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**GUSHENGTANG HOLDINGS LIMITED**

**固生堂控股有限公司**

*(Incorporated under the laws of the Cayman Islands with limited liability)*

**(Stock Code: 2273)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED JUNE 30, 2024**

**FINANCIAL HIGHLIGHTS**

Revenue of the Group increased by 38.4% to RMB1,365.0 million for the six months ended June 30, 2024 from RMB986.1 million for the six months ended June 30, 2023.

Gross profit of the Group increased by 41.8% to RMB401.2 million for the six months ended June 30, 2024 from RMB282.9 million for the six months ended June 30, 2023.

Net profit increased by 15.1% to RMB107.3 million for the six months ended June 30, 2024 from RMB93.2 million for the six months ended June 30, 2023.

The adjusted net profit<sup>(1)</sup> increased by 45.3% to RMB147.9 million for the six months ended June 30, 2024 from RMB101.8 million for the six months ended June 30, 2023.

*Note:*

- (1) Adjustments to net profit include equity-settled share-based payments in relation to the (i) share options granted under the Pre-IPO Share Option Plan, (ii) share options granted under the Post-IPO Share Option Scheme, (iii) share awards granted under the RSA Scheme (Existing Shares), and (iv) share awards granted under the RSA Scheme (New Shares).

The Board is pleased to announce the unaudited interim consolidated results of the Group for the six months ended June 30, 2024 together with the comparative figures for the same period in 2023 as set out below.

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2024

	Notes	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
<b>REVENUE</b>	4	<b>1,364,979</b>	986,126
Cost of sales		<u>(963,767)</u>	<u>(703,181)</u>
<b>Gross profit</b>		<b>401,212</b>	282,945
Other income and gains	5	<b>17,786</b>	36,942
Selling and distribution expenses		<b>(160,104)</b>	(120,241)
Administrative expenses		<b>(110,416)</b>	(69,813)
Other expenses		<b>(15,378)</b>	(7,071)
Finance costs		<b>(8,572)</b>	(15,914)
Share of profits of associates		<b>557</b>	142
<b>PROFIT BEFORE TAX</b>	6	<b>125,085</b>	106,990
Income tax expenses	7	<b>(17,810)</b>	(13,788)
<b>PROFIT FOR THE PERIOD</b>		<b><u>107,275</u></b>	<b><u>93,202</u></b>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>			
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		<b>(4,774)</b>	(65,483)
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>			
Translation of the Company's functional currency to presentation currency		<b>12,529</b>	71,950
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b><u>7,755</u></b>	<b><u>6,467</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b><u>115,030</u></b>	<b><u>99,669</u></b>

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF  
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)**

*For the six months ended June 30, 2024*

	<i>Note</i>	<b>2024</b> <b>(Unaudited)</b> <b>RMB'000</b>	2023 (Unaudited) RMB'000
<b>Profit attributable to:</b>			
Owners of the parent		<b>106,866</b>	92,749
Non-controlling interests		<b>409</b>	453
		<u><b>107,275</b></u>	<u>93,202</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		<b>114,621</b>	99,216
Non-controlling interests		<b>409</b>	453
		<u><b>115,030</b></u>	<u>99,669</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
	9		
Basic			
— For profit for the period (RMB)		<u><b>0.44</b></u>	<u>0.39</u>
Diluted			
— For profit for the period (RMB)		<u><b>0.43</b></u>	<u>0.38</u>

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2024

	<i>Notes</i>	<b>June 30, 2024 (Unaudited) RMB'000</b>	December 31, 2023 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>126,765</b>	109,655
Right-of-use assets		<b>341,319</b>	333,798
Goodwill	<i>10</i>	<b>1,096,265</b>	984,688
Other intangible assets		<b>23,524</b>	24,759
Investments in associates		<b>31,091</b>	30,534
Prepayments, other receivables and other assets		<b>18,163</b>	23,928
Deferred tax assets		<b>35,699</b>	34,385
		<hr/>	<hr/>
Total non-current assets		<b>1,672,826</b>	1,541,747
<b>CURRENT ASSETS</b>			
Inventories		<b>159,529</b>	152,950
Trade receivables	<i>11</i>	<b>205,364</b>	179,927
Prepayments, deposits and other receivables		<b>163,610</b>	155,723
Financial assets at fair value through profit or loss		<b>10,953</b>	35,004
Restricted cash		<b>12,691</b>	12,691
Cash and cash equivalents	<i>12</i>	<b>1,170,675</b>	1,301,300
		<hr/>	<hr/>
Total current assets		<b>1,722,822</b>	1,837,595
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>13</i>	<b>216,528</b>	286,619
Other payables and accruals		<b>327,797</b>	294,681
Interest-bearing bank loans		<b>7,774</b>	16,428
Lease liabilities		<b>69,071</b>	76,846
Tax payable		<b>23,335</b>	33,651
		<hr/>	<hr/>
Total current liabilities		<b>644,505</b>	708,225
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>1,078,317</b>	1,129,370
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,751,143</b>	2,671,117
		<hr/> <hr/>	<hr/> <hr/>

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)**

June 30, 2024

	<b>June 30, 2024</b> (Unaudited) <i>RMB'000</i>	December 31, 2023 (Audited) <i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	287,402	277,300
Other payables and accruals	126,538	81,504
Deferred tax liabilities	5,269	6,230
	<hr/>	<hr/>
Total non-current liabilities	419,209	365,034
	<hr/>	<hr/>
Net assets	<u>2,331,934</u>	<u>2,306,083</u>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	158	159
Shares held for share award schemes	(134,069)	(110,924)
Treasury shares	(56,841)	(12,146)
Reserves	2,522,298	2,427,909
	<hr/>	<hr/>
	2,331,546	2,304,998
	<hr/>	<hr/>
Non-controlling interests	388	1,085
	<hr/>	<hr/>
<b>Total equity</b>	<u>2,331,934</u>	<u>2,306,083</u>

# NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

## 1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2024 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, 2023.

The unaudited interim condensed consolidated financial information is presented in 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, 2023, except for the adoption of the following revised HKFRSs for the first time for the current period's financial information.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

The application of these revised HKFRSs in the Reporting Period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial statements.

### 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.

### 4 REVENUE

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

	<b>For the six months ended</b>	
	<b>June 30,</b>	
	<b>2024</b>	<b>2023</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue from contracts with customers	<b><u>1,364,979</u></b>	<b><u>986,126</u></b>

## Disaggregated revenue information

	For the six months ended	
	June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Types of goods or service</b>		
Healthcare solutions	1,344,574	965,311
Sale of healthcare products	20,405	20,815
Total	<u>1,364,979</u>	<u>986,126</u>
<b>Geographical markets</b>		
Chinese Mainland	1,364,010	986,126
Singapore	969	—
Total	<u>1,364,979</u>	<u>986,126</u>
<b>Timing of revenue recognition</b>		
Goods and services transferred at a point in time	<u>1,364,979</u>	<u>986,126</u>

## 5 OTHER INCOME AND GAINS

	For the six months ended	
	June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income	10,287	5,485
Fair value gains on financial assets at fair value through profit or loss, net	1,444	4,019
Government subsidies*	4,388	10,135
Rental income	646	712
Gain on disposal of the investment in an associate	—	303
Foreign exchange differences, net	—	14,898
Others	1,021	1,390
Total	<u>17,786</u>	<u>36,942</u>

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



## 6 PROFIT BEFORE TAX

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

	For the six months ended	
	June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of provision of healthcare solutions	949,041	687,606
Cost of sale of healthcare products	14,726	15,575
Depreciation of property, plant and equipment	19,551	18,362
Amortisation of other intangible assets <sup>#</sup>	2,182	2,170
Depreciation of right-of-use assets	47,943	38,931
Foreign exchange loss/(gain)**	11,933	(14,898)
Gain on disposal of the investment in an associate*	—	303

# Included in “Administrative expenses” and “Selling and distribution 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.

## 7 INCOME TAX

Pursuant to the PRC Income Tax Law and the respective regulations, a subsidiary which operates in Chinese Mainland is subject to corporate income tax at a rate of 25% on the taxable income. Certain subsidiaries of the Group in Chinese Mainland 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 Chinese Mainland are regarded as “small and micro enterprises” and, accordingly, were entitled to a preferential income tax rate of 5% during the relevant periods. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	<b>For the six months ended</b>	
	<b>June 30,</b>	
	<b>2024</b>	2023
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current	<b>20,085</b>	23,104
Deferred	<b>(2,275)</b>	(9,316)
	<hr/>	<hr/>
Total	<b><u>17,810</u></b>	<b><u>13,788</u></b>

## **8 DIVIDENDS**

	<b>For the six months ended</b>	
	<b>June 30,</b>	
	<b>2024</b>	2023
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Dividend on ordinary shares declared after the interim reporting date:		
Interim — HKD0.13 (2023: Nil) per ordinary share	<b><u>28,892</u></b>	<u>—</u>

On 20 August 2024, the Board declared an interim dividend of HKD0.13 (six months ended 30 June 2023: Nil) per ordinary share, amounting to a total of approximately RMB28,892,000 (six months ended 30 June 2023: Nil).

## **9 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 241,880,483 (2023:234,975,233) 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:

	<b>For the six months ended</b>	
	<b>June 30,</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent	<u><u>106,866</u></u>	<u><u>92,749</u></u>
<b>Number of shares</b>		
<b>Shares</b>		
Weighted average number of ordinary shares in issue	<b>245,441,807</b>	235,712,014
Weighted average number of ordinary shares held for the share award scheme	<u><u>(3,561,324)</u></u>	<u><u>(736,781)</u></u>
Weighted average number of ordinary shares in issue used in the basic earnings per share calculation	<u><u>241,880,483</u></u>	<u><u>234,975,233</u></u>
Effect of dilution — weighted average number of ordinary shares:		
Share options	<u><u>6,763,926</u></u>	<u><u>11,526,002</u></u>
Weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	<u><u>248,644,409</u></u>	<u><u>246,501,235</u></u>

## 10 GOODWILL

	<b>June 30, 2024</b>	December 31, 2023
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
At the beginning of the period/year:		
Cost	<b>987,238</b>	819,222
Accumulated impairment	<b>(2,550)</b>	(2,550)
	<hr/>	<hr/>
Net carrying amount	<b>984,688</b>	816,672
Acquisition of subsidiaries	<b>111,577</b>	168,016
	<hr/>	<hr/>
At the end of the period/year:		
Cost	<b>1,098,815</b>	987,238
Accumulated impairment	<b>(2,550)</b>	(2,550)
	<hr/>	<hr/>
	<b>1,096,265</b>	984,688
	<hr/> <hr/>	<hr/> <hr/>

## 11 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:

	<b>June 30, 2024</b>	December 31, 2023
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Within six months	<b>177,776</b>	173,669
Six months to one year	<b>25,766</b>	5,571
Over one year	<b>1,822</b>	687
	<hr/>	<hr/>
	<b>205,364</b>	179,927
	<hr/> <hr/>	<hr/> <hr/>

## 12 CASH AND CASH EQUIVALENTS

	<b>June 30, 2024</b>	December 31, 2023
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Cash and bank balances	<b>916,774</b>	1,090,762
Non-pledged time deposits with original maturity of less than three months when acquired	<b>266,592</b>	223,229
Subtotal	<b>1,183,366</b>	1,313,991
Less: Restricted cash	<b>(12,691)</b>	(12,691)
Cash and cash equivalents	<b><u>1,170,675</u></b>	<b><u>1,301,300</u></b>
Denominated in:		
RMB ( <i>note</i> )	<b>910,090</b>	1,129,333
USD	<b>224,372</b>	106,526
HKD	<b>48,037</b>	78,132
SGD	<b>867</b>	—
	<b><u>1,183,366</u></b>	<b><u>1,313,991</u></b>

*Note:*

The RMB is not freely convertible into other currencies, however, under Chinese Mainland'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.

### 13 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:

	<b>June 30, 2024</b>	December 31, 2023
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Within three months	<b>166,724</b>	235,281
Three months to one year	<b>32,579</b>	31,628
Over one year	<b>17,225</b>	19,710
	<b><u>216,528</u></b>	<u>286,619</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

As a TCM healthcare service provider in China, the Group is dedicated to providing customers with a comprehensive range of TCM healthcare services and products through its offline medical institutions and online healthcare platforms. During the Reporting Period, the Group continued to focus on primary care and adhere to its core value of better serving its customers with “conscientious physicians, reliable pharmaceuticals (良心醫, 放心藥).”

The comprehensive healthcare solutions of the Group that cover the whole disease courses and daily health management have the following key characteristics:

#### **Integration of offline medical institutions and online healthcare platforms.**

With the rapid development of internet technology, increasing 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 resource allocation among different regions, and inconvenience of follow-up visits and long-term health management of customers. Since its launch of online appointment, follow-up consultation, diagnosis and prescription services on its official WeChat account in 2018, the Group has been capable of providing both offline and online healthcare solutions through its medical service network. The Group believes it is 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 the online healthcare services enables the Group to utilize medical resources and expand its customer coverage more effectively. On the other hand, the Group is able to strategically choose geographical regions for offline expansion based on the activeness of online physicians and customers.

#### **Combination of TCM and western medicine.**

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

## **Standardized and digitalized operations.**

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

1. The Group has established a digital clerk system on the offline medical institution side. Through presenting operational data in the form of digital reports, the Group is able to enhance the in-depth interaction between its offline medical institutions and its customers to improve customer experience. In the meantime, the digital clerk system facilitates its real-time communication with and feedback collection from customers, thereby empowering its overall business through increasing customer visits and customer return rates of and implementing digital management in its offline medical institutions.
2. The Group has established a client relationship management (the “**CRM**”) system on the medical-affair side to integrate its development and management of medical professional teams. Capitalizing on the CRM system, the Group is able to conduct digital analytics on daily operations and management of medical professional teams using digital statistics, thereby improving their operational efficiency.
3. The Group has 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. The Group has built a closed-loop enterprise resource planning (the “**ERP**”) system that covers its whole business process to enhance its 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. The Company believes that these policies constitute safeguards for its 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 its business model.

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 TCM during the 14th five-year period. Such plan sets forth a series of indicators to evaluate the development of TCM, 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 the Group 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 TCM; 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. The out-patient healthcare services of the Group 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 the Group encounters in its development at the grass-roots level.

In October 2022, the National Administration of Traditional Chinese Medicine issued the *14<sup>th</sup> 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 the Group 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 (國家疾病預防控制局) jointly issued the *14<sup>th</sup> 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 its operations. In recent years, multiple government policies favorable to TCM healthcare industry have been promulgated, promoting the accessibility and quality of TCM medical resources. Moreover, the outbreak of public health events has improved public awareness on health and sanitation and promoted the nationwide receptiveness of TCM healthcare services and products.

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, the Group collaborates 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 (國醫大師), National Famous TCM Doctors (全國名中醫) and Provincial Famous TCM Doctors (省級名中醫), 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, the Group will continually strengthen its 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 nongovernmental 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, the Group is expected to achieve better growth by seizing the opportunities brought by favorable policies promulgated by the PRC government to encourage the development of TCM.

On June 6, 2024, the General Office of the State Council issued the *Key Tasks for Deepening the Reform of the Healthcare System in 2024* (《深化醫藥衛生體制改革2024年重點工作任務》), focusing on the coordinated development and governance of healthcare services. Such government policy sets forth multiple plans to support the development of the TCM healthcare service industry, including: (i) deepening the reform of national reimbursement and initiating pilot programs on the payment for selected TCM advantageous therapies; (ii) deepening the reform of compact medical consortia, and encouraging eligible county-level TCM hospitals to take lead in forming compact county-level medical consortia; (iii) promoting the inheritance and innovative development of TCM, advancing the construction of national TCM inheritance and innovation centers, supporting the leading TCM enterprises in the industry to explore opportunities along the whole TCM industrial chain; (iv) enhancing the capabilities of medical talent and implementing training programs to cultivate excellent TCM mentors; and (v) deepening the reform of the pharmaceutical evaluation and approval system, accelerating the evaluation and approval process of compound preparations originated from classical TCM formulas, and promoting the productization of TCM preparations in medical institutions. Such government policy provides comprehensive support for the Group's vigorous development in terms of medical insurance, medical consortia, talent training, and the development and marketing of in-hospital preparations.

During the Reporting Period, the Group generated its revenue primarily from (i) provision of healthcare solutions; and (ii) sale of healthcare products. The revenue derived from provision of healthcare solutions for the six months ended June 30, 2024 was primarily affected by a series of factors including the scale of the Group's offline and online medical service network, the number of its customers and their spending during the period. The revenue derived from sale of healthcare products for the six months ended June 30, 2024 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, the Group would generate more revenue from sale of healthcare products.

The Group has been actively expanding its business footprint in China. As of June 30, 2024, the Group owned and operated 71 medical institutions in Beijing, Shanghai, Guangzhou, Shenzhen, Foshan, Zhongshan, Fuzhou, Nanjing, Suzhou, Ningbo, Wuxi, Hangzhou, Zhengzhou, Wenzhou, Kunshan, Wuhan, Changshu, Xuzhou and Changsha in China. Moreover, during the Reporting Period, the Group also expanded its medical service network to overseas market, introducing high-quality TCM healthcare services and strengthening the influence of TCM overseas. As of June 30, 2024, the Group owned and operated a medical institution in Singapore. All of the medical institutions owned and operated by the Group as of June 30, 2024 were private for-profit medical institutions under the brand name “Gushengtang (固生堂).” In addition, the Group owned and operated a variety of online channels as of June 30, 2024, including official websites, mobile applications, official WeChat accounts and mini programs. The Group also owned and operated several offline pharmacies for its sale of healthcare products as of June 30, 2024. Meanwhile, the Group was in collaboration with multiple third-party online platforms as of the same date, facilitating customers’ online appointment for offline services.

During the Reporting Period, the Group had expanded its medical service network through strategic acquisitions and organic growth. In particular, the Group strategically acquired the following offline medical institutions.

- In March 2024, the Group entered into a partnership interest transfer agreement with the partners of Kunshan Laien Out-patient Department (General Partnership) (昆山來恩門診部(普通合夥)) (“**Kunshan Laien**”) to acquire 100% partnership interest of Kunshan Laien.
- In March 2024, the Group entered into an equity transfer agreement with the shareholder of Bao Zhong Tang TCM Pte. Ltd. (“**Bao Zhong Tang**”) to acquire 100% equity interest of Bao Zhong Tang.
- In April 2024, the Group entered into a partnership interest transfer agreement with the partners of Beijing Yayuncun TCM Hospital (General Partnership) (北京亞運村中醫醫院(有限合夥)) (“**Beijing Yayuncun TCM Hospital**”) to acquire 100% partnership interest of Beijing Yayuncun TCM Hospital.
- In April 2024, the Group entered into an equity transfer agreement with the shareholder of Ningbo Yinzhou Guyuantang TCM Hospital Co., Ltd. (寧波鄞州固元堂中醫醫院有限公司), Ningbo Yinzhou Zhanhai Guyuantang TCM Out-patient Department Co., Ltd. (寧波鄞州瞻海固元堂中醫門診部有限公司) and Ningbo Yinzhou Mingyitang TCM Out-patient Department Co., Ltd. (寧波鄞州明醫堂中醫門診部有限公司) (collectively, “**Gu Yuan Tang Medical Institutions**”) to acquire 100% equity interest of Gu Yuan Tang Medical Institutions.

- In May 2024, the Group entered into an equity transfer agreement with the shareholders of Changshu Nanshantang TCM Clinic Co., Ltd. (常熟南山堂中醫診所有限公司) (“**Nan Shan Tang**”) to acquire 100% equity interest of Nan Shan Tang.
- In May 2024, the Group entered into an equity transfer agreement with the shareholders of Hunan Mingyuantang Traditional Chinese Medicine Development Co., Ltd. (湖南名源堂中醫藥發展有限公司) (“**Hunan Mingyuantang**”) to acquire 100% equity interest of Hunan Mingyuantang. Hunan Mingyuantang has two branches, namely, Hunan Mingyuantang Traditional Chinese Medicine Development Co., Ltd. Minghong TCM Out-patient Department (湖南名源堂中醫藥發展有限公司名鴻中醫門診部) and Hunan Mingyuantang Traditional Chinese Medicine Development Co., Ltd. Mingji TCM Out-patient Department (湖南名源堂中醫藥發展有限公司名濟中醫門診部).
- In June 2024, the Group entered into an equity transfer agreement with the shareholder of Xuzhou Baitai TCM Clinic Co., Ltd. (徐州百泰中醫門診有限公司) (“**Xuzhou Baitai**”) to acquire 100% equity interest of Xuzhou Baitai.

The Group established four new offline medical institutions during the Reporting Period, namely, Shanghai Gushengtang Changfeng TCM Out-patient Department Co., Ltd. (上海固生堂長楓中醫門診部有限公司), Suzhou Wujiang Gushengtang TCM Clinic Co., Ltd. (蘇州吳江固生堂中醫診所有限公司), Wenzhou Lucheng Gushengtang Danan TCM Out-patient Department Co., Ltd. (溫州鹿城固生堂大南中醫門診部有限公司) and Wuxi Gushengtang Shangmadun TCM Hospital Co., Ltd. (無錫固生堂上馬墩中醫醫院有限公司).

As of June 30, 2024, all the above acquired and self-established medical institutions had commenced operations. Adhering to its existing strategies, the Group strives to achieve high-quality business expansion and increase the geographic coverage and market share of its medical service network.

The Group has also enhanced its collaboration with public hospitals and TCM universities, fully stimulating 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, 2024, the Group was in collaboration with multiple hospitals and TCM universities.

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

	<b>Six months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
New customers <sup>(1)</sup>	<b>419,963</b>	346,679
Accumulated customers at the end of each period <sup>(2)</sup>	<b>3,956,760</b>	3,079,503
Customer visits ( <i>thousands</i> )	<b>2,383</b>	1,806
Accumulated customer visits at the end of each period ( <i>thousands</i> )	<b>19,554</b>	14,681
Customer return rate <sup>(3)</sup> (%)	<b>69.5</b>	67.3
Average spending per customer visit ( <i>RMB</i> )	<b>573</b>	546

*Notes:*

- (1) Refer to customers who received healthcare solutions or purchased healthcare products provided by the Group for the first time.
- (2) Refer to, as of the end of the relevant financial period, the total number of customers who had ever visited medical service network of the Group 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 the relevant 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 the medical service network of the Group to receive any healthcare solution or purchase any healthcare product at any time during such financial period.

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

	<b>Six months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
Number of members who had made spending in medical service network of the Group	<b>260,910</b>	174,734
Member visits ( <i>thousands</i> )	<b>938</b>	621
Member return rate <sup>(1)</sup> (%)	<b>85.3</b>	85.5

*Note:*

- (1) Refer to, in respect of the relevant 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 medical service network of the Group to receive any healthcare solution or purchase any healthcare product at any time during such financial period.

## **BUSINESS PROSPECT**

Since its inception in 2010, the Group has adhered to its core value of better serving its customers with “conscientious physicians, reliable pharmaceuticals (良心醫, 放心藥).” The Group is committed to expanding its 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, the Group will continue to (i) reinforce the resource advantage of its OMO platform and the brand value advantage of “Gushengtang (固生堂);” (ii) attract high-caliber medical resources to join its platform; (iii) solve the pain points of “inaccessible and unaffordable healthcare services” for its customers; and (iv) actively promote the collaboration in medical consortia, conducting a moderate business expansion without disrupting its existing operations.

Going forward, the Company expects the business strategies of the Group 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 the OMO platform of the Group have achieved initial success in training young physicians. The 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 the team building of full-time physicians of the Group. With sufficient physician resources, the “Gushengtang” Reputable TCM Great Master Inheritance Studio provides quality assurance for comprehensive TCM healthcare services (including prevention, treatment, health 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.
- 2. 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, the Group plans to launch smart hardware devices (such as four-examination instruments (四診儀)) to improve its auxiliary



diagnosis and treatment capabilities in remote TCM healthcare services, leveraging which the Group expects to achieve a more extensive customer outreach. Through digital operations, the Group can provide customer service in a sophisticated way to improve customer retention rate as well as average revenue per customer constantly. Leveraging its digitalization capabilities, the Group expects to enhance economies of scale and operational efficiency of supply chain while securing the consistent quality of its healthcare services. In the future, the Group will continue to explore new membership service models (such as family doctor services) to attract new members. The Group will also continue to provide high-quality services to its members.

- 3. Further enhance its investments in research and development to achieve the productization and standardization of healthcare solutions.** During the Reporting Period, the Group 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 its Gangju Throat Soothing Granules (崗桔清咽顆粒), Xiangtao Granules (香桃顆粒) and Ginseng and Astragalus Membranaceus Essence Syrup (參芪固本膏), demonstrating its continuous efforts in developing TCM in-hospital preparations and propelling the productization and standardization of healthcare solutions. The in-hospital preparation center of the Group 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 the Group has obtained registration numbers, thereby benefiting more customers with quality in-hospital preparations and standardized healthcare solutions. In the future, the Group expects to further increase its investments in this regard to produce more in-hospital preparations.
- 4. Strengthen risk management and internal control to ensure a steady growth.** The fast growth and expansion of the Group are accompanied by risks, and it is stepping up its efforts to cope with such risks. The Group will continue to upgrade its ERP system to enhance its information acquisition and management capabilities. The Group will also strengthen its control process and credit risk management to cope with the growing credit risk arising from its diversified business model. Along with the business expansion, the Group is exposed to the risks of price inflation and insufficient supply of raw materials in the emerging markets. Based on its market research and forward-looking estimate, the Group will establish a strategic reservation mechanism for TCM medicinal and extend its business to upstream procurement to cope with the aforementioned risks.

## FINANCIAL REVIEW

### Revenue Breakdown

#### *Revenue by Business Segment*

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

	Six months ended June 30,				Period to period fluctuation 2024/2023 (%)
	2024		2023		
	Revenue (RMB'000)	% of total (%) (unaudited)	Revenue (RMB'000)	% of total (%)	
Provision of healthcare solutions	1,344,574	98.5	965,311	97.9	39.3
Sale of healthcare products	20,405	1.5	20,815	2.1	(2.0)
<b>Total</b>	<b>1,364,979</b>	<b>100.0</b>	<b>986,126</b>	<b>100.0</b>	<b>38.4</b>

Revenue of the Group increased by 38.4% from RMB986.1 million for the six months ended June 30, 2023 to RMB1,365.0 million for the six months ended June 30, 2024, primarily attributable to the increase in revenue generated from provision of healthcare solutions.

#### *Revenue from Provision of Healthcare Solutions*

Revenue derived from provision of healthcare solutions increased by 39.3% from RMB965.3 million for the six months ended June 30, 2023 to RMB1,344.6 million for the six months ended June 30, 2024, primarily attributable to (i) the increase in customer visits to the Group's existing offline medical institutions with its growing brand awareness resulting from continuous efforts in providing comprehensive and quality TCM healthcare services; and (ii) the expansion of the Group's offline medical service network.

#### *Revenue from Sale of Healthcare Products*

Revenue derived from sale of healthcare products remained relatively stable for the six months ended June 30, 2023 and 2024.

## Revenue by Channel

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

	Six months ended June 30,				Period to period fluctuation 2024/2023 (%)
	2024		2023		
	Revenue (RMB'000)	% of total (%) (unaudited)	Revenue (RMB'000)	% of total (%)	
Offline medical institutions <sup>(1)</sup>	<b>1,230,565</b>	<b>90.2</b>	856,393	86.8	43.7
Online healthcare platforms	<b>134,414</b>	<b>9.8</b>	129,733	13.2	3.6
<b>Total</b>	<b><u>1,364,979</u></b>	<b><u>100.0</u></b>	<b><u>986,126</u></b>	<b><u>100.0</u></b>	38.4

Note:

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

Revenue derived from offline medical institutions increased by 43.7% from RMB856.4 million for the six months ended June 30, 2023 to RMB1,230.6 million for the six months ended June 30, 2024, which was in line with the business growth of the Group's newly acquired and existing offline medical institutions.

Revenue derived from online healthcare platforms increased by 3.6% from RMB129.7 million for the six months ended June 30, 2023 to RMB134.4 million for the six months ended June 30, 2024, primarily attributable to the increased customer visits to the Group's online healthcare platforms.

## Cost of Sales

During the Reporting Period, the cost of sales of the Group 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. Cost of sales of the Group increased by 37.1% from RMB703.2 million for the six months ended June 30, 2023 to RMB963.8 million for the six months ended June 30, 2024, primarily due to the increased cost of physicians and cost of materials in the first half of 2024.

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

	Six months ended June 30,				Period to period fluctuation 2024/2023
	2024		2023		
	Cost of sales (RMB'000)	% of total (%) (unaudited)	Cost of sales (RMB'000)	% of total (%)	(%)
Cost of physicians and cost of materials	<b>764,359</b>	<b>79.3</b>	557,707	79.3	37.1
Regular operating expenses	<b>199,408</b>	<b>20.7</b>	145,474	20.7	37.1
<b>Total</b>	<b><u>963,767</u></b>	<b><u>100.0</u></b>	<b><u>703,181</u></b>	<b><u>100.0</u></b>	37.1

Cost of physicians and cost of materials of the Group increased by 37.1% from RMB557.7 million for the six months ended June 30, 2023 to RMB764.4 million for the six months ended June 30, 2024, primarily due to (i) the increased number of the Group's physicians accommodating the Group's increasing demands for physician resources during its business expansion; and (ii) the increased cost of materials mainly in line with the Group's growing business scale. Regular operating expenses of the Group increased by 37.1% from RMB145.5 million for the six months ended June 30, 2023 to RMB199.4 million for the six months ended June 30, 2024, primarily due to the Group's recruitment of non-physician staff and procurement of utilities for the development of its offline medical service network.

### **Gross Profit and Gross Profit Margin**

Gross profit of the Group increased by 41.8% from RMB282.9 million for the six months ended June 30, 2023 to RMB401.2 million for the six months ended June 30, 2024.

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

	<b>Six months ended June 30,</b>			
	<b>2024</b>		<b>2023</b>	
	<b>Gross profit (RMB'000)</b>	<b>Gross profit margin (%) (unaudited)</b>	<b>Gross profit (RMB'000)</b>	<b>Gross profit margin (%)</b>
Provision of healthcare solutions	<b>395,533</b>	<b>29.4</b>	277,706	28.8
Sale of healthcare products	<b>5,679</b>	<b>27.8</b>	5,239	25.2
<b>Total</b>	<b><u>401,212</u></b>	<b>29.4</b>	<b><u>282,945</u></b>	28.7

Gross profit of provision of healthcare solutions increased by 42.4% from RMB277.7 million for the six months ended June 30, 2023 to RMB395.5 million for the six months ended June 30, 2024, primarily in line with the increased revenue generated from providing healthcare solutions. Gross profit margin of provision of healthcare solutions remained relatively stable at 29.4% for the six months ended June 30, 2024, compared to 28.8% for the six months ended June 30, 2023.

Gross profit of sale of healthcare products increased slightly from RMB5.2 million for the six months ended June 30, 2023 to RMB5.7 million for the six months ended June 30, 2024, and correspondingly, the gross profit margin of sale of healthcare products increased from 25.2% for the six months ended June 30, 2023 to 27.8% for the six months ended June 30, 2024, primarily due to the increased sale of healthcare products that have relatively higher gross profit margin in the first half of 2024.

### **Other Income and Gains**

Other income and gains of the Group decreased by 51.9% from RMB36.9 million for the six months ended June 30, 2023 to RMB17.8 million for the six months ended June 30, 2024, primarily due to (i) a decrease of RMB5.7 million in government subsidies, mainly as the Group received one-off government subsidies in the first half of 2023; and (ii) no foreign exchange gains recorded in the first half of 2024.

## Selling and Distribution Expenses

The following table sets forth a breakdown of selling and distribution expenses of the Group by nature for the periods indicated:

	Six months ended June 30,				Period to period fluctuation 2024/2023 (%)
	2024		2023		
	Selling and distribution expenses (RMB'000)	% of total (%) (unaudited)	Selling and distribution expenses (RMB'000)	% of total (%)	
Regional operating expenses	157,200	98.2	117,445	97.7	33.8
Third-party client acquisition costs	2,904	1.8	2,796	2.3	3.9
<b>Total</b>	<b>160,104</b>	<b>100.0</b>	<b>120,241</b>	<b>100.0</b>	<b>33.2</b>

During the Reporting Period, the selling and distribution expenses of the Group 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 the regional operating department of the Group. Third-party client acquisition costs mainly represent commission fees paid to third-party online platforms which provide the Group with customer traffic.

Selling and distribution expenses of the Group increased by 33.2% from RMB120.2 million for the six months ended June 30, 2023 to RMB160.1 million for the six months ended June 30, 2024, primarily attributable to an increase of RMB39.8 million in regional operating expenses, in line with the increase in all types of operating expenses as a result of increase in the number of the Group's medical institutions and the business expansion of its existing medical institutions.

The Group attracts new customers through multi-channel customer acquisition strategies to further expand its customer base, while enhancing customer loyalty and retaining existing customers through differentiated customer retention strategies. The Group attracts new customers primarily through enhancing brand awareness and recognition underpinned by its extensive physician resources and outstanding service capability. The Group believes that its multi-channel customer acquisition strategies enable it to expand its customer base at relatively low customer acquisition costs.

Similar with the six months ended June 30, 2023, 94% of new customers of the Group were acquired by its proprietary medical institutions, pharmacies and online healthcare platform, while 6% of the new customers were introduced by third-party online platforms that the Group collaborated with during the Reporting Period. Third-party client acquisition costs increased by 3.9% from RMB2.8 million for the six months ended June 30, 2023 to RMB2.9 million for the six months ended June 30, 2024, which was in line with the expansion of business of the Group. The Group also highly values customer experience and feedbacks. The customer retention strategies of the Group differentiate itself from its competitors in the industry and help it benefit from the growing customer loyalty.

### **Administrative Expenses**

Administrative expenses of the Group increased by 58.2% from RMB69.8 million for the six months ended June 30, 2023 to RMB110.4 million for the six months ended June 30, 2024, primarily due to (i) the increase in employee benefit expenses in relation to the share option and share award expenses; and (ii) additional office expenses with the Group's business expansion for the six months ended June 30, 2024.

### **Other Expenses**

During the Reporting Period, other expenses of the Group primarily consisted of donation and impairment of financial assets. Other expenses increased significantly from RMB7.1 million for the six months ended June 30, 2023 to RMB15.4 million for the six months ended June 30, 2024, primarily as the Group recorded net foreign exchange losses in the first half of 2024, while it recorded net foreign exchange gains in the first half of 2023.

### **Finance Costs**

Finance costs of the Group decreased by 46.1% from RMB15.9 million for the six months ended June 30, 2023 to RMB8.6 million for the six months ended June 30, 2024, primarily due to a decrease of RMB8.5 million in interest on bank loans caused by the Group's repayment of bank loans, which was partially offset by an increase of RMB1.2 million in interest on lease liabilities in line with the increase in the Group's leases.

## **Income Tax Expenses**

Income tax expenses of the Group increased by 29.2% from RMB13.8 million for the six months ended June 30, 2023 to RMB17.8 million for the six months ended June 30, 2024, primarily due to the increase in taxable profit in line with the business expansion of the Group's offline medical institutions.

## **Profit for the Period**

As a result of the foregoing, profit for the period of the Group increased by 15.1% from RMB93.2 million for the six months ended June 30, 2023 to RMB107.3 million for the six months ended June 30, 2024.

## **Non-HKFRS Measure — Adjusted Net Profit**

To supplement the financial information, which is presented in accordance with HKFRS, the Group also provides adjusted net profit as non-HKFRS measure, which is unaudited in nature and is not required by, or presented in accordance with, HKFRS. The Group believes that the non-HKFRS measure (i) facilitates period-to-period comparisons of operating performance by eliminating potential impacts of items that its management does not consider to be indicative of its operating performance; and (ii) provides useful information to investors in understanding and evaluating its results of consolidated statements of profit or loss and other comprehensive income in the same manner as they helped its management.

However, its 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. As an analytical tool, the application of the non-HKFRS measure has limitations. The Shareholders and investors should not consider the non-HKFRS measure in isolation from, or as substitute for analysis of, its results of operations or financial condition as reported under HKFRS.

The Group defined adjusted net profit as profit for the period adjusted for equity-settled share-based payments in relation to (i) share options granted under the Pre-IPO Share Option Plan, (ii) share options granted under the Post-IPO Share Option Scheme, (iii) share awards granted under the RSA Scheme (Existing Shares), and (iv) share awards granted under the RSA Scheme (New Shares). The Group eliminates the potential impacts of such item that its management does not consider to be indicative of its operating performance, as such equity-settled share-based payments are non-operating and non-recurring expenses. Adjusted net profit increased by 45.3% from RMB101.8 million for the six months ended June 30, 2023 to RMB147.9 million for the six months ended June 30, 2024.



	<b>For the six months ended</b>	
	<b>June 30,</b>	
	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
	<i>(Unaudited)</i>	
<b>Profit for the period</b>	<b>107,275</b>	93,202
Adjustment for <sup>(1)</sup> :		
Equity-settled share-based payments	<u>40,613</u>	<u>8,557</u>
<b>Adjusted net profit</b>	<u><b>147,888</b></u>	<u>101,759</u>

*Note:*

- (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.

## **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 announcement.

As of June 30, 2024, (i) the total number of Shares in issue (excluding treasury shares) was 244,834,092; and (ii) the number of treasury shares held by the Company was 210,600.

As of June 30, 2024, the Group had cash and cash equivalents of RMB1,170.7 million (which was RMB1,301.3 million as of December 31, 2023), which were denominated in RMB, USD, HKD or SGD. As of June 30, 2024, the Group had interest-bearing bank loans of an aggregate amount of RMB7.8 million (which was RMB16.4 million as of December 31, 2023), which were denominated in RMB with interest rates ranging from 2.8% to 4.15% per annum. Interests are charged at fixed rates. The Group has no interest rate hedging policy.

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

## **Treasury Policy**

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

## **Contingent Liabilities**

As of June 30, 2024, the Group did not have any contingent liabilities.

## **Gearing Ratio**

As of June 30, 2024, the gearing ratio of the Group, being its total interest-bearing bank loans divided by its total equity as of the end of the period and multiplied by 100%, was 0.3%.

## **Foreign Currency Risk**

The Group has transactional currency exposures. Such exposures arise from the use of financial instruments denominated in USD or HKD to finance its 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 its PRC operations. The Group has no foreign currency hedging policy. However, its management monitors foreign exchange exposures and will consider appropriate hedging measures in the future should the need arise.

## **Pledge of Assets**

None of the assets of the Group were pledged to obtain financing as of June 30, 2024.

## **Capital Expenditures**

The capital expenditure of the Group during the Reporting Period was primarily relating to (i) purchases of property, plant and equipment; (ii) renovation of its offline medical institutions; and (iii) purchases of intangible assets (such as software). During the Reporting Period, the Group incurred capital expenditures in an aggregate amount of RMB37.8 million (which was RMB29.9 million for the six months ended June 30, 2023), primarily due to the increased expenditures on offline medical institutions and office equipment.

## Significant Investments, Material Acquisitions and Disposals

On January 5, 2024, Guangdong Gushengtang (a subsidiary of the Company, as a limited partner), Jinpu Zhicheng (as a general partner and the executive partner), Shanghai Shanzi (as a general partner), Jinhua Industrial Fund (as a limited partner) and Pan'an Financial Holding (as a limited partner) entered into the Limited Partnership Agreement in respect of the formation of the Limited Partnership in the PRC. Pursuant to the Limited Partnership Agreement, (i) the target total capital contribution of the Limited Partnership (the “**Target Total Capital Contribution**”) shall be RMB502 million, and (ii) the initial capital contribution of the Limited Partnership (the “**Initial Capital Contribution**”) shall be RMB352 million, of which RMB230 million, RMB1 million, RMB1 million, RMB60 million and RMB60 million shall be contributed by Guangdong Gushengtang, Jinpu Zhicheng, Shanghai Shanzi, Jinhua Industrial Fund and Pan'an Financial Holding, representing approximately 65.34%, 0.28%, 0.28%, 17.05% and 17.05% of the Initial Capital Contribution, respectively. For further details of the Limited Partnership, please refer to the announcement of the Company dated January 5, 2024.

Save as disclosed above, the Company did not have any other significant investments, 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 announcement, the Group did not have any existing plan for acquiring other material investments or capital assets as of the date of this announcement.

## INTERIM DIVIDENDS

On August 20, 2024, the Board declared the payment of an interim dividend of HK\$0.13 per share for the six months ended June 30, 2024 (the “**Interim Dividend**”) (which was nil for the six months ended June 30, 2023). Based on the total number of shares in issue of the Company (excluding treasury shares and Shares repurchased by the Company pending cancellation) as of the date of this announcement, the total amount of the Interim Dividend to be paid by the Company is approximately HK\$31.54 million.

The Interim Dividend is expected to be paid in cash on or about September 25, 2024 to the Shareholders whose names appear on the register of members of the Company on September 11, 2024. For the purpose of determining the entitlement to the Interim Dividend, the register of members of the Company will be closed from September 9, 2024 to September 11, 2024, both days inclusive, during which period no transfer of shares will be registered. The record date will be September 11, 2024. In order for a Shareholder to qualify for the Interim Dividend, all properly completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on September 6, 2024.

## **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.

The following table sets out the intended use of the Net Proceeds, actual usage up to June 30, 2024, as well as the expected timeline for utilization:

	Net Proceeds and utilization					Expected timeline for utilization <sup>(1)</sup>
	Percentage of the Net Proceeds %	Amount available for utilization	Utilized amount during the six months ended June 30, 2024	Utilized amount as of June 30, 2024 <i>HK\$ million</i>	Remaining amount as of June 30, 2024	
To expand the offline and online operations of the Group and enhance the integration between them	69.9	541.3	112.5	518.5	22.8	By the end of 2025
To enhance the research and development capabilities of the Group, including the research and development of in-hospital preparation and TCM solution packages	9.6	74.8	11.9	64.5	10.3	By the end of 2025
To strengthen the supply chain capability of the Group, including upgrading the existing decocting centers and establishing new decocting centers according to the business expansion and setting up the Group's own pharmaceutical manufacturing facility in mid to long term based on business needs	9.6	74.8	14.4	74.8	—	—
For marketing and branding activities	4.9	38.3	—	38.3	—	—
For working capital and general corporate purposes	6.0	46.7	—	46.7	—	—
<b>Total</b>	<b>100.0</b>	<b>775.9</b>	<b>138.8</b>	<b>742.8</b>	<b>33.1</b>	

*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 announcement, the Group has utilized net proceeds of approximately HK\$765.6 million from the global offering. The remaining Net Proceeds were deposited in banks as of the date of this announcement. The Group will gradually utilize the proceeds from the global offering 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\$539.6 million. For details, please refer to the announcements of the Company dated March 22, 2023 and March 30, 2023 (the “**Announcements**”).

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, 2024, as well as the expected timeline for utilization:

<b>Top-up Placing Net Proceeds and utilization</b>						
			<b>Utilized amount</b>			
	<b>% of the Net Proceeds (%)</b>	<b>Amount available for utilization</b>	<b>during the six months ended June 30, 2024</b>	<b>Utilized amount as of June 30, 2024</b>	<b>Remaining amount as of June 30, 2024</b>	<b>Expected timeline for utilization <sup>(1)</sup></b>
			<i>HK\$ million</i>			
For the expansion of offline medical institutions	60.0	323.7	—	—	323.7	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	20.0	107.9	—	—	107.9	By the end of 2027
For diversifying the Company’s product portfolio	10.0	54.0	—	—	54.0	By the end of 2027
For standardizing healthcare solutions and improving the Company’s information technology systems	10.0	54.0	1.6	3.7	50.3	By the end of 2027
Total	<u>100.0</u>	<u>539.6</u>	<u>1.6</u>	<u>3.7</u>	<u>535.9</u>	

*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 announcement, the Group has utilized Top-up Placing Net Proceeds of approximately HK\$15.9 million. The remaining Top-up Placing Net Proceeds were deposited in banks as of the date of this announcement. The Group will gradually utilize the Top-up Placing Net Proceeds in accordance with the intended purposes as set out in the Announcements.

## EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2024, the Group had 2,895 employees (which was 2,155 employees as of June 30, 2023). The following table sets forth a breakdown of the employees by function as of June 30, 2024:

<b>Functions</b>	<b>Number of employees</b>	<b>% of total employees</b>
Physicians and other medical professionals	1,548	53
Management, operations and others	647	22
Sales and marketing	515	18
Supply chain	133	5
Information technology and research and development	52	2
Total	<u>2,895</u>	<u>100</u>

For the six months ended June 30, 2024, the staff cost of Group amounted to approximately RMB288.0 million (which was approximately RMB166.9 million for the six months ended June 30, 2023), 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, RSA Scheme (New Shares) and RSA Scheme (Existing Shares).

The Company 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 announcement, 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.



## **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 C1 to the Listing Rules as its own code of corporate governance.

The Board considered that the Company has complied with all applicable code provisions as set out in part 2 of the CG Code during the six months ended June 30, 2024, save and except for code provision C.2.1 in part 2 of the CG Code.

Pursuant to code provision C.2.1 in part 2 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 of the Board as well as the chief executive officer of the Company. As Mr. Tu is the founder of the Group and has been managing the 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 the Group by ensuring consistent leadership within the Group. The Board therefore considers it is appropriate to deviate from code provision C.2.1 in part 2 of the CG Code in such circumstances. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at an appropriate time if necessary, taking into account the circumstances of the 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 C3 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, 2024. 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, 2024.

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

The Directors have been granted a general mandate by the Shareholders at the annual general meeting of the Company held on June 16, 2023 to repurchase up to 24,079,645 Shares (the “**2023 Repurchase Mandate**”) on the Stock Exchange, representing 10% of the total number of issued Shares of the Company as of the date of the annual general meeting. The Directors have also been granted a general mandate by the Shareholders at the annual general meeting of the Company held on June 18, 2024 to repurchase up to 24,504,469 Shares (the “**2024 Repurchase Mandate**”) on the Stock Exchange, representing 10% of the total number of issued Shares of the Company as of the date of the annual general meeting.

During the six months ended June 30, 2024, the Company repurchased a total of 2,801,200 Shares on the Stock Exchange under the 2023 Repurchase Mandate and 2024 Repurchase Mandate at a total consideration (excluding expenses) of approximately HK\$116,086,880, which was funded by internal resources of the Company. 1,254,400 Shares repurchased by the Company on or before April 5, 2024 were cancelled on April 19, 2024, while 1,336,200 Shares repurchased by the Company during the Reporting Period remained uncanceled and 210,600 Shares repurchased by the Company during the Reporting Period are held as treasury shares of the Company as of the date of this announcement. Subject to compliance with the Listing Rules, the Company may consider applying such treasury shares for resale, consideration of future acquisitions, or funding existing share schemes of the Company. Details of Shares repurchased by the Company during the Reporting Period are set out below:

Month of repurchase	Number of Shares repurchased	Price per Share repurchased		Aggregate consideration paid (excluding expenses) (HK\$)
		Highest price (HK\$)	Lowest price (HK\$)	
<i>Shares repurchased for cancellation but not yet cancelled</i>				
January 2024	590,000	44.15	40.00	24,709,030
March 2024	499,400	44.10	43.20	21,835,805
April 2024	544,600	45.30	40.00	22,768,180
May 2024	305,500	43.40	41.00	13,006,035
June 2024	651,100	41.50	37.85	25,790,885
<i>Shares held as treasury shares</i>				
June 2024	210,600	39.00	37.00	7,976,945
<b>Total</b>	<b>2,801,200</b>			<b>116,086,880</b>

The Board believes that the Company's existing financial resources are sufficient to carry out its repurchase of Shares, while keeping the continuing operation of the Company in a good financial condition. Such repurchase of Shares would reflect the Board's confidence in the Company's prospects, and benefit the Shareholders as a whole by enhancing the earnings per share of the Company, therefore in line with the best interests of the Company and its Shareholders.

Save as disclosed above, none of the Company or any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) during the Reporting Period.

## **MATERIAL LITIGATION**

As of the date of this announcement, 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.

## **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 announcement, 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, namely, 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**

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended June 30, 2024 and was of the opinion that such interim results 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 of the Group for the six months ended June 30, 2024 has not been reviewed by the auditor of the Company.

## **SUBSEQUENT EVENTS**

There was no significant subsequent event which may affect the Group occurred after the Reporting Period and up to the date of this announcement.

## **PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND THE INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY**

The interim result announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.gstzy.cn](http://www.gstzy.cn)). The interim report for the six months ended June 30, 2024 containing all the information required by the Listing Rules will be dispatched to the Shareholders (if requested) and made available on the above websites in due course.

## **GLOSSARY AND DEFINITIONS**

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

“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors of the Company
“CG Code”	the Corporate Governance Code as set out in Appendix C1 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 announcement and for geographical reference only, reference herein to “China” and the “PRC” do not apply to Hong Kong, the Macau Special Administrative Region of the PRC 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 “the 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

“Director(s)”	director(s) of the Company
“Group”, “the Group”	the Company, its subsidiaries and controlled affiliated entities controlled by the Group through contractual arrangements at the relevant time
“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”	the Hong Kong Special Administrative Region of the PRC
“Jinhua Industrial Fund”	Jinhua Industrial Fund Co., Ltd. (金華市產業基金有限公司), a limited liability company established in the PRC on May 30, 2022
“Jinpu Zhicheng”	Zhangjiagang Jinpu Zhicheng Investment Partnership (Limited Partnership) (張家港金浦志成投資合夥企業(有限合夥)), a limited partnership established in the PRC on November 10, 2023
“Limited Partnership”	Jinpu Gushengtang (Pan’an) TCM Venture Capital Fund Partnership (Limited Partnership) (金浦固生堂(磐安)中醫藥創業投資基金合夥企業(有限合夥)), a limited partnership to be established in the PRC pursuant to the Limited partnership Agreement
“Limited Partnership Agreement”	the limited partnership agreement dated January 5, 2024 entered into by and among the partners in respect of the formation of the Limited Partnership
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“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

“Model Code”	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix C3 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 its controlling shareholders
“OMO”	online-merge-offline
“Pan’an Financial Holding”	Pan’an Financial Holding Investment Co., Ltd. (磐安縣金融控股投資有限公司), a limited liability company established in the PRC on September 5, 2017
“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
“Pre-IPO Share Option Plan”	the pre-IPO share option plan approved and adopted by the 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, 2024 to June 30, 2024
“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 December 7, 2022, the principal terms of which are set out in the announcement of the Company dated September 12, 2022 and as amended on December 7, 2023
“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
“SGD”	Singapore dollars, the lawful currency of Singapore
“Shanghai Shanzi”	Shanghai Shanzi Enterprise Management Partnership (Limited Partnership) (上海杉訾企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on October 13, 2022

“Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of US\$0.0001 each
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“TCM”	traditional Chinese medicine
“US\$” or “USD”	United States dollars, the lawful currency of the United States
“%”	percent

By order of the Board  
**GUSHENGTANG HOLDINGS LIMITED**  
**固生堂控股有限公司**  
**Tu Zhiliang**  
*Chairman of the Board*

Hong Kong, August 20, 2024

*As at the date of this announcement, the Board comprises Mr. TU Zhiliang as Chairman and executive Director, Mr. HUANG Jingsheng, Mr. LIU Kanghua and Mr. GAO Jian as non-executive Directors, Ms. JIN Xu, Mr. LI Tie and Mr. WU Taibing as independent non-executive Directors.*