are recognised at a point in time, whereas other sources of revenue from Mainland hospital management and medical services are recognised over time.

5. SEGMENT INFORMATION

The chief operating decision maker, being the chief executive officer (“CEO”), regularly evaluates the current business units of the Group and the locations of the different types of business which are most relevant for the purposes of resources allocation and assessment of segment performance. The Group has identified four reportable and operating segments, namely Hong Kong medical services, Hong Kong managed medical network business, Mainland hospital management and medical services and Others.

Specifically, the Group’s operating and reportable segments are as follows:

| | | |
|---------------------------------------------------|---|----------------------------------------------------------------------------------------------------------------------------------------------------|
| Hong Kong medical services | – | Provision of the medical and dental services in Hong Kong |
| Hong Kong managed medical network business | – | Managing healthcare networks & provision of third party medical network administrator services in Hong Kong |
| Mainland hospital management and medical services | – | Provision of medical and dental services in the People’s Republic of China (“PRC”), provision of hospital management services and related services |
| Others | – | Leasing of properties |

No segment information of assets and liabilities is provided to the CEO for the assessment of performance of different segments. Accordingly, no segment information of assets and liabilities is presented.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

Six months ended 30 June 2023

| | Hong Kong medical services (Unaudited) HK\$'000 | Hong Kong managed medical network business (Unaudited) HK\$'000 | Mainland hospital management and medical services (Unaudited) HK\$'000 | Others (Unaudited) HK\$'000 | Elimination (Unaudited) HK\$'000 | Total (Unaudited) HK\$'000 |
|------------------------------------------------------------------|-------------------------------------------------------------|-----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------------|----------------------------------|
| Revenue | | | | | | |
| External sales | 389,333 | 238,105 | 283,378 | 6,017 | - | 916,833 |
| Inter-segment sales | 19,674 | - | - | - | (19,674) | - |
| | 409,007 | 238,105 | 283,378 | 6,017 | (19,674) | 916,833 |
| Segment results before impairment losses | 34,011 | 18,860 | 20,659 | 22,402 | - | 95,932 |
| Reversal of impairment loss recognised on right-of-use assets | 1,747 | - | - | - | - | 1,747 |
| Impairment loss recognised on interest in a joint venture | - | - | - | (6,062) | - | (6,062) |
| Segment results | 35,758 | 18,860 | 20,659 | 16,340 | - | 91,617 |
| Unallocated finance costs | | | | | | (8,016) |
| Unallocated other income | | | | | | 6,995 |
| Unallocated corporate expenses | | | | | | (32,496) |
| Profit before tax | | | | | | 58,100 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

Six months ended 30 June 2022

| | Hong Kong medical services (Unaudited) HK\$'000 | Hong Kong managed medical network business (Unaudited) HK\$'000 | Mainland hospital management and medical services (Unaudited) HK\$'000 | Others (Unaudited) HK\$'000 | Elimination (Unaudited) HK\$'000 | Total (Unaudited) HK\$'000 |
|-------------------------------------------------------------------------|-------------------------------------------------------------|-----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------------|----------------------------------|
| Revenue | | | | | | |
| External sales | 270,217 | 201,972 | 233,613 | 5,071 | - | 710,873 |
| Inter-segment sales | 17,836 | - | - | - | (17,836) | - |
| | 288,053 | 201,972 | 233,613 | 5,071 | (17,836) | 710,873 |
| Segment results before expected credit loss and impairment losses | 1,158 | 10,637 | 24,416 | (5,391) | - | 30,820 |
| Expected credit loss recognised on other receivables | - | - | (1,016) | - | - | (1,016) |
| Reversal of impairment loss recognised on property, plant and equipment | - | - | - | 2,811 | - | 2,811 |
| Impairment loss recognised on right-of-use assets | (1,333) | - | - | - | - | (1,333) |
| Segment results | (175) | 10,637 | 23,400 | (2,580) | - | 31,282 |
| Unallocated finance costs | | | | | | (154) |
| Unallocated other income | | | | | | 6,093 |
| Unallocated corporate expenses | | | | | | (28,199) |
| Profit before tax | | | | | | 9,022 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

5. SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's revenue from external customers are detailed below:

| | Six months ended 30 June | |
|--------------------------|-----------------------------|-------------------------|
| | 2023 | 2022 |
| | (unaudited) HK\$'000 | (unaudited) HK\$'000 |
| Hong Kong | 633,455 | 477,260 |
| Other regions of the PRC | 283,378 | 233,613 |
| | 916,833 | 710,873 |

6. OTHER INCOME

| | Six months ended 30 June | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-------------------------|
| | 2023 | 2022 |
| | (unaudited) HK\$'000 | (unaudited) HK\$'000 |
| Dividend income from equity instruments at fair value through other comprehensive income – relating to investments held at the end of the reporting period | 1,260 | 903 |
| Interest income | 14,857 | 12,927 |
| Rental income | 2,810 | 1,431 |
| Rent concessions | – | 1,559 |
| Employment Support Scheme income (Note) | – | 5,859 |
| Sundry income | 4,197 | 1,904 |
| | 23,124 | 24,583 |

Note:

During the six months ended 30 June 2022, the Group recognised government grants of approximately HK\$5,859,000 (2023: Nil) in respect of Covid-related subsidies, of which were all relating to the Employment Support Scheme provided by the Hong Kong government under which the Group was required to comply with certain conditions under the scheme. There was no unfulfilled condition or contingency relating to these grants.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

7. OTHER GAINS AND LOSSES, NET

| | Six months ended 30 June | |
|---------------------------------------------------------------------------------|-----------------------------|-------------------------|
| | 2023 | 2022 |
| | (unaudited) HK\$'000 | (unaudited) HK\$'000 |
| Fair value changes on investment properties | (2,896) | 886 |
| Fair value changes on financial assets at fair value through profit or loss | 6,155 | (456) |
| Reversal of impairment loss (impairment loss) recognised on right-of-use assets | 1,747 | (1,333) |
| Impairment loss recognised on interest in a joint venture | (6,062) | – |
| Reversal of impairment loss recognised on property, plant and equipment | – | 2,811 |
| Expected credit loss recognised on other receivables | – | (1,016) |
| Gain (loss) on disposal of and written off of property, plant and equipment | 2,385 | (37) |
| Others | (110) | (16) |
| | 1,219 | 839 |

8. FINANCE COSTS

| | Six months ended 30 June | |
|-------------------------------|-----------------------------|-------------------------|
| | 2023 | 2022 |
| | (unaudited) HK\$'000 | (unaudited) HK\$'000 |
| Interest on bank borrowings | 3,175 | 154 |
| Interest on lease liabilities | 2,899 | 1,389 |
| Interest on convertible bonds | 4,841 | – |
| | 10,915 | 1,543 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

9. INCOME TAX EXPENSES

| | Six months ended 30 June | |
|---------------------------|---------------------------------|---------------------------------|
| | 2023 (unaudited) HK\$'000 | 2022 (unaudited) HK\$'000 |
| Hong Kong Profits Tax | 10,546 | 4,106 |
| PRC Enterprise Income Tax | 10,390 | 12,760 |
| Deferred Tax | (1,519) | (1,020) |
| | 19,417 | 15,846 |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both interim periods.

Under the Law of the PRC on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both interim periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

10. PROFIT (LOSS) FOR THE PERIOD

| | Six months ended 30 June | |
|------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| | 2023 (unaudited) HK\$'000 | 2022 (unaudited) HK\$'000 |
| Profit (loss) for the period has been arrived at after charging (crediting): | | |
| Staff costs | | |
| – Directors' emoluments | 10,270 | 4,162 |
| – Other staff's salaries, bonus and other benefits | 357,081 | 345,831 |
| – Other staff's retirement benefits scheme contributions | 7,205 | 5,728 |
| | 374,556 | 355,721 |
| Amortisation of intangible assets | 5,660 | 5,311 |
| Depreciation of property, plant and equipment | 30,541 | 23,695 |
| Depreciation of right-of-use assets | 38,072 | 30,675 |
| Loss on exchange difference | 931 | 13,305 |
| Covid-related rent concessions | – | (1,559) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

11. DIVIDENDS

During the current interim period, a final dividend of Hong Kong 0.12 cent per Share for the year ended 31 December 2022 was declared to the owners of the Company. The aggregate amount of final dividend declared during the interim period amounted to approximately HK\$8,128,000 (2022: approximately HK\$11,289,000).

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2023 (2022: Nil).

12. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per Share attributable to owners of the Company is based on the following data:

Profit (loss) for the purpose of basic and diluted earnings (loss) per Share

| | Six months ended 30 June | |
|--------------------------------------------------------------------|---------------------------------|---------------------------------|
| | 2023 (unaudited) HK\$'000 | 2022 (unaudited) HK\$'000 |
| Profit (loss) for the period attributable to owners of the Company | 21,061 | (25,337) |

Number of Shares

| | 30 June 2023 (unaudited) | 30 June 2022 (unaudited) |
|--------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|
| Weighted average number of Shares for the purpose of calculating basic and diluted earnings (loss) per Share | 6,774,206,065 | 7,526,134,452 |

The computation of diluted earnings per Share for the six months ended 30 June 2023 does not assume the conversion of the Company's outstanding convertible bonds since their assumed conversion would have anti-dilutive effect. There were no potential Shares in issue for the six months ended 30 June 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES

During the six months ended 30 June 2023, the Group acquired property, plant and equipment of approximately HK\$3,924,000 (2022: approximately HK\$23,137,000).

During the six months ended 30 June 2023, the Group entered into new lease agreements for the use of retail shops and office for average of 2.36 years (2022: 2.58 years). The Group is required to make fixed monthly payments during the contract period. On lease commencement, the Group recognised approximately HK\$52,883,000 of right-of-use assets and approximately HK\$52,883,000 of lease liabilities (2022: approximately HK\$9,418,000 of right-of-use assets and approximately HK\$9,418,000 of lease liabilities).

During the six months ended 30 June 2022, certain lessors of retail stores provided rent concessions to the Group through rent reductions ranging from 4% to 50% over one to six months. These rent concessions occurred as a direct consequence of Covid Pandemic and met all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. During the six months ended 30 June 2022, the effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of approximately HK\$1,559,000 (2023: Nil) were recognised as negative variable lease payments.

The Group's investment properties as at the end of the current interim period were valued by Ascent Partners Valuation Service Limited. The fair value of all investment properties located in Hong Kong was derived using the market comparable approach based on the price per square feet observed in recent market prices and adjusting the observed prices per square feet with certain unobservable inputs including the adjustments in respect of the building age, location, fair market rent and people flows to reflect different locations and conditions. The resulting decrease in fair value of investment properties of approximately HK\$2,896,000 has been recognised directly in profit or loss for the six months ended 30 June 2023 (2022: increase by approximately HK\$886,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES (CONTINUED)

During the six months ended 30 June 2023, the management performed impairment testing of right-of-use assets and property, plant and equipment of certain cash generating units (“CGUs”) which represented medical centres that have been suffering from continuous losses. The recoverable amounts of these assets were higher than carrying amounts of the CGUs. Based on the results of the impairment assessments, reversal of impairment loss of approximately HK\$1,747,000 and no impairment loss (2022: impairment loss of approximately HK\$1,333,000 and reversal of impairment loss of approximately HK\$2,811,000) have been recognised related to right-of-use assets and property, plant and equipment, respectively in the profit or loss during the six months ended 30 June 2023.

14. LOANS RECEIVABLE

| | 30 June 2023 (unaudited) HK\$'000 | 31 December 2022 (audited) HK\$'000 |
|--------------------------------------------|------------------------------------------------------|----------------------------------------------|
| Fixed-rate loans receivable (unsecured) | 50,065 | 50,073 |
| Variable-rate loans receivable (unsecured) | 8,300 | 8,900 |
| | 58,365 | 58,973 |
| Analysed for reporting purpose as: | | |
| Non-current portion | 49,993 | 49,904 |
| Current portion | 8,372 | 9,069 |
| | 58,365 | 58,973 |

Included in the balance, an amount of HK\$45,000,000 (31 December 2022: HK\$45,000,000) represented the loan to an associate, bearing fixed-rate interest of 5% per annum and due for repayment in 4 years; and an amount of RMB3,000,000 (equivalent to HK\$3,241,000) (31 December 2022: RMB3,000,000 (equivalent to HK\$3,392,000)) represented the loan to a joint venture, bearing fixed-rate interest of 4.35% per annum and due for repayment in 4 years.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

15. GOODWILL

During the six months ended 30 June 2023, there was no addition in goodwill (30 June 2022: approximately HK\$2,224,000).

For the purposes of impairment testing, goodwill have been allocated to groups of individual cash generating units (“CGUs”) in 4 (31 December 2022: 4) divisions of the Group, namely, Hong Kong medical services, Hong Kong managed medical network business, Mainland hospital management and medical services and Hong Kong specialist medical services. The carrying amounts of goodwill (net of accumulated impairment losses) as at 30 June 2023 and 31 December 2022 allocated to these units are as follows:

| | 30 June 2023 (unaudited) HK\$'000 | 31 December 2022 (audited) HK\$'000 |
|-----------------------------------------------------------|------------------------------------------------------|----------------------------------------------|
| Hong Kong medical services: | | |
| Town Health Medical & Dental Services Limited | 2,161 | 2,161 |
| Hong Kong Traumatology and Orthopaedics Institute Limited | 3,544 | 3,544 |
| Healthy Base Limited | 2,224 | 2,224 |
| | 7,929 | 7,929 |
| Hong Kong managed medical network business: | | |
| Dr. Vio & Partners Limited | 198,199 | 198,199 |
| Mainland hospital management and medical services: | | |
| Nanyang Xiangrui Hospital Management Advisory Co., Ltd. | 252,695 | 264,504 |
| Hong Kong specialist medical services: | | |
| Central Medical Holdings Limited (“CMHL Group”) | 311,072 | 311,072 |
| | 769,895 | 781,704 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

15. GOODWILL (CONTINUED)

During the six months ended 30 June 2023, as the economic environment was recovering from Covid Pandemic, and the Group experienced from improving operation conditions in Hong Kong as well as the Mainland China, the management determined that there was no indicator showing that the relevant goodwill might be impaired and there was no impairment loss recognised on these CGUs for the six months ended 30 June 2023 and 30 June 2022 accordingly.

16. INTERESTS IN ASSOCIATES

During the six months ended 30 June 2023, the Group had performed an impairment assessment on interests in Auspicious Idea Corporate Development Limited (“Auspicious Idea”) whereby the recoverable amounts of Auspicious Idea were determined based on value in use calculations and certain key assumptions including discount rate and revenue growth rate. The value in use calculations used cash flow projections based on the most recent financial budgets approved by the management of Auspicious Idea covering a five-year period, which were then extrapolated assuming the growth rate of 3% and discounted using a pre-tax discount rate of 14.66%. Following the impairment assessment, no impairment loss was recognised in the profit or loss during the six months ended 30 June 2023.

During the six months ended 30 June 2022, the performance of Auspicious Idea was affected by the Covid Pandemic and the regulation on mandatory closure of beauty parlours imposed by the Hong Kong government. The Group had performed an impairment assessment on interests in Auspicious Idea whereby the recoverable amounts of Auspicious Idea were determined based on value in use calculations and certain key assumptions including discount rate and revenue growth rate. The value in use calculations used cash flow projections based on the most recent financial budgets approved by the management of Auspicious Idea covering a five-year period, which were then extrapolated assuming the growth rate of 2% and discounted using a pre-tax discount rate of 19.4%. Following the impairment assessment, no impairment loss was recognised in the profit or loss during the six months ended 30 June 2022.

17. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | 30 June 2023 (Unaudited) HK\$'000 | 31 December 2022 (Audited) HK\$'000 |
|-----------------------|------------------------------------------------------|----------------------------------------------|
| Unlisted investments: | | |
| Equity securities | 49,255 | 27,785 |

Note:

The above unlisted equity investments represent the Group's interest in private entities established in Hong Kong, Cayman Islands and British Virgin Islands. The directors of the Company have elected to designate these investments in equity instruments as at fair value through other comprehensive income (“FVTOCI”) as they believe that these investments are held for long-term purposes and for realising their performance potential in the long run.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

17. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

The equity instruments at FVTOCI mainly represent investments in ordinary shares of a private company ("Company A") with carrying amount of approximately HK\$41,720,000 as at 30 June 2023 (31 December 2022: Nil) and HCMPS Healthcare Holdings Limited ("HCMPS") with carrying amount of nil as at 30 June 2023 (31 December 2022: approximately HK\$19,614,000). The Group held 6.61% of the issued ordinary share capital of Company A, whose subsidiaries are principally engaged in the provision of telemedicine and clinical solution services in Southeast Asia, and 17.67% of HCMPS, whose subsidiaries are principally engaged in the provision of contracted medical scheme for integrated medical and healthcare check-up services in Hong Kong.

Fair value loss of approximately HK\$19,614,000 (31 December 2022: fair value loss of approximately HK\$5,301,000) of HCMPS was recognised in investment revaluation reserve, based on the management best estimates on the information currently available. Considering the performance of the investment in the past few years and its current operation status, the fair value is estimated to be nil to the best knowledge of the management.

As at 30 June 2023, fair value loss of approximately HK\$19,685,000 (30 June 2022: fair value loss of approximately HK\$955,000) of the above unlisted investments was accounted for in other comprehensive income.

18. TRADE AND OTHER RECEIVABLES

| | 30 June 2023 (unaudited) HK\$'000 | 31 December 2022 (audited) HK\$'000 |
|---------------------------------|------------------------------------------------------|----------------------------------------------|
| Trade receivables | 384,547 | 346,313 |
| Bills receivables | 70,700 | 89,816 |
| | 455,247 | 436,129 |
| Deposits | 42,594 | 44,724 |
| Other receivables | 20,755 | 13,192 |
| Prepayments | 12,579 | 15,550 |
| Amount due from a related party | - | 39 |
| | 531,175 | 509,634 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

The following is an ageing analysis of trade and bills receivables, net of allowance, presented based on the invoice dates, at the end of the reporting period:

| | 30 June 2023 (unaudited) HK\$'000 | 31 December 2022 (audited) HK\$'000 |
|--------------|------------------------------------------------------|----------------------------------------------|
| 0-60 days | 207,492 | 244,171 |
| 61-120 days | 69,063 | 87,844 |
| 121-180 days | 47,673 | 50,545 |
| 181-240 days | 68,806 | 46,865 |
| 241-365 days | 62,213 | 6,704 |
| | 455,247 | 436,129 |

Most of the patients of the medical and dental practices settle in cash. Payments arising from use of medical cards by patients will normally be settled within 180 to 240 days (31 December 2022: 180 to 240 days) while settlement by corporate customers of the Group's managed medical network operation is from 60 to 180 days (31 December 2022: 60 to 180 days). The Group allows an average credit period of 180 to 270 days (31 December 2022: 180 to 270 days) and 60 to 240 days (31 December 2022: 60 to 240 days) to its trade customers under mainland hospital management services and related service and trade customers under other business activities, respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

19. TRADE AND OTHER PAYABLES

| | 30 June 2023 (unaudited) HK\$'000 | 31 December 2022 (audited) HK\$'000 |
|--------------------------------|------------------------------------------------------|----------------------------------------------|
| Trade payables | 153,664 | 153,488 |
| Other payables | 32,455 | 27,773 |
| Deposits received | 5,257 | 4,783 |
| Accruals | 100,562 | 102,369 |
| Amounts due to related parties | – | 3,098 |
| | 291,938 | 291,511 |

The following is an ageing analysis of trade payables presented based on the invoice dates at the end of the reporting period:

| | 30 June 2023 (unaudited) HK\$'000 | 31 December 2022 (audited) HK\$'000 |
|---------------|------------------------------------------------------|----------------------------------------------|
| 0-60 days | 82,762 | 83,675 |
| 61-120 days | 39,874 | 29,118 |
| Over 120 days | 31,028 | 40,695 |
| | 153,664 | 153,488 |

The average credit period on purchase of goods is 60 to 120 days (31 December 2022: 60 to 120 days).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

20. BANK BORROWINGS

| | 30 June 2023 (unaudited) HK\$'000 | 31 December 2022 (audited) HK\$'000 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|----------------------------------------------|
| Secured: | | |
| Revolving loan | – | 30,000 |
| Mortgage loans | 82,178 | 83,896 |
| | 82,178 | 113,896 |
| The bank borrowings are repayable as follows: | | |
| On demand and within one year | 3,484 | 33,740 |
| In more than one year but not more than two years | 3,751 | 3,931 |
| In more than two years but not more than three years | 3,984 | 4,104 |
| In more than three years but not more than four years | 4,230 | 4,276 |
| In more than four years but not more than five years | 4,481 | 4,454 |
| Over five years | 62,248 | 63,391 |
| | 82,178 | 113,896 |
| Less: Amounts due within one year shown under current liabilities | (3,484) | (33,740) |
| Carrying amount of bank borrowing that is not repayable within one year from the end of reporting period but contain a repayment on demand clause (shown under current liabilities) | (12,531) | (12,979) |
| Non-current portion | 66,163 | 67,177 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

20. BANK BORROWINGS (CONTINUED)

As at 30 June 2023 and 31 December 2022, the bank borrowings of the Group carried variable interest rates ranging from Hong Kong Interbank Offered Rate (“HIBOR”) +1.65% per annum to HIBOR +2.25% per annum.

The Group’s mortgage loans are secured by the Group’s leasehold land and building with carrying value of approximately HK\$179,487,000 (31 December 2022: approximately HK\$182,628,000). In addition, mortgage loan with carrying amount of approximately HK\$13,661,000 (31 December 2022: approximately HK\$14,201,000) was also supported by personal guarantee provided by non-controlling interests of the Company’s non-wholly owned subsidiary which will be released upon repayment of the mortgage.

21. CONVERTIBLE BONDS

On 11 July 2022, Speedy Light International Limited, the indirect wholly-owned subsidiary of the Company, (“Speedy Light”) and Hong Kong Medical Consultants Holdings Limited (“HKMCHL”) and the seller guarantors as defined in the share purchase agreement (collectively the “Seller Parties”) entered into a share purchase agreement, pursuant to which Speedy Light agreed to acquire the entire equity interests in CMHL Group at a consideration of HK\$476,000,000, of which HK\$356,000,000 was settled by non-interest bearing convertible bonds (the “CBs”). The initial conversion price was HK\$0.76 per conversion share. The CBs holders have the right to convert the whole or any part of the outstanding principal amount of the CBs into fully-paid ordinary shares of the Company at any time during the period beginning on (and excluding) the issue date and ending on the respective maturity dates. The CB holders shall have the right to request the Company to repay 100% of the outstanding principal amount of the CBs, unless previously converted into Shares or repaid in accordance with the terms and conditions of the CBs by providing written notices to the Company during the redemption period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

21. CONVERTIBLE BONDS (CONTINUED)

The CBs are denominated in HKD and issued by the Company in three tranches as follows:

Tranche A CBs amounted to HK\$120,000,000 with maturity date being 12 months from 26 August 2022, the date of issue of the CB. Redemption period is from and including the date falling 3 months from the issue date of the CBs to and including the date falling 12 months from the issue date of the Tranche A CBs. The Tranche A CBs have been fully redeemed as at 30 June 2023.

Tranche B CBs amounted to HK\$120,000,000 with maturity date being 24 months from 26 August 2022, the date of issue of the CB. Redemption period is from and including the date falling 18 months from the issue date of the CBs to and including the date falling 24 months from the issue date of the Tranche B CBs.

Tranche C CBs amounted to HK\$116,000,000 with maturity date being 36 months from 26 August 2022, the date of issue of the CB. Redemption period is from and including the date falling 36 months from the issue date of the CBs to and including the date falling 12 months after maturity date.

The CBs cannot be redeemed at the option of the Company before the Maturity Dates.

The CBs contains two components, namely liability and equity components. The equity component is presented in equity heading “convertible bonds reserve”. The early redemption option is considered as closely related to the host debt. The effective interest rate of the liability component is 2.83% to 4.89% per annum at the date of initial recognition.

The movement of the CBs for the six months ended 30 June 2023 is set out below:

| | Liability component HK\$'000 | Equity component HK\$'000 | Total HK\$'000 |
|----------------------------------------|------------------------------------|---------------------------------|-------------------|
| Issue of the CBs at fair value | 327,201 | 37,181 | 364,382 |
| Finance cost – interest charge | 6,677 | – | 6,677 |
| Redemption | (120,000) | (4,066) | (124,066) |
| At 31 December 2022 and 1 January 2023 | 213,878 | 33,115 | 246,993 |
| Finance cost – interest charge | 4,841 | – | 4,841 |
| At 30 June 2023 | 218,719 | 33,115 | 251,834 |

The liability component of CBs classified as current liabilities and non-current liabilities amounted to approximately HK\$114,325,000 and approximately HK\$104,394,000, respectively in the condensed consolidated financial statements as at 30 June 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

22. SHARE CAPITAL

| | Numbers of Shares | Amount HK\$'000 |
|---------------------------------------------------------|----------------------------------------------|--------------------|
| Ordinary shares of HK\$0.01 each | | |
| Authorised: | | |
| At 1 January 2022, 31 December 2022 and 30 June 2023 | 30,000,000,000 | 300,000 |
| Issued and fully paid: | | |
| At 1 January 2022, Cancellation of Shares | 7,526,134,452 (689,760,000) | 75,261 (6,897) |
| 31 December 2022 Cancellation of Shares | 6,836,374,452 (62,852,000) | 68,364 (629) |
| At 30 June 2023 | 6,773,522,452 | 67,735 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

22. SHARE CAPITAL (CONTINUED)

Note:

During the six months ended 30 June 2023, a subsidiary of the Company repurchased the Company's own Shares on the Stock Exchange as follows:

| Date of repurchase | Number of Shares repurchased | Consideration per Share | | Aggregate consideration paid (before expenses) HK\$'000 |
|--------------------|------------------------------|-------------------------|-------------|---------------------------------------------------------|
| | | Highest HK\$ | Lowest HK\$ | |
| 2023 | | | | |
| 4 January | 15,100,000 | 0.370 | 0.360 | 5,579 |
| 5 January | 11,000,000 | 0.365 | 0.360 | 3,985 |
| 9 January | 926,000 | 0.350 | 0.345 | 324 |
| | 27,026,000 | | | 9,888 |

During the six months ended 30 June 2023, 27,026,000 Shares were repurchased with aggregate consideration of approximately HK\$10,027,000, including expenses paid amounting to approximately HK\$139,000. These repurchased Shares were cancelled during such period.

During the six months ended 30 June 2023, 35,826,000 treasury shares acquired in 2022 with aggregate consideration paid amounting to approximately HK\$10,819,000 were cancelled.

The above repurchase of the Shares were undertaken by a subsidiary of the Company. No other subsidiaries of the Company purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

23. RELATED PARTY TRANSACTIONS

Significant transactions with related parties

| Name of related party | Nature of transactions | Six months ended 30 June | |
|-----------------------------------------------------------------------------|---------------------------------------------|---------------------------------|---------------------------------|
| | | 2023 (unaudited) HK\$'000 | 2022 (unaudited) HK\$'000 |
| Advance Bond Limited ¹ | Rental income | 460 | 463 |
| China Life Insurance (Overseas) Company Limited ² | Medical related services income | 432 | 300 |
| | Insurance expenses | (459) | (520) |
| China Life Insurance Company Limited ² | Medical related services income | 150 | 382 |
| | Sales of medical consumables | – | 9 |
| | Property management income | 32 | 49 |
| | Insurance expenses | (21) | (42) |
| China Life Insurance Company Limited, Shandong Branch ³ | Repayment of lease liabilities | (1,972) | (2,014) |
| China Life Trustees Limited ² | Retirement benefits scheme contributions | (61) | (36) |
| China Life Property & Casualty Insurance Company Limited ² | Medical services income | 125 | 81 |
| Dr. Edmund Wong Clinic ⁴ | Cost of sales | (4,177) | (3,478) |
| Dr. Kenneth Tsang and Associates Limited ⁵ | Cost of sales | (2,614) | – |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

23. RELATED PARTY TRANSACTIONS (CONTINUED)

| Name of related party | Nature of transactions | Six months ended 30 June | |
|---------------------------------------------------------------------------|----------------------------------------------------------|---------------------------------|---------------------------------|
| | | 2023 (unaudited) HK\$'000 | 2022 (unaudited) HK\$'000 |
| Early Light International (Holdings) Limited ⁶ | Medical services income | 115 | 88 |
| Hong Kong Bariatric and Metabolic Institute Limited ¹ | Management services fee income | 129 | 123 |
| | Repayment of lease liabilities | (192) | (184) |
| Hong Kong Cardiac Center Limited ⁷ | Cost of sales | (1,096) | – |
| Hong Kong Health Check and Medical Diagnostic Centre Limited ¹ | Rental income | 2,609 | 2,722 |
| | Laboratory fee income | – | 7 |
| | Cost of sales | – | (3) |
| | Consultancy fee expense | – | (40) |
| | Cash proceeds from sale of property, plant and equipment | – | 287 |
| My Beauty Company Limited ¹ | Rental income | 923 | 852 |
| My Beauty Salon Company Limited ¹ | Interest income | 1,125 | 224 |
| Prestige Medical Centre (HK) Limited ⁸ | Medical services income | – | 110 |
| | Sales of medical consumables | – | 120 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

23. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

- 1 The related parties are the associates of the Company during the six months ended 30 June 2023 and 2022.
- 2 The related parties are the subsidiaries of China Life Insurance (Group) Company, one of the substantial shareholders of the Company.
- 3 China Life Insurance Company Limited, Shandong Branch is a branch office of China Life Insurance Company Limited.
- 4 Dr. Edmund Wong Clinic is wholly-owned by Dr. Wong Chun Wa, an executive director of the Company.
- 5 Dr. Kenneth Tsang and Associates Limited is owned by Dr. Tsang Wah Tak, Kenneth, a former executive director and a former deputy chairman of the Company, and his spouse in equal shares, Dr. Tsang Wah Tak, Kenneth retired as an executive director and ceased to be a deputy chairman of the Company with effect from the conclusion of the annual general meeting of the Company held on 20 June 2023.
- 6 A substantial shareholder of the Company, Dr. Choi, is one of the key management personnel of Early Light International (Holdings) Limited.
- 7 Hong Kong Cardiac Center Limited is wholly-owned by Dr. Law Kwan Kin, appointed as an executive director of the Company on 28 June 2022 and resigned as an executive director of the Company with effect from 2 March 2023.
- 8 One of the key management personnel of Prestige Medical Centre (HK) Limited is the former chief operating officer of the Company, Dr. Leung Kwok Ling, appointed on 29 June 2020 and resigned as the chief operating officer of the Company in October 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how fair values of these financial assets are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable:

1. Level 1 fair value measurements are those derived from quoted process (unadjusted) in active market for identical assets or liabilities;
2. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
3. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

| Financial assets | Fair value as at | | Fair value hierarchy | Valuation technique | Significant unobservable input(s) | Range (weighted average) | Relationship of unobservable inputs for fair value |
|---------------------------------------------------------------------------|-----------------------------------------|-------------------------------------------|----------------------|-------------------------------|-------------------------------------------------------------|---------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| | 30 June 2023 (unaudited) HK\$'000 | 31 December 2022 (audited) HK\$'000 | | | | | |
| Financial asset at FVTPL – unlisted derivative | 6,155 | – | Level 3 | Binomial Option Pricing Model | Volatility | 68.91% (31 December 2022: N/A) | The increase in volatility would increase in fair value |
| | | | | | Risk-free rate | 4.23% (31 December 2022: N/A) | The increase in risk-free rate would increase in fair value |
| | | | | | Time to maturity | 4.58 years (31 December 2022: N/A) | The increase in time to maturity would increase in fair value |
| | | | | | Dividend yield | 0% (31 December 2022: N/A) | The increase in dividend yield would decrease in fair value |
| Equity instruments at FVTOCI – unlisted equity securities in Hong Kong | 49,255 | 27,785 | Level 3 | Discounted cash flow method | Yearly growth rates of revenue during the projection period | Ranging from 15.00% to 216.62% (31 December 2022: Ranging from 2.46% to 10.75%) | The increase in yearly growth rates of revenue would increase in fair value |
| | | | | | Terminal growth rate | 3.00% (31 December 2022: 2.46%) | The decrease in terminal growth rate would decrease in fair value |
| | | | | | Pre-tax operating profit margin | 10.76% (31 December 2022: 11.87%) | The increase in yearly pre-tax operating profit margin would increase in fair value |
| | | | | | Weighted average cost of capital | 18.38% (31 December 2022: 13.73%) | The increase in weighted average cost of capital would decrease in fair value |
| | | | | | Company specific risk premium | 2.00% (31 December 2022: 2.50%) | The increase in company specific risk premium would decrease in fair value |
| | | | | | Discount rate for lack of control and marketability | Ranging from 14.21% to 21.80% (31 December 2022: Ranging from 10.15% to 15.80%) | The increase in discount rate would decrease in fair value |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

There were no transfers of financial assets between different levels of the fair value hierarchy in the current period and prior year.

The quantitative information of significant unobservable inputs used in arriving at the Level 3 fair value measurement are set out above.

The directors of the Company consider that except for financial assets as disclosed in the above table, the carrying amounts of remaining financial assets and financial liabilities recognised in the condensed consolidated financial statements approximate their fair values.

Reconciliation of Level 3 fair value measurements of financial assets

| | Financial assets at fair value through profit or loss HK\$'000 | Equity instruments at fair value through other comprehensive income HK\$'000 |
|------------------------------------|--------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| At 1 January 2022 (audited) | – | 29,770 |
| Fair value loss | – | (955) |
| At 30 June 2022 (unaudited) | – | 28,815 |
| At 1 January 2023 (audited) | – | 27,785 |
| Purchased during the period | – | 41,155 |
| Fair value gain (loss) | 6,155 | (19,685) |
| At 30 June 2023 (unaudited) | 6,155 | 49,255 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Reconciliation of Level 3 fair value measurements of financial assets

(Continued)

The fair value gain for the six months ended 30 June 2023 of approximately HK\$6,155,000 included in profit or loss related to derivatives held at the end of the reporting period and are reported as changes of “fair value change in financial assets at fair value through profit or loss”.

The fair value loss for the six months ended 30 June 2023 of approximately HK\$19,685,000 (six months ended 30 June 2022: approximately HK\$955,000) included other comprehensive income related to equity instruments at fair value through other comprehensive income held at the end of the reporting period and are reported as changes of “investment revaluation reserves”.

25. EVENTS AFTER REPORTING PERIOD

Subsequent to the end of reporting period, there were changes in Directors’ roles and duties. For details, please refer to the announcements of the Company dated 7 August 2023 and 16 August 2023.

Except for the event described above, until the approval date of these condensed consolidated financial statements of the Company for the six months ended 30 June 2023, there is no significant event after the reporting period that need to be disclosed.

GLOSSARY

| | |
|-----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Acquisition | the acquisition of 100% of the issued share capital of Central Medical by the Buyer from the Seller pursuant to the Share Purchase Agreement |
| AGM | the annual general meeting of the Company held on 20 June 2023 |
| Audit Committee | the audit committee of the Board |
| Board | the board of Directors |
| Broad Idea | Broad Idea International Limited |
| Buyer | Speedy Light International Limited, a company incorporated under the laws of the British Virgin Islands and an indirect wholly-owned subsidiary of the Company |
| Central Medical or Central Medical Holdings Ltd. | Central Medical Holdings Limited, a company incorporated under the laws of the British Virgin Islands |
| Chief Executive Officer | the chief executive officer of the Company |
| China Life Insurance | 中國人壽保險(集團)公司 (in English, for identification purpose only, China Life Insurance (Group) Company) |
| China or PRC or Mainland China | the People's Republic of China excluding, for the purpose of this interim report only, Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan |
| Classictime | Classictime Investments Limited |

GLOSSARY

| | |
|-------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CLG Subscription | the subscription for 1,785,098,644 Shares by China Life Insurance pursuant to an investment agreement dated 5 January 2015 entered into between the Company and China Life Insurance |
| Company | Town Health International Medical Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability whose Shares are listed on the Main Board of the Stock Exchange |
| Conversion Share(s) | new ordinary share(s) of the Company which may fall to be allotted and issued by the Company upon exercise of the Conversion Rights |
| Conversion Rights | the conversion rights attaching to the Convertible Bonds to convert the principal amount or a part thereof into the Conversion Shares |
| Convertible Bonds | the convertible bonds in the aggregate amount of HK\$356,000,000 issued by the Company pursuant to the Share Purchase Agreement |
| Convertible Preference Shares | perpetual non-voting redeemable convertible preference shares of HK\$0.01 each in the share capital of the Company subscribed by Fubon Life, Fubon Insurance and Broad Idea pursuant to the CPS Subscription Agreement |
| Covid | coronavirus 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2 |
| CPS Subscription | the subscription for 212,121,212 Convertible Preference Shares by Fubon Life, 79,545,454 Convertible Preference Shares by Fubon Insurance and 83,333,333 Convertible Preference Shares by Broad Idea, pursuant to the CPS Subscription Agreement |

GLOSSARY

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|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CPS Subscription Agreement | the perpetual non-voting redeemable convertible preference shares subscription agreement dated 31 October 2014 entered into between the Company, Fubon Life, Fubon Insurance and Broad Idea |
| current ratio | total current assets divided by total current liabilities |
| Director(s) | the director(s) of the Company |
| Dr. Cho | Dr. Cho Kwai Chee |
| Dr. Choi | Dr. Choi Chee Ming, <i>GBS, JP</i> |
| Fubon Insurance | Fubon Insurance Co., Ltd. |
| Fubon Life | Fubon Life Insurance Co., Ltd. |
| Ganghe Clinic | 深圳港和診所 (in English, for identification purpose only, Shenzhen Ganghe Clinic) |
| gearing ratio | total bank borrowing divided by equity attributable to owners of the Company |
| Group | the Company and its subsidiaries |
| Guangzhou Integrated Clinic | Guangzhou Integrated Clinic is a clinic under the operation of 廣州宜康醫療管理有限公司 (in English, for identification purpose only, Guangzhou Yikang Medical Management Co., Ltd.) (a company established in the PRC with limited liability and a subsidiary of the Company) in Guangzhou City, Guangdong Province in the PRC |
| HK\$ | Hong Kong dollars, the lawful currency of Hong Kong |
| HKICPA | Hong Kong Institute of Certified Public Accountants |
| Hong Kong | Hong Kong Special Administrative Region of the PRC |

GLOSSARY

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|-------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Hong Kong Medical Consultants | Hong Kong Medical Consultants Limited, a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of the Company |
| Listing Rules | the Rules Governing the Listing of Securities on the Stock Exchange |
| Maturity Dates | in respect of the Tranche B Convertible Bonds: 26 August 2024, which is 24 months from the date of issue of the Convertible Bonds (i.e. 26 August 2022); and in respect of the Tranche C Convertible Bonds: 26 August 2025, which is 36 months from the date of issue of the Convertible Bonds (i.e. 26 August 2022) |
| Minerva Group | Minerva Group Holding Limited (Formerly known as Power Financial Group Limited) |
| Model Code | Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules |
| Nanshi Chinese Medicine Rehabilitation Hospital | 南陽南石康復中醫院有限公司 (in English, for identification purpose only, Nanyang Nanshi Chinese Medicine Rehabilitation Hospital Co., Ltd.), a subsidiary of the Company |
| Nanshi Hospital | 南陽南石醫院 (in English, for identification purpose only, Nanshi Hospital of Nanyang) |
| Nanyang Ruishi Ophthalmology Hospital | 南陽瑞視眼科醫院有限公司 (in English, for identification purpose only, Nanyang Ruishi Ophthalmology Hospital Co., Ltd.), a subsidiary of the Company |
| Nanyang Xiangrui | 南陽祥瑞醫院管理諮詢有限公司 (in English, for identification purpose only, Nanyang Xiangrui Hospital Management Advisory Co., Ltd.), a subsidiary of the Company |
| Nomination Committee | the nomination committee of the Board |

GLOSSARY

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|----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Ordinary Shares Subscription | the subscription of 459,183,673 Shares by Fubon Life, Fubon Insurance and Broad Idea and the allotment and issue of the subscription shares |
| Remuneration Committee | the remuneration committee of the Board |
| RMB | Renminbi, the lawful currency of the PRC |
| Seller | Hong Kong Medical Consultants Holdings Limited, a company incorporated under the laws of the Cayman Islands |
| SFO | Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) |
| Share(s) | ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| Share Purchase Agreement | the share purchase agreement dated 11 July 2022 entered into between the Company, the Buyer, the Seller and the guarantors of the Seller, namely, Central Healthcare Group Limited, Dr. Tsang Wah Tak, Kenneth, Dr. Leung Wing Hung, Dr. Fong Ka Yeung, Mr. Shiu Shu Ming and Dr. Chu Leung Wing in relation to the Acquisition |
| Stock Exchange | The Stock Exchange of Hong Kong Limited |
| TBM | The Beauty Medical |
| Town Health International Health Management Centre | Town Health International Health Management Centre is a health management centre under the operation of 濟南歷康門診部有限公司 (in English, for identification purpose only, Jinan Likang Outpatient Department Co., Ltd.) (a company established in the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company) in Jinan City, Shandong Province in the PRC |



GLOSSARY

US\$

United States dollars, the lawful currency of the United States of America

Vio

Dr. Vio & Partners Limited, a subsidiary of the Company