

G 固生堂

GUSHENGTANG HOLDINGS LIMITED
固生堂控股有限公司

(根據開曼群島法律註冊成立的有限公司)
(Incorporated under the laws of the Cayman Islands with limited liability)

股份代號 Stock Code: 2273

Interim Report
2023





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Corporate Information

DIRECTORS

Executive Director

Mr. Tu Zhiliang (涂志亮) (*Chairman*)

Non-executive Directors

Mr. Huang Jingsheng

Mr. Liu Kanghua (劉康華)

Mr. Gao Jian (高建)

Mr. Jiang Xiaodong (蔣曉冬)

(resigned with effect from May 19, 2023)

Mr. Xu Yongjiu (徐永久)

(resigned with effect from August 21, 2023)

Independent Non-executive Directors

Ms. Jin Xu (金旭)

Mr. Li Tie (李鐵)

Mr. Wu Taibing (吳太兵)

AUDIT COMMITTEE

Mr. Li Tie (李鐵) (*Chairperson*)

Mr. Wu Taibing (吳太兵)

Mr. Huang Jingsheng

(appointed with effect from May 19, 2023)

Mr. Jiang Xiaodong (蔣曉冬)

(resigned with effect from May 19, 2023)

REMUNERATION COMMITTEE

Ms. Jin Xu (金旭) (*Chairperson*)

Mr. Li Tie (李鐵)

Mr. Huang Jingsheng

NOMINATION COMMITTEE

Mr. Tu Zhiliang (涂志亮) (*Chairperson*)

Ms. Jin Xu (金旭)

Mr. Wu Taibing (吳太兵)

JOINT COMPANY SECRETARIES

Mr. Yu Peng (于鵬)

(appointed with effect from August 21, 2023)

Ms. Ho Yin Kwan (何燕群)

Ms. Xie Xiaoping (謝小平)

(resigned with effect from August 21, 2023)

AUTHORIZED REPRESENTATIVES

Mr. Tu Zhiliang (涂志亮)

Ms. Ho Yin Kwan (何燕群)

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AUDITOR

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COMPANY'S WEBSITE

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Financial Highlights

	2023	Unaudited Six months ended June 30,		
		2022	Changes	
(RMB'000, except for percentage)				
Revenue	986,126	702,902	283,224	40.3%
Gross profit	282,945	198,895	84,050	42.3%
Profit before tax	106,990	53,290	53,700	100.8%
Net Profit	93,202	53,577	39,625	74.0%
Adjusted net profit	101,759	62,134	39,625	63.8%
Basic profit per share (RMB)	0.39	0.23	0.16	69.6%
Diluted earnings per share (RMB)	0.38	0.22	0.16	72.7%
Profitability ratio				
Gross margin	28.7%	28.3%	0.4%	—
Net profit ratio	9.5%	7.6%	1.9%	—
Adjusted net profit ratio	10.3%	8.8%	1.5%	—

Management Discussion and Analysis

BUSINESS REVIEW

As a TCM healthcare service provider in China, we provide customers with a comprehensive range of TCM healthcare services and products through our offline medical institutions and online healthcare platforms. During the Reporting Period, we continued to focus on primary care and adhere to our core value of better serving our customers with “conscientious physicians, reliable pharmaceuticals (良心醫, 放心藥).” Our comprehensive healthcare solutions that cover the whole process of disease diagnosis and treatment and healthcare management have the following key characteristics:

Integration of offline medical institutions and online healthcare platforms.

With the rapid development of internet technology, more and more TCM healthcare service providers in China are integrating offline medical institutions and online healthcare platforms to solve the pain points of conventional TCM diagnosis and treatment, such as limited customer outreach, unbalanced physician resources among different regions, and inconvenience of follow-up visits and long-term healthcare management of customers. Since we launched online appointment, follow-up consultation, diagnosis and prescription services on our official WeChat account in 2018, we have been capable of providing both offline and online healthcare solutions through our medical service network. We believe we are one of the first TCM healthcare service providers to utilize online healthcare platforms and effectively connect offline medical service network with online platforms and are thus well positioned to benefit from favorable government policies encouraging the development of online healthcare services. On the one hand, the development of our online healthcare services enables us to utilize medical resources and expand our customer coverage more effectively. On the other hand, we are able to strategically choose cities for offline expansion based on the activeness of online physicians and customers.

Combination of TCM and western medicine.

We originated from the conventional TCM diagnosis and treatment methods of primary care and developed diagnosis and treatment methods combining TCM and western medicine. We provide TCM healthcare solutions through our integrated offline and online medical service network, combining conventional TCM diagnosis and treatment methods with western medicine, such as clinical laboratory examination and treatment. We aim to effectively and efficiently provide customers with comprehensive healthcare solutions, especially chronic disease management, to address their diverse medical and healthcare management needs. We focus on the customers’ daily primary care, aiming to achieve long-term follow-up and healthcare management for customers.

Standardized and digitalized operations.

We have been continuously strengthening the standardization and digitalization of our operations to provide an optimized customer experience and achieve better operational efficiency as well as resource sharing within our medical service network.

1. We have established a digital clerk system on the offline medical institution side. Through presenting operational data in the form of digital reports, we are able to enhance the in-depth interaction between our offline medical institutions and our customers to improve customer experience. In the meantime, the digital clerk system facilitates our real-time communication with and feedback collection from customers, thereby empowering our overall business through increasing customer visits and customer return rates of and implementing digital management in our offline medical institutions.

Management Discussion and Analysis

2. We have established a client relationship management (the “**CRM**”) system on the medical-affair side to integrate our development and management of medical professional teams. Capitalizing on the CRM system, we are able to conduct digital analytics on daily operations and management of medical professional teams using digital statistics, thereby improving their operational efficiency.
3. We have built an intelligent prescription review platform embedded with compliance requirements under national reimbursement programs and the relevant requirements from the local medical insurance bureaus, thereby conducting compliance control leveraging information technologies.
4. We have built a closed-loop enterprise resource planning (the “**ERP**”) system that covers our whole business process to enhance our digital operation and management, thereby further improving management efficiency through comprehensive and systematic management of supply chain, sales, inventories and accounting.

In February 2021, the PRC government promulgated *Several Policies and Measures on Promoting the Development of Traditional Chinese Medicine* (《關於加快中醫藥特色發展的若干政策措施》), which proposed to promote the renowned physician project (名醫堂工程). In particular, private capitals with extensive experience are encouraged and supported to establish a chain of TCM medical institutions with renowned physicians and distinctive features under distinguishable brands, where they are expected to provide customers with top-ranking TCM healthcare services and products in a first-class environment. We believe that these policies constitute safeguards for our business operations.

In December 2021, the National Healthcare Security Administration (國家醫療保障局) and the National Administration of Traditional Chinese Medicine (國家中醫藥管理局) jointly issued the *Guidance on Supporting the Inheritance, Innovation and Development of TCM Healthcare Services and Products by National Reimbursement Programs* (《關於醫保支持中醫藥傳承創新發展的指導意見》), which proposed (i) to support the development of “Internet +” TCM healthcare services and include them in national reimbursement programs; (ii) to adjust the pricing of TCM healthcare services to reflect the labor value contained therein; (iii) to allow TCM healthcare service providers to sell decocting pieces at a markup of no more than 25%; (iv) to allow TCM healthcare service providers to price their in-hospital preparations at their sole discretion; (v) to include in-hospital preparations in national reimbursement programs; and (vi) to postpone the implementation of diagnosis-related group payment mechanism in respect of TCM healthcare services, providing more support to TCM healthcare services and products on the national reimbursement side.

In March 2022, the Physician Law of the People’s Republic of China (《中華人民共和國醫師法》) came into effect. This law encourages physicians to regularly provide healthcare services at medical institutions at or below the county level, which should be supported by their primary practicing medical institutions. In the same month, 10 government authorities including the National Administration of Traditional Chinese Medicine, the National Health Commission (國家衛生健康委員會) and the National Development and Reform Commission (國家發展和改革委員會) jointly issued the *14th Five-year Action Plan for the Improvement of Grass-roots Traditional Chinese Medicine Service Capability* (《基層中醫藥服務能力提升工程「十四五」行動計劃》), which encouraged the establishment of TCM medical institutions by private capitals at the grass-roots level and supported the cultivation of TCM medical institution chains, providing further encouragement and support for our business model.

Management Discussion and Analysis

In the same month, the General Office of the State Council (國務院辦公廳) issued the *Development Plan on Traditional Chinese Medicine During the 14th Five-year Period* (《「十四五」中醫藥發展規劃》) to make a comprehensive arrangement on traditional Chinese medicine during the 14th five-year period. Such plan sets forth a series of indicators to evaluate the development of traditional Chinese medicine, including (i) the number of practicing assistant TCM physicians per 1,000 population is expected to increase from 0.49 in 2020 to 0.62 in 2025; and (ii) the coverage of TCM medical institutions (including hospitals, out-patient departments and clinics) at county-level is expected to increase from 85.86% in 2020 to 100.0% in 2025. Such plan facilitates the increase in the supply of TCM resources as well as the improvement of the quality of TCM healthcare services at the grass-roots level, and helps us acquire more physician resources to address the undersupply of physicians.

In May 2022, the General Office of the State Council issued the *Notice on the Key Aspects in Deepening the Reform of the Medical and Health Care System in 2022* (《深化醫藥衛生體制改革2022年重點工作任務的通知》), which aimed to (i) promote the social pooling payments in general out-patient departments under national reimbursement programs to gradually expand the coverage of social pooling payments to include the general out-patient medical fees of frequently-occurring diseases and common diseases; (ii) promote the revitalization and development of traditional Chinese medicine; and (iii) continuously promote the hierarchical medical system and optimize the order of healthcare services. Promotion of the social pooling payments in general out-patient departments nationwide indicates an expected rapid growth of the out-patient healthcare services in China. Our out-patient healthcare services are expected to thrive as a result.

In June 2022, the National Administration of Traditional Chinese Medicine, the Ministry of Education (教育部), the Ministry of Human Resources and Social Security (人力資源和社會保障部) and the National Health Commission jointly issued the *Opinion on Enhancing Traditional Chinese Medicine Talent Cultivation in the New Era* (《關於加強新時代中醫藥人才工作的意見》) (the “**Opinion**”), which set forth the goals and key aspects of TCM talent related matters in the new era, the core of which lay in speeding up a solution to the undersupply of TCM talent. The Opinion proposes to increase the supply of TCM talent through the strategy of “western medicine talent learning from TCM (西學中)” and the educational reforms, and to encourage the flow of TCM talent to grass-roots medical institutions. This will further alleviate the undersupply of physicians that we encounter in our development at the grass-roots level.

In October 2022, the National Administration of Traditional Chinese Medicine issued the *14th Five-year Plan for the Development of Traditional Chinese Medicine Talent* (《「十四五」中醫藥人才發展規劃》), which provided policy support in terms of (i) improving the system of TCM talent cultivation; (ii) increasing the number of TCM talent; (iii) enhancing the quality of TCM talent; (iv) optimizing the deployment of TCM talent; and (v) improving the evaluation system for TCM talent. Such plan accelerates the cultivation of high-quality TCM talent and helps us acquire more physician resources.

In November 2022, the National Health Commission, the National Administration of Traditional Chinese Medicine and the National Administration of Disease Control and Prevention (國家疾病預防控制中心) jointly issued the *14th Five-year Plan for the National Health Informatization* (《「十四五」全民健康信息化規劃》), which deployed the action of “Internet + TCM healthcare services,” the demonstrative action of establishing intelligent hospitals, etc., to further promote the in-depth integration of new-generation information technology and healthcare industry. With the application of internet technology in the TCM healthcare services, an industry chain of “Internet + TCM healthcare services” covering the preventative care before consultation, treatment during consultation and rehabilitation after consultation is forming. The plan rejuvenates the conventional TCM healthcare services and provides long-term policy support for our operations.

Management Discussion and Analysis

In February 2023, the General Office of the State Council issued the *Implementation Plan for the Major Project of Revitalizing and Developing Traditional Chinese Medicine* (《中醫藥振興發展重大工程實施方案》), which further enhances efforts in supporting the development of TCM during the 14th five-year period, aiming at promoting the revitalization and development of TCM. Such plan coordinates and deploys eight major projects, including the project of facilitating the high-quality development of TCM healthcare services, the project of strengthening the synergy between TCM and western medicine, and the project of inheriting, innovating and modernizing TCM, putting emphasis on the enhancement of TCM capabilities in medical institutions at the grass-roots level and the cultivation of high-quality TCM talent. As a leading TCM healthcare service provider at the grass-roots level, we collaborate with multiple public Class III Grade A hospitals in the form of medical consortia and establish expert committees and physician inheritance studios with renowned National TCM Great Masters, National Famous TCM Doctors and Provincial Famous TCM Doctors, forming a three-tier talent cultivation system comprising academic leaders, key physicians and young professionals. Such talent cultivation system aligns with the national policy of promoting the renowned physician project and cultivating high-quality TCM talent. In the future, we will continually strengthen our team of medical professionals to realize a sustainable development leveraging the comprehensive support from the PRC government in this regard.

In April 2023, the National Administration of Traditional Chinese Medicine, Publicity Department of CPC Central Committee (中共中央宣傳部), the Ministry of Education, the Ministry of Commerce (商務部), the Ministry of Culture and Tourism (文化和旅遊部), the National Health Commission, the National Radio and Television Administration (國家廣播電視總局) and the National Culture Heritage Administration (國家文物局) jointly issued the *Implementation Plan for the Project of Promoting Traditional Chinese Medicine Culture during the 14th Five-year Period* (《「十四五」中醫藥文化弘揚工程實施方案》), which aims to promote the development of TCM culture during the 14th five-year period. Such plan proposes to make increasing investments in the special funds intended for promoting TCM culture and improve and optimize the investment mechanism, in order to utilize the existing funding sources in an integrated approach to support major projects. Such plan also encourages the involvement of non-governmental sectors and the collaborations between government authorities and non-governmental sectors under applicable laws and regulations, whereby enterprises, foundations and relevant organizations are expected to play positive roles in establishing a long-term mechanism for the participation of non-governmental sectors in TCM culture-related work. Taking the leadership in TCM healthcare service industry in China, we are expected to achieve better growth by seizing the opportunities brought by favorable policies promulgated by the PRC government to encourage the development of TCM.

During the Reporting Period, we generated our revenue primarily from (i) provision of healthcare solutions; and (ii) sale of healthcare products. Our revenue derived from provision of healthcare solutions for the six months ended June 30, 2023 was primarily affected by a series of factors including the scale of our offline and online medical service network, the number of our customers and their spending during the period. Our revenue derived from sale of healthcare products for the six months ended June 30, 2023 was primarily affected by the type and volume of valuable medicinal and nourishment sold during the period, the unit price of which may vary significantly. Generally, when the sales volume of valuable medicinal and nourishment with high unit price increases, we would generate more revenue from sale of healthcare products.

Management Discussion and Analysis

We have been actively expanding our business footprint in China. As of June 30, 2023, we owned and operated 53 medical institutions in Beijing, Shanghai, Guangzhou, Shenzhen, Foshan, Zhongshan, Fuzhou, Nanjing, Suzhou, Ningbo, Wuxi, Hangzhou, Zhengzhou, Wenzhou, Kunshan and Wuhan, all of which were private for-profit medical institutions operated under our brand name “Gushengtang (固生堂).” In addition, we owned and operated a variety of online channels as of June 30, 2023, including official websites, mobile applications, official WeChat accounts and mini programs. We also owned and operated four offline pharmacies for our sale of healthcare products as of June 30, 2023. Moreover, we had established collaborative relationships with 17 third-party online platforms as of June 30, 2023, through which we primarily provided online appointment services to customers.

During the Reporting Period, we had expanded our medical service network through strategically acquiring offline medical institutions and establishing a new offline medical institution. In March 2023, we entered into an equity transfer agreement with the shareholders of Kunshanshi Mingtai Out-patient Co., Ltd. (昆山市明泰門診部有限公司) (the “**Kunshan Mingtai**”) to acquire 100% equity interest of Kunshan Mingtai. In the same month, we also entered into an equity transfer agreement with the shareholders of Wuxi Litongfeng Traditional Chinese Medicine Hospital Co., Ltd. (無錫李同豐中醫醫院有限公司) (the “**Wuxi Litongfeng Hospital**”) to acquire 100% equity interest of Wuxi Litongfeng Hospital. In addition, in April 2023, we entered into an equity transfer agreement with the shareholders of Wuhan Yide TCM Out-patient Department Co., Ltd. (武漢頤德中醫門診部有限公司) (the “**Wuhan Yide**”) to acquire 100% equity interest of Wuhan Yide. To maintain a unified brand image and improve our brand awareness, all of these acquired medical institutions are operated under our brand name after the acquisitions. Such acquisitions further expanded our offline medical service network and enlarged our market share in East China and Central China. Furthermore, we established a new medical institution, namely Foshan Chancheng Zumiao Gushengtang TCM Out-patient Department Co., Ltd. (Foshan Chancheng Branch) (佛山市禪城祖廟固生堂中醫門診部有限公司(佛山禪城分院)). As of June 30, 2023, all the above acquired and self-established medical institutions had commenced operations. Adhering to our existing strategies, we strive to achieve high-quality business expansion and increase the geographic coverage and market share of our medical service network.

We have also enhanced our collaboration with public hospitals and TCM universities, fully unleashing the potential of medical consortia to facilitate the sinking of high-quality physician resources to the grass-roots level in an orderly manner. As of June 30, 2023, we were in collaboration with multiple hospitals and TCM universities.

Management Discussion and Analysis

As a testament to our effective customer acquisition and retention strategies, we have achieved a steady growth in our customer base during the Reporting Period. The following table sets forth certain key information in connection with our customers for the periods indicated:

	Six months ended June 30,	
	2023	2022
New customers ⁽¹⁾	346,679	246,325
Accumulated customers at the end of each period ⁽²⁾	3,079,503	2,427,150
Customer visits (<i>thousands</i>)	1,806	1,323
Accumulated customer visits at the end of each period (<i>thousands</i>)	14,681	11,253
Customer return rate ⁽³⁾ (%)	67.3	66.9
Average spending per customer visit (<i>RMB</i>)	546	531

Notes:

- (1) Refer to customers who received healthcare solutions or purchased healthcare products provided by us for the first time.
- (2) Refer to, as of the end of any financial period, the total number of customers who had ever visited our medical service network to receive any healthcare solution or purchase any healthcare product at any time on or before the end of such financial period.
- (3) Refer to, in respect of any financial period, a fraction (expressed as a percentage) equals to the number of returning customers in respect of such financial period divided by the total number of customers who had visited our medical service network to receive any healthcare solution or purchase any healthcare product at any time during such financial period.

We endeavour to establish long-term relationships with our customers and attract customers to join our membership program to enhance customer loyalty. Through our dedicated efforts, our members have shown higher loyalty and consumption willingness compared with our other customers. We benefit from the word-of-mouth publicity arising from the recognition of our services, products and brand by our members. The following table sets forth certain key information in connection with our membership program for the periods indicated:

	Six months ended June 30,	
	2023	2022
Number of members who had made spending in our medical service network	174,734	99,201
Member visits (<i>thousands</i>)	621	366
Member return rate ⁽¹⁾ (%)	85.5	87.6

Note:

- (1) Refer to, in respect of any financial period, a fraction (expressed as a percentage) equals to the number of returning members in respect of such financial period divided by the total number of members who had visited our medical service network to receive any healthcare solution or purchase any healthcare product at any time during such financial period.

IMPACT OF THE COVID-19 PANDEMIC

Since early December 2022, the government authorities in China eased the restrictions previously imposed to contain the spread of the COVID-19 pandemic. The surge in infected population in China in late 2022 caused impacts on our business operations. However, the outbreak and spread of the COVID-19 pandemic have improved public awareness on health and sanitation in China and facilitated the popularization of TCM healthcare services and products as well as the promulgation of favorable government policies encouraging the development of online healthcare services.

We promptly expanded our service scope to include the treatment of COVID-19 through both offline and online channels. As many COVID-19 convalescents were suffering from sequelae such as cough and fatigue, we launched COVID-19 rehabilitation services capitalizing on the superiority of TCM in treating such symptoms in late 2022 and have served a large number of patients since then. Our Directors consider the negative impacts caused by the COVID-19 pandemic were immaterial to the operational and financial performance of our Group during the Reporting Period. As there remain uncertainties as to the development of the pandemic, we will continue to closely monitor the indicators of the COVID-19 pandemic and proactively take timely measures to prevent its transmission within our medical service network and minimize any potential negative impact on our operations. To better cope with the COVID-19 pandemic, we have also allocated more resources to improve our business performance and boost promotion.

BUSINESS PROSPECT

Since our inception in 2010, we have adhered to our core value of better serving our customers with “conscientious physicians, reliable pharmaceuticals (良心醫, 放心藥).” We are committed to expanding our offline and online medical service network to provide high-quality TCM healthcare services and products to a larger customer base in response to national calls for the development of a “Healthy China.” With the strong support to the TCM healthcare industry and the continuous promulgation of favorable policies by the PRC government, we will continue to (i) reinforce the resource advantage of our OMO platform and the brand value advantage of “Gushengtang (固生堂);” (ii) attract high-caliber medical resources to join our platform; (iii) solve the pain points of “inaccessible and unaffordable healthcare services” for our customers; and (iv) actively promote the collaboration in medical consortia, conducting a moderate business expansion without disrupting our existing operations.

Going forward, we expect our business strategies to focus on the following aspects:

- 1. Continue to adopt the mentorship model in training TCM talent, aiming to cultivate and build a high-caliber team of young physicians.** The “Gushengtang” Reputable TCM Great Master Inheritance Studio (「固生堂」名中醫傳承工作室) and our OMO platform have achieved initial success in training young physicians. Our OMO platform has lifted the geographical restrictions and allows outstanding experts from various geographical regions to share their clinical experience and academic achievements with young talent efficiently, which can accelerate our team building of full-time physicians. With sufficient physician resources, the “Gushengtang” Reputable TCM Great Master Inheritance Studio provides quality assurance for comprehensive TCM healthcare services (including prevention, treatment, healthcare management and other personalized healthcare services) and allows outstanding experts to focus on clinical efficacy and customer experience in the process of diagnosis and treatment, thereby achieving a win-win service model for physicians and customers.

Management Discussion and Analysis

- Empower healthcare services with digitalization and “Internet +.”** In line with the policies to encourage the development of “Internet +” TCM healthcare services as promulgated by the PRC government, we plan to launch smart hardware devices (such as four-examination instruments (四診儀)) to improve our auxiliary diagnosis and treatment capabilities in remote TCM healthcare services, leveraging which we expect to achieve a more extensive customer outreach. Through digital operations, we can provide customer service in a sophisticated way to improve customer retention rate as well as average revenue per customer constantly. Leveraging our digitalization capabilities, we expect to enhance economies of scale and operational efficiency of supply chain while securing the consistent quality of our healthcare services. In the future, we will continue to explore new membership service models (such as family doctor services) to attract new members. We will also continue to provide high-quality services to our members.
- Further enhance our investments in research and development to achieve the productization and standardization of healthcare solutions.** In December 2022, we obtained the Registration Approval for Medical Institutions on TCM In-hospital Preparations (醫療機構傳統中藥製劑備案憑證) for our first TCM in-hospital preparation named Nasal Congestion Relief Granules (通竅止涕鼻舒顆粒), which marked a substantial progress for our development of TCM in-hospital preparations. In February 2023, we obtained the Registration Approval for Medical Institutions on TCM In-hospital Preparations for our Spleen-invigorating and Fat-reducing Ointment (健脾化脂膏). As of the date of this report, we have already obtained Registration Approval for Medical Institutions on TCM In-hospital Preparations for our Songzhen Hair-Nourishing Granules (松貞益發顆粒) and Kidney-Nourishing and Potency-Enhancing Ointment (養陽固精膏). Our in-hospital preparation center has completed engineering construction, equipment acceptance and trial production, and has obtained the Medical Institution Preparation License (《醫療機構製劑許可證》). Consequently, it can be used to conduct mass production for in-hospital preparations for which we have obtained registration numbers, thereby achieving the productization of healthcare solutions. In the future, we expect to further increase our investments in this regard to produce more in-hospital preparations.
- Strengthen risk management and internal control to ensure a steady growth.** Our fast growth and expansion are accompanied by risks, and we are stepping up our efforts to cope with such risks. We will continue to upgrade our ERP system to enhance our information acquisition and management capabilities. We will also strengthen our control process and credit risk management to cope with the growing credit risk arising from our diversified business model. Along with our business expansion, we are exposed to the risks of price inflation and insufficient supply of raw materials in the emerging markets. Based on our market research and forward-looking estimate, we will establish a strategic reservation mechanism for TCM medicinal and extend our business to upstream procurement to cope with the aforementioned risks.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue Breakdown

Revenue by Business Segment

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

	Six months ended June 30,				Period to period fluctuation 2023/2022 (%)
	2023		2022		
	Revenue (RMB'000)	% of total (%)	Revenue (RMB'000)	% of total (%)	
Provision of healthcare solutions	965,311	97.9	687,507	97.8	40.4
Sale of healthcare products	20,815	2.1	15,395	2.2	35.2
Total	986,126	100.0	702,902	100.0	40.3

Our consolidated revenue increased by 40.3% from RMB702.9 million for the six months ended June 30, 2022 to RMB986.1 million for the six months ended June 30, 2023, primarily attributable to the increase in revenue generated from provision of healthcare solutions.

Revenue from Provision of Healthcare Solutions

Our revenue derived from provision of healthcare solutions increased by 40.4% from RMB687.5 million for the six months ended June 30, 2022 to RMB965.3 million for the six months ended June 30, 2023, primarily attributable to the increased revenue generated by our newly acquired and existing offline medical institutions and the business expansion of our online healthcare platforms.

Revenue from Sale of Healthcare Products

Our revenue derived from sale of healthcare products increased by 35.2% from RMB15.4 million for the six months ended June 30, 2022 to RMB20.8 million for the six months ended June 30, 2023, primarily attributable to the increase in sales volume of our healthcare products sold through offline channels in the first half of 2023.

Management Discussion and Analysis

Revenue by Channel

The following table sets forth a breakdown of our revenue by channel for the periods indicated:

	Six months ended June 30,				Period to period fluctuation 2023/2022 (%)
	2023		2022		
	Revenue (RMB'000)	% of total (%)	Revenue (RMB'000)	% of total (%)	
Offline medical institutions ⁽¹⁾	856,393	86.8	581,382	82.7	47.3
Online healthcare platforms	129,733	13.2	121,520	17.3	6.8
Total	986,126	100.0	702,902	100.0	40.3

Note:

(1) Including insignificant amount of revenue generated by offline pharmacies.

Our revenue derived from offline medical institutions increased by 47.3% from RMB581.4 million for the six months ended June 30, 2022 to RMB856.4 million for the six months ended June 30, 2023, which was in line with the business growth of our newly acquired and existing offline medical institutions. Our revenue derived from online healthcare platforms increased by 6.8% from RMB121.5 million for the six months ended June 30, 2022 to RMB129.7 million for the six months ended June 30, 2023, primarily attributable to the increased customer visits of our online healthcare platforms.

Cost of Sales

During the Reporting Period, our cost of sales primarily consisted of (i) cost of physicians and cost of materials; and (ii) the regular operating expenses including cost of non-physician staff worked at offline medical institutions, depreciation of right-of-use assets and utilities fees for offline medical institutions. Our cost of sales increased by 39.5% from RMB504.0 million for the six months ended June 30, 2022 to RMB703.2 million for the six months ended June 30, 2023, primarily due to the increased cost of physicians and cost of materials in the first half of 2023.

Management Discussion and Analysis

The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

	Six months ended June 30,				Period to period fluctuation 2023/2022 (%)
	2023	2022	2023	2022	
	Cost of sales (RMB'000)	% of total (%)	Cost of sales (RMB'000)	% of total (%)	
Cost of physicians and cost of materials	557,707	79.3	389,343	77.2	43.2
Regular operating expenses	145,474	20.7	114,664	22.8	26.9
Total	703,181	100.0	504,007	100.0	39.5

Our cost of physicians and cost of materials increased by 43.2% from RMB389.3 million for the six months ended June 30, 2022 to RMB557.7 million for the six months ended June 30, 2023, primarily due to (i) the increased number of our physicians accommodating our increasing demands for physician resources during business expansion; and (ii) the increased cost of materials mainly in line with our expanded business scale. Our regular operating expenses increased by 26.9% from RMB114.7 million for the six months ended June 30, 2022 to RMB145.5 million for the six months ended June 30, 2023, primarily due to our recruitment of non-physician staff and procurement of utilities mainly for offline medical institutions that commenced operations in the second half of 2022 and the first half of 2023.

Gross Profit and Gross Profit Margin

Our gross profit increased by 42.3% from RMB198.9 million for the six months ended June 30, 2022 to RMB282.9 million for the six months ended June 30, 2023.

The following table sets forth a breakdown of our gross profit and gross profit margin by business segment for the periods indicated:

	Six months ended June 30,			
	2023	2022	2023	2022
	Gross profit (RMB'000)	Gross profit margin (%)	Gross profit (RMB'000)	Gross profit margin (%)
Provision of healthcare solutions	277,706	28.8	192,383	28.0
Sale of healthcare products	5,239	25.2	6,512	42.3
Total	282,945	28.7	198,895	28.3

Management Discussion and Analysis

Our gross profit of provision of healthcare solutions increased by 44.4% from RMB192.4 million for the six months ended June 30, 2022 to RMB277.7 million for the six months ended June 30, 2023, which was generally in line with the increased revenue generated from providing healthcare solutions. Our gross profit margin of provision of healthcare solutions remained relatively stable at 28.0% for the six months ended June 30, 2022 and 28.8% for the six months ended June 30, 2023.

Our gross profit of sale of healthcare products decreased by 19.5% from RMB6.5 million for the six months ended June 30, 2022 to RMB5.2 million for the six months ended June 30, 2023, and correspondingly, the gross profit margin of sale of healthcare products decreased from 42.3% for the six months ended June 30, 2022 to 25.2% for the six months ended June 30, 2023, primarily due to our adjustment on the sale of healthcare products in the first half of 2023.

Other Income and Gains

Our other income and gains increased significantly by 218.2% from RMB11.6 million for the six months ended June 30, 2022 to RMB36.9 million for the six months ended June 30, 2023, primarily because (i) we recorded net foreign exchange gains of RMB14.9 million mainly as a result of the appreciation of USD against RMB, as we have deposits denominated in USD; and (ii) we recorded an increase of RMB9.2 million in government subsidies mainly because we applied for a government subsidy by virtue of our successful listing and received such subsidy from the local government authority in the first half of 2023.

Selling and Distribution Expenses

	Six months ended June 30,				Period to period fluctuation 2023/2022 (%)
	2023		2022		
	Selling and distribution expenses (RMB'000)	% of total (%)	Selling and distribution expenses (RMB'000)	% of total (%)	
Regional operating expenses	117,445	97.7	89,657	98.2	31.0
Third-party client acquisition costs	2,796	2.3	1,610	1.8	73.7
Total	120,241	100.0	91,267	100.0	31.7

During the Reporting Period, our selling and distribution expenses primarily consisted of regional operating expenses and third-party client acquisition costs. Regional operating expenses mainly represent all types of operating expenses and salaries and bonus for employees of our regional operating department. Third-party client acquisition costs mainly represent commission fees paid to third-party online platforms which provide us with customer traffic pursuant to their collaboration with us.

Management Discussion and Analysis

Our selling and distribution expenses increased by 31.7% from RMB91.3 million for the six months ended June 30, 2022 to RMB120.2 million for the six months ended June 30, 2023, primarily due to an increase of RMB27.8 million in regional operating expenses mainly as a result of the increased employee benefit expenses of our regional operating department to accommodate our business expansion.

We attract new customers through multi-channel customer acquisition strategies to further expand our customer base, while retaining existing customers and enhancing customer loyalty through differentiated customer retention strategies. We attract new customers primarily through our increasingly established brand awareness and recognition underpinned by our extensive physician resources and outstanding service capability. We believe that our multi-channel customer acquisition strategies enable us to expand our customer base at relatively low customer acquisition costs.

Similar with the six months ended June 30, 2022, approximately 95% of our new customers were acquired by our proprietary medical institutions, pharmacies and online healthcare platform, while approximately 5% of our new customers were introduced by third-party online platforms that we collaborated with during the Reporting Period. Our third-party client acquisition costs increased from RMB1.6 million for the six months ended June 30, 2022 to RMB2.8 million for the six months ended June 30, 2023, which was in line with the expansion of our business. We also attach great importance to customer experience and feedbacks. We believe that our customer retention strategies differentiate us from our competitors and help us enhance customer loyalty.

Administrative Expenses

Our administrative expenses increased by 36.0% from RMB51.3 million for the six months ended June 30, 2022 to RMB69.8 million for the six months ended June 30, 2023, primarily due to (i) the increased employee benefit expenses; and (ii) the increased office expenses mainly because our business travels and meetings increased and certain of our medical institutions commenced operations in the first half of 2023.

Other Expenses

During the Reporting Period, our other expenses primarily consisted of donation and impairment of financial assets. Our other expenses increased by 14.3% from RMB6.2 million for the six months ended June 30, 2022 to RMB7.1 million for the six months ended June 30, 2023, primarily due to the increase in donation mainly in relation to our charitable donation as part of our ESG efforts.

Finance Costs

Our finance costs increased by 82.6% from RMB8.7 million for the six months ended June 30, 2022 to RMB15.9 million for the six months ended June 30, 2023, primarily due to the increase in interest rate of our other borrowings.

Income Tax (Expenses)/Credit

We recorded income tax expenses of RMB13.8 million for the six months ended June 30, 2023, compared to income tax credit of RMB0.3 million (restated) for the six months ended June 30, 2022, primarily due to a significant increase of RMB53.7 million in the taxable profit in the first half of 2023.

Management Discussion and Analysis

Profit for the Period

As a result of the foregoing, our profit for the period increased from RMB53.6 million (restated) for the six months ended June 30, 2022 to RMB93.2 million for the six months ended June 30, 2023.

Non-HKFRS Measure — Adjusted Net Profit

To supplement our financial information, which is presented in accordance with HKFRS, we also provide adjusted net profit as non-HKFRS measures, which is unaudited in nature and is not required by, or presented in accordance with, HKFRS. We believe that the non-HKFRS measure (i) facilitates period-to-period comparisons of operating performance by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance; and (ii) provides useful information to investors in understanding and evaluating our results of consolidated statements of profit or loss and other comprehensive income in the same manner as they helped our management. However, our presentation of adjusted net profit may not be comparable to similarly titled measures presented by other companies as they do not have a standardized meaning. The application of the non-HKFRS measure has limitations as an analytical tool, and the Shareholders and investors should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under HKFRS.

We defined adjusted net profit as profit for the period adjusted for equity-settled share-based payments in relation to the share options granted under the Pre-IPO Share Option Plan as defined in the Prospectus. We eliminate the potential impacts of such item that our management does not consider to be indicative of our operating performance, as such equity-settled share-based payments are non-operating and non-recurring expenses of our Group. Adjusted net profit increased by 63.8% from RMB62.1 million (restated) for the six months ended June 30, 2022 to RMB101.8 million for the six months ended June 30, 2023.

	Six months ended June 30,	
	2023	2022 (Restated ⁽²⁾)
	<i>(Unaudited)</i>	
Profit for the period	93,202	53,577
Adjustment for ⁽¹⁾ :		
Equity-settled share-based payments	8,557	8,557
Adjusted net profit	101,759	62,134

Notes:

- (1) Non-cash, non-recurring or extraordinary items, which are to be adjusted only if the amount is equal to or greater than RMB1 million.
- (2) Please see "Notes to the Interim Condensed Consolidated Financial Statements — Changes in Accounting Policies and Disclosures" for details.

Management Discussion and Analysis

Liquidity, Financial Resources and Capital Structure

The Shares of the Company were successfully listed on the Main Board of the Stock Exchange on December 10, 2021. On March 30, 2023, 10,400,000 Shares of the Company were issued by way of top-up placing, details of which were set out in the section headed “Use of Proceeds from the Top-up Placing” of this report. There has been no change in the capital structure of our Group since then. As of June 30, 2023, the issued share capital of the Company was US\$24,079.6458 and the number of Share in issue was 240,796,458 of US\$0.0001 each.

As of June 30, 2023, we had cash and cash equivalents of RMB1,275.0 million (which was RMB994.3 million as of December 31, 2022), which were denominated in RMB, USD or HKD. As of June 30, 2023, we had interest-bearing bank and other borrowings of an aggregate amount of RMB24.2 million (which was RMB71.2 million as of December 31, 2022), which were denominated in RMB with interest rates ranging from 3.50% to 4.09% per annum. Interests are charged at fixed rates. We have no interest rate hedging policy.

We aim to maintain sufficient cash and credit lines to meet our liquidity requirements. We finance our working capital requirements through a combination of funds generated from operations and alternative funding resources from equity and debt. The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support our business and maximize Shareholders' value.

Treasury Policy

Our financing and treasury activities are centrally managed and controlled at the corporate level. The Board closely monitors our liquidity position to ensure that the liquidity structure of our assets, liabilities and other commitments can meet our funding requirements all the time.

Contingent Liabilities

As of June 30, 2023, we did not have any contingent liabilities.

Gearing Ratio

As of June 30, 2023, our gearing ratio, being our total interest-bearing bank and other borrowings divided by our total equity as of the end of the period and multiplied by 100%, was 1.1%.

Foreign Currency Risk

We have transactional currency exposures. Such exposures arise from the use of financial instruments denominated in USD or HKD to finance our operations in the PRC and the fact that the repayment of those USD-denominated or HKD-denominated financial instruments is based on the RMB-denominated assets generated by our PRC operations. We have no foreign currency hedging policy. However, our management monitors foreign exchange exposures and will consider appropriate hedging measures in the future should the need arise.

Management Discussion and Analysis

Pledge of Assets

None of our assets were pledged to obtain financing as of December 31, 2022 and June 30, 2023.

Capital Expenditures

Our capital expenditure during the Reporting Period was primarily relating to (i) purchases of property, plant and equipment; (ii) renovation of our offline medical institutions; and (iii) purchases of intangible assets (such as software). During the Reporting Period, we incurred capital expenditures in an aggregate amount of RMB29.9 million (which was RMB17.5 million for the six months ended June 30, 2022), primarily due to the increased expenditures on offline medical institutions and office equipment.

Significant Investments Held

We did not hold any significant investments during the Reporting Period.

Material Acquisitions and Disposals

The Company has no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Future Plans for Material Investments or Capital Assets

Save as disclosed in the sections headed “Use of Proceeds from Global Offering” and “Use of Proceeds from the Top-up Placing” in this report, we did not have any existing plan for acquiring other material investments or capital assets as of the date of this report.

INTERIM DIVIDENDS

The Board has resolved not to recommend payment of an interim dividend for the six months ended June 30, 2023.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2023, the Group had 2,155 employees (which was 1,805 employees as of June 30, 2022). The following table sets forth a breakdown of the employees by function as of June 30, 2023:

Functions	Number of employees	% of total employees
Physicians and other medical professionals	1,125	52%
Management, operations and others	472	22%
Sales and marketing	410	19%
Supply chain	98	5%
Information technology and research and development	50	2%
Total	2,155	100%

For the six months ended June 30, 2023, the staff cost of Group amounted to approximately RMB166.9 million (which was approximately RMB119.6 million for the six months ended June 30, 2022), including pension and housing fund.

The Group provides competitive compensation packages. Remuneration packages for employees mainly comprise base salary and performance-based bonus. The Group sets performance targets for its employees primarily based on their position and department and periodically reviews their performance. The results of such reviews are used in their salary determinations, bonus awards and promotion appraisals. Selected Directors, senior management and employees were or will be offered to participate in the Pre-IPO Share Option Plan, Post-IPO Share Option Scheme and RSA Scheme (New Shares).

The Group believes it has maintained good relationships with its employees. The employees are not represented by a labor union. During the Reporting Period and up to the date of this report, the Group did not experience any strikes or any labor disputes with its employees which have had or are likely to have a material effect on its business.

To maintain and enhance the knowledge and skill levels of its workforce, the Group provides its employees with internal training, including orientation programs for new employees and technical training for existing employees. The Group also offers external training opportunities to its management team and medical professionals.

Corporate Governance and Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Board considered that the Company has complied with all applicable code provisions set out in the CG Code during the six months ended June 30, 2023, save and except for code provision C.2.1 of the CG Code.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Tu is currently serving as the Chairman as well as the chief executive officer of our Company. As Mr. Tu is the founder of our Group and has been managing our Group's business and overall strategic planning since its establishment, the Directors consider that vesting the roles of Chairman and chief executive officer in Mr. Tu is beneficial to the business prospects and management of our Group by ensuring consistent leadership within our Group. The Board therefore considers it is appropriate to deviate from code provision C.2.1 of the CG Code in such circumstances. The Board will continue to review and consider splitting the roles of Chairman and the chief executive officer of the Company at an appropriate time if necessary, taking into account the circumstances of our Group as a whole. Notwithstanding the foregoing, the Board considers that the management structure is effective for the operation of the Group and those adequate checks and balances have been put in place.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding dealings in the securities of the Company by the Directors, senior management members, and employees who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the standards specified in the Model Code during the six months ended June 30, 2023. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management members or relevant employees of the Group during the six months ended June 30, 2023.

Corporate Governance and Other Information

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the requirements under the Listing Rules. As of the date of this report, the Audit Committee comprises two independent non-executive Directors, namely, Mr. Li Tie (chairman of the Audit Committee) and Mr. Wu Taibing, and one non-executive Director, Mr. Huang Jingsheng. The main duties of the Audit Committee are to assist the Board in reviewing compliance, accounting policies and financial reporting procedures; supervising the implementation of the internal audit system; advising on the appointment or replacement of external auditors; and liaising between the internal audit department and external auditors.

REVIEW OF INTERIM RESULTS AND INTERIM REPORT

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended June 30, 2023 and was of the opinion that such interim results and interim report had been prepared in accordance with the relevant accounting standards, laws and regulations, and that adequate disclosures have been made in accordance with the requirements of the Listing Rules. The unaudited interim results and the interim report contained the financial information of the Group for the six months ended June 30, 2023 have not been reviewed by the auditor of the Company.

USE OF PROCEEDS FROM GLOBAL OFFERING

The Company issued 27,878,000 ordinary Shares at HK\$29.00 which were listed on the Main Board of the Stock Exchange on December 10, 2021. The net proceeds from the global offering received by the Company, after deduction of the underwriting fees and commissions and other expenses payable by the Company in connection with the global offering, amounted to approximately HK\$775.9 million (the “**Net Proceeds**”), which will be utilized in accordance with the purposes set out in the Prospectus.

Corporate Governance and Other Information

The following table sets out the intended use of the Net Proceeds, actual usage up to June 30, 2023, as well as the expected timeline for utilization:

	Amount available for utilization <i>HK\$ million</i>	Percentage of the Net Proceeds	Net Proceeds and utilization			Expected timeline for utilization ⁽¹⁾
			Utilized amount during the six months ended June 30, 2023 <i>HK\$ million</i>	Utilized amount as of June 30, 2023 <i>HK\$ million</i>	Remaining amount as of June 30, 2023 <i>HK\$ million</i>	
To expand our offline and online operations and enhance the integration between them	541.3	69.9%	168.7	331.8	209.5	By the end of 2025
To enhance our research and development capabilities, including the research and development of in-hospital preparation and TCM solution packages	74.8	9.6%	11.3	19.7	55.1	By the end of 2025
To strengthen our supply chain capability, including upgrading our existing decocting centers and establishing new decocting centers according to our business expansion and setting up our own GMP facility in mid to long term based on business needs	74.8	9.6%	7.7	11.1	63.7	By the end of 2025
For marketing and branding activities	38.3	4.9%	12.6	33.4	4.9	By the end of 2025
For working capital and general corporate purposes	46.7	6.0%	—	46.7	—	—
Total	775.9	100.0%	200.3	442.7	333.2	

Note:

- (1) The expected timeline for the usage of the remaining proceeds is made based on the best estimate of the Group's future market conditions, which is subject to the current and future development of the market conditions.

Corporate Governance and Other Information

As of the date of this report, the Group has utilized Net Proceeds of approximately HK\$470.1 million. The remaining Net Proceeds were deposited in banks as of the date of this report. The Group will gradually utilize the Net Proceeds in accordance with the intended purposes as set out in the Prospectus.

USE OF PROCEEDS FROM THE TOP-UP PLACING

On March 22, 2023, the Company entered into a placing and subscription agreement (the “**Placing and Subscription Agreement**”) with Action Thrive Group Limited, one of the controlling shareholders of the Company (the “**Vendor**”) and the placing agents (the “**Placing Agents**”), pursuant to which (i) the Placing Agents have conditionally and severally (but not jointly or jointly and severally) agreed to act as agents for the purpose of procuring, on a best effort basis, not less than six purchasers for 10,400,000 Shares at a price of HK\$52.67 per Share (the “**Placing**”); and (ii) the Company has conditionally agreed to issue to the Vendor and the Vendor has conditionally agreed to subscribe for 10,400,000 new Shares (the “**Subscription Shares**”) at a price of HK\$52.67 per Share (the “**Subscription**”).

The Directors consider that the Placing and the Subscription represent an opportunity to raise capital for the Company while broadening its Shareholder and capital base. The Directors are of the view that the Placing and the Subscription strengthen the financial position of the Group and provide working capital to the Group. Accordingly, the Directors consider that the terms of the Placing and Subscription Agreement are normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

The completion of the Placing and the Subscription took place on March 24, 2023 and March 30, 2023, respectively. A total of 10,400,000 Shares have been successfully placed at a price of HK\$52.67 per Sale Share to not less than six placees (the “**Placees**”) procured by the Placing Agents. The closing price of the Company as stated in the daily quotation sheet issued by the Stock Exchange on March 21, 2023, being the last full trading date prior to the date of the Placing and Subscription Agreement, was HK\$57.25 per Share. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Placees, together with their respective ultimate beneficial owners, are (i) third parties independent of the Company and its connected persons; and (ii) third parties independent of, and not acting in concert with, the Vendor, its associates and persons acting in concert with the Vendor. None of the Placees has become a substantial shareholder of the Company upon completion of the Placing.

The aggregate nominal value of the Subscription Shares is US\$1,040.00. The net price for the Subscription to the Company (after deduction of all relevant costs and expenses) is approximately HK\$51.89 per Subscription Share. The net proceeds of the Top-up Placing are approximately HK\$539.61 million. For details, please refer to the announcements of the Company dated March 22, 2023 and March 30, 2023 (the “**Announcements**”).

Corporate Governance and Other Information

The following table sets out the intended use of the net proceeds from the Top-up Placing (the “**Top-up Placing Net Proceeds**”), actual usage up to June 30, 2023, as well as the expected timeline for utilization:

	Top-up Placing Net Proceeds and utilization					
	Amount available for utilization <i>HK\$ million</i>	Percentage of the Net Proceeds	Utilized amount during the six months ended June 30, 2023 <i>HK\$ million</i>	Utilized amount as of June 30, 2023 <i>HK\$ million</i>	Remaining amount as of June 30, 2023 <i>HK\$ million</i>	Expected timeline for utilization ⁽¹⁾
For the expansion of offline medical institutions	323.77	60.0%	—	—	323.77	By the end of 2027
For upgrading and deepening the integration of online healthcare platforms and enhancing connection and interaction between offline and online business of the Group	107.92	20.0%	—	—	107.92	By the end of 2027
For diversifying the Company's product portfolio	53.96	10.0%	—	—	53.96	By the end of 2027
For standardizing healthcare solutions and improving the Company's information technology systems	53.96	10.0%	—	—	53.96	By the end of 2027
Total	539.61	100.0%	—	—	539.61	

Note:

- (1) The expected timeline for the usage of the remaining proceeds is made based on the best estimate of the Group's future market conditions, which is subject to the current and future development of the market conditions.

As of the date of this report, the Group did not utilize any Top-up Placing Net Proceeds. The Group will gradually utilize the Top-up Placing Net Proceeds in accordance with the intended purposes as set out in the Announcements.

CHANGES TO DIRECTORS' INFORMATION

The changes in the information of Directors and chief executive of the Company since the publication of the 2022 annual report up to the date of this report as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are as follows:

1. Mr. Jiang Xiaodong has tendered his resignation as a non-executive Director and ceased to be a member of the Audit Committee with effect from May 19, 2023;
2. Mr. Huang Jingsheng, a non-executive Director, has been appointed as a member of the Audit Committee with effect from May 19, 2023; and
3. Mr. Xu Yongjiu has tendered his resignation as a non-executive Director with effect from August 21, 2023.

Save as disclosed above, there have been no changes in the information of Directors and chief executive of the Company since the publication of the 2022 annual report up to the date of this report as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Corporate Governance and Other Information

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND THE CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As of June 30, 2023, the interests or short position of the Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code to be notified to the Company and the Stock Exchange are as follows:

(i) Interests in the Shares of the Company

Name	Nature of interest	Long/ short position	Number of Shares held	Approximate percentage of the total number of issued shares of the Company ⁽¹⁾
Mr. Tu ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	Interest in controlled corporations	Long position	30,043,777	12.48%
	Interest of a party to an agreement regarding interest in the Company	Long position	24,415,105	10.14%
	Protector and power holder of a discretionary trust	Long position	18,733,795	7.78%
	Beneficial owner	Long position	11,330,176	4.71%
			84,522,853	35.10%
Huang Jingsheng ⁽⁶⁾⁽⁷⁾	Trustee	Long position	300,000	0.12%
	Interest of spouse	Long position	936,094	0.39%
			1,236,094	0.51%

Notes:

- (1) As of June 30, 2023, the total number of issued Shares was 240,796,458.
- (2) Each of Action Thrive and Celestial City is wholly owned by Mr. Tu. Therefore, Mr. Tu is deemed to be interested in the Shares directly held by Action Thrive and Celestial City.

Corporate Governance and Other Information

- (3) Pursuant to the Voting Deeds, Mr. Tu has controlled an aggregate of 10.14% of the voting power at general meeting of the Company, being the voting rights attached to all Shares directly held by Gushengtang Ltd., Shiyimianshan Holdings Limited, Shiermianshan Holdings Limited, Shisanmianshan Holdings Limited, Shisimianshan Holdings Limited, Shiwumianshan Holdings Limited, Yijiakang Technology Holdings Limited, Yijiajian Technology Holdings Limited, Yijiale Technology Holdings Limited and Yijiaan Technology Holdings Limited.
- (4) Dream True is wholly-owned by Tu Family Holdings Limited, which is further wholly owned by Frandor Limited. Frandor Limited is wholly-owned by Trident Trust Company (Singapore) Pte. Limited, which is the trustee of the TZL Family Trust, of which Mr. Tu is the protector and the power holder. As such, Mr. Tu is deemed to be interested in the 18,733,795 Shares directly held by Dream True.
- (5) Mr. Tu is deemed to be interested in 11,330,176 Shares underlying the options granted to him under the Pre-IPO Share Option Plan, subject to the vesting and other conditions of those options.
- (6) Mr. Huang Jingsheng is one of the trustees of The Jingsheng Huang 2006 Irrevocable Family Trust and therefore is deemed to be interested in the 300,000 Shares directly held by The Jingsheng Huang 2006 Irrevocable Family Trust.
- (7) HI Equity Limited is wholly owned by Ms. Han Pei, the spouse of Mr. Huang Jingsheng. As such, Mr. Huang Jingsheng is deemed to be interested in the 936,094 Shares directly held by HI Equity Limited.

(ii) Interest in associated corporation of the Company

Name	Name of associated corporation	Nature of interest	Long/ short position	Number of Shares held	Approximate percentage of shareholding
Mr. Tu	Guangdong Gushengtang ⁽¹⁾	Beneficial owner	Long position	10,970,303	30%

Note:

- (1) Guangdong Gushengtang is a subsidiary of the Company under the Contractual Arrangements, and therefore is an associated corporation of the Company by virtue of the SFO.

Save as disclosed above, as of June 30, 2023, none of the Directors or chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which was required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO, or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

Corporate Governance and Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As of June 30, 2023, so far as was known to the Directors of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Nature of interest	Long/short position	Number of Shares held	Approximate percentage of the total number of issued Shares of the Company ⁽¹⁾
Wumianshan Ltd. ⁽²⁾	Interest in controlled corporations	Long position	30,043,777	12.48%
Action Thrive ⁽²⁾	Beneficial owner	Long position	26,832,533	11.14%
Dream True ⁽³⁾	Beneficial owner	Long position	18,733,795	7.78%
Tu Family Holdings Limited ⁽³⁾	Interest in controlled corporations	Long position	18,733,795	7.78%
Frاندor Limited ⁽³⁾	Interest in controlled corporations	Long position	18,733,795	7.78%
Trident Trust Company (Singapore) Pte. Limited ⁽³⁾	Trustee	Long position	18,733,795	7.78%
Gushengtang Ltd.	Beneficial owner	Long position	15,571,267	6.47%

Notes:

- (1) As of June 30, 2023, the total number of issued Shares was 240,796,458.
- (2) Each of Action Thrive and Celestial City is wholly owned by Wumianshan Ltd. Therefore, Wumianshan Ltd. is deemed to be interested in the Shares directly held by Action Thrive and Celestial City.
- (3) Dream True is a company incorporated in the British Virgin Islands, and is wholly-owned by Tu Family Holdings Limited, which is further wholly-owned by Frاندor Limited. Frاندor Limited is wholly-owned by Trident Trust Company (Singapore) Pte. Limited, which is the trustee of the TZL Family Trust, of which Mr. Tu is the protector and the power holder. As such, each of Tu Family Holdings Limited, Frاندor Limited and Trident Trust Company (Singapore) Pte. Limited is deemed to be interested in the Shares held by Dream True.

Corporate Governance and Other Information

Save as disclosed above, as of June 30, 2023, the Company had not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE INCENTIVE SCHEMES

Pre-IPO Share Option Plan

The Pre-IPO Share Option Plan was approved and adopted by the Company on March 31, 2021. The purpose of the Pre-IPO Share Option Plan is to promote the success and enhance the value of the Company by linking the personal interests of the eligible participants to those of the Shareholders and by providing such individuals with an incentive to generate superior returns to the Shareholders through their outstanding performance. The Pre-IPO Share Option Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of directors, senior managers, other employees and individuals upon whose judgment, interest, contribution and special effort the successful conduct of the Company's operation is largely dependent. Further details of the Pre-IPO Share Option Plan are set out in the section headed "Statutory and General Information — D. Pre-IPO Share Option Plan" of Appendix IV to the Prospectus.

On November 9, 2021, the Company granted options to three eligible participants to subscribe for 16,382,286 underlying Shares pursuant to the Pre-IPO Share Option Plan. No further options can be granted under the Pre-IPO Share Option Plan after the Listing. As of June 30, 2023, the total number of Shares underlying the outstanding options was 16,382,286 Shares, representing approximately 6.80% of the total issued Shares of the Company as of the date of this report.

Corporate Governance and Other Information

Details of the options granted under the Pre-IPO Share Option Plan and their movements during the Reporting Period are as follows:

Name of grantee(s)	No. of options outstanding as of January 1, 2023	Exercise price (per Share)	Date of grant	Vesting period	No. of options	
					granted during the Reporting Period	No. of options outstanding as of June 30, 2023
Mr. Tu	818,711	RMB15.53	November 9, 2021	N/A ⁽³⁾	/	818,711
	8,815,348	RMB15.53		N/A ⁽⁴⁾		8,815,348
	1,696,117	US\$0.35		N/A ⁽³⁾		1,696,117
Deng Shigang	1,094,504	US\$0.35	November 9, 2021	5 years ⁽⁵⁾	/	1,094,504
Yan Jun	3,957,606	US\$0.35	November 9, 2021	N/A ⁽³⁾	/	3,957,606

Notes:

- The exercise period of the options granted under Pre-IPO Share Option Plan shall commence from the date on which the relevant options become vested and end on the 10th anniversary upon the date on which they become exercisable, subject to the terms of the Pre-IPO Share Option Plan and the grant letter signed by the grantee.
- The closing price of the Shares immediately before the date on which the options were granted was not applicable as the Company was not yet listed at the time of the grants.
- The relevant options are vested on the Listing Date.
- The relevant options are vested when (i) Mr. Tu has been serving as the chief executive officer of the Company since the Listing Date and (ii) the average market capitalization of the Company in any 90 consecutive days period within five anniversary years upon the Listing Date, based on the closing price of the Share as quoted on the Stock Exchange, has reached RMB15 billion.
- The options will be evenly vested in five years if the average market capitalization of the Company in any 90 consecutive days period within five anniversary years upon the Listing Date, based on the closing price of the Share as quoted on the Stock Exchange, has reached RMB15 billion.
- During the Reporting Period, no option was exercised, cancelled or lapsed under the Pre-IPO Share Option Plan.

Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was adopted by the Company on December 7, 2022 and has taken effect from the even date. Post-IPO Share Option Scheme is subject to Chapter 17 of the Listing Rules. The purpose of the Post-IPO Share Option Scheme is to provide incentives and/or rewards to Eligible Participants for their contributions to, and continuing efforts to promote the interests of, the Group and to enable the Group to recruit and retain talents. For further details of the Post-IPO Share Option Scheme, please refer to the Circular.

During the six months ended June 30, 2023 and up to the end of the Reporting Period, no Post-IPO Share Options have been granted, exercised, cancelled or lapsed pursuant to the Post-IPO Share Option Scheme.

Corporate Governance and Other Information

RSA Scheme (New Shares)

The RSA Scheme (New Shares) was adopted by the Company on December 7, 2022 and has taken effect from the even date. RSA Scheme (New Shares) is subject to Chapter 17 of the Listing Rules. The purpose of the RSA Scheme (New Shares) is to provide incentives and/or rewards to Eligible Participants for their contributions to, and continuing efforts to promote the interests of, the Group and to enable the Group to recruit and retain talents. For further details of the RSA Scheme (New Shares), please refer to the Circular.

During the six months ended June 30, 2023 and up to the end of the Reporting Period, no RSA Scheme (New Shares) Awards have been granted, vested, cancelled or lapsed pursuant to the RSA Scheme (New Shares).

As of both January 1, 2023 and June 30, 2023, the total number of Post-IPO Share Options and RSA Scheme (New Shares) Awards available for grant under the Share Schemes was 23,039,645, and the total number of Post-IPO Share Options and RSA Scheme (New Shares) Awards available for grant to the Service Providers under the Share Schemes was 13,823,787. As no grants have been made under the Share Schemes during the six months ended June 30, 2023, the number of Shares that may be issued in respect of the options and awards granted under all Share Schemes during the six months ended June 30, 2023 divided by the weighted average number of Shares for the six months ended June 30, 2023 is not applicable.

RSA Scheme (Existing Shares)

RSA Scheme (Existing Shares) was adopted by the Company on September 9, 2022 and has taken effect from the even date. RSA Scheme (Existing Shares) constitutes a share scheme funded by existing Shares under Chapter 17 of the Listing Rules. The purpose of the RSA Scheme (Existing Shares) is to recognize and reward Eligible Participants for their contribution to the Group, to attract best available personnel to provide service to the Group, and to provide additional incentives to them to remain with and further promote the success of the Group's business. For further details of the RSA Scheme (Existing Shares), please refer to the announcement of the Company dated September 12, 2022.

During the six months ended June 30, 2023 and up to the end of the Reporting Period, no RSA Scheme (Existing Shares) Awards have been granted, vested, cancelled or lapsed pursuant to the RSA Scheme (Existing Shares). As of both January 1, 2023 and June 30, 2023, the number of RSA Scheme (Existing Shares) Awards available for grant under the RSA Scheme (Existing Shares) was 11,519,822.

On July 18, 2023, the Company (i) granted Post-IPO Share Options under the Post-IPO Share Option Scheme to 36 Employee Participants and 175 Service Providers to subscribe for an aggregate of 1,343,600 Shares, representing approximately 0.56% of the total issued Shares as of the date of this report, (ii) granted 1,828,200 RSA Scheme (New Shares) Awards involving a total of 1,828,200 Restricted Shares under the RSA Scheme (New Shares) to 36 Management Participants and 167 Service Providers, representing approximately 0.76% of the total issued Shares as of the date of this report, and (iii) granted 92,500 RSA Scheme (Existing Shares) Awards involving a total of 92,500 Restricted Shares under the RSA Scheme (Existing Shares) to 8 Service Providers, representing approximately 0.04% of the total issued Shares as of the date of this report.

Corporate Governance and Other Information

On August 28, 2023, the Company (i) granted Post-IPO Share Options under the Post-IPO Share Option Scheme to 137 Employee Participants to subscribe for an aggregate of 4,472,256 Shares, representing approximately 1.86% of the total issued Shares as at the date of this report, and (ii) granted 7,007,319 RSA Scheme (New Shares) Awards involving a total of 7,007,319 Restricted Shares under the RSA Scheme (New Shares) to 193 Management Participants, representing approximately 2.91% of the total issued Shares as at the date of this report.

As of the date of this report, (i) the number of Shares available for future grants under the scheme mandate limit of the Share Schemes is 8,388,270 Shares, (ii) the number of Shares available for future grants under the service provider sublimit of the Share Schemes is also 8,388,270 Shares, and (iii) the number of Shares available for future grants pursuant to the RSA Scheme (Existing Shares) is 11,427,322 Shares. For details of the aforementioned grants, please refer to the Company's announcements dated July 18, and August 29, 2023.

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

During the six months ended June 30, 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MATERIAL LITIGATION

As of the date of this report, no member of the Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

SUBSEQUENT EVENTS

Save as disclosed in this report, there was no significant event which may affect the Group occurred after the Reporting Period.

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2023

	Notes	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000 (Restated)
REVENUE	4	986,126	702,902
Cost of sales		(703,181)	(504,007)
Gross profit		282,945	198,895
Other income and gains	5	36,942	11,611
Selling and distribution expenses		(120,241)	(91,267)
Administrative expenses		(69,813)	(51,331)
Other expenses		(7,071)	(6,187)
Finance costs	6	(15,914)	(8,715)
Share of profits of associates		142	284
PROFIT BEFORE TAX	7	106,990	53,290
Income tax (expenses)/credit	8	(13,788)	287
PROFIT FOR THE PERIOD		93,202	53,577
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(65,483)	(68,939)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Translation of the Company's functional currency to presentation currency		71,950	46,406
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		6,467	(22,533)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		99,669	31,044

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2023

	Notes	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000 (Restated)
Profit attributable to:			
Owners of the parent		92,749	53,289
Non-controlling interests		453	288
		93,202	53,577
Total comprehensive income attributable to:			
Owners of the parent		99,216	30,756
Non-controlling interests		453	288
		99,669	31,044
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic			
— For profit for the period (RMB cents)		0.39	0.23
Diluted			
— For profit for the period (RMB cents)		0.38	0.22

Interim Condensed Consolidated Statements of Financial Position

June 30, 2023

	Notes	June 30, 2023 (Unaudited) RMB'000	December 31, 2022 (Audited) RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	11	81,233	70,863
Right-of-use assets	13	302,029	268,469
Goodwill	14	911,675	816,672
Other intangible assets	12	26,609	27,757
Investments in associates		2,586	6,069
Prepayments, other receivables and other assets	17	25,531	28,407
Deferred tax assets	21	47,871	40,408
Total non-current assets		1,397,534	1,258,645
CURRENT ASSETS			
Inventories	15	122,796	104,855
Trade receivables	16	115,739	89,411
Prepayments, deposits and other receivables	17	178,493	135,583
Financial assets at fair value through profit or loss		64,851	35,432
Cash and cash equivalents	18	1,274,992	994,330
Total current assets		1,756,871	1,359,611
CURRENT LIABILITIES			
Trade and bills payables	19	163,129	164,305
Other payables and accruals		259,656	299,958
Interest-bearing bank and other borrowings	20	19,508	18,214
Lease liabilities	13	71,259	57,418
Tax payable		27,654	14,422
Total current liabilities		541,206	554,317
NET CURRENT ASSETS		1,215,665	805,294
TOTAL ASSETS LESS CURRENT LIABILITIES		2,613,199	2,063,939

Interim Condensed Consolidated Statements of Financial Position

June 30, 2023

	Notes	June 30, 2023 (Unaudited) RMB'000	December 31, 2022 (Audited) RMB'000 (Restated)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	20	4,674	52,957
Lease liabilities	13	249,004	222,698
Other payables and accruals		63,003	56,062
Deferred tax liabilities	21	12,359	14,212
Total non-current liabilities		329,040	345,929
Net assets		2,284,159	1,718,010
EQUITY			
Equity attributable to owners of the Company			
Share capital	22	154	147
Shares held for share award schemes		(33,803)	(20,121)
Reserves		2,317,008	1,736,863
Non-controlling interests		2,283,359	1,716,889
		800	1,121
Total equity		2,284,159	1,718,010

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2023

	Attributable to owners of the Company										
	Shares held			Capital reserve*	Share option reserve*	Statutory surplus reserve*	Exchange fluctuation reserve*	Accumulated losses*	Total	Non-controlling interests	Total equity
	Share capital	award schemes	Share premium*								
	RMB'000	RMB'000	RMB'000								
At December 31, 2022 (audited)	147	(20,121)	3,086,655	23,627	144,911	4,488	53,855	(1,572,496)	1,721,066	1,068	1,722,134
Effect of adoption of amendments to HKAS 12 (note 2(c))	-	-	-	-	-	-	-	(4,177)	(4,177)	53	(4,124)
At January 1, 2023 (restated)	147	(20,121)	3,086,655	23,627	144,911	4,488	53,855	(1,576,673)	1,716,889	1,121	1,718,010
Profit for the period	-	-	-	-	-	-	-	92,749	92,749	453	93,202
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(65,483)	-	(65,483)	-	(65,483)
Translation of the Company's functional currency to presentation currency	-	-	-	-	-	-	71,950	-	71,950	-	71,950
Total comprehensive income for the period	-	-	-	-	-	-	6,467	92,749	99,216	453	99,669
Issuance of ordinary shares (note 22)	7	-	479,509	-	-	-	-	-	479,516	-	479,516
Share issue expenses (note 22)	-	-	(7,137)	-	-	-	-	-	(7,137)	-	(7,137)
Equity-settled share option arrangements	-	-	-	-	8,557	-	-	-	8,557	-	8,557
Transfer from retained profits	-	-	-	-	-	272	-	(272)	-	-	-
Share purchased for the share award scheme (note 22)	-	(13,682)	-	-	-	-	-	-	(13,682)	-	(13,682)
Dividends paid to the non-controlling shareholder	-	-	-	-	-	-	-	-	-	(774)	(774)
At June 30, 2023 (unaudited)	154	(33,803)	3,559,027	23,627	153,468	4,760	60,322	(1,484,196)	2,283,359	800	2,284,159

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2023

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Share option reserve	Statutory surplus reserve	Exchange fluctuation reserve	Accumulated losses	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At December 31, 2021 (audited)	147	3,086,655	23,627	127,656	4,488	62,111	(1,755,790)	1,548,894	517	1,549,411
Effect of adoption of amendments to HKAS 12 (note 2(c))	–	–	–	–	–	–	(1,737)	(1,737)	11	(1,726)
At January 1, 2022 (restated)	147	3,086,655	23,627	127,656	4,488	62,111	(1,757,527)	1,547,157	528	1,547,685
Profit for the period (restated)	–	–	–	–	–	–	53,289	53,289	288	53,577
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	–	–	–	–	–	(68,939)	–	(68,939)	–	(68,939)
Translation of the Company's functional currency to presentation currency	–	–	–	–	–	46,406	–	46,406	–	46,406
Total comprehensive income/(loss) for the period	–	–	–	–	–	(22,533)	53,289	30,756	288	31,044
Equity-settled share option arrangements	–	–	–	8,557	–	–	–	8,557	–	8,557
At June 30, 2022 (unaudited)	147	3,086,655	23,627	136,213	4,488	39,578	(1,704,238)	1,586,470	816	1,587,286

* There reserve accounts comprise the consolidated reserve of RMB2,317,008,000 (December 31, 2022: RMB1,736,863,000 (restated)) in the interim condensed consolidated statement of financial position as at June 30, 2023.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2023

	Notes	2023 (Unaudited) RMB'000	2022 (Audited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		106,990	53,290
Adjustments for:			
Finance costs	6	15,914	8,715
Share of profits of associates		(142)	(284)
Interest income	5	(5,485)	(4,928)
Loss on disposal of items of property, plant and equipment	7	98	204
Amortisation of other intangible assets	7	2,170	2,237
Fair value gain on financial assets			
at fair value through profit or loss	5	(4,019)	(1,618)
Rent concessions from lessors	5	—	(3,009)
Depreciation of property, plant and equipment	7	18,362	13,730
Depreciation of right-of-use assets	7	38,931	34,846
Impairment/(reversal of impairment) of trade receivables	7	961	(20)
Equity-settled share option expense		8,557	8,557
Gain on disposal of investment in an associate	5	(303)	(310)
		182,034	111,410
(Increase)/decrease in inventories		(14,635)	721
(Increase)/decrease in trade receivables		(21,211)	9,257
Increase in prepayments, other receivables and other assets		(30,870)	(21,559)
Decrease in trade and bills payables		(7,309)	(32,628)
(Decrease)/increase in other payables and accruals		(10,115)	3,406
Cash generated from operations		97,894	70,607
Interest received		5,485	4,928
Corporate income tax paid		(9,872)	(5,192)
Net cash flows from operating activities		93,507	70,343

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2023

	Notes	2023 (Unaudited) RMB'000	2022 (Audited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		(37,294)	(19,414)
Proceeds from disposal of items of property, plant and equipment		9	12
Additions to other intangible assets		(1,022)	(440)
Acquisition of subsidiaries	23	(119,992)	(74,165)
Additional investment in associates		—	(8,193)
Purchase of financial assets at fair value through profit or loss		(1,198,640)	(674,599)
Proceeds from redemption of financial assets at fair value through profit or loss		1,170,237	675,923
Proceeds from disposal of investment in an associate		3,928	6,000
Net cash flows used in investing activities		(182,774)	(94,876)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of ordinary shares		479,516	—
Share issue expenses		(7,137)	(13,209)
New bank loans and other borrowings		10,000	999
Repayment of bank loans and other borrowings		(56,989)	(9,029)
Principal portion of lease payments		(32,344)	(33,799)
Dividends paid to non-controlling shareholders		(474)	—
Interest paid		(15,914)	(8,715)
Shares purchased for the share award schemes		(13,682)	—
Net cash flows from/(used in) financing activities		362,976	(63,753)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		273,709	(88,286)
Cash and cash equivalents at the beginning of the period		994,330	1,030,704
Effect of foreign exchange rate changes, net		6,953	(4,653)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		1,274,992	937,765
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	18	800,992	631,332
Non-pledged time deposits with original maturity of less than three months when acquired	18	474,000	310,000
Less: Restricted cash	18	—	(3,567)
Cash and bank balances as stated in the interim condensed consolidated statement of financial position and the consolidated statement of cash flows		1,274,992	937,765

Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2023

1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2023 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2022.

The unaudited interim condensed consolidated financial information is presented in Renminbi (“RMB”) and all value are rounded to the nearest thousand except when otherwise indicated.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period's financial information.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform — Pillar Two Model Rules</i>

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

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since January 1, 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2023

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at January 1, 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after January 1, 2022, if any.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at January 1, 2022. The quantitative impact on the financial information is summarised below.

Impact on the interim condensed consolidated statement of financial position:

			Increase/(decrease)	
	Note	As at June 30, 2023 RMB'000	As at December 31, 2022 RMB'000	As at January 1, 2022 RMB'000
Assets				
Deferred tax assets	(i)	6,023	4,633	4,525
Total non-current assets		6,023	4,633	4,525
Total assets		6,023	4,633	4,525
Liabilities				
Deferred tax liabilities	(i)	7,269	8,757	6,251
Total non-current liabilities		7,269	8,757	6,251
Total liabilities		7,269	8,757	6,251

Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2023

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) (continued)

	Increase/(decrease)		
	As at June 30, 2023 RMB'000	As at December 31, 2022 RMB'000	As at January 1, 2022 RMB'000
Net assets	(1,246)	(4,124)	(1,726)
Equity			
Retained profit (including in other reserve)	(1,246)	(4,124)	(1,726)
Equity attributable to owners of the parent	(1,298)	(4,177)	(1,737)
Non-controlling interests	52	53	11
Total equity	(1,246)	(4,124)	(1,726)

Note (j): The deferred tax asset and the deferred tax liability arising from lease contracts of the same subsidiary have been offset in the statement of financial position for presentation purposes.

Impact on the interim condensed consolidated statement of profit or loss:

	Increase/(decrease) For the six months ended June 30,	
	2023 RMB'000	2022 RMB'000
Income tax credit	2,878	(2,185)
Profit for the period	2,878	(2,185)
Attributable to:		
Owners of the parent	2,879	(2,188)
Non-controlling interests	(1)	3
	2,878	(2,185)
Total comprehensive income for the period		
Attributable to:		
Owners of the parent	2,879	(2,188)
Non-controlling interests	(1)	3
	2,878	(2,185)

Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2023

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) (continued)

Impact on the earnings per share attributable to ordinary equity holders of the parent:

	Increase/(decrease)	
	For the six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Basic earnings per share	0.01	(0.01)
Diluted earnings per share	0.01	(0.01)

The adoption of amendments to HKAS 12 did not have any impact on the other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended June 30, 2023 and 2022.

3 OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of a variety of healthcare businesses, including the provision of healthcare services and sale of healthcare products.

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

As all of the Group's revenue is derived from the People's Republic of China ("PRC"), and all of the Group's identifiable non-current assets are located in the PRC, no geographical information as required by HKFRS 8 *Operating Segments* is presented.

Information about major customers

No revenue from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the reporting period.

Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2023

4 REVENUE

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

	For the six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue from contracts with customers	986,126	702,902

Disaggregated revenue information

	For the six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Types of goods or service		
Healthcare solutions	965,311	687,507
Sale of healthcare products	20,815	15,395
	986,126	702,902
Timing of revenue recognition		
Revenue from contracts with customers	986,126	702,902

5 OTHER INCOME AND GAINS

	For the six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest income	5,485	4,928
Rent concessions from lessors	—	3,009
Fair value gains on financial assets at fair value through profit or loss, net	4,019	1,618
Government subsidies*	10,135	917
Rental income	712	513
Gain on disposal of the investment in an associate	303	310
Foreign exchange differences, net	14,898	—
Others	1,390	316
	36,942	11,611

* There are no unfulfilled conditions or contingencies related to these government subsidies.

Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2023

6 FINANCE COSTS

	For the six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest on interest-bearing bank loans and other borrowings	8,718	2,343
Interest on lease liabilities	7,196	6,372
	15,914	8,715

7 PROFIT BEFORE TAX

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

	Note	For the six months ended June 30,	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cost of provision of healthcare solutions		687,606	495,124
Cost of sale of healthcare products		15,575	8,883
Depreciation of property, plant and equipment		18,362	13,730
Amortisation of other intangible assets [#]		2,170	2,237
Depreciation of right-of-use assets		38,931	34,846
Lease payments not included in the measurement of lease liabilities		6,837	4,839
Auditor's remuneration		600	500
Employee benefit expense (excluding directors' remuneration):			
Wages and salaries		144,434	99,767
Equity-settled share-base payments		1,127	1,127
Pension scheme contributions		21,340	18,673
		166,901	119,567
Fair value gain on financial assets at fair value through profit or loss, net ^{**}	5	(4,019)	(1,618)
Loss on disposal of items of property, plant and equipment [*]		98	204
Impairment/(reversal of impairment) of trade receivables [*]		961	(20)
Foreign exchange (gain)/loss ^{***}		(14,898)	3,533
Gain on disposal of the investment in an associate ^{**}	5	(303)	(310)

7 PROFIT BEFORE TAX (CONTINUED)

- # Included in "Administrative expenses" and "Selling and distribution expenses" in profit or loss.
- * Included in "Other expenses" in profit or loss.
- ** Included in "Other income and gains" in profit or loss.
- *** Foreign exchange gain and foreign exchange loss were included in "Other income and gains" and "Other expenses" in profit or loss, respectively.

8 INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Cayman Islands

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is imposed.

Mainland China

Pursuant to the PRC Income Tax Law and the respective regulations, a subsidiary which operates in Mainland China is subject to corporate income tax at a rate of 25% on the taxable income. Certain subsidiaries of the Group in Mainland China are regarded as "high and new technology enterprise" and a preferential income tax rate of 15% during the Relevant Periods. Certain subsidiaries of the Group in Mainland China are regarded as "small and micro enterprises" and, accordingly, were entitled to a preferential income tax rate of 5% during the reporting period.

Hong Kong

No provision for Hong Kong profits tax has been made as the company had no assessable profits derived from or earned in Hong Kong during the reporting period. The subsidiary incorporated in Hong Kong is subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period.

	For the six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)
Current	23,104	3,865
Deferred	(9,316)	(4,152)
Total tax charge/(credit) for the period	13,788	(287)

Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2023

9 DIVIDENDS

No dividend was proposed for the period ended 30 June 2023 and 2022.

10 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 234,975,233 (the six months ended June 30, 2022: 230,396,458) in issue during the period, as adjusted to reflect the rights issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited) (Restated)
Earnings		
Profit attributable to ordinary equity holders of the parent	92,749	53,289
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue	235,712,014	230,396,458
Weighted average number of ordinary shares held for the share award scheme	(736,781)	—
Weighted average number of ordinary shares in issue used in the basic earnings per share calculation	234,975,233	230,396,458
Effect of dilution — weighted average number of ordinary shares: Share options	11,526,002	7,675,568
Weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	246,501,235	238,072,026

11 PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2023, the Group incurred approximately RMB28,878,000 (six months ended June 30, 2022: RMB17,049,000) on acquisition of property, plant and equipment.

Assets with net carry amounts of RMB146,000 were disposed of by the Group during the six months ended June 30, 2023 (June 30, 2022: RMB483,000), resulting in a net loss on disposal of RMB98,000 (June 30, 2022: RMB204,000).

12 OTHER INTANGIBLE ASSETS

During the six months ended June 30, 2023, the Group acquired intangible assets with an aggregate cost of RMB1,022,000 (June 30, 2022: RMB440,000) and no intangible assets (June 30, 2022: nil) was disposed of by the Group.

13 LEASES

The Group as a lessee

During the six months ended June 30, 2023, the Group entered into several new lease agreements for the use of buildings with lease terms ranging from 3 to 10 years. The Group is required to make fixed payments during the contract period except for the prepaid land lease payments. On lease commencement date, the Group recognised right-of-use assets of RMB72,491,000 (six months ended June 30, 2022: RMB50,823,000) and lease liabilities of RMB72,491,000 (six months ended June 30, 2022: RMB50,690,000), respectively.

The Group as a lessor

The Group leases part of its office buildings under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the six months ended 2023 was RMB712,000 (six months ended June 30, 2022: RMB513,000), details of which are included in note 5 to these interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2023

14 GOODWILL

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
At the beginning of the period/year:		
Cost	819,222	691,165
Accumulated impairment	(2,550)	(2,550)
Net carrying amount	816,672	688,615
Acquisition of subsidiaries (note 23)	95,003	128,057
At the end of the period/year	911,675	816,672

15 INVENTORIES

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Pharmaceuticals, consumables and packaging materials	122,796	104,855

There was no inventory provision recognised during the six months ended June 30, 2023 (December 31, 2022: nil).

16 TRADE RECEIVABLES

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

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Within three months	106,450	80,970
Over three months to one year	8,439	7,624
Over one year	850	817
	115,739	89,411

Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2023

17 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Prepayments	88,477	83,890
Deposits and other receivables (note)	113,486	78,411
Amounts due from employees (note)	2,061	1,689
	204,024	163,990
Less:		
Portion classified as non-current assets	(25,531)	(28,407)
	178,493	135,583

Note:

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at June 30, 2023 and December 31, 2022, the loss allowance was assessed to be not minimal.

18 CASH AND CASH EQUIVALENTS

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Cash and bank balances	800,992	684,330
Non-pledged time deposits with original maturity of less than three months when acquired	474,000	310,000
Cash and cash equivalents	1,274,992	994,330
Denominated in:		
RMB (note)	906,165	935,646
USD	234,192	8,240
HK\$	134,635	50,444
	1,274,992	994,330

Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2023

18 CASH AND CASH EQUIVALENTS (CONTINUED)

Note:

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

19 TRADE AND BILLS PAYABLES

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

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Within three months	120,670	114,621
Over three months to one year	33,055	38,379
Over one year	9,404	11,305
	163,129	164,305

Trade and bills payables are non-interest-bearing and have a credit term ranging from one to three months after the invoice date, extending to longer periods for those long-standing suppliers.

The fair values of trade and bills payables as at the end of each of the reporting periods approximated to their corresponding carrying amounts due to their relatively short maturity terms.

Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2023

20 INTEREST-BEARING BANK AND OTHER BORROWINGS

	June 30, 2023			December 31, 2022		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loan – unsecured	3.50–4.09	2024	19,508	4.04–4.50	2023	9,508
Other borrowing			–	6.00	2023	8,706
			19,508			18,214
Non-current						
Bank loans – unsecured	4.04–4.09	2024–2025	4,674	4.04–4.50	2023–2024	9,428
Other borrowing			–	6.00	2023–2029	43,529
			4,674			52,957
			24,182			71,171

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Analysed into:		
Bank loans:		
Within one year or on demand	19,508	9,508
In the second year	4,674	9,428
	24,182	18,936
Other borrowing:		
Within one year or on demand	–	8,706
In the second year	–	8,706
In the third to fifth years, inclusive	–	8,706
Beyond five years	–	26,117
	–	52,235
	24,182	71,171

Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2023

20 INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

- (a) Except for other borrowings, which are denominated in USD, all interest-bearing bank loans are in RMB.
- (b) No assets were pledged to obtain financing as at June 30, 2023 and December 31, 2022.
- (c) The Group's bank and other facilities amounted to RMB198,387,000 (31 December 2022: RMB254,115,000), of which RMB24,183,000 (31 December 2022: RMB98,171,000) had been utilised as at June 30, 2023.

21 DEFERRED TAX

The movements in deferred tax assets and liabilities during the period and year are as follows:

Deferred tax assets

	Impairment provisions RMB'000	Tax losses available for offsetting against future taxable profits RMB'000	Unrealised profits arising from intra-group transaction RMB'000	Lease liabilities RMB'000 (Restated)	Total RMB'000 (Restated)
January 1, 2023	13,024	12,733	10,018	62,255	98,030
Deferred tax credited/(charged) to profit or loss during the period (note 10)	158	5,947	(33)	11,413	17,485
Gross deferred tax assets at June 30, 2023	13,182	18,680	9,985	73,668	115,515
January 1, 2022	8,918	25,874	5,372	59,679	99,843
Deferred tax credited/(charged) to profit or loss during the year	4,106	(13,141)	4,646	2,576	(1,813)
Gross deferred tax assets at December 31, 2022	13,024	12,733	10,018	62,255	98,030

Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2023

21 DEFERRED TAX (CONTINUED)

Deferred tax liabilities

	Right-of-use assets RMB'000 (Restated)	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Total RMB'000 (Restated)
January 1, 2023	66,379	5,455	71,834
Deferred tax charged/(credited) to profit or loss during the period (note 10)	8,535	(366)	8,169
Gross deferred tax at June 30, 2023	74,914	5,089	80,003
January 1, 2022	61,405	6,187	67,592
Deferred tax charged/(credited) to profit or loss during the year	4,974	(732)	4,242
Gross deferred tax at December 31, 2022	66,379	5,455	71,834

For presentation purpose, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purpose:

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Restated)	January 1, 2022 RMB'000 (Restated)
Net deferred tax assets recognised in the consolidated statement of financial position	47,871	40,408	44,689
Net deferred tax liabilities recognised in the consolidated statement of financial position	12,359	14,212	12,438

Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2023

22 SHARE CAPITAL

Shares

	June 30, 2023 USD'000 (Unaudited)	December 31, 2022 USD'000 (Audited)
Authorised: 264,430,287 (2022: 264,430,287) ordinary shares of USD0.0001 each	26	26
	RMB'000	RMB'000
Issued and fully paid: 240,796,458 (2022: 230,396,458) ordinary shares of USD0.0001 (equivalent to RMB0.0006) each	154	147

A summary of movements in the Company's share capital is as follows:

	Notes	Number of ordinary shares in issue	Share capital RMB'000	Share held for share award scheme RMB'000	Share premium RMB'000	Total RMB'000
At January 1, 2022 (audited)		230,396,458	147	–	3,086,655	3,086,802
Shares held for share award scheme	(a)	–	–	(20,121)	–	(20,121)
At December 31, 2022 and January 1, 2023 (audited)		230,396,458	147	(20,121)	3,086,655	3,066,681
Shares held for share award scheme	(b)	–	–	(13,682)	–	(13,682)
Issuance of ordinary shares	(c)	10,400,000	7	–	479,509	479,516
Share issue expenses		–	–	–	(7,137)	(7,137)
At June 30, 2023 (unaudited)		240,796,458	154	(33,803)	3,559,027	3,525,378

22 SHARE CAPITAL (CONTINUED)

Shares (Continued)

Notes:

- (a) During the year ended December 31, 2022, 678,600 ordinary shares of the Company on the Stock Exchange of Hong Kong Limited were purchased by the trustee for the share award scheme at the consideration of HK\$22,091,000 (approximately to RMB20,121,000).
- (b) During the six months ended June 30, 2023, 332,100 ordinary shares of the Company on the Stock Exchange of Hong Kong Limited were purchased by the trustee for the share award scheme at the consideration of HK\$15,170,000 (approximately to RMB13,682,000).
- (c) On March 22, 2023, the Company issue 10,400,000 ordinary shares at subscription price of HK\$52.67 per share (equivalent to RMB46.12 per share) via private placing to the placees according to the terms and conditions set out in the Placing and Subscription Agreement dated on the same date. The proceeds of HK\$8,000 (equivalent to RMB7,000) representing the par value were credited to the Company's share capital and the remaining proceeds of HK\$547,760,000 (equivalent to RMB479,509,000, and before deduction of share issue expenses) were credited to the share premium account. Further details of the share issue are set out in the announcements dated March 22, 2023 and March 30, 2023 issued by the Company.

23 BUSINESS COMBINATIONS

During the six months ended June 30, 2023, the Group acquired 100% equity interest in companies, details of which are set out below, from independent third parties. The acquisitions are part of the Group's strategy to expand its market share in Chinese medicine healthcare service.

Target companies	Consideration RMB'000
Shanghai Qiancheng Nursing Home Co., Ltd. (上海千誠護理院有限公司)	42,000
Hangzhou Huiyuantang Sinopharm Co., Ltd. (杭州回元堂國藥館有限公司)	17,460
Kunshanshi Mingtai Out-patient Co., Ltd. (昆山市明泰門診部有限公司)	16,200
Wuxi Litongfeng Traditional Chinese Medicine Hospital Co., Ltd. (無錫李同豐中醫醫院有限公司)	29,610
	105,270

Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2023

23 BUSINESS COMBINATIONS (CONTINUED)

The fair values of the identifiable assets and liabilities of the subsidiaries acquired as at the dates of acquisition were as follows:

	Note	Fair value recognised on acquisition RMB'000 (Unaudited)
Inventories		3,306
Trade receivables		6,078
Prepayments, other receivables and other assets		3,664
Cash and cash equivalents		7,653
Trade payables		(6,133)
Other payables and accruals		(4,843)
<hr/>		
Total identifiable net assets at fair value		9,725
Goodwill on acquisition	14	95,003
<hr/>		
Total consideration		104,728
<hr/>		
Satisfied by:		
Cash		102,270
Settlement of a loan		3,000
Contingent consideration		(542)
<hr/>		
		104,728
<hr/>		

23 BUSINESS COMBINATIONS (CONTINUED)

An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows:

	RMB'000
Cash considerations	105,270
Less: Prepayment in previous years	(11,292)
Cash to be paid in coming years	(23,645)
Cash and cash equivalents acquired	(7,653)
Net cash outflows in relation to acquisition of the subsidiaries	62,680
Add: Cash paid for other acquisitions in previous years	57,312
Net outflow of cash and cash equivalents included in cash flows from investing activities	119,992

Since the acquisition, the subsidiaries as mentioned above contributed RMB25,360,000 to the Group's revenue and a net gain of RMB6,552,000 to the consolidated statement of profit or loss and other comprehensive income for the six months ended June 30, 2023. Had the combination taken place at beginning of the period, the contribution to the revenue and loss of the Group would have been RMB31,436,000 and RMB3,558,000, respectively.

24 PLEDGE OF ASSETS

No assets were pledged to obtain financing as at June 30, 2023 and December 31, 2022.

25 COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	June 30, 2023 RMB'000 (Unaudited)	December 31, 2022 RMB'000 (Audited)
Contracted, but not provided for Leasehold improvements and equipment	17,145	3,331

Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2023

26 RELATED PARTY TRANSACTIONS AND BALANCES

Compensation of key management personnel and related parties of the Group:

Details of the compensation of key management personnel of the Group are disclosed as follows:

	For the six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefits	5,102	5,408
Share-based payment expenses	8,557	8,557
	13,659	13,965

27 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Financial assets				
Financial assets at fair value through profit or loss	64,851	35,432	64,851	35,432

	Carrying amounts		Fair values	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Financial liabilities				
Interest-bearing bank loans and other borrowings	24,182	71,171	24,182	71,171

27 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets (current), trade and bills payables, financial liabilities included in other payables and accruals (current), interest-bearing bank loans and other borrowings (current), and lease liabilities (current) approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- (a) The fair values of non-current financial assets included in prepayments, other receivables, lease liabilities (non-current) and the non-current interest-bearing bank loans and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The change in fair value as a result of the Group's own non-performance risk for non-current financial assets included in prepayments, other receivables and other assets, lease liabilities (non-current) and non-current interest-bearing loans as at June 30, 2021 and December 31, 2021 were assessed to be insignificant.
- (b) The fair value of contingent consideration included in the financial assets at fair value through profit or loss is measured using the valuation technique of the discounted cash flow model using significant unobservable market inputs.
- (c) The fair values of financial products issued by investment management company in Mainland China included in the financial assets at fair value through profit or loss are quoted from active markets.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments as at June 30, 2023 and December 31, 2022:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value of the input
Financial assets at fair value through profit or loss — contingent consideration	Scenario-based method	Discount rate	12.27% (2022: 10.62%)	1% (2022: 1%) increase/decrease in the discount rate would result in decrease/increase in the fair value by RMB20,000 (2022: RMB20,000).

Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2023

27 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
As at June 30, 2023 (Unaudited)				
Financial assets at fair value through profit or loss	60,991	—	3,860	64,851
As at December 31, 2022 (Audited)				
Financial assets at fair value through profit or loss	30,012	—	5,420	35,432

27 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

The movements in fair value measurements within Level 3 during the period are as follows:

	2023 RMB'000 (Unaudited)	2022 RMB'000 (Audited)
Financial assets at fair value through profit or loss		
At January 1	5,420	3,207
Total gains recognised in profit or loss	1,443	318
Addition	542	2,895
Derecognition during the period/year	(3,545)	(1,000)
At the end of the period/year	3,860	5,420

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at June 30, 2023 and December 31, 2022.

Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2023

28 EVENTS AFTER THE REPORTING PERIOD

1. On July 5, 2023, Guangdong Gushengtang Traditional Chinese Medicine Health Technology Co., Ltd., a subsidiary of the Company, (“**Guangdong Gushengtang**”), a subsidiary of the Company, entered into an equity transfer agreement with the shareholders of Shanghai Baozhongtang TCM Out-patient Co., Ltd. (上海寶中堂中醫門診部有限公司) (“**Baozhongtang Laoshan**”) and Shanghai Baozhongtang Eshan TCM Out-patient Co., Ltd. (上海寶中堂峨山中醫門診部有限公司) (“**Baozhongtang Eshan**”), pursuant to which Guangdong Gushengtang conditionally agreed to acquire, and the Baozhongtang Laoshan Seller conditionally agreed to sell 100% equity interest in Baozhongtang Laoshan and Baozhongtang Eshan at considerations of RMB60,941,550 and RMB7,830,150, respectively. Upon completion of the acquisitions, Baozhongtang Laoshan and Baozhongtang Eshan will become an indirect wholly-owned subsidiary of the Company, and the financial results of Baozhongtang Eshan will be consolidated into the consolidated financial statements of the Group.
2. On July 6 and July 7, 2023, the Company purchased 281,600 ordinary shares on the open market of Hong Kong at the consideration of approximately HK\$13,140,715 pursuant to the rules of the share award scheme.
3. On July 18, 2023, the Company granted share options under the share option scheme to 36 employee participants and 175 service providers to subscribe for an aggregate of 1,343,600 ordinary shares, subject to acceptance by the share option grantees.
4. On July 18, 2023, the Company granted 1,828,200 awarded shares involving a total of 1,828,200 restricted shares under the share award scheme to 36 management participants and 167 service providers, subject to acceptance by the share award scheme grantees.
5. On July 18, 2023, the Company granted 92,500 awarded shares involving a total of 92,500 Restricted Shares under the share award scheme to 8 service providers, subject to acceptance by the share award scheme grantees.

29 APPROVAL OF THESE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on August 21, 2023.

Definitions and Glossaries

In this report, the following expressions have the meanings set out below unless the context otherwise requires:

“Action Thrive”	Action Thrive Group Limited, a BVI business company with limited liability incorporated under the laws of BVI on November 5, 2020 which is indirectly wholly owned by Mr. Tu, and one of the Controlling Shareholders
“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of the Company
“BVI”	the British Virgin Islands
“Celestial City”	Celestial City Investments Limited, a BVI business company with limited liability incorporated under the laws of BVI on November 9, 2020 which is indirectly wholly owned by Mr. Tu, and one of the Controlling Shareholders
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Chairman”	the Chairman of the Board
“China” or the “PRC”	the People’s Republic of China, but for the purpose of this report and for geographical reference only, except where the context requires, references in this prospectus to “China” and the “PRC” do not apply to Hong Kong, Macau and Taiwan
“Circular”	the circular of the Company dated November 17, 2022 regarding, among others, the proposed adoption of the Post-IPO Share Option Scheme and the RSA Scheme (New Shares)
“Company” or “our Company”	GUSHENGTANG HOLDINGS LIMITED (固生堂控股有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on May 8, 2014, the Shares of which are listing on the Main Board of the Stock Exchange
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and, unless the context otherwise requires, refers to Mr. Tu, Action Thrive, Celestial City, Dream True and Wumianshan Ltd.
“COVID-19”	an infectious disease caused by the SARS-CoV-2 virus

Definitions and Glossaries

“Designated Medical Institutions”	medical institutions designated by the relevant local medical insurance authority as ones that are permitted to treat patients covered by public medical insurance programs
“Director(s)”	director(s) of the Company
“Dream True”	Dream True Limited, a BVI business company with limited liability incorporated under the laws of BVI on February 9, 2021 and wholly owned by Trident Trust Company (Singapore) Pte. Limited pursuant to the TZL Family Trust, and one of the Controlling Shareholders
“Eligible Participant(s)”	<p>in the context of the Post-IPO Share Option Scheme, means (i) any Employee Participant; or (ii) any Service Provider who the Board or the Committee considers, in its sole discretion, has the eligibility ascribed in the Post-IPO Share Option Scheme;</p> <p>in the context of the RSA Scheme (New Shares), means (i) any Management Participant; or (ii) any Service Provider, who the Board or the committee duly appointed by the Board for the purpose of administering the RSA Scheme (New Shares) considers, in its sole discretion, has the eligibility ascribed in the RSA Scheme (New Shares);</p> <p>in the context of the RSA Scheme (Existing Shares), means (i) any physician providing online or offline healthcare services to the Group, who is not a director or employee of the Company or any other member of the Group; or (ii) any consultant providing business consulting services, including but not limited to consulting services on healthcare products quality control, medical regulations and policies, operation of offline medical institutions and medical research and development, to the Group</p>
“Employee Participant(s)”	any director and employee of the Company or any other member of the Group (including any person who is granted Post-IPO Share Options under the Post-IPO Share Option Scheme as an inducement to enter into employment contracts with members of the Group)
“GMP”	Good Manufacturing Practice of Pharmaceutical Products (藥品生產質量管理規範), which are guidelines and regulations issued to ensure that pharmaceutical products within those guidelines and regulations are consistently produced and controlled to the quality and standards appropriate for their intended use

Definitions and Glossaries

“Group”, “our Group”, “we”, or “us”	the Company together with its subsidiaries and controlled affiliated entities controlled by it through contractual arrangements at the relevant time or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“Guangdong Gushengtang”	Guangdong Gushengtang TCM Health Technology Co., Ltd. (廣東固生堂中醫養生健康科技股份有限公司), a limited liability company established in the PRC on September 13, 2010 and a subsidiary of the Company
“HK\$” or “HKD”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on December 10, 2021
“Listing Date”	the date, namely December 10, 2021, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“Management Participant(s)”	any senior or middle-level management of the Company or any other member of the Group, as determined by the Board or the committee duly appointed by the Board for the purpose of administering the RSA Scheme (New Shares) at its sole discretion
“Model Code”	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Mr. Tu”	Mr. Tu Zhiliang (涂志亮), the executive Director, the chairman of the Board, the chief executive officer of the Company, and one of the Controlling Shareholders

Definitions and Glossaries

“OMO”	online-merge-offline
“Post-IPO Share Option Scheme”	the share option scheme of the Company adopted by the Company on December 7, 2022, the principal terms of which are set out in the Circular
“Post-IPO Share Options”	a right to subscribe for Shares pursuant to the Post-IPO Share Option Scheme
“Pre-IPO Share Option Plan”	the pre-IPO share option plan approved and adopted by our Company on March 31, 2021
“Prospectus”	the prospectus of the Company published on November 30, 2021
“Reporting Period”	the six-month period from January 1, 2023 to June 30, 2023
“Restricted Share(s)”	Share(s) that may be offered by the Company to any Eligible Participants pursuant to the RSA Scheme (New Shares) or RSA Scheme (Existing Shares) (where applicable)
“RMB” or “Renminbi”	the lawful currency of the PRC
“RSA Scheme (Existing Shares)”	the restricted share award scheme (existing shares) of the Company adopted by the Company on September 9, 2022, the principal terms of which are set out in the announcement of the Company dated September 12, 2022
“RSA Scheme (Existing Shares) Awards”	an award granted by the Board or the committee duly appointed by the Board for the purpose of administering the RSA Scheme (Existing Shares) to an Eligible Participant, which may vest in the form of Restricted Shares, as the Board or the committee duly appointed by the Board for the purpose of administering the RSA Scheme (Existing Shares) may determine in accordance with the terms of the rules of the RSA Scheme (Existing Shares)
“RSA Scheme (New Shares)”	the restricted share award scheme (new shares) of the Company adopted by the Company on December 7, 2022, the principal terms of which are set out in the Circular
“RSA Scheme (New Shares) Awards”	an award granted by the Board or the committee duly appointed by the Board for the purpose of administering the RSA Scheme (New Shares) to an Eligible Participant, which may vest in the form of Restricted Shares, as the Board or the committee duly appointed by the Board for the purpose of administering the RSA Scheme (New Shares) may determine in accordance with the terms of the rules of the RSA Scheme (New Shares)

Definitions and Glossaries

“Service Provider(s)”	(i) any physician, who is not a director or employee of the Company or any other member of the Group, providing online or offline healthcare services to the Group; or (ii) any consultant providing business consulting services on healthcare products quality control, medical regulations and policies, operation of offline medical institutions and medical research and development, to the Group, excluding (x) placing agent or financial adviser providing services for fundraising, mergers or acquisitions or (y) professional service provider such as auditor or valuer who provides assurance, or is required to perform services with impartiality and objectivity, and such person shall provide services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company with par value of US\$0.0001 each
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Share Schemes”	share options schemes and/or share award schemes involving issuance of new Shares adopted and to be adopted by the Company from time to time, including the Post-IPO Share Option Scheme and the RSA Scheme (New Shares)
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“TCM”	traditional Chinese medicine
“TZL Family Trust”	the trust arrangement established by Celestial City as the settlor, with Mr. Tu as the protector, Trident Trust Company (Singapore) Pte. Limited as the trustee and Celestial City, Mr. Tu and Mr. Tu’s family members as beneficiaries
“US\$” or “USD”	United States dollars, the lawful currency of the United States

Definitions and Glossaries

“Voting Deeds”	the voting right entrustment deed entered into between Mr. Tu and each of Gushengtang Ltd., Shiyimianshan Holdings Limited, Shiermianshan Holdings Limited, Shisanmianshan Holdings Limited, Shisimianshan Holdings Limited, Shiwumianshan Holdings Limited, Yijiakang Technology Holdings Limited, Yijiajian Technology Holdings Limited, Yijiale Technology Holdings Limited and Yijiaan Technology Holdings Limited on May 31, 2021
“Wumianshan Ltd.”	Wumianshan Ltd., one of the Controlling Shareholders and a BVI business company incorporated under the laws of the BVI on April 23, 2014 which is wholly owned by Mr. Tu
“%”	percent

In this interim report, unless otherwise indicated, the terms “associate”, “associated corporation”, “connected person”, “controlling shareholder(s)”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules.

 **固生堂**

GUSHENGTANG HOLDINGS LIMITED

固生堂控股有限公司