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C-MER Medical Holdings Limited
希瑪醫療控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3309)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS				
	<i>Note</i>	Six months ended 30 June		Change (%)
		2024	2023	
		HK\$'000	HK\$'000	
		(Unaudited)	(Unaudited)	
Revenue		922,501	950,263	(2.9%)
– Core medical service revenue		922,501	930,845	(0.9%)
– Sale of COVID-19 related medical consumables revenue		–	19,418	(100.0%)
Gross profit		289,125	300,152	(3.7%)
Profit for the period		48,636	37,997	28.0%
Profit for the period attributable to equity holders of the Company		30,763	29,758	3.4%
Non-HKFRS Measures:				
Adjusted profit for the period	1	48,636	31,590	54.0%
Adjusted profit for the period attributable to equity holders of the Company	2	30,763	23,351	31.7%
EBITDA	3	181,813	170,741	6.5%
Adjusted EBITDA	4	181,813	162,630	11.8%
Gross profit margin (%)		31.3%	31.6%	(0.3)pp
Net profit margin (%)		5.3%	4.0%	1.3pp

Notes:

1. We define “adjusted profit for the period” as profit for the period adjusted by the profit after tax of the segment of sales of medical consumables in which we ceased the business in the second half of 2023 due to relaxation of requirements for COVID-19 testing in Hong Kong.
2. We define “adjusted profit for the period attributable to equity holders of the Company” as profit for the period attributable to equity holders of the Company adjusted by the profit after tax attributable to equity holders of the Company of the segment of sales of medical consumables.
3. We define “EBITDA” as earnings before interest, taxes, depreciation and amortisation.
4. We define “adjusted EBITDA” as EBITDA adjusted by the profit before tax of the segment of sales of medical consumables.

The board (the “**Board**”) of directors (the “**Directors**”) of C-MER Medical Holdings Limited (the “**Company**”) is pleased to announce the unaudited interim consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024, together with the comparative figures for the six months ended 30 June 2023, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2024	2023
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	4	922,501	950,263
Cost of revenue	7	(633,376)	(650,111)
Gross profit		289,125	300,152
Other income	5	2,234	4,612
Selling expenses	7	(60,640)	(69,088)
Administrative expenses	7	(159,356)	(178,721)
Other gains/(losses), net	6	2,060	(2,805)
Operating profit		73,423	54,150
Finance income	8	7,463	8,865
Finance costs	8	(12,252)	(9,268)
Finance costs, net		(4,789)	(403)
Share of (losses)/profits of associates and joint venture		(241)	3,426

		Six months ended 30 June	
		2024	2023
<i>Note</i>		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
	Profit before income tax	68,393	57,173
	Income tax expense	(19,757)	(19,176)
	Profit for the period	48,636	37,997
	Profit for the period attributable to:		
	– Equity holders of the Company	30,763	29,758
	– Non-controlling interests	17,873	8,239
		48,636	37,997
	Earnings per share for profit attributable to equity holders of the Company during the period (<i>expressed in HK cents per share</i>)		
	– basic	2.48	2.36
	– diluted	2.48	2.36
	Profit for the period	48,636	37,997
	Other comprehensive income/(loss)		
	<i>Item that will not be reclassified to profit or loss</i>		
	Change in fair value of financial assets at fair value through other comprehensive income	26,338	–
	Currency translation differences	(1,762)	(5,426)
	<i>Item that may be subsequently reclassified to profit or loss</i>		
	Currency translation differences	(32,716)	(50,760)
	Other comprehensive loss for the period	(8,140)	(56,186)
	Total comprehensive income/(loss) for the period	40,496	(18,189)
	Total comprehensive income/(loss) for the period attributable to:		
	– Equity holders of the Company	24,385	(21,002)
	– Non-controlling interests	16,111	2,813
		40,496	(18,189)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at	
	30 June	31 December
	2024	2023
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	419,351	401,515
Investment property	12,172	12,346
Right-of-use assets	616,923	591,301
Intangible assets	785,187	802,184
Interest in associates	17,099	44,814
Interest in a joint venture	47,215	47,848
Financial assets at fair value through other comprehensive income	113,389	83,665
Deferred income tax assets	6,319	6,821
Deposits, prepayments and other receivables	55,968	38,006
	2,073,623	2,028,500
	2,073,623	2,028,500
Current assets		
Inventories	42,286	38,849
Trade receivables	52,956	53,371
Deposits, prepayments and other receivables	64,438	65,420
Amounts due from associates	5,213	5,077
Loan to a non-controlling interest	23,454	–
Financial asset at fair value through profit or loss	13,369	11,748
Short-term deposits	33,737	32,908
Cash and cash equivalents	465,255	512,762
	700,708	720,135
	700,708	720,135
Total assets	2,774,331	2,748,635

		As at	
		30 June 2024	31 December 2023
	<i>Note</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		125,556	125,556
Reserves		1,712,067	1,720,258
		<u>1,837,623</u>	<u>1,845,814</u>
Non-controlling interests		163,383	147,472
Total equity		<u>2,001,006</u>	<u>1,993,286</u>
LIABILITIES			
Non-current liabilities			
Other payables		56,602	53,343
Loans from non-controlling interests		12,071	13,800
Lease liabilities		277,911	232,657
Deferred income tax liabilities		64,485	66,224
		<u>411,069</u>	<u>366,024</u>
Current liabilities			
Trade payables	13	52,269	54,916
Accruals and other payables		111,939	136,386
Contract liabilities		54,457	54,189
Borrowings		1,247	1,725
Amounts due to non-controlling interests		4,845	3,331
Loan from a non-controlling interest		7,554	7,612
Current income tax liabilities		27,496	23,970
Lease liabilities		102,449	107,196
		<u>362,256</u>	<u>389,325</u>
Total liabilities		<u>773,325</u>	<u>755,349</u>
Total equity and liabilities		<u>2,774,331</u>	<u>2,748,635</u>

NOTES

1 GENERAL INFORMATION

C-MER Medical Holdings Limited (formerly known as C-MER Eye Care Holdings Limited) (the “**Company**”) was incorporated in the Cayman Islands on 1 February 2016 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company and together with its subsidiaries (the “**Group**”) are principally engaged in the provision of ophthalmic, dental and other medical services, sales of vision aid products and sales of medical consumables in Hong Kong (“**HK**”) and Mainland China. The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 15 January 2018.

This interim condensed consolidated financial information is presented in Hong Kong Dollar (“**HK\$**”) and all values are rounded to nearest thousand (HK\$’000) except when otherwise indicated.

This interim condensed consolidated financial information has not been audited.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information of the Group for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

This interim condensed consolidated financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, this interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those as described in the annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

The following new and amended standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2024:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The adoption of the amendments listed above did not have material impact on the Group’s accounting policies and financial statements.

(b) New and amended standards not yet adopted

The following new and amended standards which have been issued, but are effective for the financial year beginning on or after 1 January 2025 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKSA 21 and HKFRS 1	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Hong Kong Interpretation 5 (Revised)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Management is in the process of assessing the financial impact of the above new and amended standards but is not in position to state whether they will result in substantial changes to the Group's significant accounting policies and the presentation of its financial statements.

4 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Provision of ophthalmic services	586,873	630,240
Provision of dental services	246,400	192,521
Provision of other medical services	15,052	27,602
Sales of vision aid products	74,176	80,482
Sales of medical consumables	–	19,418
	922,501	950,263

During the six months ended 30 June 2024, the timing of revenue recognition was mainly at a point in time (2023: same).

(b) Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The chief operating decision-maker is identified as the executive directors of the Company. The executive directors consider the business from a client perspective and assess the performance of the operating segments based on segment revenue and segment results for the purposes of allocating resources and assessing performance. These reports are prepared on the same basis as this interim condensed consolidated financial information.

The reportable segment of the Group is a component that is engaged either in providing a particular type of service or goods, or in providing services or goods within a particular geographical region.

Since 1 January 2024, in view of more diversified businesses operated by the Group, the chief operating decision-maker assessed the performance of the Group by reviewing the results of five reportable segments, namely HK medical business, sales of medical consumables, Mainland China ophthalmic business, Mainland China dental business and Mainland China other business as follows:

- (i) HK medical business – provision of ophthalmic, dental, oncology, medical aesthetics and other services and sales of vision aid products in Hong Kong
- (ii) Sales of medical consumables – sales of medical consumables in Hong Kong
- (iii) Mainland China ophthalmic business – provision of ophthalmic services and sales of vision aid products in Mainland China
- (iv) Mainland China dental business – provision of dental services in Mainland China
- (v) Mainland China other business – provision of medical research and other medical services in Mainland China

Such a change is to align with the updated internal management and reporting structure. The segment information of the comparative period has been restated to conform to the current period categorisation and presentation.

Capital expenditure comprises additions to property, plant and equipment, right-of-use assets and intangible assets.

Other income, other gains/(losses), net, finance costs, net, and income tax expense are not included in segment results.

The segment results for the six months ended 30 June 2024 are as follows:

	(Unaudited)				
	Six months ended 30 June 2024				
	HK medical business HK\$'000	Mainland China ophthalmic business HK\$'000	Mainland China dental business HK\$'000	Mainland China other business HK\$'000	Total HK\$'000
Segment revenue	427,052	270,761	224,688	–	922,501
Gross profit	113,166	89,660	86,299	–	289,125
Selling expenses	(9,953)	(37,646)	(13,041)	–	(60,640)
Administrative expenses	(57,051)	(74,968)	(19,185)	(8,152)	(159,356)
Share of losses of associates and joint venture	(241)	–	–	–	(241)
Segment results	45,921	(22,954)	54,073	(8,152)	68,888
Other income					2,234
Other gains, net					2,060
Finance costs, net					(4,789)
Profit before income tax					68,393
Income tax expense					(19,757)
Profit for the period					<u>48,636</u>
Other segment information					
Additions to non-current assets	43,958	4,235	38,426	101,660	188,279
Depreciation and amortisation	(38,035)	(48,123)	(15,766)	(6,707)	(108,631)
Gains/(losses) on disposal of property, plant and equipment, net	277	(491)	(72)	–	(286)
Gains on early termination of lease	12	54	1,744	–	1,810
Losses on disposal of intangible assets	–	(11)	–	–	(11)

The segment results for the six months ended 30 June 2023 are as follows:

	(Unaudited) (Restated)					Total HK\$'000
	Six months ended 30 June 2023					
	HK medical business HK\$'000	Sales of medical consumables HK\$'000	Mainland China ophthalmic business HK\$'000	Mainland China dental business HK\$'000	Mainland China other business HK\$'000	
Segment revenue	469,458	19,418	292,772	168,615	–	950,263
Gross profit	126,397	8,114	103,452	62,189	–	300,152
Selling expenses	(8,644)	–	(52,108)	(8,336)	–	(69,088)
Administrative expenses	(61,663)	(431)	(88,688)	(23,993)	(3,946)	(178,721)
Share of profits of associates	3,426	–	–	–	–	3,426
Segment results	59,516	7,683	(37,344)	29,860	(3,946)	55,769
Other income						4,612
Other losses, net						(2,805)
Finance costs, net						(403)
Profit before income tax						57,173
Income tax expense						(19,176)
Profit for the period						<u>37,997</u>
Other segment information						
Additions to non- current assets	23,539	–	20,147	16,476	25,323	85,485
Depreciation and amortisation	(38,359)	(428)	(56,994)	(13,908)	(3,476)	(113,165)
Gains on disposal of property, plant and equipment, net	–	–	218	23	–	241
Losses on early termination of lease	(820)	–	–	–	–	(820)

During the six months ended 30 June 2024, there was no single external customer with revenue over 10% of the Group's total revenue (six months ended 30 June 2023: same).

No analysis of segment assets and liabilities is presented as they are not regularly provided to the executive directors.

5 OTHER INCOME

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Management fee income	1,045	3,044
Rental income	207	205
Rent concessions	–	308
Government grants (<i>Note</i>)	225	899
Others	757	156
	<u>2,234</u>	<u>4,612</u>

Note: There are no unfulfilled conditions or other contingencies attaching to these grants. The Group did not benefit directly from any other forms of government assistance.

6 OTHER GAINS/(LOSSES), NET

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Losses)/gains on disposal of property, plant and equipment, net	(286)	241
Gains/(losses) on early termination of lease	1,810	(820)
Losses on disposal of intangible assets	(11)	–
Fair value gains/(losses) on a financial asset at fair value through profit or loss	1,621	(1,519)
Losses on written-off of non-current assets	(1,421)	–
Losses on written-off of trade receivables	(14)	–
Exchange gains/(losses), net	361	(707)
	<u>2,060</u>	<u>(2,805)</u>

7 EXPENSES BY NATURE

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Amortisation of intangible assets	682	800
Auditor's remuneration		
– Audit services	1,130	1,140
– Non-audit services	48	53
Depreciation of property, plant and equipment	36,549	39,556
Depreciation of investment property	164	171
Depreciation of right-of-use assets	71,236	72,638
Doctors' consultation fees	187,570	199,168
Cost of inventories and consumables	168,684	202,317
Employee benefit expenses	271,387	250,122
Expenses relating to short-term leases	7,353	7,145
Legal and professional fees	2,366	1,790
Share-based payment expenses to doctors and consultants	114	2
Office supplies	924	1,305
Bank service charges	7,421	6,522
Promotion expenses	59,957	68,344
Repair and maintenance fees	6,394	5,762
Others	31,393	41,085
	<u>853,372</u>	<u>897,920</u>
Total cost of revenue, selling and administrative expenses	<u>853,372</u>	<u>897,920</u>

8 FINANCE COSTS, NET

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Finance income		
Bank interest income	6,944	8,865
Interest income on loan to a non-controlling interest	519	–
	<u>7,463</u>	<u>8,865</u>
Finance costs		
Interest expense on lease liabilities	(10,542)	(8,810)
Interest expense on loan from a non-controlling interest	(186)	(202)
Interest expense on bank loans	(27)	(256)
Interest expense on consideration payable for investment in a joint venture	(487)	–
Imputed interest expense on consideration payable for investment in a joint venture	(1,010)	–
	<u>(12,252)</u>	<u>(9,268)</u>
Finance costs, net	<u>(4,789)</u>	<u>(403)</u>

9 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2023: 16.5%) on the estimated assessable profits for the period.

The applicable tax rate for the subsidiaries in Mainland China of the Group is 25% (six months ended 30 June 2023: 25%) for the period.

The amount of taxation charged to the interim condensed consolidated statement of comprehensive income represents:

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Current income tax		
– Hong Kong profits tax	12,055	11,946
– China enterprise income tax	7,816	5,761
(Over)/under-provision in prior years	(615)	62
Deferred income tax	501	1,407
Income tax expense	<u>19,757</u>	<u>19,176</u>

10 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue excluding treasury shares.

	Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Profit attributable to equity holders of the Company during the period (HK\$'000)	<u>30,763</u>	<u>29,758</u>
Weighted average number of ordinary shares in issue	<u>1,239,070,639</u>	<u>1,258,860,726</u>
Basic earnings per share (HK cents)	<u>2.48</u>	<u>2.36</u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

As at 30 June 2024, 200,000 (30 June 2023: 4,195,000) post-IPO share options outstanding are not included in the calculation of diluted earnings per share because they are antidilutive for the period.

11 DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

12 TRADE RECEIVABLES

The trade receivables are due when services are rendered and goods are sold. The ageing analysis of the trade receivables based on due date and invoice date was as follows:

	As at	
	30 June 2024 <i>HK\$'000</i> (Unaudited)	31 December 2023 <i>HK\$'000</i> (Audited)
0 – 90 days	30,748	31,947
91 – 180 days	6,758	9,376
Over 180 days	15,450	12,048
	<u>52,956</u>	<u>53,371</u>

13 TRADE PAYABLES

Trade payables, based on invoice date, were aged as follows:

	As at	
	30 June 2024 <i>HK\$'000</i> (Unaudited)	31 December 2023 <i>HK\$'000</i> (Audited)
0 – 30 days	41,632	32,841
31 – 60 days	5,247	11,211
61 – 90 days	2,488	4,318
Over 90 days	2,902	6,546
	<u>52,269</u>	<u>54,916</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

As a result of the improvement of the quality of the overall business operations and better cost control, the Group's profitability improved in for the six months ended 30 June 2024 ("1H2024"). Excluding the profit from the sales of medical consumables segment, the profit for the period attributable to equity holders of the Company from our core medical service increased by 31.7% to HK\$30.8 million in 1H2024 as compared to HK\$23.4 million for the same period last year. Profit for the period attributable to equity holders of the Company increased by 3.4% to HK\$30.8 million in 1H2024 as compared to HK\$29.8 million for the same period last year.

Compared with the same period last year, our core medical service revenue (comprising the provision of ophthalmic services, the provision of dental and other medical services and the sales of vision aid products) decreased slightly by 0.9% to HK\$922.5 million in 1H2024 from HK\$930.8 million for the same period last year. The slight decrease in revenue is the combined result of the decrease in the revenue generated from the ophthalmic services in both Hong Kong and Mainland China due to the negative market sentiment and the economic uncertainties, and the increase in revenue generated from the dental services in Shenzhen under the brand "Shenzhen CKJ" driven by the trend of cross-border consumption by Hong Kong citizens in Shenzhen.

The Group has been closely monitoring the market condition and adjusting its business strategies to prioritize our core business segments, while effectively managing the operational costs. In addition, the Group also prudently manages its working capital to ensure a healthy balance sheet.

On 28 May 2024, the Company completed its name change to C-MER Medical Holdings Limited, and the dual foreign name in Chinese of the Company has been changed to 希瑪醫療控股有限公司. The Board considers that the new English and Chinese names of the Company will be able to promote the Group's corporate image and better reflect the Group's positioning in providing comprehensive medical services.

Our operations in Hong Kong

Under the brand of “C-MER Dennis Lam (希瑪林順潮)”, we offer ophthalmic services of international calibre in treating a wide range of eye problems, ranging from common to rare and complex eye problems. In addition, the Group operated (i) Champion Eye Centre Limited (“**Champion Eye**”) (嘉賓眼科中心有限公司), which has over 20 years of history for offering ophthalmic services in Hong Kong; and (ii) The Optometry (OPT) Centre Limited (“**OPT**”), an optometry group to offer services in Hong Kong in the areas of myopia control, optometry assessments and spectacles and contact lens prescriptions in Hong Kong. In total, the ophthalmic and related services network mainly included our five day surgery centres, thirteen clinics, and eight optometry centres.

Since 2021, we started our dental, oncology and other medical services business in Hong Kong which included six dental clinics, two general practice clinics and an oncology centre as at 30 June 2024. Further, we started our clinical research business in July 2022, which may bring us opportunities for collaboration with different biotech companies for, among other things, research and clinical work.

In addition, the Group was a distributor of COVID-19 related medical consumables in Hong Kong in prior years. The revenue from the sales of COVID-19 related medical consumables decreased to zero in 1H2024 from HK\$19.4 million of the same period last year due to the relaxation of requirements for COVID-19 testing in Hong Kong and the Group ceased to distribute the relevant products in the second half of 2023.

Our operations in Mainland China

In Mainland China, our ophthalmic service network included ten eye hospitals in Shenzhen (Futian and Baoan), Beijing, Shanghai, Guangzhou, Zhuhai, Kunming, Huizhou, Jieyang, Foshan, an eye clinic in Shenzhen (Nanshan) and our two eye clinics in Shanghai mainly under the brand of “C-MER Dennis Lam (希瑪林順潮)”. In the meantime, we continued to optimize the organizational structure and implement refined management in our operations.

In February 2022, we completed our investment of 61.5% equity interest of Shenzhen C-MER Aikangjian Dental Group Co., Ltd. (previously known as Shenzhen Aikangjian Group Co., Ltd.) (深圳市希瑪愛康健口腔集團有限公司, previously known as 深圳市愛康健齒科集團股份有限公司) (“**Shenzhen CKJ**”), which became a non-wholly owned subsidiary of the Company. Shenzhen CKJ has a dental hospital and 11 dental clinics in Shenzhen as of 30 June 2024. Benefitting from the robust demand for quality dental services and the trend of cross-border consumption by Hong Kong citizens in Shenzhen, the business of Shenzhen CKJ experienced significant growth by 33.3% in 1H2024 to HK\$224.7 million from HK\$168.6 million in the same period last year. The depreciation of Renminbi (“**RMB**”) has affected our revenue growth when reporting in Hong Kong dollar terms. In RMB terms, our revenue of Shenzhen CKJ increased by 38.7% in 1H2024 as compared with the same period last year.

Shenzhen CKJ continues to expand at Luohu and Futian ports, including a new dental hospital at Futian port, which is only 200 meters away from the port. This will provide a strong momentum for the future development of Shenzhen CKJ.

As part of Cross-boundary Medical Collaboration under 2023 Policy Address of the Hong Kong Special Administrative Region Government (the “**HK Government**”), and as announced by the HK Government on 19 February 2024, our Shenzhen C.K.J Stomatological Hospital (深圳愛康健口腔醫院) (the “**Shenzhen CKJ Hospital**”) has been selected under the “Elderly Health Care Voucher Greater Bay Area Pilot Scheme” (the “**Pilot Scheme**”) as one of the seven medical institutions and the only dental hospital in the Pilot Scheme in the Guangdong-Hong Kong-Macau Greater Bay Area as trial service points where the elderly health care vouchers may be used to cover the dental services provided, and the elderly health care vouchers was ready for use on 14 August 2024.

The Elderly Health Care Voucher Scheme (“**HCVS**”) is a government initiative aimed at subsidizing the use of private primary healthcare services by elderly individuals in Hong Kong. Through the HCVS, eligible elderly persons are provided with an annual voucher amount of HK\$2,000, with a cumulative limit of HK\$8,000. These vouchers can be used to access a range of healthcare services, including preventive and curative care, provided by registered medical practitioners, Chinese medicine practitioners, dentists, etc. With nearly 1.56 million elderly individuals (approximately 97% of the eligible elder population) having utilized the services offered under HCVS as of the end of May 2023, and the considerable expenditure of HCVS in fiscal year of Hong Kong (HK\$2.5547 billion in fiscal year 2021–22, HK\$2.7859 billion in fiscal year 2022–23 and the projected expenditure of HK\$3.7699 billion in fiscal year 2023–24), it is expected that Shenzhen CKJ Hospital will be able to greatly benefit from the Pilot Scheme.

On 5 February 2024, the Company entered into a strategic agreement with Shenzhen Luohu District Government (深圳羅湖區政府) in relation to the construction of a “Hong Kong-style” private hospital near Shenzhen’s Luohu port (羅湖口岸港式口岸醫院建設簽署戰略合作協議). It is expected that this hospital, which is within a five-minute walk from the Luohu border land crossing, will become the first port hospital adopting Hong Kong-style medical services, bringing Hong Kong’s healthcare management systems, medical technologies and healthcare services serving residents of both Shenzhen and Hong Kong. The hospital will have departments including dentistry, ophthalmology, medical imaging, health check-ups, gynecology, traditional Chinese medicine, internal medicine, surgery and urology and the Group intends to introduce more departments in subsequent phases. The hospital will operate within a seven-storey building, having a gross floor area of over 10,000 sq. m. and is expected to commence operation by the end of 2024.

Revenue Overview

The total revenue in 1H2024 amounted to HK\$922.5 million (six months ended 30 June 2023: HK\$950.3 million), representing a slight decrease of 2.9% from the corresponding period in 2023, due to (i) decrease in the core medical service revenue (comprising of provision of ophthalmic services, provision of dental and other medical services and sales of vision aid products) by 0.9% to HK\$922.5 million in 1H2024 from HK\$930.8 million for the same period last year, and the (ii) reduction in revenue generated from sale of COVID-19 related medical consumables to zero in 1H2024 from HK\$19.4 million for the same period last year.

The following table sets forth a breakdown of our revenue by segment for the periods indicated as a percentage of total revenue:

	Six months ended 30 June					
	2024		2023		Change	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
HK medical business	427,052	46.2	469,458	49.5	(42,406)	(9.0)
Mainland China ophthalmic business	270,761	29.4	292,772	30.8	(22,011)	(7.5)
Mainland China dental business	224,688	24.4	168,615	17.7	56,073	33.3
Sales of medical consumables	-	-	19,418	2.0	(19,418)	(100.0)
	922,501	100.0	950,263	100.0	(27,762)	(2.9)

In Hong Kong, our operations consist of the provision of medical services (comprising of provision of ophthalmic services, provision of dental and other medical services) and the related businesses (including the sales of vision aid products), and the distribution of COVID-19 related medical consumables. With a more cautious spending trend in Hong Kong, our revenue from medical business derived from our operation in Hong Kong decreased by 9.0% to HK\$427.1 million (six months ended 30 June 2023: HK\$469.5 million), which mainly included revenue from our ophthalmic business in Hong Kong (including ophthalmic services and sales of vision aid products in Hong Kong), which decreased by 6.6% to HK\$390.3 million during 1H2024 (six months ended 30 June 2023: HK\$417.9 million). The revenue from the sales of COVID-19 related medical consumables decreased to zero during 1H2024 from HK\$19.4 million as compared with the same period last year due to relaxation of requirements for COVID-19 testing in Hong Kong and the Group ceased to distribute the relevant products in the second half of 2023.

Our revenue in the Mainland China was mainly derived from our provision of ophthalmic services and dental services, and we recorded an increase of 7.4% in 1H2024 to HK\$495.4 million from HK\$461.4 million as compared with the same period last year. In RMB terms, the revenue increased by 11.8%.

We provided our ophthalmic services in Mainland China in our eye hospitals, eye centres and clinics. The following table sets forth a breakdown of our revenue of ophthalmic services by location for the periods indicated with changes in HK\$ and RMB terms.

Location (Date of commencement of operations)	Six months ended		Change (%)	
	30 June		in HK\$ terms	in RMB terms
	2024	2023		
	HK\$'000	HK\$'000		
Shenzhen (March 2013)	123,892	136,952	(9.5)	(5.8)
Beijing (January 2018)	46,581	48,860	(4.7)	(0.7)
Kunming (June 2019)	33,786	34,909	(3.2)	0.8
Shanghai (November 2019)	21,519	26,759	(19.6)	(16.3)
Zhuhai (December 2020)	20,917	20,707	1.0	5.2
Guangzhou (April 2022)	11,651	10,820	7.7	12.1
Huizhou (March 2021)	6,125	6,513	(6.0)	(2.1)
Jieyang (August 2022)	4,512	3,524	28.0	33.3
Foshan (August 2023)	1,778	–	N/A	N/A
Fuzhou (March 2022)	–	3,728	(100.0)	(100.0)
	270,761	292,772	(7.5)	(3.7)

In Mainland China, local consumer spending remained subdued, which mainly impacted our revenue from the refractive surgeries. The revenue from our ophthalmic services in Mainland China decreased by 7.5% in 1H2024 to HK\$270.8 million from HK\$292.8 million as compared with the same period last year. In RMB terms, the revenue decreased by 3.7%.

We provided our dental services in Mainland China in the dental hospital and clinics in Shenzhen under Shenzhen CKJ during 1H2024. Following the trend of cross-border consumption by Hong Kong citizens in Shenzhen, the growth was very strong and the revenue of Shenzhen CKJ soared by 33.3% to HK\$224.7 million in 1H2024 from HK\$168.6 million in the same period of last year.

FINANCIAL REVIEW

Revenue

We are an ophthalmic, dental and other medical service provider in Hong Kong and Mainland China. Our ophthalmologists/physicians are specialised in the fields of cataract, glaucoma, strabismus and refractive surgeries and external eye diseases. Our dentists have expertise and qualifications across a wide range of specialty areas, covering general dentistry, orthodontics and implantology. Our revenue is derived from our fees charged to our clients on consultations, procedures, surgeries and other medical services as well as the sales of vision aid products, including glasses and lens, and medical consumables. The following table sets forth a breakdown of our revenue for the periods indicated as a percentage of total revenue:

	Six months ended 30 June					
	2024		2023		Change	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Provision of ophthalmic services	586,873	63.7	630,240	66.3	(43,367)	(6.9)
Provision of dental services	246,400	26.7	192,521	20.3	53,879	28.0
Provision of other medical services	15,052	1.6	27,602	2.9	(12,550)	(45.5)
Sales of vision aid products	74,176	8.0	80,482	8.5	(6,306)	(7.8)
Sales of medical consumables	-	-	19,418	2.0	(19,418)	(100.0)
	<u>922,501</u>	<u>100.0</u>	<u>950,263</u>	<u>100.0</u>	<u>(27,762)</u>	<u>(2.9)</u>

Our total revenue in 1H2024 recorded a slight decrease of 2.9% as compared with our total revenue of the same period last year. The decrease was primarily driven by (i) the decrease in the revenue generated from the provision of ophthalmic services to HK\$586.9 million in 1H2024 from HK\$630.2 million of the same period last year, representing a decrease of 6.9%, which was primarily attributable to the decrease in the number of surgeries performed by us in Hong Kong and the decrease in the average surgery fee in Mainland China, (ii) the absence of revenue generated from the sales of medical consumables in 1H2024 compared to HK\$19.4 million of the same period last year, and is partially offset by (iii) the increase in the revenue generated from the provision of dental services to HK\$246.4 million in 1H2024 from HK\$192.5 million of the same period last year, representing an increase of 28.0%, which was primarily attributable to trend of cross-border consumption by Hong Kong citizens in Shenzhen for dental services leading to the significant growth in business volume for Shenzhen CKJ.

The following table sets forth our revenue according to geographical markets as a percentage of total revenue:

	Six months ended 30 June					
	2024		2023		Change	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Hong Kong	427,052	46.3	488,876	51.4	(61,824)	(12.6)
Mainland China	495,449	53.7	461,387	48.6	34,062	7.4
	922,501	100.0	950,263	100.0	(27,762)	(2.9)

The revenue generated by our business operations in Hong Kong accounted for 46.3% of our total revenue. As a percentage of our total revenue, revenue from Hong Kong decreased from 51.4% for the six months ended 30 June 2023 to 46.3% for 1H2024 mainly due to the decrease in our revenue in Hong Kong and the faster growth in revenue from our dental services in Mainland China.

As a percentage of our total revenue, revenue from Mainland China increased to 53.7% for 1H2024 from 48.6% for 1H2023, due to the growth of revenue from our dental services in Mainland China by 33.3%.

Provision of ophthalmic services

Our revenue generated from the provision of ophthalmic services may be broadly divided into two categories, namely (1) consultation and other medical service fees, and (2) surgery fees. The following table sets forth our revenue by categories for the periods indicated as a percentage of total revenue generated from the provision of ophthalmic services:

	Six months ended 30 June					
	2024		2023		Change	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Consultation and other medical service fees						
– Hong Kong	153,592	26.2	165,304	26.2	(11,712)	(7.1)
– Mainland China	73,685	12.5	53,280	8.5	20,405	38.3
	227,277	38.7	218,584	34.7	8,693	4.0
Surgery fees						
– Hong Kong	219,760	37.5	235,587	37.4	(15,827)	(6.7)
– Mainland China	139,836	23.8	176,069	27.9	(36,233)	(20.6)
	359,596	61.3	411,656	65.3	(52,060)	(12.6)
	586,873	100.0	630,240	100.0	(43,367)	(6.9)

The ophthalmic services provided by us included surgeries for the treatment of not only cataract, glaucoma and strabismus, but also eye diseases, including corneal and vitreoretinal diseases. Generally speaking, ophthalmic services are outpatient or day care procedures, performed under local anaesthesia. Hence, unlike other hospitals, clinics or nursing homes, we are not constrained by bed capacity and do not focus on providing large inpatient facilities at our eye centres, hospitals or clinics.

Our revenue generated from our eye hospitals, eye centres, eye clinics and optometry centres can be broadly divided into different categories, namely (1) consultation, examination, laser procedures and other procedures, (2) refractive surgeries, (3) cataract surgeries, (4) other surgeries and (5) sales of vision aid products which included our optometry services, and these categories accounted for 34.4%, 23.1%, 19.5%, 11.7% and 11.2% (30 June 2023: 31.5%, 26.9%, 18.9%, 13.6% and 9.1%), respectively, as a percentage of the total revenue for the Group derived from our ophthalmic business during the 1H2024.

The following table sets forth the total surgery fees, the total number of surgeries performed by us and the average fee per surgery for the periods indicated:

	Six months ended 30 June		Change %
	2024	2023	
For Hong Kong			
Total surgery fee (<i>in HK\$'000</i>)	219,760	235,587	(6.7)
Number of surgeries performed by us	7,646	8,360	(8.5)
Average surgery fee (<i>HK\$</i>)	28,742	28,180	2.0
For Mainland China			
Total surgery fee (<i>in HK\$'000</i>)	139,836	176,069	(20.6)
Number of surgeries performed by us	12,894	12,686	1.6
Average surgery fee (<i>HK\$</i>)	10,845	13,879	(21.9)

In Hong Kong, the average surgery fee increased by 2.0% due to change of surgery mix. The surgery volume decreased by 8.5% to 7,646 during 1H2024 as a result of the decrease in number of refractive surgeries performed, while the number of surgeries performed for eye diseases remained stable.

In Mainland China, the average surgery fee in Hong Kong dollar terms decreased by 21.9% due to the downward price adjustment in response to the market conditions and the depreciation of RMB against Hong Kong dollar during 1H2024. In RMB terms, the average surgery fee decreased by 18.6%. The number of surgeries increased by 1.6% to 12,894 during 1H2024, which was mainly attributable to the increase in the number of surgeries performed in the eye hospitals in Guangzhou and Zhuhai.

Provision of dental services

The following table sets forth the total revenue from dental services, the total number of patient visits, total number of dental chairs, visits per dental chair and revenue per dental chair for 1H2024:

	Six months ended 30 June		Change %
	2024	2023	
Total revenue from dental services (in HK\$'000)	246,400	192,521	28.0
Total patient visits	156,080	115,003	35.7
Total number of dental chairs	244	233	4.7
Visits per dental chair	640	494	29.6
Revenue per dental chair (in HK\$'000)	1,010	826	22.3

Our revenue generated from dental services recorded a significant increase of 28.0% during 1H2024, which amounted to HK\$246.4 million (six months ended 30 June 2023: HK\$192.5 million), representing 26.7% (six months ended 30 June 2023: 20.3%) of our total revenue.

The number of patient visits for dental services also increased by 35.7% from 115,003 to 156,080 during 1H2024. Visits per dental chair increased by 29.6% from 494 to 640, while revenue per dental chair recorded a significant increase of 22.3% to HK\$1,010,000 in 1H2024 (six months ended 30 June 2023: HK\$826,000). The increase was primarily attributable to the increase in demand for dental services of Shenzhen CKJ.

Provision of other medical services

Our revenue generated from oncology, medical aesthetics, general practice and other services during 1H2024 amounted to approximately HK\$15.1 million (six months ended 30 June 2023: HK\$27.6 million), representing approximately 1.6% (six months ended 30 June 2023: 2.9%) of our total revenue.

Sales of vision aid products

We also generate revenue from the sales of vision aid products including glasses and lens. The sales were conducted by us through the assessment of the optometrists employed by us in Hong Kong and Mainland China. During 1H2024, our revenue generated from the sales of vision aid products amounted to HK\$74.2 million, representing a decrease of 7.8% as compared to the same period last year.

Sales of medical consumables

The Group had been a distributor of COVID-19 related medical consumables in Hong Kong since February 2022, and no revenue was recorded from this segment during 1H2024 (six months ended 30 June 2023 HK\$19.4 million). The decrease in revenue from this segment was mainly attributable to relaxation of requirements for COVID-19 testing in Hong Kong and the Group ceased to distribute the relevant products in the second half of 2023.

Cost of revenue

The following table sets forth an analysis of our cost of revenue for the periods indicated, presented as a percentage of total revenue:

	Six months ended 30 June				Change	
	2024		2023		HK\$'000	%
	HK\$'000	% of	HK\$'000	% of		
	(Unaudited)	revenue	(Unaudited)	revenue		
Doctors' consultation fees	187,570	20.4	199,168	21.0	(11,598)	(5.8)
Cost of inventories and consumables	168,684	18.3	202,317	21.3	(33,633)	(16.6)
Staff salaries and allowance	177,525	19.2	147,296	15.5	30,229	20.5
Depreciation of right-of-use assets	43,611	4.7	44,730	4.7	(1,119)	(2.5)
Depreciation of property, plant and equipment	26,046	2.8	27,421	2.9	(1,375)	(5.0)
Others	29,940	3.3	29,179	3.0	761	2.6
Total	<u>633,376</u>	<u>68.7</u>	<u>650,111</u>	<u>68.4</u>	<u>(16,735)</u>	<u>(2.6)</u>

Our cost of revenue decreased by 2.6% from HK\$650.1 million for the six months ended 30 June 2023 to HK\$633.4 million for 1H2024, primarily as a result of (i) a decrease in doctors' consultation fees of HK\$11.6 million, and (ii) a decrease in cost of inventories and consumables of HK\$33.6 million, but was partially offset by (iii) an increase in staff salaries and allowance of HK\$30.2 million, mainly for the segment of Mainland China dental business.

Gross profit and gross profit margin (GP%)

The following table sets forth our gross profit and gross profit margin according to particular type of service or goods, or services or goods within a particular geographical region for the periods indicated:

	Six months ended 30 June					
	2024		2023		Change	
	Gross profit		Gross profit		Gross profit	
	HK\$'000	GP %	HK\$'000	GP %	HK\$'000	%
	(Unaudited)		(Unaudited)			
HK medical business	113,166	26.5	126,397	26.9	(13,231)	(10.5)
Mainland China ophthalmic business	89,660	33.1	103,452	35.3	(13,792)	(13.3)
Mainland China dental business	86,299	38.4	62,189	36.9	24,110	38.8
Sales of medical consumables	-	-	8,114	41.8	(8,114)	(100.0)
	289,125	31.3	300,152	31.6	(11,027)	(3.7)

Our gross profit for 1H2024 amounted to HK\$289.1 million, representing a decrease of 3.7% from HK\$300.2 million of the same period last year. Our gross profit margin was 31.3% during 1H2024, as compared with 31.6% of the same period last year. The gross profit margin for our business segment of HK medical business recorded a decrease to 26.5% from 26.9% due to the decrease in revenue and the coverage of fixed costs. The gross profit margin for our business segment of Mainland China ophthalmic business decreased to 33.1% from 35.3%, primarily due to the decrease in our average surgery fee partially offset by the decrease in the cost of consumables. The gross profit margin for our business segment of Mainland China dental business increased to 38.4% from 36.9%, which was mainly attributable to the economy of scale achieved from our hospital and clinic network expansion. The gross profit margin for our business segment of sales of medical consumables was not applicable in 1H2024 as no revenue was recorded in this segment.

Selling expenses

Our selling expenses decreased by 12.2% from HK\$69.1 million for the six months ended 30 June 2023 to HK\$60.6 million for 1H2024, primarily attributable to a decrease in promotional expenses in Mainland China for our ophthalmic services. The amount of selling expenses, as a percentage of our total revenue, decreased from 7.3% for the six months ended 30 June 2023 to 6.6% for 1H2024. The fees paid to online platforms represented the major component of our selling expenses.

Administrative expenses

Our total administrative expenses during 1H2024 amounted to HK\$159.4 million, representing a decrease of 10.8% as compared with HK\$178.7 million during the six months ended 30 June 2023. The decrease in our administrative expenses during the period was primarily due to the decrease in our employee benefit expenses.

Other income

Our other income during the 1H2024 consisted primarily of the management fee income from an associate and government grants, and decreased to HK\$2.2 million in 1H2024 from HK\$4.6 million during the six months ended 30 June 2023. The decrease was primarily due to the decrease in management fee income from an associate.

Other gains/(losses), net

Our other gains/(losses), net during 1H2024 amounted to HK\$2.1 million and mainly consisted of fair value gain on a financial asset at fair value through profit or loss, foreign exchange gain, disposal gain of right-of-use assets, but was partially offset by disposal loss of property, plant and equipment.

Finance costs, net

Our finance costs, net increased from HK\$0.4 million for the six months ended 30 June 2023 to HK\$4.8 million for 1H2024, primarily due to the decrease in interest income from bank deposits and an increase of interest expense on lease liabilities.

Income tax expense

Our income tax expense during 1H2024 amounted to HK\$19.8 million, representing an increase by 3.0% from HK\$19.2 million during the six months ended 30 June 2023. The increase was primarily due to the increase in the pre-tax profits derived from the Mainland China dental business segment compared with the same period last year.

Profit for the period

As a result of the foregoing, our profit for 1H2024 amounted to HK\$48.6 million (six months ended 30 June 2023: HK\$38.0 million), the increase was primarily due to the increase in profits derived from the Mainland China dental business segment and savings in operating expenses from cost control measures that have been implemented, which was partially offset by decrease in profits derived from the HK medical business segment and sales of medical consumables segment.

Cash flows

Net cash generated from operating activities was HK\$135.4 million during 1H2024 (six months ended 30 June 2023: HK\$195.4 million). The decrease was mainly attributable to increase in working capital used in our operations during 1H2024.

Net cash used in investing activities amounted to HK\$73.4 million during 1H2024 as compared to HK\$168.2 million during the six months ended 30 June 2023. The cash used in investing activities mainly included approximately HK\$84.0 million used for acquisition of property, plant and equipment.

During 1H2024, net cash used in financing activities amounted to HK\$103.7 million, as compared to HK\$102.3 million during the six months ended 30 June 2023. The cash used in financing activities for 1H2024 mainly consisted of cash used in the purchase of shares on-market by the trustee for the 2022 share award scheme in the amount of HK\$32.7 million, and lease payments in the amount of HK\$71.8 million.

Events after the date of statement of financial position

There were no material subsequent events occurred to the Group after 30 June 2024 and up to date of this announcement.

OUTLOOK AND STRATEGIES

The outlook for our various businesses is varied. The demand for ophthalmic services in relation to eye diseases in Hong Kong remains solid with the aging population while the ophthalmic business in Mainland China faces challenges due to changes in consumer consumption patterns. In addition, the trend of cross-border consumption by Hong Kong citizens will continue and this may bring us opportunities, especially in our dental business in Shenzhen under Shenzhen CKJ.

The Group is prepared to exploit the business opportunities by implementing the following strategies:

- focusing on our ophthalmic services in Hong Kong and the cities where our hospitals are located in Mainland China, while performing strategic review on performances on our operations and seeking opportunities to grow by recruitment of new doctors and setting up new establishments;
- further developing our cross-border medical business in Shenzhen under Shenzhen CKJ for dental business, and establishing our hospital in Luohu with departments including dentistry, ophthalmology, medical imaging, health check-ups, gynecology, traditional Chinese medicine, internal medicine, surgery and urology;
- continuing to improve our operational efficiency and service capability; and
- investing in innovation. Following our success in the investment in Belkin Vision Ltd, we will continue to invest in businesses where we can contribute expertise and can add value to the target businesses.

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

The Group did not have any significant investments, acquisitions and disposals in 1H2024.

CORPORATE GOVERNANCE

The Board is committed to maintaining high corporate governance standards.

In the opinion of the Board, during 1H2024 the Company has complied with all applicable code provisions as set forth in the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, save and except for a deviation from the code provision C.2.1, which states that the roles of chairman (the “**Chairman**”) and chief executive officer (the “**CEO**”) should be separate and should not be performed by the same individual. Dr. LAM Shun Chiu Dennis (“**Dr. Lam**”) is both our Chairman and CEO and is responsible for the overall management of our Group and directing the strategic development and business plans of our Group.

The Board believes that vesting the roles of the Chairman and CEO in the same individual would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises three executive Directors (including Dr. Lam) and four independent non-executive Directors and therefore has a fairly strong independence element in its composition. The Board will nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, in order to maintain a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set forth in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions of the Directors. Employees of the Group (the “**Relevant Employees**”) who, because of their office or employment, are likely to possess inside information in relation to the Company or its securities are also subject to compliance with the Model Code. Following specific enquiry of all Directors, each of the Directors has confirmed his or her compliance with the Model Code throughout the 1H2024. No incident of non-compliance of the Model Code by the Relevant Employees was noted by the Company during 1H2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during 1H2024.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company were listed (the “**Listing**”) on the Stock Exchange since 15 January 2018 (the “**Listing Date**”), and the net proceeds from the global offering (the “**Global Offering**”) amounted to HK\$609.8 million.

To maximise the flexibility of the Group in capturing potential acquisition opportunities as and when such opportunities arise, the Board has resolved and announced on 29 March 2022 to expand the use of the unutilised net proceeds from the Global Offering towards possible acquisition(s), and/or establishment of eye clinic(s), eye centre(s) and eye hospital(s) in Hong Kong and Mainland China. The Directors expect that the amount remaining will be used by the end of 2024.

During 1H2024, net proceeds in the amount of approximately HK\$25.4 million were used for operating cash for the hospitals in Guangzhou, Shanghai, Foshan, Jieyang and Huizhou.

The table below sets out the actual use of unutilised net proceeds from the Global Offering up to 30 June 2024:

	Planned application of net proceeds <i>HK\$'000</i>	Net proceeds brought forward as at 1 January 2024 <i>HK\$'000</i>	Actual usage up to 30 June 2024 <i>HK\$'000</i>	Unutilised net proceeds as at 30 June 2024 <i>HK\$'000</i>	Expected timeline for utilising the remaining unutilised net proceeds
Use of net proceeds from the Global Offering					
Possible acquisition(s), and/or establishment of eye clinic(s), eye centre(s) and eye hospital(s) in Hong Kong and Mainland China	151,121	30,284	146,192	4,929	By the end of 2024

USE OF PROCEEDS FROM THE 2022 FIRST SUBSCRIPTION

On 13 January 2022, the Company entered into a placing and subscription agreement with C-MER Group Limited (the “**Seller**”), Dr. Lam and UBS AG Hong Kong Branch, as the placing agent, in respect of the placing of an aggregate amount of 90,000,000 existing ordinary shares of the Company (the “**Placing Shares**”) at the price of HK\$6.48 per Placing Share to not less than six independent professional, institutional and/or individual investors (the “**2022 Placing**”). The aggregate nominal or par value of the Placing Shares is HK\$9,000,000, and the closing price of the Company as stated in the daily quotation sheet issued by the Stock Exchange on 12 January 2022, being the last full trading date prior to the date of the placing and subscription agreement, was HK\$7.18 per Placing Share. The Seller then subscribed (the “**2022 First Subscription**”) for 76,500,000 ordinary class of Shares (the “**Subscription Shares**”) that were subsequently issued by the Company at the subscription price of HK\$6.48 per Subscription Share (collectively, “**the 2022 Placing and the 2022 First Subscription**”). The Directors considered that the 2022 Placing and the 2022 First Subscription represented an opportunity to strengthen the financial position of the Group and raise capital to provide working capital for the Group, on, among others, merger and acquisition and/or expansion of our hospital and service network while broadening its shareholder and capital base. The 2022 Placing and the 2022 First Subscription were completed on 17 January 2022 and 20 January 2022, respectively. The aggregate nominal or par value of the Subscription Shares is HK\$7,650,000. The net subscription price (after deduction of the expenses incurred by the Seller in relation to the 2022 Placing and the 2022 First Subscription) of each Subscription Share was approximately HK\$6.41. The net proceeds from the 2022 First Subscription (after deducting relevant fees and expenses borne or incurred by the Company) were approximately HK\$490.6 million. The table below sets out the planned applications of the net proceeds and their actual usage up to 30 June 2024:

	Planned	Percentage of total net proceeds	Net proceeds		Unutilised net proceeds as at 30 June 2024
			brought forward as at 1 January 2024	Actual usage up to 30 June 2024	
Use of net proceeds from the 2022 First Subscription	HK\$'000		HK\$'000	HK\$'000	HK\$'000
For funding merger and acquisition; expansion of our hospital and service network; and as general working capital for the Group	490,600	100%	45,927	490,600	-

During 1H2024, net proceeds from the 2022 First Subscription in the amount of approximately HK\$45.9 million were used, consisting of (1) HK\$44.0 million for construction of our headquarters in Pingshan, Shenzhen, and (2) HK\$1.9 million for the working capital on our hospitals at investment stage in Mainland China and some of the clinics in Hong Kong.

The net proceeds from the 2022 First Subscription have been utilised in accordance with the planned applications as announced in the announcements of the Company dated 13 January 2022 and 20 January 2022 respectively and have been fully utilised as of 30 June 2024.

USE OF PROCEEDS FROM THE DECEMBER 2022 SUBSCRIPTION

On 2 December 2022, the Company entered into a subscription agreement with a strategic investor in respect of the subscription of an aggregate amount of 30,056,000 new ordinary shares of the Company at the price of HK\$3.87 per share to the strategic investor (the “**December 2022 Subscription**”). The aggregate nominal or par value of the shares was HK\$3,056,000, and the closing price of the Company as stated in the daily quotation sheet issued by the Stock Exchange on 2 December 2022, being the last full trading date prior to the date of the subscription agreement, was HK\$4.07 per share. The strategic investor is Ginkgo Capital Global Fund SPC – Ginkgo Capital Global Fund I SP, a segregated portfolio of Ginkgo Capital Global Fund SPC, and as at the date of the subscription, all the participating, redeemable, non-voting shares in Ginkgo Capital Global Fund SPC attributable to Ginkgo Capital Global Fund I SP were issued to Wealth Strategy Holding Limited, which was in turn wholly owned by Mr. Kung Hung Ka (龔虹嘉先生). The Directors considered that the subscription represents an opportunity to introduce a long-term and highly respected strategic shareholder with strong background in healthcare industry in Mainland China, and will help accelerate our network expansion in the Greater Bay Area and our research and development in relevant medical devices and therapeutics. The Group may also enter into business cooperation with the strategic investor when suitable opportunities arise. The December 2022 Subscription was completed on 8 December 2022. The net subscription price (after deduction of the expenses incurred by the Company in relation to the subscription) of each share was approximately HK\$3.86. The net proceeds from the December 2022 Subscription (after deducting relevant fees and expenses borne or incurred by the Company) were approximately HK\$116.2 million. The table below sets out the planned applications of the net proceeds and their actual usage up to 30 June 2024:

	Planned applications of net proceeds	Percentage of total net proceeds	Net proceeds brought forward as at 1 January 2024	Actual usage up to 30 June 2024	Unutilised net proceeds as at 30 June 2024	Expected timeline for utilising the remaining unutilised net proceeds
	HK\$'000		HK\$'000	HK\$'000	HK\$'000	
Use of net proceeds from the December 2022 Subscription	116,161	100%	116,161	39,416	76,745	By the end of 2025
For the expansion of our ophthalmic service network in the Greater Bay Area; the funding of merger and acquisition; and as general working capital for the Group						

During 1H2024, net proceeds from the December 2022 Subscription in the amount of approximately HK\$39.4 million were used, consisting of (1) HK\$18.5 million for establishing a hospital with ophthalmic, dental, medical imaging and other medical services in Luohu Port area, Shenzhen, (2) HK\$5.7 million for establishing a refractive eye centre in Mongkok, Hong Kong, (3) HK\$7.4 million for the working capital of our hospitals at investment stage in Mainland China and some of the clinics in Hong Kong, and (4) HK\$7.8 million for enhancing the facilities of our medical centres and clinics in Hong Kong. The Company intends to use the net proceeds from the December 2022 Subscription in accordance with the intention previously disclosed by the Company in its announcement dated 2 December 2022 by the end of 2025.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Board comprises three independent non-executive Directors, namely, Mr. MA Andrew Chiu Cheung (Chairman of the audit committee), Mr. IP Shu Kwan Stephen and Mr. YIN Ke.

The audit committee of the Board has reviewed with the management the accounting principles as well as practices adopted by the Group and discussed risk management and internal control as well as financial reporting matters including the review of the unaudited interim condensed consolidated financial information for the 1H2024 and this announcement with the Directors. The Group's interim condensed consolidated financial statements have not been audited, but PricewaterhouseCoopers, certified public accountants and the independent auditor of the Company, has reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2024 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company's website at www.cmermedical.com. The interim report of the Company for 1H2024 will be dispatched to the shareholders of the Company and made available on the website of the Stock Exchange and that of the Company in due course.

By order of the Board
C-MER Medical Holdings Limited
Dr. LAM Shun Chiu Dennis

Chairman and Chief Executive Officer and Executive Director

Hong Kong, 29 August 2024

As at the date of this announcement, the Board comprises three executive Directors, namely, Dr. LAM Shun Chiu Dennis, Ms. LI Xiaoting and Dr. LEE Yau Wing Vincent; and four independent non-executive Directors, namely, Dr. Rex AU YEUNG Pak-kuen, Mr. MA Andrew Chiu Cheung, Mr. IP Shu Kwan Stephen and Mr. YIN Ke.