



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

2024



CONTENTS

	Page
Corporate Information	2
Financial Highlights	5
Management Discussion and Analysis	6
Disclosure of Interests	27
Corporate Governance	30
Independent Auditor's Review Report	33
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	35
Condensed Consolidated Statement of Financial Position	37
Condensed Consolidated Statement of Changes in Equity	39
Condensed Consolidated Statement of Cash Flows	41
Notes to the Condensed Consolidated Financial Statements	43
Glossary	72



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Choi Ka Tsan Karson (Note 1)
(Chairman and Chief Executive Officer)
Dr. Fok Siu Wing Dominic
Ms. Zhang Xiaoxue (Note 2)
Mr. Liu Shiyin (Note 3)

Non-executive Directors

Ms. Lee Wai Ling Linda
Ms. Lau Suk Hing Clara
Mr. Liu Yang (Note 4)
Ms. Zhang Leidi (Note 5)

Independent Non-executive Directors

Mr. Yu Xuezhong
Dr. Xu Weiguo
Mr. Han Wenxin
Mr. Chan Wai Kan
Mr. Cheung Ka Ming
Mr. Tsui Wing Cheong Sammy

BOARD COMMITTEES

Audit Committee

Mr. Chan Wai Kan (Chairman) (Note 6)
Mr. Liu Yang (Note 4)
Dr. Xu Weiguo
Mr. Cheung Ka Ming (Note 7)

Remuneration Committee

Mr. Cheung Ka Ming (Chairman) (Note 7)
Mr. Liu Yang (Note 4)
Mr. Yu Xuezhong
Mr. Chan Wai Kan (Note 6)

Nomination Committee

Mr. Choi Ka Tsan Karson
(Chairman) (Note 1)
Mr. Yu Xuezhong
Dr. Xu Weiguo
Mr. Tsui Wing Cheong Sammy (Note 8)

COMPANY SECRETARY

Mr. Lo Wai Keung Eric
(Appointed on 18 June 2024)
Mr. Kwok Chung On
(Resigned on 18 June 2024)

AUDITORS

Moore CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda



CORPORATE INFORMATION

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

(With effect from 14 June 2024)

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

(Before 14 June 2024)

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.
China Guangfa Bank Company Limited,
Hong Kong Branch
Chong Hing Bank Limited
CMB Wing Lung Bank Limited
Dah Sing Bank, Limited
Hang Seng Bank Limited
Nanyang Commercial Bank, Limited
Standard Chartered Bank
(Hong Kong) Limited
UBS AG, Hong Kong Branch

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
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



CORPORATE INFORMATION

Notes:

1. On 1 January 2024, Mr. Choi Ka Tsan Karson was appointed as the Chief Executive Officer of the Company and the chairman of the Nomination Committee.
2. On 12 January 2024, Ms. Zhang Xiaoxue was appointed as an executive Director.
3. On 12 January 2024, Mr. Liu Shiyin was appointed as an executive Director.
4. On 12 January 2024, Mr. Liu Yang was appointed as a non-executive Director as well as a member of each of the Audit Committee and the Remuneration Committee.
5. On 12 January 2024, Ms. Zhang Leidi was appointed as a non-executive Director.
6. On 1 January 2024, Mr. Chan Wai Kan was appointed as the chairman of the Audit Committee. On 12 January 2024, he was appointed as a member of the Remuneration Committee.
7. On 1 January 2024, Mr. Cheung Ka Ming was appointed as the chairman of the Remuneration Committee. On 12 January 2024, he was appointed as a member of the Audit Committee.
8. On 12 January 2024, Mr. Tsui Wing Cheong Sammy was appointed as a member of the Nomination Committee.



FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2024:

- The Group recorded revenue of approximately HK\$914,280,000 (2023: HK\$916,833,000).
- The Group recorded a net loss of approximately HK\$28,542,000 (2023: net profit of approximately HK\$38,683,000) and a loss attributable to owners of the Company of approximately HK\$47,676,000 (2023: profit of approximately HK\$21,061,000).

As at 30 June 2024:

- The Group had net current assets and net assets of approximately HK\$1,360,735,000 (31 December 2023: HK\$1,344,516,000) and HK\$3,524,725,000 (31 December 2023: HK\$3,618,746,000) respectively.
- The Group had a current ratio (defined as total current assets divided by total current liabilities) of 3.78 (31 December 2023: 3.25) and a gearing ratio (defined as total bank borrowings divided by equity attributable to owners of the Company) of 2.68% (31 December 2023: 2.70%).

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



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Company hereby reports the results of the Group for the six months ended 30 June 2024.

During the period under review, the Group recorded an unaudited loss of approximately HK\$28,542,000 (2023: profit of approximately HK\$38,683,000) and an unaudited loss attributable to owners of the Company of approximately HK\$47,676,000 (2023: profit of approximately HK\$21,061,000). Even though there has not been material adverse change in the business and operational performance of the Group, the overall results of the Group were affected by a number of losses incurred outside the Group's ordinary course of business and recording of share of losses of associates, mainly comprising:

Significant Increase in Fair Value Losses on Investment Properties

The Group recorded fair value losses on its investment properties of approximately HK\$26,870,000 for the six months ended 30 June 2024 (2023: approximately HK\$2,896,000), which was mainly due to the continuing contraction in the Hong Kong property market during the period under review.

Impairment Losses Recognised on Interests in Associates

The Group recorded impairment losses recognised on the Group's interests in associates of approximately HK\$36,700,000 for the six months ended 30 June 2024 (2023: nil), which was mainly attributable to the generally adverse economic conditions in Hong Kong and the Mainland China. In cases where certain associates did not achieve targeted performance levels, the management adopted a more conservative performance projection than that adopted during the year ended 31 December 2023, thereby imposing negative impacts on the valuation of the associates when the relevant impairment tests were being carried out for the period under review.

Fair Value Losses on Financial Assets

The Group recorded fair value losses on the Group's financial assets of approximately HK\$4,348,000 for the six months ended 30 June 2024 (2023: fair value gain of approximately HK\$6,155,000), which was mainly due to the unfavorable performance of certain financial assets, resulting in a negative impact on their valuation during the period under review.

Share of Losses of Associates

The Group recorded share of losses of associates of approximately HK\$1,991,000 for the six months ended 30 June 2024 (2023: share of profits of approximately HK\$3,399,000) due to their unsatisfactory performance in light of the generally adverse economic conditions.

If the "other gains and losses, net" as shown in the condensed consolidated statement of profit or loss are excluded, the Group would have recorded an unaudited operating profit of approximately HK\$41,030,000 (2023: HK\$37,464,000) and an unaudited operating profit attributable to owners of the Company of approximately HK\$21,896,000 (2023: HK\$19,842,000) with respect to its business operations for the six months ended 30 June 2024.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2024, the tense geopolitical situation and the cyclical changes in economic interest rate affected the economic confidence and consumer activities in Hong Kong. The changing consumption patterns of citizens and tourists posed challenges to the local private healthcare industry. Although the unemployment rate in Hong Kong remained low and people's employment earnings increased, it had become a trend for Hong Kong citizens to go to the Mainland China for consumption. There was even a cross-border medical consumption spree represented by "seeing dentists in the Mainland China", which intensified the competition between Hong Kong and other cities in the Guangdong-Hong Kong-Macao Greater Bay Area in the field of non-emergency healthcare services. In addition, the medical tourism industry in Hong Kong was still in its infancy after the Pandemic, and local private medical institutions were not significantly benefited from the rebound in visitor arrivals of Hong Kong.

In Hong Kong, the Group supports the government's primary healthcare development strategy and successively participated in a number of government-funded or public-private partnership programmes for primary healthcare. On the one hand, the Group promoted the sustainable development of medical services and managed medical network businesses and, on the other hand, shouldered the corporate social responsibility of making contribution to the improvement of the overall health status of citizens.

In the Mainland China, benefiting from the strong public demand for quality medical resources and recognition of Hong Kong-style medical service concepts and standards, the Group's hospital management and health management businesses in the Mainland China operated smoothly.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)

As one of the largest listed healthcare groups with the longest history in Hong Kong and one of the few local comprehensive medical institutions that provide healthcare services in both Hong Kong and the Mainland China, the Group boasts high-quality medical resources and a strong professional medical team. The Group's business segments include: medical services, managed medical network, hospital management, health management, aesthetic medical and beauty and wellness. During the period under review, in light of the unfavourable macro environment, the Group faced challenges in a complex and volatile business environment. Even though there has not been material adverse change in the business and operational performance of the Group with an unaudited operating profit* of approximately HK\$41,030,000 (2023: HK\$37,464,000), the overall results of the Group were affected by certain losses incurred outside the Group's ordinary course of business including the fair value losses and impairment losses recognised on certain assets and interests in associates respectively which affected the comprehensive performance of the Group during the period under review. As a result, the Group recorded an unaudited loss of approximately HK\$28,542,000 (2023: profit of approximately HK\$38,683,000).

Healthcare Service Network of the Group

As of 30 June 2024, the Group had 422 healthcare service points covering multiple practices, including 239 general practice service points, 68 specialist service points, 25 dental service points and 90 auxiliary service points. As of 30 June 2024, the Group had 798 doctors, dentists and auxiliary service staff (including 386 general practitioners, 237 specialists, 37 dentists and 138 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

Medical Services

In the first half of 2024, the revenue from the Group's medical services was approximately HK\$394,462,000 (2023: approximately HK\$389,333,000), accounting for approximately 43.14% (2023: approximately 42.46%) of the Group's revenue for the six months ended 30 June 2024. Despite full resumption of normal travel after the Pandemic, the global and Hong Kong economies faced multiple downside risks, local private consumption growth remained weak, and the business environment in the healthcare sector was challenging. The Group proactively overcame various adverse factors arising from changes in the economic situation and market environment, and thus the performance of Hong Kong medical services continued to grow steadily.

* Defined as the resultant figure of the unaudited loss of the Group after excluding the effect of the "other gains and losses, net" as shown in the condensed consolidated statement of profit or loss.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)

Businesses in Hong Kong (Continued)

Medical Services (Continued)

In respect of general practice services, the Group continued to support the government's primary healthcare development strategy. The Group's medical centres which provide general practice services successively participated in a number of government-funded or public-private partnership programmes for primary healthcare, including General Outpatient Clinic Public-Private Partnership Programme, Chronic Disease Co-Care Pilot Scheme, Colorectal Cancer Screening Programme, Vaccination Subsidy Scheme, Elderly Health Care Voucher Programme, etc. The Group's medical centres which provide general practice services have joint with community primary health care services to provide primary health care and chronic disease management services, which worked well together with the development of primary healthcare in Hong Kong and fully met the medical needs of residents. During the period under review, the Group was committed to promoting the sustainable development of the general practice services in the communities, driving a steady increase in the number of general outpatient visits.

In respect of specialist services, the Group has established a team of specialists with outstanding reputation and extensive clinical experience in their respective specialties. To further strengthen public-private partnership, "Hong Kong Cardiac Centre" and "Hong Kong Cardiac Diagnostic Centre", the Group's cardiology brands, also provided referral service programme for all patients referred by the Hospital Authority as a response to the Hospital Authority's public-private partnership programme on radiological imaging service. The programme generally includes a variety of imaging examinations, such as CT coronary angiogram, echocardiogram, treadmill electrocardiogram, 24-hour holter electrocardiogram, etc., which can reduce the burden on the public healthcare system and shorten the waiting time of patients, so as to avoid the deterioration of patients' condition due to excessive waiting time. During the period under review, the department of orthopaedics made efforts to develop its sports trauma physical therapy sub-brand "Elite Physiotherapy and Sports Rehabilitation" to cope with the increasing number of sports trauma cases arising from the increasing popularity of sports. Healthcare service points of orthopaedics are located in Tsim Sha Tsui, Kwun Tong, Sha Tin, Tsuen Wan, Sheung Shui and Yuen Long to facilitate the treatment of nearby patients suffering from bone diseases, trauma and pain.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)

Businesses in Hong Kong (Continued)

Medical Services (Continued)

Hong Kong Medical Consultants, the premier integrated specialty brand of the Group, established multi-specialty medical centres in Hong Kong's core Central Business District. It brings together experienced and top specialists to provide comprehensive, high-quality and effective cross-specialty medical and clinical services. During the period under review, Hong Kong Medical Consultants mainly provided 23 types of specialist and clinical services to Hong Kong citizens and visitors from cities in the Guangdong-Hong Kong-Macao Greater Bay Area. Hong Kong Medical Consultants successfully recruited more senior specialists to join the medical team, including cardiothoracic surgery, orthopaedics and traumatology, etc.. Hong Kong Medical Consultants has also established an allied health team, consisting of clinical psychologists, counselling psychologists, dietitians, occupational therapists, podiatrists and speech therapists to further enhance the rehabilitation and extended care service capabilities of Hong Kong Medical Consultants. The continuous and steady development of Hong Kong Medical Consultants helps to enhance the Group's service system covering from primary care to high-end cross-specialty services, and maintain and consolidate the Group's competitive advantage and market share in the medical service industry.

In respect of dental services, the Group's dental centres continue to join the Pilot Scheme on Dental Services (Dental Scaling) for Civil Service Eligible Persons to reduce the waiting time for public dental services for civil servants.

As one of the largest and most extensive medical centre chains in Hong Kong, the Group provides services ranging from general practice services to dental services as well as various specialist services, enabling citizens to receive comprehensive medical services at the places close to where they live and work. For the convenience of citizens of the community, the Group also implemented a series of convenience-for-people measures, including the addition of a queuing system in medical centres, the implementation of night and public holiday consultation services, etc.

It is becoming a trend for patients to "walk to and from" public and private medical institutions. With eHealth, public and private healthcare institutions can exchange electronic health records. During the period under review, the Group proactively promoted the participation of its medical centres in the eHealth, which enabled the Group's doctors to access patients' electronic health records in the provision of medical services in accordance with the "need to know" principle and with the mutual consent of patients, so as to provide more coherent medical services.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)

Businesses in Hong Kong (Continued)

Managed Medical Network – Vio

In the first half of 2024, the Group's medical network management business in Hong Kong recorded revenue of approximately HK\$250,043,000 (2023: approximately HK\$238,105,000), accounting for approximately 27.35% (2023: approximately 25.97%) of the Group's revenue for the six months ended 30 June 2024. Net emigration and decline in the labour force in Hong Kong has meant that Vio faces the double whammy of shrinking patient pool and rising staff costs. Some chronically unfilled positions are having to be filled by part-timers. Nevertheless, Vio has achieved organic growth of the managed medical network business through its experienced management team and efficient I.T. system to deliver high level customer services. During the period under review, Vio's revenue increased year-on-year, demonstrating operational resilience.

Vio supports the government's primary care blueprint and is dedicated to provide cost-effective healthcare to medical scheme members funded by medical insurers or direct corporate clients. Vio is the only major medical network awarded with the ISO 9001:2015 Quality Management System certification, which was re-certified for six years in June 2024.

It has been a year since Vio started operating a medical centre at Citylink Plaza in Sha Tin, providing consultation and health screening services to residents and workers in that populous area. We are pleased that it has built up a loyal client base.

Vio focuses on increasing customer loyalty. It has introduced measures to build and maintain relationship with enterprises and insurance companies. Vio values good customer service and holds regular training sessions to improve employees' understanding of new medical scheme rules and enhance data security awareness.

Vio has continued to upgrade its I.T. systems. It has established a browser-based Clinic Management System (web-CMS). New modules have been rolled out in phases to frontline medical centres. The back-office team have been working hard to enhance the security of the whole I.T. network to protect personal data.

Vio offers its employees competitive compensation packages and benefits. In addition, Vio has established a work-life balance culture and adopted family-friendly employment practices to attract and retain committed staff who need the flexibility to take care of parents or children. Vio has developed an ethos of nurturing talents, by providing on-the-job training to help employees in their professional development and enable them to realise their full potential.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)

Businesses in Mainland China

Hospital Management Business

Nanyang Xiangrui, a subsidiary of the Company, is mainly engaged in hospital management business. In the first half of 2024, its business segments, including medical technologies and services, sales and delivery of medical devices, property management, and extended services for home care and other fields, operated steadily, providing comprehensive support to Nanshi Hospital, a national Grade III Level A hospital managed by Nanyang Xiangrui.

During the period under review, Nanshi Hospital recorded growth in the number of overall outpatient visits, inpatient visits and surgeries, which exemplified the effectiveness of the “general hospital + branches” operation model exported by Nanyang Xiangrui to Nanshi Hospital. In particular, Nanshi Chinese Medicine Rehabilitation Hospital had outstanding performance, and its departments of the children’s rehabilitation and rehabilitation medicine showed a good momentum of development.

As the first licensed internet hospital in Nanyang City, Henan Province, the internet hospital of Nanshi Hospital has served over 850,000 visits since March 2022 (when it was put into service) to June 2024. At present, the internet hospital of Nanshi Hospital has 44 departments and about 400 doctors are available online for a long time, covering online consultation, medication consultation, online and offline prescription, online appointment, online registration, online payment, report inquiry, drug delivery, and mailing of electronic medical records, etc.

During the period under review, Nanshi Hospital became the first batch of hospitals in Nanyang City to pass the national “Grade III Level A” review. Experts from the Health Commission of Henan Province conducted a comprehensive review on hospital management, medical quality assurance, nursing quality assurance, infection prevention and control management, management of key departments, medical technology quality assurance and other aspects of Nanshi Hospital, and affirmed the unique management, outstanding medical service capacity, hospital specialty construction achievements of Nanshi Hospital. Nanshi Hospital is the first to set up an internet hospital in Nanyang City.

Nanshi Hospital advocates the coordinated development of “medical treatment, education and research” and integrates multi-disciplinary resources to carry out interdisciplinary joint diagnosis and treatment. During the period under review, the multi-disciplinary joint diagnosis and treatment clinics were officially opened, and experts from various departments of Nanshi Hospital conducted consultations for patients and jointly formulate the optimal treatment plans. The multi-disciplinary joint diagnosis and treatment clinics provide patients with high level treatment and quality services for a variety of difficult and complex diseases, such as epilepsy, spinal muscular atrophy, sleep-disordered breathing, and organic mental disorders, etc. to avoid them travelling between different specialist clinics.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)

Businesses in Mainland China (Continued)

Hospital Management Business (Continued)

In addition, Nanyang City Integrated Sports Rehabilitation Service Centre and Xinhua Road West Clinic of Nanyang Nanshi Chinese Medicine Rehabilitation Hospital opened in April 2024 as the first sports rehabilitation centre “integrating sports and medicine” in Nanyang City. The centre consists of nine areas: traditional Chinese medicine outpatient clinic, national physical fitness monitoring station, adolescent health promotion area, body healing area for adults, mental health promotion area, sleep health promotion area, sports rehabilitation area, sports health promotion area and day care wards for the elderly. The centre provides personalised health management solutions for customers of different ages and physical conditions. Following the national strategy of integration of sports and medicine, it extends the scientific fitness and disease prevention system from urban Grade III Level A hospitals to grass-roots communities, providing more people with scientific, systematic and targeted rehabilitation, diagnosis and treatment services.

Health Management Business

During the period under review, the Group’s health management institutions in Guangzhou City and Shenzhen City in Guangdong Province and Jinan City in Shandong Province operated steadily. Local operation teams continued to develop characteristic businesses in response to the healthcare needs of local residents, and the high-quality customer base continued to expand.

In Guangdong Province, Guangzhou Integrated Clinic in Guangzhou City continued to strengthen strategic cooperation with nearby hospitals and reproductive medicine centres. It developed a one-stop healthcare service platform focusing on the core businesses of peripheral supporting services for assisted reproductive services and life cycle healthcare services for female. At present, Guangzhou Integrated Clinic has incubated a diagnosis and treatment base for reproductive system diseases, a diagnosis and treatment base for sleep disorders, an evaluation base for cardiopulmonary exercise test, a monitoring base for digital healthcare, and a pharmacy selling assisted reproductive-related medicines and healthcare products. During the period under review, Ganghe Clinic, located in Shenzhen City, as the Group’s business hub between Hong Kong and the Mainland China, cooperated with more medical institutions in Hong Kong and the Mainland China to promote implementation of cross-border medical linkage and cooperation projects. Meanwhile, Ganghe Clinic continued to serve the insurance customers of the Shenzhen Branch of China Life Insurance and focused on providing special services such as reproductive medicine, gynecological services and Helicobacter pylori screening, etc. Moreover, the VIP service of reproductive medicine jointly provided by Ganghe Clinic and Guangzhou Integrated Clinic was very popular with VIP clients. During the period under review, both institutions continuously improved the two-way referral mechanism to enable VIP clients to enjoy high-quality reproductive resources in Shenzhen City and Guangzhou City.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)

Businesses in Mainland China (Continued)

Health Management Business (Continued)

In Shandong Province, Town Health International Health Management Centre in Jinan City is mainly engaged in health check, stomatology and medical beauty. Health check is the main source of income of Town Health International Health Management Centre. During the period under review, the centre launched innovative health check products and improved the standards of service. Town Health International Health Management Centre devoted more efforts to product innovation and launched more products that meet market demands and customer requirements. For long-term customers, the five-year electronic health record was launched to display various health indicators of customers in the past five years through charts, audio, video and other ways, so that customers can understand the changes and risks of their bodies and take targeted preventive treatment. For customers suffering from high blood pressure, high cholesterol and high blood sugar, the drug adaptability test for “three highs” was launched. Test for once is applicable for lifelong. The test can help customers to accurately select the types of drugs highly match with their health status, so that they are able to receive targeted treatment for “three highs”. Besides, Town Health International Health Management Centre provided special health check arrangement for group customers and provided regular on-the-job training for employees to continuously improve customer experience and standards of service.

Other Businesses

During the period under review, TBMG, which was engaged in aesthetic medical and beauty and wellness, employed 12 full-time or part-time doctors (2023: 13 doctors), and had 13, 9, 9 and 3 centres in Hong Kong, Shenzhen, Shanghai and Guangzhou, respectively (2023: 15, 10, 9 and 3 centres).

In the first half of 2024, it had become a trend for Hong Kong citizens to go to the Mainland China for consumption or travel abroad, and local private consumption expenditure remained weak; the slowing economic growth in the Mainland China weakened residents’ purchasing power and consumer confidence, and the wave of “consumption downgrade” continued. In the face of complex external environment and cyclical changes in economic interest rate, the management team of TBMG, relying on rich operating experience and strong execution ability, flexibly responded to market changes, reduced costs and increased efficiency to promote high-quality business development.

During the period under review, TBMG made strategic adjustments to its centre network layout, took advantage of renewal opportunities to consolidate overlapping centres or centres in synergistic operation, and adjusted the allocation of human resources accordingly to improve the overall operating efficiency and profitability.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)

Other Businesses (Continued)

TBMG has built a complete customer database. During the period under review, on the basis of analysing customers' consumption habits through big data, it provided personalised services, enhanced interaction and improved service experience, striving to improve customer loyalty and satisfaction.

TBMG also continued to promote online and offline marketing to introduce the latest products, services and discounts through multiple channels, with a view to enhancing existing customer interaction and attracting potential target customers. During the period under review, TBMG identified cost-effective channels through closely monitoring and reviewing its marketing expenditure to effectively enhance publicity effectiveness.

OUTLOOK

In 1989, Town Health established its first medical centre in Sha Tin to serve residents in the community. In 2024, the Group reached an important milestone of its 35th anniversary. At the important milestone, Town Health has adopted a new logo that better highlights the core values and corporate commitment, demonstrating the Group's original intention and enthusiasm to provide quality healthcare services.

The new logo is based on the design concept of caring and sense of responsibility. It presents a simple "house" shape. The house is constructed from the initial "T" and "h" of the English name "Town Health", and "T" and "h" also form the Chinese character "仁 (benevolence)", implying doctors' benevolence and excellent medical skills. The new corporate colors, i.e. blue and lake green, are fresh and calm, and inject vitality into the Group's corporate image.

Town Health has expanded from a community medical centre to the present industry leader with its business extending into multiple areas of healthcare, which is all due to the trust and support of every shareholder, customer and business partner. With a new image, the Group will provide high-quality healthcare services from primary care to high-end cross-specialty services, to meet a full range of needs of customers from prevention, outpatient, diagnosis and surgery to rehabilitation and nursing.

Looking ahead, the Group will continue to support the government's primary healthcare development strategy and proactively participate in government-funded and public-private partnership programmes for primary healthcare. Meanwhile, the Group seeks to integrate the healthcare resources of various business segments in Hong Kong and the Mainland China to establish a full-cycle, integrated and one-stop healthcare service ecosystem in the Guangdong-Hong Kong-Macao Greater Bay Area.



MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK (CONTINUED)

Hong Kong

In terms of medical services, in the face of uncertainties in the business environment, the Group will continue to support the government's primary healthcare development strategy and provide customers with one-stop quality medical services with a pragmatic attitude. The Group will integrate the existing resources of Hong Kong medical services and seek to strengthen mutually beneficial synergies with its premier integrated specialty brand, Hong Kong Medical Consultants, to further improve the two-way referral mechanism between the general practice services and specialist services. In addition, the Group plans to establish a Medical Advisory Committee to advise from time to time on the quality and safety of the medical services provided by the Group, which will not only effectively regulate the Group's medical services in accordance with laws and social needs, but also ensure that the Group can provide customers with professional and caring medical service experience. The Group will also continue to invite outstanding healthcare talents to join the team to promote the professional development of the healthcare team and inject innovative thinking into healthcare services. In the second half of 2024, the Group will explore innovative operating models and continue to optimize the service network of Hong Kong medical services. In particular, the medical centre established by the department of orthopaedics in Sheung Shui will be relocated to Tai Po to better meet the specialist medical needs of the residents in the area.

In the managed medical network arena, Vio has established a solid business foundation and a loyal customer base through its 77 years' history. Vio will leverage on its competitive advantages and continue to provide quality services to current clients and bid for new business, with the goal of capturing more market share and driving revenue growth. In the second half of 2024, Vio will continue to strengthen its cooperation with the Group's self-operated centres and its affiliates. It will support the development of the government's primary care strategy and provide medical insurers and corporate clients with more cost-effective medical schemes. In addition, Vio will invest more resources in a data security enhancement project with a view to obtaining accreditation in information security management system to strengthen the protection of personal data and further enhance clients' confidence in Vio.



MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK (CONTINUED)

Mainland China

In terms of hospital management, Nanyang Xiangrui will continue to strengthen innovative management of hospital and continuously improve the refined management of its various business segments, to promote the high-quality development of Nanshi Hospital. In the second half of 2024, Nanshi Hospital will follow the operation model of “general hospital + branches” exported by Nanyang Xiangrui and continue to strengthen the coordinated development of “medical treatment, education and research” and popularize internet hospital services. By doing so, Nanshi Hospital can constantly improve the quality of medical services and continuously create advantageous specialties. In particular, the cardiac rehabilitation centre of Nanshi Hospital will proceed with national standardized certification. The cardiac rehabilitation centre of Nanshi Hospital will improve the integrated management model of cardiovascular diseases, realize the whole process management of first aid, treatment and rehabilitation. At the same time, it will optimize the layout of sports therapy room, cardiopulmonary exercise room, external counterpulsation room and six-minute walking test room. Nanshi Hospital will comprehensively improve the standardized layout of cardiac rehabilitation centre and accelerate the high-quality development of Nanshi Hospital.

In terms of health management, with the enhancement of health awareness, people’s demand for high-quality healthcare services has significantly increased. National policies also support the development of comprehensive health industry. The Group’s health management institutions in various places will follow the trend and launch services and products tailored to local conditions to expand the customer base and drive performance growth. In the second half of 2024, in Jinan City, Shandong Province, Town Health International Health Management Centre will launch health check packages that meet the market demand and match the needs of customers to bring “customer-oriented” quality service experience. Meanwhile, it will expand the team of service personnel and provide on-the-job training to continuously improve standards of service and efficiency. In Guangdong Province, leveraging on the Group’s considerable experience in providing medical services in Hong Kong and based on the market demand in the Mainland China, Guangzhou Integrated Clinic will provide platform for quality healthcare projects in Hong Kong and the Mainland China, and create a wider range of healthcare options for customers from the Mainland China with the intention to visit Hong Kong for treatment. Guangzhou Integrated Clinic and Ganghe Clinic will fully leverage on their competitive advantages in the reproductive business to strengthen the sharing of high-quality resources in Guangzhou City and Shenzhen City, improve the two-way referral mechanism for VIP services and improve satisfaction and loyalty of long-term customers. Ganghe Clinic will play a role of bridge connecting the businesses of the Group in Hong Kong and the Mainland China to proactively promote more cross-border cooperation between the Group and healthcare institutions in Hong Kong and the Mainland China, with the goal of providing seamless one-stop healthcare services to residents of the Guangdong-Hong Kong-Macao Greater Bay Area.





MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK (CONTINUED)

Others

In terms of other businesses, TBMG will allocate resources rationally and develop its business prudently. In the second half of 2024, TBMG will seek to retain existing customers and attract new customers through continuous optimization of its centre network and marketing strategies, supplemented by high-end medical beauty instruments and quality service experience. Meanwhile, TBMG will continue to focus on digitalization. It will make good use of big data to further enhance customer loyalty and satisfaction, and promote customer conversion between beauty and wellness and aesthetic medical. TBMG will also continue to proactively seek suitable potential merger and acquisition opportunities in Hong Kong and the Mainland China, and establish partnerships with different institutions, with the aim of expanding its operation scale and business scope.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent cash and financial management policy. As at 30 June 2024, the Group held total bank balances and deposits of approximately HK\$1,391,479,000 (31 December 2023: HK\$1,431,426,000), including fixed bank deposits of approximately HK\$477,900,000 (31 December 2023: HK\$235,777,000), pledged bank deposits of approximately HK\$164,803,000 (31 December 2023: HK\$163,570,000) and bank balances and cash of approximately HK\$748,776,000 (31 December 2023: HK\$1,032,079,000). The majority of the Group's bank balances and cash are deposited with banks in Hong Kong and the Mainland China and denominated mostly in HK\$ and RMB. In order to strengthen fund management, the Group's treasury activities are relatively centralised. Under the premise of ensuring the safety of funds, the Group, adhering to standardised operation, risk prevention, prudent investment and capital preservation as the primary principles, mainly utilises funds to place time deposits with banks to generate more returns for the Group and its shareholders. As at 30 June 2024, the Group had bank borrowings of approximately HK\$84,192,000 (31 December 2023: HK\$87,563,000) of which approximately HK\$7,099,000 (31 December 2023: HK\$6,568,000) are repayable within one year. The Group's loans were arranged on a floating interest rate basis. As at 30 June 2024, the Group had available unutilised banking facilities of HK\$300,000,000 (31 December 2023: HK\$300,000,000). 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 2024 set out in this interim report.



MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES *(CONTINUED)*

As at 30 June 2024, the Group's net current assets amounted to approximately HK\$1,360,735,000 (31 December 2023: HK\$1,344,516,000) and the Group had a current ratio (defined as total current assets divided by total current liabilities) of 3.78 (31 December 2023: 3.25). As at 30 June 2024, the Group's gearing ratio (defined as total bank borrowings divided by equity attributable to owners of the Company) was 2.68% (31 December 2023: 2.70%). 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.

Major currencies used for the Group's transactions were HK\$ and RMB. As 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 2024, the Group had equity attributable to owners of the Company of approximately HK\$3,137,907,000 (31 December 2023: HK\$3,242,129,000).

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 2024 set out in this interim report.





MANAGEMENT DISCUSSION AND ANALYSIS

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 2024, the Group pledged certain assets of approximately HK\$300,802,000 (31 December 2023: HK\$313,130,000), among which (i) leasehold land and building of approximately HK\$31,999,000 (31 December 2023: HK\$33,560,000) together with investment property of approximately HK\$104,000,000 (31 December 2023: HK\$116,000,000) were pledged for the mortgage loans while (ii) bank deposits of approximately HK\$164,803,000 (31 December 2023: HK\$163,570,000) were pledged for the general banking facilities.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group had no significant contingent liabilities (31 December 2023: Nil).

LITIGATION

On 11 July 2022, the Company and Speedy Light International Limited (an indirect wholly-owned subsidiary of the Company, the “Buyer”) entered into the Share Purchase Agreement to purchase 100% of the issued shares in Central Medical from the Seller. Under the Share Purchase Agreement, each of the seller parties, namely (i) the Seller; (ii) Central Healthcare Group Limited; (iii) Dr. Tsang Wah Tak, Kenneth; (iv) Dr. Leung Wing Hung; (v) Dr. Fong Ka Yeung; (vi) Mr. Shiu Shu Ming; and (vii) Dr. Chu Leung Wing (collectively the “Seller Parties”) has guaranteed to the Buyer that the audited consolidated net profit or loss of Central Medical and its subsidiaries (“Central Medical Group”) after tax attributable to shareholders (excluding all listing expenses and share-based payments) as set out in the consolidated accounts of Central Medical Group audited by Central Medical’s auditors (the “Adjusted Net Profit”) for each of the three financial years ended 31 March 2022, 2023 and 2024 should be no less than the performance target of HK\$30,000,000 (the “Profit Guarantee”).



MANAGEMENT DISCUSSION AND ANALYSIS

LITIGATION (CONTINUED)

Based on the audited consolidated accounts of Central Medical Group with respect to the year ended 31 March 2023, the Adjusted Net Profit of Central Medical Group for the year ended 31 March 2023 amounted to HK\$23,469,554, which was below the performance target of HK\$30,000,000. Due to non-fulfillment of the Profit Guarantee, the Seller Parties would be liable jointly and severally to pay to the Buyer an amount calculated in accordance with the adjustment mechanism as set out in the Share Purchase Agreement. After calculation, such amount would be HK\$97,956,690 (the “Claim Amount”). On 23 April 2024, the Buyer served a notice in accordance with the Share Purchase Agreement to the Seller, Central Healthcare Group Limited, Dr. Tsang Wah Tak, Kenneth and Mr. Shiu Shu Ming (the “Respondents”) to demand them, along with the other Seller Parties, to pay to the Buyer the Claim Amount on or before 30 April 2024. Notwithstanding the lapse of 30 April 2024, the Respondents have failed to pay the Claim Amount. Due to the failure to pay the Claim Amount, after taking legal advice, on 4 June 2024, the Buyer has initiated proceedings against the Respondents claiming, among others, the Claim Amount, the related interest, the legal fees and costs. However, due to the confidential nature of those proceedings, the Company is not able to disclose further information at this time. The Company will issue further announcement(s) to update the development of the matter, as and when appropriate, in accordance with the Listing Rules.

EVENTS AFTER REPORTING PERIOD

There was no important event affecting the Group which has occurred since 30 June 2024.

HUMAN RESOURCES AND TRAINING SCHEME

As at 30 June 2024, the Group employed 1,427 staff members (31 December 2023: 1,399). Total employee costs, including directors’ emoluments, amounted to approximately HK\$380,535,000 for the six months ended 30 June 2024 (2023: HK\$374,556,000). The salary and benefit 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 agreement for Ordinary Shares Subscription, 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 (collectively, the “First Net Proceeds”).

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF NET PROCEEDS FROM ISSUE OF SHARES (CONTINUED)

Issue of subscription shares and convertible preference shares (Continued)

As at 1 January 2024, the unutilised First Net Proceeds amounted to approximately HK\$247 million.

On 1 and 12 January 2024, upon expiry of the original timeline for utilisation of the First Net Proceeds, in view of the adverse impacts of COVID-19 Pandemic and the post-pandemic slow-down in the global economic growth on the medical and healthcare industry, and to utilize the Group's financial resources in a more efficient manner, the Board has resolved to apply the remaining First Net Proceeds as follows:-

Use of the unutilised balance of the First Net Proceeds	Amount (HK\$ million)	Timeline for utilisation
Acquisition, investment and development of hospitals and medical institutions, and medical or healthcare related business	110	End of 2026
Investment and development of medical specialty centres and dental chains	137	End of 2026
Total	247	

During the six months ended 30 June 2024, the First Net Proceeds of approximately HK\$120 million have been utilised under the planned use category of investment and development of medical specialty centres and dental chains. As at 30 June 2024, the unutilised First Net Proceeds amounted to approximately HK\$127 million.

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 (the “Second Net Proceeds”).

As at 1 January 2024, the unutilised Second Net Proceeds amounted to approximately HK\$996 million.

On 1 and 12 January 2024, upon expiry of the original timeline for utilisation of the Second Net Proceeds, in view of the adverse impacts of COVID-19 Pandemic and the post-pandemic slow-down in the global economic growth on the medical and healthcare industry, and to utilize the Group’s financial resources in a more efficient manner, the Board has resolved to apply the remaining Second Net Proceeds as follows:–

Use of the unutilised balance of the Second Net Proceeds	Amount (HK\$ million)	Timeline for utilisation
Acquisition, investment and development of medical and healthcare related business in the provision of medical, dental, rehabilitation, nursing, aged care, health check, laboratory testing, medical diagnostic, managed care and medical tourism services	996	End of 2026
Total	996	

During the six months ended 30 June 2024, none of the Second Net Proceeds has been utilised.



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 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

As at 30 June 2024, the Tranche A and Tranche B Convertible Bonds have been fully redeemed and the outstanding principal amount of the Convertible Bonds was HK\$116,000,000.

Dilutive impact of the Convertible Bonds

Assuming the outstanding Convertible Bonds of HK\$116,000,000 are converted in full at the conversion price of HK\$0.76 per Conversion Share, a maximum of 152,631,579 Conversion Shares will be issued, representing (i) approximately 2.25% of the issued share capital of the Company as at the date of this interim report; and (ii) approximately 2.20% 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).

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 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	25.77%
Broad Idea	1,418,576,764	20.94%	1,418,576,764	20.48%
Dr. Cho	1,418,576,764	20.94%	1,418,576,764	20.48%
Dr. Choi	1,420,776,764	20.98%	1,420,776,764	20.51%
Classictime	830,742,000	12.26%	830,742,000	11.99%
Minerva Group	830,742,000	12.26%	830,742,000	11.99%

Taking into account that as at 30 June 2024, the Group had total net assets of approximately HK\$3,524,725,000 and total net current assets of approximately HK\$1,360,735,000 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 outstanding 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 maturity date is set out below:

	Share price (HK\$)
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 2024, 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:

Long positions in the Shares

Name of Director	Capacity	Number of Shares held	Approximate% of shareholding of the Company (Note 1)
Ms. Lau Suk Hing Clara	Beneficial owner	242,560,000	3.58%

Note:

1. The total number of Shares as at 30 June 2024 (that was, 6,773,522,452 Shares) has been used for the calculation of the approximate percentage figure.

Save as disclosed above, as at 30 June 2024, 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.

DISCLOSURE OF INTERESTS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2024 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 2024, 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:

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	830,742,000 (Note 3)	830,742,000	12.26%
Minerva Group	Interest of a controlled corporation	830,742,000 (Note 3)	830,742,000	12.26%



DISCLOSURE OF INTERESTS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED) *Substantial shareholders' long positions in the Shares* (Continued)

Notes:

1. The total number of Shares as at 30 June 2024 (that was, 6,773,522,452 Shares) has been used for the calculation of the approximate percentage figure.
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 830,742,000 Shares were held by Classictime, a wholly-owned subsidiary of Minerva Group. Accordingly, Minerva Group was deemed to be interested in the 830,742,000 Shares held by Classictime under Part XV of the SFO.

Save as disclosed above, as at 30 June 2024, 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 period under review, 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 its 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 CPA Limited has been the auditors of the Group with effect from 15 February 2018. Moore CPA Limited was re-appointed as the auditors of the Company in the annual general meetings of the Company held on 29 June 2018, 27 June 2019, 29 June 2020, 28 June 2021, 28 June 2022, 20 June 2023 and 12 June 2024.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the period under review, the Company has complied with the code provisions as set out in the Corporate Governance Code (“CG Code”) contained in Appendix C1 to the Listing Rules, save for the deviation as described below:

Code provision C.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the period under review, Mr. Choi Ka Tsan Karson (“Mr. Choi”), the chairman of the Board, also assumed the role as the Chief Executive Officer of the Company. Although such arrangement deviates from code provision C.2.1 of the CG Code, the Board believes that vesting the roles of both the Chairman and the Chief Executive Officer on the same person has the benefit of ensuring consistent leadership to shape and advance long-term strategy, and for optimizing operating efficiency of the Group. Furthermore, the Board considers that the arrangement does not impair the balance of power and authority between the Board and the management of the Group as the four non-executive Directors and six independent non-executive Directors form the majority in the Board comprising 14 members. The Company does not propose to comply with code provision C.2.1 of the CG Code for the time being but will continue to review such positions as the Board reviews its compositions from time to time.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code contained in Appendix C3 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 2024.



CORPORATE GOVERNANCE

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.

CHANGES IN DIRECTORS' INFORMATION

Ms. Zhang Xiaoxue, an executive Director of the Company, was appointed as a director of the following companies of the Group:

Effective Date	Company Name
25 March 2024	Central Cardiac Holdings Limited CentralPharm Company Limited Hong Kong Medical Consultants Limited Medical Concierge Holding Limited Smart Winner Investments Limited
5 April 2024	Central Medical Holdings Limited
8 April 2024	Ace Alliance Global Limited Central Healthcare Limited Hong Kong Brain Memory Centre Limited Hong Kong Imaging and Diagnostic Centre Limited Medical Concierge Limited Medical Concierge Management Limited
19 April 2024	HKMC Medical Products Limited
16 May 2024	Hong Kong Imaging and Diagnostic Centre (MRI) Limited Hong Kong Imaging and Diagnostic Centre (Lab) Limited

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.



CORPORATE GOVERNANCE

AUDIT COMMITTEE

As at 30 June 2024, the Audit Committee comprised four independent non-executive Directors, namely Mr. Chan Wai Kan as the chairman of the Audit Committee, Mr. Liu Yang, Dr. Xu Weiguo and Mr. Cheung Ka Ming. The Audit Committee together with the management of the Company have reviewed 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 2024 and this interim report.

REVIEW OF INTERIM RESULTS

The condensed consolidated financial information for the six months ended 30 June 2024 has not been audited, but has been reviewed by the Audit Committee. Moore 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 2024 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
Choi Ka Tsan Karson
Chairman and Chief Executive Officer

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 71, which comprise the condensed consolidated statement of financial position as of 30 June 2024 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 2024 are not prepared, in all material respects, in accordance with HKAS 34.

Moore CPA Limited

Certified Public Accountants

Chan King Keung

Practising Certificate Number: P06057

Hong Kong, 29 August 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000
Revenue	4	914,280	916,833
Cost of sales		(664,727)	(674,371)
Gross profit		249,553	242,462
Other income	6	18,660	23,124
Administrative expenses		(194,598)	(196,737)
Other gains and losses, net	7	(69,572)	1,219
Finance costs	8	(11,969)	(10,915)
Share of results of associates		(1,991)	3,399
Share of results of joint ventures		-	(4,452)
(Loss) profit before tax		(9,917)	58,100
Income tax expenses	9	(18,625)	(19,417)
(Loss) profit for the period	10	(28,542)	38,683

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Note	Six months ended 30 June 2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000
Other comprehensive (expense) income 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		(22,422)	(19,685)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on the translation of foreign operations		(35,719)	(65,874)
Share of other comprehensive income of an associate and a joint venture		2,677	2,274
		(33,042)	(63,600)
		(55,464)	(83,285)
Total comprehensive expense for the period		(84,006)	(44,602)
(Loss) profit for the period attributable to:			
Owners of the Company		(47,676)	21,061
Non-controlling interests		19,134	17,622
		(28,542)	38,683
Total comprehensive (expense) income attributable to:			
Owners of the Company		(96,094)	(50,468)
Non-controlling interests		12,088	5,866
		(84,006)	(44,602)
(Loss) earnings per share (HK cent(s))	12		
Basic and diluted		(0.70)	0.31

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		30 June 2024 (unaudited) HK\$'000	31 December 2023 (audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Investment properties	13	567,285	594,155
Property, plant and equipment	13	304,227	326,964
Right-of-use assets	13	101,411	134,835
Loans receivable	14	31,164	39,156
Goodwill	15	665,641	671,686
Intangible assets		394,278	402,944
Interests in associates	16	218,424	260,708
Equity instruments at fair value through other comprehensive income	17	26,224	48,626
Deferred tax assets		3,118	2,586
Fixed bank deposits		113,888	77,018
		2,425,660	2,558,678
CURRENT ASSETS			
Inventories		54,797	52,499
Trade and other receivables	18	492,095	511,071
Financial assets at fair value through profit or loss		2,428	6,772
Loans receivable	14	22,100	15,200
Amounts due from associates		717	1,070
Tax recoverable		316	868
Pledged bank deposits		164,803	163,570
Fixed bank deposits		364,012	158,759
Bank balances and cash		748,776	1,032,079
		1,850,044	1,941,888

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		30 June 2024 (unaudited) HK\$'000	31 December 2023 (audited) HK\$'000
	Notes		
CURRENT LIABILITIES			
Trade and other payables	19	316,725	299,517
Contract liabilities		19,714	16,833
Amounts due to non-controlling interests		38,430	44,158
Bank borrowings	20	20,140	22,002
Lease liabilities		57,180	68,750
Convertible bonds	21	–	116,760
Tax payable		37,120	29,352
		489,309	597,372
NET CURRENT ASSETS			
		1,360,735	1,344,516
TOTAL ASSETS LESS CURRENT LIABILITIES			
		3,786,395	3,903,194
NON-CURRENT LIABILITIES			
Bank borrowings	20	64,052	65,561
Lease liabilities		54,805	76,873
Deferred tax liabilities		33,180	35,018
Convertible bonds	21	109,633	106,996
		261,670	284,448
		3,524,725	3,618,746
CAPITAL AND RESERVES			
Share capital	22	67,735	67,735
Reserves		3,070,172	3,174,394
Equity attributable to owners of the Company		3,137,907	3,242,129
Non-controlling interests		386,818	376,617
Total equity		3,524,725	3,618,746

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the Company													Non-controlling interests HK\$'000	Total HK\$'000
	Share capital- Shares 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 shares HK\$'000	Convertible bonds reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000		
At 1 January 2024 (audited)	67,735	3,023,852	9,020	10,033	62,677	(57,346)	107,434	(114,425)	-	33,115	(74,861)	174,895	3,242,129	376,617	3,618,746
(Loss) profit for the period	-	-	-	-	-	-	-	-	-	-	-	(47,676)	(47,676)	19,134	(28,542)
Exchange differences arising on the translation of foreign operations	-	-	-	-	-	-	-	-	-	-	(26,673)	-	(26,673)	(7,046)	(35,719)
Share of other comprehensive income of an associate	-	-	-	-	-	-	-	-	-	-	2,677	-	2,677	-	2,677
Fair value changes in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	(22,422)	-	-	-	-	(22,422)	-	(22,422)
Other comprehensive expense for the period	-	-	-	-	-	-	-	(22,422)	-	-	(25,996)	-	(48,418)	(7,046)	(55,464)
Total comprehensive (expense) income for the period	-	-	-	-	-	-	-	(22,422)	-	-	(25,996)	(47,676)	(96,094)	12,088	(84,006)
Redemption of convertible bonds (note 21)	-	-	-	-	-	-	-	-	(12,220)	-	12,220	-	-	-	-
Dividends declared	-	-	-	-	-	-	-	-	-	-	(8,128)	(8,128)	-	-	(8,128)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,887)	(1,887)
At 30 June 2024 (unaudited)	67,735	3,023,852	9,020	10,033	62,677	(57,346)	107,434	(136,847)	-	20,885	(100,657)	131,211	3,137,907	386,818	3,524,725

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- Shares 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 shares HK\$'000	Convertible bonds reserve HK\$'000	Transition reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000		
At 1 January 2023 (audited)	66,364	3,044,069	9,020	10,033	62,677	(64,464)	95,231	(94,111)	(10,819)	33,115	(45,622)	384,123	3,491,416	382,174	3,853,590
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	21,061	21,061	17,622	38,683
Exchange differences 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)	(63,265)	
Total comprehensive (expense) income 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	(623)	(20,217)	-	-	-	-	-	-	20,846	-	-	-	-	-	-
Repurchase of ordinary shares	-	-	-	-	-	-	-	(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 CASH FLOWS

For the six months ended 30 June 2024

	Six months ended	
	30 June	
	2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000
Net cash generated from operating activities	141,587	76,704
Investing activities		
Interest income received	13,937	14,857
Repayment of loans receivable	780	457
Dividend received from associates	6,270	13,404
Dividend received from equity instruments at fair value through other comprehensive income	595	1,260
Increase in pledged bank deposits	(3,215)	(20,680)
(Increase) decrease in fixed bank deposits	(248,641)	81,048
Acquisition of property, plant and equipment	(7,053)	(3,924)
Purchase of equity instruments at fair value through other comprehensive income	–	(41,155)
Proceeds from disposal of an associate	10	–
Proceeds from disposal of property, plant and equipment	21	3,002
Distribution from a joint venture	–	6,860
Repayment from (advances to) associates	353	(59)
Net cash (used in) generated from investing activities	(236,943)	55,070

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000
Financing activities		
Proceeds from partial disposal of subsidiaries	–	432
Dividends paid to non-controlling interests	(1,887)	(4,373)
Interest paid for bank borrowings	(2,704)	(3,175)
Repurchase of ordinary shares	–	(10,027)
Repayment to non-controlling interests	(5,728)	(5,508)
Repayment of bank borrowings	(3,371)	(31,718)
Redemption of convertible bonds	(120,000)	–
Repayment of lease liabilities	(37,522)	(39,141)
Interest paid for lease liabilities	(3,388)	(2,899)
Net cash used in financing activities	(174,600)	(96,409)
(Decrease) increase in cash and cash equivalents	(269,956)	35,365
Cash and cash equivalents at the beginning of period	1,032,079	971,939
Effect of foreign exchange rates changes	(13,347)	(21,314)
Cash and cash equivalents at the end of period, representing bank balances and cash	748,776	985,990



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The address of the principal place of business of the Company is 6th Floor, Town Health Medical Group Centre, 10-12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong.

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 ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("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 2023.

3. MATERIAL ACCOUNTING POLICY INFORMATION

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 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 2024 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2023.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following 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 2024 for the preparation of the condensed consolidated financial statements:

Amendments to HKFRS 16 Amendments to HKAS 1	Lease Liability in a Sale and Leaseback Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1 Amendments to HKAS 7 and HKFRS 7	Non-current Liabilities with Covenants Supplier Finance Arrangements

The application of the 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.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28 Amendments to HKAS 21 and HKFRS 1 Amendments to HKFRS 9 and HKFRS 7 HKFRS 18 HKFRS 19 Amendments to HK Int 5	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹ Lack of Exchangeability ² Amendments to the Classification and Measurement of Financial Instruments ³ Presentation and Disclosure in Financial Statements ⁴ Subsidiaries without Public Accountability: Disclosures ⁴ Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁴
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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 2025.

³ Effective for annual periods beginning on or after 1 January 2026.

⁴ Effective for annual periods beginning on or after 1 January 2027.

The Group is assessing the full impact of the new and amendments to HKFRS.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

4. REVENUE

Revenue represents the aggregate of the net amounts received and receivable from third parties for the period. There is no seasonality and cyclicity of the operations of the Group. The performance obligation is part of a contract that has an original expected duration of one year or less. Disaggregation of revenue from contracts with the customers are as follows:

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Revenue recognised under HKFRS 15		
Hong Kong medical services		
– Medical services	360,904	359,576
– Dental services	33,558	29,757
	394,462	389,333
Hong Kong managed medical network business	250,043	238,105
Mainland hospital management and medical services	264,377	283,378
	908,882	910,816
Revenue recognised under other accounting standard		
Others		
– Rental income	5,398	6,017
Total	914,280	916,833
Revenue recognised under HKFRS 15		
Timing of revenue recognition		
At point in time	876,563	877,771
Over time	32,319	33,045
	908,882	910,816



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

4. REVENUE (CONTINUED)

Revenue from Hong Kong medical services (including provision of medical and dental services), Hong Kong managed medical network business and majority of 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 evaluated 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 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 hospital management services and related services, provision of medical and dental services in the Mainland China
- Others – Leasing of properties and provision of other healthcare related services

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 2024

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results Six months ended 30 June 2024

	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	394,462	250,043	264,377	5,398	-	914,280
Inter-segment sales	27,325	-	-	-	(27,325)	-
	421,787	250,043	264,377	5,398	(27,325)	914,280
Segment results before impairment losses	39,726	18,851	25,559	(17,796)	-	66,340
Impairment loss recognised on right-of-use assets	(1,329)	-	-	-	-	(1,329)
Impairment loss recognised on interests in associates	-	-	-	(36,700)	-	(36,700)
Segment results	38,397	18,851	25,559	(54,496)	-	28,311
Unallocated finance costs						(5,877)
Unallocated other income						4,128
Unallocated corporate expenses						(36,479)
Loss before tax						(9,917)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

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 2024

5. SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's revenue from external customers based on geographical location of operations are detailed below:

	Six months ended 30 June	
	2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000
Hong Kong	649,903	633,455
Other regions of the PRC	264,377	283,378
	914,280	916,833

6. OTHER INCOME

	Six months ended 30 June	
	2024 (unaudited) HK\$'000	2023 (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	595	1,260
Interest income	13,937	14,857
Rental income	1,416	2,810
Sundry income	2,712	4,197
	18,660	23,124

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

7. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000
Fair value changes on financial assets at fair value through profit or loss	(4,348)	6,155
Fair value changes on investment properties	(26,870)	(2,896)
Impairment loss recognised on interests in associates	(36,700)	–
Impairment loss recognised on interest in a joint venture	–	(6,062)
(Impairment loss) reversal of impairment loss recognised on right-of-use assets	(1,329)	1,747
(Loss) gain on disposal of and written off of property, plant and equipment	(23)	2,385
Others	(302)	(110)
	(69,572)	1,219

8. FINANCE COSTS

	Six months ended 30 June	
	2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000
Interest on bank borrowings	2,704	3,175
Interest on lease liabilities	3,388	2,899
Interest on convertible bonds	5,877	4,841
	11,969	10,915

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000
Current tax		
– Hong Kong Profits Tax	11,990	10,546
– PRC Enterprise Income Tax	8,243	10,390
	20,233	20,936
Provision in prior years		
– Over provision of Hong Kong Profits Tax	(10)	–
Deferred Tax	(1,598)	(1,519)
	18,625	19,417

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 (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries in the Mainland China is 25% for both interim periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

10. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000
<hr/>		
(Loss) profit for the period has been arrived at after charging:		
Staff costs		
– Directors' emoluments	5,484	10,270
– Other staff's salaries, bonus and other benefits	368,365	357,081
– Other staff's retirement benefits scheme contributions	6,686	7,205
	<hr/> 380,535	<hr/> 374,556
Amortisation of intangible assets	5,601	5,660
Depreciation of property, plant and equipment	27,509	30,541
Depreciation of right-of-use assets	36,283	38,072
	<hr/> 449,928	<hr/> 446,430

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

11. DIVIDENDS

During the current interim period, a final dividend of Hong Kong 0.12 cent per share of the Company (“Share”) for the year ended 31 December 2023 (2023: 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 (2023: HK\$8,128,000).

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

12. (LOSS) EARNINGS PER SHARE

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

(Loss) profit for the purposes of basic and diluted (loss) earnings per Share

	Six months ended 30 June	
	2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000
(Loss) profit for the period attributable to owners of the Company	(47,676)	21,061

Number of Shares

	30 June 2024 (unaudited)	30 June 2023 (unaudited)
Weighted average number of Shares for the purposes of basic and diluted (loss) earnings per Share	6,773,522,452	6,774,206,065

The computation of diluted (loss) earnings per Share for the six months ended 30 June 2024 and 2023 do not assume the conversion of the Company’s outstanding convertible bonds since their assumed conversion would have anti-dilutive effect.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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

During the six months ended 30 June 2024, the Group acquired property, plant and equipment of approximately HK\$7,053,000 (2023: approximately HK\$3,924,000).

During the six months ended 30 June 2024, the Group entered into new lease agreements for the use of retail shops and office for average of 3.10 years (2023: 2.36 years). The Group is required to make fixed monthly payments during the contract period. On lease commencement, the Group recognised approximately HK\$6,289,000 (2023: HK\$52,883,000) of right-of-use assets and approximately HK\$6,289,000 (2023: HK\$52,883,000) of lease liabilities.

The Group's investment properties as at the end of the current interim period were valued by Ascent Partners Valuation Service Limited, an independent professional qualified valuer not connected with the Group. 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\$26,870,000 has been recognised directly in profit or loss for the six months ended 30 June 2024 (2023: HK\$2,896,000).

During the six months ended 30 June 2024, 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 lower than carrying amounts of the CGUs. Based on the results of the impairment assessments, impairment loss of approximately HK\$1,329,000 (2023: reversal of impairment loss of approximately HK\$1,747,000) have been recognised related to right-of-use assets and no impairment loss (2023: nil) have been recognised related to property, plant and equipment in the profit or loss during the six months ended 30 June 2024.

The recoverable amounts of the medical centres CGUs have been determined based on value-in-use calculations. These calculations used cash flow projections based on forecasts approved by the management of the Group covering the remaining lease term period with a pre-tax discount rate of 13.22% per annum (2023: 13.22% per annum) as at 30 June 2024 and 31 December 2023. The revenue growth rates and gross profit margins used were with reference to the market development and past performance of the medical centres.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

14. LOANS RECEIVABLE

	30 June 2024 (unaudited) HK\$'000	31 December 2023 (audited) HK\$'000
Fixed-rate loans receivable (unsecured)	49,387	49,956
Less: Allowance for expected credit loss	(3,223)	(3,300)
Variable-rate loans receivable (unsecured)	7,100	7,700
	53,264	54,356
Analysed for reporting purposes as:		
Non-current portion	31,164	39,156
Current portion	22,100	15,200
	53,264	54,356

Included in the balance, an amount of HK\$45,000,000 (31 December 2023: HK\$45,000,000) represented the loan to an associate, bearing fixed-rate interest of 5% per annum and due for repayment in instalments in 1 to 3 years from the end of the reporting period; and an amount of RMB3,000,000 (equivalent to HK\$3,223,000) (31 December 2023: RMB3,000,000 (equivalent to HK\$3,300,000)) represented the loan to a joint venture, bearing fixed rate interest of 4.35% per annum and due for repayment in 3 years from the end of the reporting period, which was fully impaired as at 30 June 2024 and 31 December 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

15. GOODWILL

During the six months ended 30 June 2024, there was no addition in goodwill (30 June 2023: nil).

For the purposes of impairment testing, goodwill have been allocated to groups of individual cash generating units (“CGUs”) in 4 (31 December 2023: 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 2024 and 31 December 2023 allocated to these units are as follows:

	30 June 2024 (unaudited) HK\$'000	31 December 2023 (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.	251,318	257,363
Hong Kong specialist medical services:		
Central Medical Holdings Limited (“CMHL Group”)	208,195	208,195
	665,641	671,686

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

15. GOODWILL (CONTINUED)

During the six months ended 30 June 2024, as there was no material change in the business and operation of these CGUs, 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 2024 and 30 June 2023 accordingly.

16. INTERESTS IN ASSOCIATES

During the six months ended 30 June 2024, the Group has performed impairment assessment on investments in Auspicious Idea Corporate Development Limited (“Auspicious Idea”) and Luck Key Investment Limited (“Luck Key”).

The recoverable amounts of the investments in Auspicious Idea and Luck Key were determined based on value in use calculations and were determined with the assistance of Valplus Consulting Limited and Ascent Partners Valuation Service Limited respectively. These valuers are independent professional qualified valuers not connected with the Group.

These value-in-use calculations used cash flow projections based on financial budgets approved by management covering a five-year period and at a pre-tax discount rate of 16.22% and 13.89% respectively. The cash flows beyond the five-year period are extrapolated using a growth rate of 3.00% and 2.31% per annum, respectively, which were determined after taking into consideration the economic conditions of the market. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows include the budgeted revenue, gross margins and other related expenses. Such estimation was based on historical performance and future plans of those associates, and also management’s expectations for the market development.

An impairment loss on interests in associates of HK\$36,700,000 (2023: nil) was recognised in profit or loss for the six months ended 30 June 2024.

17. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Unlisted investments: Equity securities	26,224	48,626

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 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 2024

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\$24,760,000 as at 30 June 2024 (31 December 2023: HK\$47,001,000). The Group held 6.04% 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.

The fair value of Company A as at 30 June 2024 was determined using cash flow projection based on the valuation performed as at that date by Valplus Consulting Limited, an independent professional qualified valuer not connected with the Group. During the six months ended 30 June 2024, a fair value loss of approximately HK\$22,261,000 (2023: fair value gain of approximately HK\$565,000) of Company A was recognised in investment revaluation reserve.

During the six months ended 30 June 2024, fair value loss of approximately HK\$22,422,000 (2023: HK\$19,685,000) of the above unlisted investments was accounted for in other comprehensive income.

18. TRADE AND OTHER RECEIVABLES

	30 June 2024 (unaudited) HK\$'000	31 December 2023 (audited) HK\$'000
Trade receivables	353,199	380,905
Bills receivables	59,209	48,180
	412,408	429,085
Deposits	41,007	39,443
Other receivables	21,894	29,813
Prepayments	16,786	12,730
	492,095	511,071

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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, which approximated the respective revenue recognition dates:

	30 June 2024 (unaudited) HK\$'000	31 December 2023 (audited) HK\$'000
0 – 60 days	228,436	261,055
61 – 120 days	97,376	81,831
121 – 180 days	62,177	54,847
181 – 240 days	20,727	29,538
Over 240 days	3,692	1,814
	412,408	429,085

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 2023: 180 to 240 days) whilst settlement by corporate customers for the Group's managed medical network operation is from 60 to 180 days (31 December 2023: 60 to 180 days). The Group allows credit period of 180 to 270 days (31 December 2023: 180 to 270 days) and 60 to 240 days (31 December 2023: 60 to 240 days) to its customers under mainland hospital management services and related services and trade customers under other business activities respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

19. TRADE AND OTHER PAYABLES

	30 June 2024 (unaudited) HK\$'000	31 December 2023 (audited) HK\$'000
Trade payables	160,714	157,265
Other payables	42,876	29,804
Deposits received	5,324	5,396
Accruals	107,811	107,052
	316,725	299,517

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

	30 June 2024 (unaudited) HK\$'000	31 December 2023 (audited) HK\$'000
0 – 60 days	78,093	89,972
61 – 120 days	32,814	27,246
Over 120 days	49,807	40,047
	160,714	157,265

The average credit period on purchase of goods is 60 to 120 days (31 December 2023: 60 to 120 days).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

20. BANK BORROWINGS

	30 June 2024 (unaudited) HK\$'000	31 December 2023 (audited) HK\$'000
Unsecured:		
Term loan	5,190	6,917
Secured:		
Mortgage loans	79,002	80,646
	84,192	87,563
The bank borrowings are repayable as follows:		
On demand and within one year	7,099	6,568
In more than one year but not more than two years	5,287	6,714
In more than two years but not more than three years	3,962	3,526
In more than three years but not more than four years	4,211	3,778
In more than four years but not more than five years	4,501	4,033
Over five years	59,132	62,944
	84,192	87,563
Less: Amounts due within one year shown under current liabilities	(7,099)	(6,568)
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)	(13,041)	(15,434)
Non-current portion	64,052	65,561



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

20. BANK BORROWINGS (CONTINUED)

As at 30 June 2024 and 31 December 2023, the bank borrowings of the Group carried variable interest rates ranging from Hong Kong Interbank Offered Rate (“HIBOR”) +1.40% 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\$31,999,000 (31 December 2023: HK\$33,560,000) and investment property with carrying value of approximately HK\$104,000,000 (2023: HK\$116,000,000). In addition, mortgage loan with carrying amount of approximately HK\$12,604,000 (31 December 2023: HK\$13,142,000) 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 agreements (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 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 including, the issue date and ending on the respective maturity dates. The CB holders 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 2024

21. CONVERTIBLE BONDS (CONTINUED)

The CBs are denominated in HKD and issued in three tranches:

Tranche A CBs amounted to HK\$120,000,000 with maturity date being 12 months from 26 August 2022. 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. 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. The Tranche B CBs have been fully redeemed as at 30 June 2024.

Tranche C CBs amounted to HK\$116,000,000 with maturity date being 36 months from 26 August 2022. 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, 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%-4.89% per annum at the date of initial recognition.

The movement of the CBs for the six months ended 30 June 2024 is set out below:

	Liability component HK\$'000	Equity component HK\$'000	Total HK\$'000
At 1 January 2023	213,878	33,115	246,993
Finance cost – interest charge	9,878	–	9,878
At 31 December 2023	223,756	33,115	256,871
Redemption	(120,000)	(12,220)	(132,220)
Finance cost – interest charge	5,877	–	5,877
At 30 June 2024	109,633	20,895	130,528

The liability component of CBs classified as current liabilities and non-current liabilities amounted to nil (31 December 2023: approximately HK\$116,760,000) and approximately HK\$109,633,000 (31 December 2023: HK\$106,996,000) respectively in the condensed consolidated financial statements as at 30 June 2024.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

22. SHARE CAPITAL

	Number of Shares	Amount HK\$'000
Shares of HK\$0.01 each		
Authorised:		
At 1 January 2023, 31 December 2023 and 30 June 2024	30,000,000,000	300,000
Issued and fully paid:		
At 1 January 2023	6,836,374,452	68,364
Cancellation of Shares	(62,852,000)	(629)
At 31 December 2023 and 30 June 2024	6,773,522,452	67,735

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

23. RELATED PARTY TRANSACTIONS

Significant transactions with related parties

Name of related party	Nature of transactions	Six months ended 30 June	
		2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000
Advance Bond Limited ¹	Rental income	487	460
China Life Insurance (Overseas) Company Limited ²	Medical related services income	456	432
	Insurance expenses	(421)	(459)
China Life Insurance Company Limited ²	Medical related services income	869	150
	Property management income	37	32
	Insurance expenses	(37)	(21)
China Life Insurance Company Limited, Shandong Branch ³	Repayment of lease liabilities	–	(1,972)
	Rental expense	(728)	–
China Life Trustees Limited ²	Retirement benefits scheme contributions	–	(61)
China Life Property & Casualty Insurance Company Limited ²	Medical related services income	4	125
C.T. Scan Diagnostic Centre ⁹	Cost of sales	(119)	(156)
Dr. Edmund Wong Clinic ⁴	Cost of sales	–	(4,177)
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 2024

23. RELATED PARTY TRANSACTIONS (CONTINUED)

Name of related party	Nature of transactions	Six months ended 30 June	
		2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000
Early Light International (Holdings) Limited	Medical services income	75	115
Essential Health Limited ¹	Laboratory fee income	7	–
Hong Kong Bariatric and Metabolic Institute Limited ¹	Management services fee income	127	129
	Rental expense	(198)	(192)
Hong Kong Cardiac Center Limited ⁶	Cost of sales	–	(1,096)
Hong Kong Health Check and Medical Diagnostic Centre Limited ⁷	Rental income	2,665	2,609
	Laboratory fee income	879	946
	Cost of sales	(3,611)	(4,061)
	Staff welfare	(39)	(56)
My Beauty Company Limited ⁸	Rental income	962	923
My Beauty Salon Company Limited ⁸	Interest income	1,125	1,125
Yuen Foong Medical Diagnostic Centre ⁹	Cost of Sales	(19)	(14)



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

23. RELATED PARTY TRANSACTIONS (CONTINUED)

Notes:

1. The related parties are the associates of the Company, which are not individually material, during the six months ended 30 June 2024 and 2023.
2. The related parties are the subsidiaries of China Life Insurance (Group) Company, one of the beneficial owners 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, a former executive director of the Company who resigned on 1 January 2024.
5. Dr. Kenneth Tsang and Associates Limited is owned by Dr. Tsang Wah Tak, Kenneth, a former executive director of the Company who resigned on 20 June 2023.
6. Hong Kong Cardiac Center Limited is wholly-owned by Dr. Law Kwan Kin, a former executive director of the Company who resigned on 2 March 2023.
7. The related party is the subsidiary of Luck Key, a principal associate of the Company.
8. The related parties are the subsidiaries of Auspicious Idea, a principal associate of the Company.
9. The related parties are the branches of the subsidiaries of Luck Key, a principal associate of the Company.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 2024

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 2024 (unaudited) HK\$'000	31 December 2023 (audited) HK\$'000					
Financial asset at FVTPL – unlisted derivative	2,428	6,772	Level 3	Binomial Option Pricing Model	Volatility	67.75% (31 December 2023: 66.57%)	The increase in volatility would increase in fair value
					Risk-free rate	4.50% (31 December 2023: 3.92%)	The increase in risk-free rate would increase in fair value
					Time to maturity	3.58 years (31 December 2023: 4.08 years)	The decrease in time to maturity would decrease in fair value
					Dividend yield	0% (31 December 2023: 0%)	The increase in dividend yield would decrease in fair value
Equity instruments at FVTOCI – unlisted equity securities in Hong Kong	26,224	48,826	Level 3	Discounted cash flow method	Yearly growth rates of revenue	Ranging from 8.54% to 147.53% (31 December 2023: Ranging from 15.00% to 208.95%)	The decrease in yearly growth rates of revenue would decrease in fair value
					Terminal growth rate	3.00% (31 December 2023: 2.50%)	The increase in terminal growth rate would increase in fair value
					Weighted average cost of capital	16.47% (31 December 2023: 15.39%)	The increase in weighted average cost of capital would decrease in fair value
					Discount rate for lack of control	23.55% (31 December 2023: 21.90%)	The increase in discount rate would decrease in fair value
					Discount rate for lack of marketability	15.70% (31 December 2023: 12.03%)	The increase in discount rate would decrease in fair value

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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 2023 (audited)	–	27,785
Purchased during the period	–	41,155
Fair value changes	6,155	(19,685)
At 30 June 2023 (unaudited)	6,155	49,255
At 1 January 2024 (audited)	6,772	48,626
Fair value changes	(4,348)	(22,422)
Exchange realignment	4	20
At 30 June 2024 (unaudited)	2,428	26,224

The fair value loss for the six months ended 30 June 2024 of approximately HK\$4,348,000 (2023: profit 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 2024 of approximately HK\$22,422,000 (2023: HK\$19,685,000) included in 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”.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

25. CONTINGENCIES

On 11 July 2022, the Company and Speedy Light International Limited (an indirect wholly-owned subsidiary of the Company, the “Buyer”) entered into a share purchase agreement (the “Share Purchase Agreement”) to purchase 100% of the issued shares in Central Medical Holdings Limited (“Central Medical”) from Hong Kong Medical Consultants Holdings Limited (the “Seller”). Under the Share Purchase Agreement, each of the seller parties, namely (i) the Seller; (ii) Central Healthcare Group Limited; (iii) Dr. Tsang Wah Tak, Kenneth; (iv) Dr. Leung Wing Hung; (v) Dr. Fong Ka Yeung; (vi) Mr. Shiu Shu Ming; and (vii) Dr. Chu Leung Wing (collectively the “Seller Parties”) has guaranteed to the Buyer that the audited consolidated net profit or loss of Central Medical and its subsidiaries (“Central Medical Group”) after tax attributable to shareholders (excluding all listing expenses and share-based payments) as set out in the consolidated accounts of Central Medical Group audited by Central Medical’s auditors (the “Adjusted Net Profit”) for each of the three financial years ended 31 March 2022, 2023 and 2024 should be no less than the performance target of HK\$30,000,000 (the “Profit Guarantee”).

Based on the audited consolidated accounts of Central Medical Group with respect to the year ended 31 March 2023, the Adjusted Net Profit of Central Medical Group for the year ended 31 March 2023 amounted to HK\$23,469,554, which was below the performance target of HK\$30,000,000. Due to non-fulfillment of the Profit Guarantee, the Seller Parties would be liable jointly and severally to pay to the Buyer an amount calculated in accordance with the adjustment mechanism as set out in the Share Purchase Agreement (the “Claim Amount”). On 23 April 2024, the Buyer served a notice in accordance with the Share Purchase Agreement to the Seller, Central Healthcare Group Limited, Dr. Tsang Wah Tak, Kenneth and Mr. Shiu Shu Ming (the “Respondents”) to demand them, along with the other Seller Parties, to pay to the Buyer the Claim Amount on or before 30 April 2024. Notwithstanding the lapse of 30 April 2024, the Respondents have failed to pay the Claim Amount. After taking legal advice, on 4 June 2024, the Buyer has initiated proceedings against the Respondents claiming, among others, the Claim Amount, the related interest, the legal fees and costs.

The proceedings are still at an early stage and the outcomes are subject to uncertainties, the Group is not practicable to estimate the financial effect at this moment.



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
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	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	the People's Republic of China
Classictime	Classictime Investments Limited
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

GLOSSARY

Conversion Rights	the conversion rights attaching to the Convertible Bonds to convert the principal amount or a part thereof into the Conversion Shares
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
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-19 Pandemic or Pandemic	pandemic arising from 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
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
Director(s)	the director(s) of the Company
Dr. Cho	Dr. Cho Kwai Chee



GLOSSARY

Dr. Choi	Dr. Choi Chee Ming, <i>GBS, JP</i>
eHealth	Electronic Health Record Sharing System developed by the Hong Kong government
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)
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
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

GLOSSARY

Mainland China	the People's Republic of China, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
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 C3 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 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
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
period under review	the six months ended 30 June 2024
Remuneration Committee	the remuneration committee of the Board
RMB	Renminbi, the lawful currency of the PRC



GLOSSARY

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
TBMG	The Beauty Medical Group
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
Vio	Dr. Vio & Partners Limited, a subsidiary of the Company