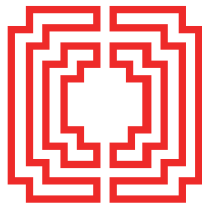


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溫州康寧醫院股份有限公司
Wenzhou Kangning Hospital Co., Ltd.

(A joint stock limited liability company incorporated in the People's Republic of China)

Stock code: 2120

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

1 INTRODUCTION

- 1.1 The Board is pleased to announce the Group's unaudited interim results for the Reporting Period, together with comparative figures for the six months ended June 30, 2023.
- 1.2 The financial report (the "**Financial Report**") of the Group for the Reporting Period is prepared in accordance with China Accounting Standards for Business Enterprises.

2 FINANCIAL HIGHLIGHTS

2.1 Principal Financial Data and Indicators

	For the six months ended June 30	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	828,957	777,925
Profit before income tax	61,513	60,207
Income tax expenses	16,516	11,478
Net profit	44,996	48,729
Net profit attributable to shareholders of the Company	50,724	43,750
Profit or loss attributable to non-controlling interests	-5,727	4,979
Net cash generated from operating activities	116,536	113,591
	As at	As at
	June 30,	December 31,
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Total assets	3,008,352	3,047,687
Total liabilities	1,581,890	1,639,481
Total equity	1,426,462	1,408,206
Equity attributable to shareholders of the Company	1,290,906	1,265,065
Non-controlling interests	135,555	143,141

3 BUSINESS REVIEW AND OUTLOOK

In the first half of 2024, external environment remained severe and complex, global economic growth slowed down, and factors such as the further implementation of the centralized pharmaceutical procurement policy, the continuous increase in the control of medical insurance expenses and the increasingly stringent supervision of the medical industry posed multiple challenges to the Group's development. Meanwhile, with the gradual recovery of domestic macro-economy in the post-pandemic era, the overall development of China's medical industry has returned to normal, and private hospitals have also shown a recovery trend. The scarring effect after the pandemic and the arrival of the turning point in the population structure have led the general public place greater emphasis on the quality of life and health safety. In particular, the growing demand for diversified medical services for full-course and full-cycle management of mental health and elderly care, and the enormous market potential has injected strong and sustainable momentum into the Group's future development. Facing the market environment with both challenges and opportunities, we have given full play to the competitive advantages in professional and group development, continuously improved medical technology and service quality, and promoted the sustainable, stable and high-quality development of the Group.

In the first half of 2024, the Group's overall business development maintained steady. During the Reporting Period, the Group recorded total revenue of RMB829.0 million, representing an increase of 6.6% as compared with that of the same period last year. Among them, the revenue from operating its owned hospitals amounted to RMB765.6 million, representing an increase of 5.1% as compared with that of the same period last year. During the Reporting Period, the Group's net profit attributable to shareholders of the Company amounted to RMB50.7 million, representing an increase of 15.9% as compared with that of the same period last year. As of June 30, 2024, the number of the Group's owned hospitals remained at 32 (December 31, 2023: 32), including an independently established internet hospital (Yining Psychology Internet Hospital), and the number of operating beds increased to 11,648 (December 31, 2023: 11,268).

Psychiatric Healthcare Business

The Group has always been focusing on satisfying the continuously growing multi-level and diversified demand for psychiatric health of the patients, constantly strengthening the refined management model of the Group, and improving its medical quality and service level. The Group expanded and strengthened the psychiatric specialized business by the way of online and offline integration and dedicated to be professional guardian of psychiatric health.

During the Reporting Period, the overall outpatient and inpatient revenue of the Group's mature hospitals such as Wenzhou Kangning Hospital, Cangnan Kangning Hospital, Yueqing Kangning Hospital and Qingtian Kangning Hospital grew steadily. In particular, the number of patient visits of Yongjia Kangning Hospital and Jinyun Shuning Hospital increased continuously after being relocated to new sites, driving the year-on-year revenue increase from healthcare business. The Group further deepened the synergy model of regional owned hospitals, and the development of the majority of its owned hospitals in the Taizhou and Haixi regions was relatively stable. In addition, the development of the Group's owned hospitals outside Zhejiang Province had been solid, with the results of its owned hospitals such as Huainan Kangning Hospital, Changchun Kanglin Psychological Hospital and Nanjing Yining Hospital growing at a significant rate and the profitability continuing to improve in the long term by virtue of the refined management measures of the Group. With the continuous enhancement of operating cost control, the operating performances of two hospitals, namely Heze Yining Hospital and Guanxian Yining Hospital, were gradually improved, which continued to consolidate the Group's business fundamentals in the long run. However, under the impact of settlement difference of local medical insurance payment, the performance of Pingyang Kangning Hospital, Quzhou Yining Hospital, Wenling Southern Hospital, Chun'an Kangning Hospital and Pujiang Yining Hospital was lower than expected and the Group has proactively adjusted its operating strategies; meanwhile, Beijing Yining Hospital and Shenzhen Yining Hospital incurred accumulated losses due to factors such as relatively high property costs, prompting the Group to adopt a comprehensive solution to address these issues, but it still takes time to adjust.

Elderly Healthcare Business

According to the development strategy layout for transformation of specialized chain cluster, the Group has continuously increased investment in the elderly healthcare sector since 2016. Leveraging the advantages of collectivization management and taking inelastic demand intervention as the core, the Group is committed to providing comprehensive and multi-level health services for the elderly and the elderly patients with disability, dementia, and chronic diseases, etc. On January 15, 2024, the State Council promulgated the Opinions of the General Office of the State Council on Developing the Silver Economy and Improving the Well-being of the Elderly (Guobanfa [2024] No. 1) (《辦公廳關於發展銀髮經濟增進老年人福祉的意見》(國辦發[2024]1號)), proposing 26 measures across four aspects. As the first specialized document issued by the country to support the development of the silver economy, the document states that the silver economy is the collective of a series of economic activities such as providing products or services to the elderly and preparing for the old age, involves a wide range of areas and features a long industrial chain, diverse

business forms, and enormous potential. On July 18, 2024, the Third Plenary Session of the Central Committee of the Communist Party of China adopted the Resolution of the Central Committee of the Communist Party of China on Further Deepening Reform Comprehensively to Advance Chinese Modernization (《中共中央關於進一步全面深化改革推進中國式現代化的決定》), which clearly proposed to actively respond to the aging population, improve the policy and mechanism for the development of the elderly care business and the elderly care industry, encourage and guide enterprises and other social forces to actively participate, promote mutual aid elderly care services, and facilitate the integration of medical care and elderly care.

In the first half of 2024, the Group has opened six elderly hospitals, with one health care project under construction and approximately 2,730 beds available, generating a healthcare business income of approximately RMB238.1 million during the Reporting Period, accounting for 31.1% of the Group's revenue from the operation of owned hospitals, the business development of the elderly healthcare sector began to take shape. Among them, the two mature elderly hospitals, namely Geriatric Hospital and Wenzhou Cining Hospital, had better operational results. The development of Yueqing Yining Hospital, which was acquired in 2022, has been stable, with a steady growth in revenue as compared to the same period last year, while the business revenue of Cangnan Yining Nursing Centre and Wenzhou Ouhai Yining Geriatric Hospital, both opened in 2022, increased significantly as compared to the same period last year, as they were still in a fast ramp-up period. However, Pingyang Changgeng Yining Hospital, which was acquired in 2021, showed a slight underperformance due to factors such as business structure adjustment and ward decoration and renovation.

In June 2024, the General Office of the State Council promulgated the Key Work Tasks for Deepening the Reform of Pharmaceutical and Health System in 2024 (《深化醫藥衛生體制改革2024年重點工作任務》), which proposed to focus on the coordinated development and governance of medical insurance, medical care and pharmaceuticals, promote high-quality development of the health undertakings, and enhance people's sense of achievement, happiness and security. Looking ahead, in the face of current background of regulations in the healthcare industry, we will adhere to the philosophy of "upholding tradition while embracing innovation and being steadfast in our belief (固本革新,篤信行遠)", and focus on the two core businesses of psychiatric healthcare and elderly healthcare with firmer confidence and pragmatic measures, strengthen the refined operation and management model under guidance of the core value of "Respecting Life and Serving Humbly", continuously adapt to the new policies, innovate the characteristic service model of Kangning, so as to continuously enhance the Group's core competitiveness, and jointly create a brand new chapter for the high-quality development of the Group.

4 MANAGEMENT DISCUSSION AND ANALYSIS

4.1 Financial Review

The Group recorded revenue of RMB829.0 million during the Reporting Period, representing an increase of 6.6% as compared with that of the same period of 2023. Among them, the revenue from operating its owned hospitals amounted to RMB765.6 million, representing an increase of 5.1% as compared with that of the same period of 2023. During the Reporting Period, the gross profit margin of the Group's owned hospitals was 27.5% (for the six months ended June 30, 2023: 24.9%). The overall gross profit of the Group increased to RMB226.2 million, representing an increase of 12.2% as compared with that of the same period of 2023. During the Reporting Period, net profit attributable to shareholders of the Company amounted to RMB50.7 million, representing an increase of 15.9% as compared with that of the same period of 2023. During the Reporting Period, the net cash generated from operating activities of the Group amounted to RMB116.5 million (for the six months ended June 30, 2023: RMB113.6 million), representing an increase of 2.6% as compared with that of the same period of 2023.

4.1.1 Revenue and Cost of Revenue

The Group generates revenue mainly through the following three ways: (i) revenue from operating its owned hospitals; (ii) revenue from other healthcare related business; and (iii) other revenue not related to healthcare business.

The table below sets forth a breakdown of total revenue for the periods indicated:

	For the six months ended June 30	
	2024	2023
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Revenue from operating owned hospitals	765,636	728,692
Revenue from other healthcare related business	63,023	46,375
Other revenue not related to healthcare business	298	2,858
Total revenue	<u>828,957</u>	<u>777,925</u>

Revenue and cost of revenue from operating its owned hospitals

Revenue from operating its owned hospitals consists of fees (“**Billing Revenue**”) charged for outpatient visits and inpatient services at the Group's various hospitals, which can be divided into treatment and general healthcare services and pharmaceutical sales, as well as variable considerations for medical services provided by the Group, including medical insurance settlement differences and the estimated unrecoverable charges for offering medical services by the Group to extremely deprived community members, low-end patients who are impoverished due to illness and other persons with special difficulties stipulated by the people's government at or above the county level pursuant to relevant policies. The net amount after deducting the variable considerations is recorded as operating revenue of the Group.

The table below sets forth a breakdown of the Billing Revenue of the Group's owned hospitals adjusted to operating revenue for the periods indicated:

	For the six months ended June 30	
	2024	2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Billing Revenue from owned hospitals	784,892	744,197
Less: Variable considerations	19,256	15,505
Revenue from operating owned hospitals – net	765,636	728,692

For the Reporting Period, the Group's Billing Revenue from its owned hospitals amounted to RMB784.9 million, representing an increase of 5.5% as compared with that of the same period of 2023, which was mainly due to an increase in treatment and general healthcare services revenue driven by higher outpatient visits and inpatient visits. During the Reporting Period, the variable considerations amounted to RMB19.3 million, representing an increase of RMB3.8 million as compared with that of the same period of 2023, the proportion of the variable considerations to Billing Revenue increased to 2.5% (for the six months ended June 30, 2023: 2.1%).

The table below sets forth a breakdown of the Billing Revenue, cost of revenue and gross profit of the Group's owned hospitals for the periods indicated:

	For the six months ended June 30	
	2024	2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Billing Revenue from owned hospitals	784,892	744,197
Cost of revenue	555,218	547,492
Gross profit	229,674	196,705

During the Reporting Period, Billing Revenue from the Group's owned hospitals amounted to RMB784.9 million, representing an increase of RMB40.7 million as compared with that of the same period of 2023, mainly due to the increase in Billing Revenue from Wenzhou Kangning Hospital, Wenzhou Ouhai Yining Geriatric Hospital, Yongjia Kangning Hospital, Yueqing Yining Hospital and Cangnan Yining Hospital, as well as the newly acquired Loudi Kangning Hospital, Dongkou Lening Hospital and Chengdu Yining Hospital in 2023. During the Reporting Period, the gross profit of the Group's owned hospitals on Billing Revenue basis increased by 16.8% as compared with that of the same period of 2023, mainly due to the increase in inpatient bed-days while controlling costs.

The table below sets forth a breakdown of Billing Revenue of the Group's owned hospitals by inpatients and outpatients for the periods indicated, with relevant operating data:

	For the six months ended June 30	
	2024	2023
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Inpatients		
Inpatient bed as at period end	11,648	10,578
Effective inpatient service bed-day capacity	2,119,936	1,914,618
Utilization rate (%)	87.4	84.0
Number of inpatient bed-days	1,852,397	1,607,422
Treatment and general healthcare services revenue attributable to inpatients <i>(RMB'000)</i>	586,146	553,572
Average inpatient spending per bed-day on treatment and general healthcare services <i>(RMB)</i>	317	345
Pharmaceutical sales revenue attributable to inpatients <i>(RMB'000)</i>	91,056	84,197
Average inpatient spending per bed-day on pharmaceutical sales <i>(RMB)</i>	49	52
Total inpatient revenue <i>(RMB'000)</i>	<u>677,202</u>	<u>637,769</u>
Total average inpatient spending per bed-day <i>(RMB)</i>	<u>366</u>	<u>397</u>
Outpatients		
Number of outpatient visits	243,108	250,648
Treatment and general healthcare services revenue attributable to outpatients <i>(RMB'000)</i>	31,560	33,647
Average outpatient spending per visit on treatment and general healthcare services <i>(RMB)</i>	130	134
Pharmaceutical sales revenue attributable to outpatients <i>(RMB'000)</i>	76,130	72,781
Average outpatient spending per visit on pharmaceutical sales <i>(RMB)</i>	313	291
Total outpatient revenue <i>(RMB'000)</i>	<u>107,690</u>	<u>106,428</u>

	For the six months ended June 30	
	2024	2023
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Total average outpatient spending per visit (RMB)	443	425
Total treatment and general healthcare services revenue (RMB'000)	617,706	587,219
Total pharmaceutical sales revenue (RMB'000)	167,186	156,978

During the Reporting Period, inpatient Billing Revenue amounted to RMB677.2 million, representing an increase of 6.2% as compared with that of the same period of 2023, primarily due to the number of the Group's inpatient bed-days increased by 15.2%, which was driven by the increase in the inpatient bed-days of Wenzhou Ouhai Yining Geriatric Hospital, Yongjia Kangning Hospital, Cangnan Yining Hospital, Yueqing Yining Hospital and Geriatric Hospital as well as the newly acquired Loudi Kangning Hospital, Dongkou Lening Hospital and Chengdu Yining Hospital in 2023. The proportion of inpatient Billing Revenue to revenue from operating its owned hospitals was 86.3% (for the six months ended June 30, 2023: 85.7%).

During the Reporting Period, outpatient Billing Revenue amounted to RMB107.7 million, representing a slight increase of 1.2% as compared with that of the same period of 2023, primarily due to an increase in average outpatient spending per visit of 4.2% while there was a decrease in outpatient visits of 3.0%. The proportion of outpatient Billing Revenue to revenue from operating its owned hospitals was 13.7% (for the six months ended June 30, 2023: 14.3%).

During the Reporting Period, due to the increase of both inpatient and outpatient business of our owned hospitals, Billing Revenue from treatment and general healthcare services increased by 5.2% as compared with that of the same period of 2023, accounting for 78.7% (for the six months ended June 30, 2023: 78.9%) of Billing Revenue from operating owned hospitals; Billing Revenue from pharmaceutical sales increased by 6.5% as compared with that of the same period of 2023, accounting for 21.3% (for the six months ended June 30, 2023: 21.1%) of Billing Revenue from owned hospitals, of which: the ratio of inpatient pharmaceutical sales to total inpatient Billing Revenue increased to 13.4% (for the six months ended June 30, 2023: 13.2%), the ratio of outpatient pharmaceutical sales to total outpatient Billing Revenue increased to 70.7% (for the six months ended June 30, 2023: 68.4%).

Cost of revenue of the Group's owned hospitals primarily consisted of pharmaceuticals and consumables used, employee benefits and expenses, depreciation of right-of-use assets, depreciation and amortization, canteen expenses and testing fees. The table below sets forth a breakdown of cost of revenue of the Group's owned hospitals for the periods indicated:

	For the six months ended June 30	
	2024	2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Pharmaceuticals and consumables used	177,398	188,867
Employee benefits and expenses	228,188	208,780
Depreciation of right-of-use assets	14,557	17,993
Depreciation and amortization	52,308	49,033
Canteen expenses	33,351	32,373
Testing fees	8,450	10,630
Others	40,966	39,816
	<hr/>	<hr/>
Cost of revenue of owned hospitals	555,218	547,492
	<hr/> <hr/>	<hr/> <hr/>

During the Reporting Period, the cost of revenue of the Group's owned hospitals increased to RMB555.2 million, representing a slight increase of 1.4% as compared with that of the same period of 2023. It was mainly due to: (i) the increase of 9.3% in employee benefits and expenses arising from the increase in beds in the operation of our owned hospitals; (ii) the decrease of 6.1% in the expenses in pharmaceuticals and consumables related to the pharmaceutical sales; and (iii) depreciation and amortization of assets decreased by 0.2% as compared with that of the same period of 2023.

From the cost structure perspective, the proportion of pharmaceuticals and consumables used to the cost of revenue of our owned hospitals decreased to 32.0% (for the six months ended June 30, 2023: 34.5%). The proportion of employee benefits and expenses to cost of revenue of our owned hospitals increased to 41.1% (for the six months ended June 30, 2023: 38.1%). The proportion of the depreciation of right-of-use assets together with depreciation and amortization to the cost of revenue of our owned hospitals was 12.0% (for the six months ended June 30, 2023: 12.2%).

Revenue from other healthcare related business

The revenue from other healthcare related businesses of the Group primarily includes revenue from sales of medical devices, revenue from pharmaceutical sales outside the hospitals, revenue from social mental service and revenue from healthcare information technology business, etc. During the Reporting Period, revenue from the other healthcare related business of the Group amounted to RMB63.0 million, of which revenue from sales of pharmaceuticals and medical devices outside the hospitals was RMB41.7 million (for the six months ended June 30, 2023: RMB29.1 million).

Other revenue not related to healthcare business

The Group's other revenue not related to healthcare business mainly includes property leasing income. During the Reporting Period, revenue from the property leasing income was RMB0.3 million (for the six months ended June 30, 2023: RMB2.9 million), mainly due to the fact that Shenzhen Yining Hospital reached new lease conditions with its rental property landlord, and the rental property landlord took back the sublet property, resulting in a decrease in rental income.

4.1.2 Gross Profit and Gross Profit Margin

During the Reporting Period, total gross profit of the Group on operating income basis amounted to RMB226.2 million, representing an increase of 12.2% as compared with that of the same period of 2023. The gross profit of our owned hospitals businesses on operating income basis amounted to RMB210.4 million, representing an increase of 16.1% as compared with that of the same period of 2023. The table below sets forth a breakdown of the gross profit margin of different businesses for the periods indicated:

	For the six months ended June 30	
	2024 <i>(Unaudited)</i>	2023 <i>(Unaudited)</i>
Owned hospitals businesses	27.5%	24.9%
Other businesses	24.9%	41.3%
Consolidated gross profit margin	27.3%	25.9%

During the Reporting Period, consolidated gross profit margin of the Group increased to 27.3% (for the six months ended June 30, 2023: 25.9%), of which the gross profit margin of owned hospitals businesses increased by 2.6 percentage points from the same period of 2023.

4.1.3 Tax and Surcharge

During the Reporting Period, the tax and surcharge of the Group amounted to RMB6.3 million (for the six months ended June 30, 2023: RMB2.8 million).

4.1.4 Selling Expenses

During the Reporting Period, the selling expenses of the Group amounted to RMB9.2 million (for the six months ended June 30, 2023: RMB7.8 million). The selling expenses accounted for 1.2% of the Group's revenue from operating its owned hospitals (for the six months ended June 30, 2023: 1.1%).

4.1.5 Administrative Expenses

During the Reporting Period, administrative expenses of the Group primarily consist of employee benefits and expenses, depreciation and amortization, consultancy expenses, travelling expenses and other expenses. The table below sets forth a breakdown of administrative expenses of the Group for the periods indicated:

	For the six months ended June 30	
	2024	2023
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Employee benefits and expenses	64,383	55,922
Depreciation and amortization	13,955	13,474
Consultancy expenses	4,042	14,377
Travelling expenses	2,199	2,071
Others	21,692	16,080
Total administrative expenses	<u>106,271</u>	<u>101,924</u>

During the Reporting Period, the administrative expenses of the Group amounted to RMB106.3 million, representing an increase of 4.3% as compared with that of the same period of 2023, which was mainly due to an increase in employee benefits and expenses of 15.1% as compared with that of the same period of 2023 and a decrease in consultancy expenses of 71.9% as compared with that of the same period of 2023. During the Reporting Period, the proportion of the administrative expenses to the revenue from operating owned hospitals of the Group was 13.9% (for the six months ended June 30, 2023: 14.0%).

4.1.6 Research and Development Expenses

During the Reporting Period, the Research and Development Expenses of the Group mainly included clinical research, information technology software development and internet hospital platform construction. The following table sets out the breakdown of the Group's research and development expenses for the periods indicated:

	For the six months ended June 30,	
	2024 (RMB'000) (Unaudited)	2023 (RMB'000) (Unaudited)
Clinical Studies	12,779	9,691
Informatization Software Development	4,035	3,259
Construction of Internet Hospital Platform	748	1,982
Others	26	26
Total	17,588	14,958

During the Reporting Period, the Group's research and development expenses amounted to RMB17.6 million (for the six months ended June 30, 2023: RMB15.0 million), representing an increase of 17.6% as compared with that of the same period of 2023. The proportion of research and development expenses to the revenue from operating owned hospitals of the Group was 2.3% (for the six months ended June 30, 2023: 2.1%).

4.1.7 Finance Expenses – Net

Our finance income includes interest income from bank deposits and foreign exchange gains, and the finance expenses include the borrowing interest expenses, the interest expense on lease liabilities and unrecognized financial charges. The table below sets forth a breakdown of our financial income and expense for the periods indicated:

	For the six months ended June 30,	
	2024 (RMB'000) (Unaudited)	2023 (RMB'000) (Unaudited)
Interest income	-2,686	-2,705
Foreign exchange gains/losses	99	-13
Borrowing interest expenses	18,078	14,124
Interest expenses on lease liabilities	5,245	5,058
Unrecognized financial charges	2,968	3,151
Others	761	545
Finance expenses – net	24,465	20,160

During the Reporting Period, the net finance expenses of the Group amounted to RMB24.5 million, representing an increase of RMB4.3 million as compared with that of the same period of 2023, of which, borrowing interest expense increased by RMB4.0 million as compared with that of the same period of 2023.

4.1.8 Investment Income/Loss

Our investment income/loss consist of share of gains/losses of investments accounted for using the equity method and gains/losses arising from disposal of long-term equity investment. The table below sets forth a breakdown of our investment loss for the periods indicated:

	For the six months ended June 30,	
	2024	2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Share of gains/losses of investments accounted for using the equity method	479	-158
Gains/losses arising from disposal of long-term equity investment	1,201	-38
	1,680	-196

During the Reporting Period, our investment income amounted to RMB1.7 million, mainly due to the investment income of RMB1.4 million arising from the disposal of equity interest in Hangzhou Yining Hospital Co., Ltd.

4.1.9 Credit Impairment Losses

During the Reporting Period, credit impairment losses increased to RMB5.6 million (for the six months ended June 30, 2023: RMB3.0 million).

4.1.10 Non-Operating Income and Non-Operating Expenses

Our non-operating income mainly consists of government grants and donations received income, and non-operating expenses mainly consist of losses on scrapping of non-current assets, donation expenses, and expenses for medical disputes. The table below sets forth a breakdown of our non-operating income and non-operating expenses for the periods indicated:

	For the six months ended June 30,	
	2024 (RMB'000) (Unaudited)	2023 (RMB'000) (Unaudited)
Government grants	129	232
Donations received	47	5,574
Other non-operating income	327	119
Non-operating income	503	5,925
Losses on scrapping of non-current assets	292	92
Donation expenses	500	1,235
Expenses for medical disputes	807	370
Other non-operating expenses	1,217	518
Non-operating expenses	2,816	2,215

During the Reporting Period, the non-operating income of the Group amounted to RMB0.5 million, representing a decrease of RMB5.4 million as compared with that of the same period of last year, mainly due to the donations received decreased by RMB5.5 million as compared with that of the same period of 2023. During the Reporting Period, the non-operating expenses of the Group increased to RMB2.8 million, mainly due to the increase in expenses for medical disputes by RMB0.4 million as compared with that of the same period of 2023.

4.1.11 Income Tax Expense

During the Reporting Period, income tax expense increased to RMB16.5 million (for the six months ended June 30, 2023: RMB11.5 million), representing an increase of 43.9% as compared with that of the same period of 2023. During the Reporting Period and for the six months ended June 30, 2023, our actual tax rate was 26.9% and 19.1%, respectively.

4.2 Financial Position

4.2.1 Inventory

As of June 30, 2024, inventory balances amounted to RMB51.9 million (as of December 31, 2023: RMB60.6 million), mainly including the medical inventory and turnover materials.

4.2.2 Accounts Receivables

As of June 30, 2024, the balance of accounts receivables amounted to RMB448.1 million (as of December 31, 2023: RMB420.4 million), representing an increase of 6.6% as compared with that of December 31, 2023, mainly due to the increase in the Group's revenue from operating its owned hospitals.

During the Reporting Period, the accounts receivables turnover days of the Group were 95 days (for the six months ended June 30, 2023: 91 days).

4.2.3 Other Receivables and Prepayments

As of June 30, 2024, other receivables and prepayments increased to RMB72.3 million (as of December 31, 2023: RMB79.5 million).

4.2.4 Other Non-current Financial Assets

As of June 30, 2024, the balance of other non-current financial assets was RMB64.8 million (as of December 31, 2023: RMB65.1 million).

4.2.5 Construction in progress

As of June 30, 2024, the balance of construction in progress was RMB234.0 million (as of December 31, 2023: RMB187.0 million). During the Reporting Period, the constructions in progress were mainly the new construction project of Lucheng Yining Hospital and the new construction project of Linhai Cining Hospital.

4.2.6 Right-of-use Assets

As of June 30, 2024, right-of-use assets decreased to RMB170.5 million (as of December 31, 2023: RMB189.1 million), mainly due to the depreciation of right-of-use assets.

4.2.7 Accounts Payables

As of June 30, 2024, accounts payables increased to RMB112.5 million (as of December 31, 2023: RMB110.1 million).

4.2.8 Receipts in Advance and Contract Liabilities

As of June 30, 2024, receipts in advance and contract liabilities decreased to RMB26.3 million (as of December 31, 2023: RMB26.6 million).

4.2.9 Other Payables

As of June 30, 2024, other payables decreased to RMB68.5 million (as of December 31, 2023: RMB150.3 million), mainly due to the completion of settlement of unsettled construction project funds for the relocation project of Quzhou Yining Hospital and the newly-built project of Linhai Cining Hospital.

4.3 Liquidity and Capital Resources

The table below sets forth the information as extracted from the consolidated cash flow statements of the Group for the periods indicated:

	For the six months ended June 30,	
	2024	2023
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	116,536	113,591
Net cash used in investing activities	-112,711	-119,122
Net cash generated from financing activities	-41,660	9,790
Net decrease/increase in cash and cash equivalents	-37,934	4,273

4.3.1 Net Cash Generated from Operating Activities

During the Reporting Period, net cash generated from operating activities amounted to RMB116.5 million, primarily consisting of net profit of RMB45.0 million, adjustments of RMB5.6 million for credit impairment losses and asset impairment losses and adjustments of RMB79.4 million for depreciation and amortisation of various assets. Changes in working capital resulted in cash outflow of RMB42.4 million.

4.3.2 Net Cash Used in Investing Activities

During the Reporting Period, net cash used in investing activities amounted to RMB112.7 million, primarily due to the amount of RMB111.0 million for purchasing property, plant and equipment, including the investments in the infrastructure of Lucheng Yining Hospital, Quzhou Yining Hospital, Linhai Cining Hospital, Jinyun Shuning Hospital and Longquan Kangning Hospital, and the renovations of Pingyang Changgeng Yining Hospital.

4.3.3 Net Cash Generated from Financing Activities

During the Reporting Period, net cash outflow generated from financing activities amounted to RMB41.7 million.

4.3.4 Significant Investment, Acquisition and Disposal

The Group had no significant investment, acquisition or disposal for the six months ended June 30, 2024.

As of the date of this announcement, the Group did not receive any specific plan with authorisation from the Board on significant investment in or acquisition of capital assets.

4.4 Indebtedness

4.4.1 Bank Borrowings

As of June 30, 2024, the balance of bank borrowings of the Group amounted to RMB923.3 million (as of December 31, 2023: RMB864.7 million), primarily attributable to repayment of borrowings of RMB304.8 million and an increase in borrowings of RMB363.4 million during the Reporting Period.

4.4.2 Contingent Liability

As of June 30, 2024, the Group had no contingent liability or guarantees that would have a material impact on the financial position or operation of the Group.

4.4.3 Asset Pledge

During the Reporting Period, the Group's Wenzhou Kangning Hospital pledged real estate property with certificate number of Wenfang Quanzheng Lucheng District No. 826751, Wenfang Quanzheng Lucheng District No. 826750, Zhe (2016) Wenzhou Real Estate Rights No. 0010144, Zhe (2016) Wenzhou Real Estate Rights No. 0010142, Zhe (2021) Wenzhou Real Estate Rights No. 0081628, Wen Guo Yong (2015) No. 1-11836, and Wen Guo Yong (2015) No. 1-11833 to China Minsheng Bank Wenzhou Longwan Sub-branch, and Zhe (2017) Cangnan County Real Estate Rights No. 0018361 to China ICBC Bank Ou Hai Sub-branch for obtaining bank loans. As of June 30, 2024, the balance of such pledged loans was RMB267.3 million. Lucheng Yining Hospital pledged the real estate property with certificate number of Zhe (2020) Wenzhou Real Estate Rights No. 0068897 to China BOCOM Wenzhou Commercial City Sub-branch. As of June 30, 2024, the balance of such pledged loan was RMB95.0 million. Jinyun Shuning Hospital pledged the real estate property with certificate number of Zhe (2022) Jinyun Real Estate Rights No. 0002503 and the buildings and other attachments on the ground with certificate number of Jian Zi No. 331122202000043 to Zhejiang Jinyun Rural Commercial Bank Wuyun Sub-branch. As of June 30, 2024, the balance of such pledged loan was RMB25.0 million. Quzhou Yining Hospital pledged the real estate property with certificate number of Zhe (2022) Quzhou Real Estate Rights No. 0045588 to China CITIC Bank Wenzhou Renmin Road Sub-branch. As of June 30, 2024, the balance of such pledged loan was RMB58.3 million.

4.4.4 Lease Liabilities

The lease liabilities of the Group primarily consist of operating lease arrangements. As of June 30, 2024, the present values of unsettled lease payments under non-cancellable lease agreements, after deducting an amount of RMB22.8 million which is due within one year, were RMB158.9 million.

4.4.5 Financial Instruments

Financial instruments of the Group consist of accounts receivable, other non-current financial assets, other receivables, cash and cash equivalents, bank borrowings, accounts payable and other payables. The Company's management manages and monitors these risks to ensure effective measures are implemented in a timely manner.

4.4.6 Exposure to Fluctuation in Exchange Rates

The Group deposits certain of its financial assets in foreign currencies, which mainly involve risks of fluctuations in the exchange rate of HKD against RMB. The Group is therefore exposed to foreign exchange risks accordingly.

During the six months ended June 30, 2024, the Group has not used any derivative financial instruments to hedge against its exposure to currency risks. The management of the Company manages the currency risks by closely monitoring the movement of the foreign currency rates, and will consider hedging against significant foreign currency exposures should such need arise.

4.4.7 Gearing Ratio

As of June 30, 2024, the Group's gearing ratio (total liabilities divided by total assets) slightly decreased to 52.6% (as of December 31, 2023: 53.8%).

4.4.8 Employees and Remuneration Policy

As of June 30, 2024, the Group had a total of 4,742 employees (as of December 31, 2023: 4,765 employees). During the Reporting Period, employees' remuneration (including salaries and other forms of employee benefits) amounted to approximately RMB313.8 million (for the six months ended June 30, 2023: RMB291.5 million). The average employees' remuneration is RMB132.4 thousand per year (including social insurance scheme and housing grant scheme borne by the Group). The remuneration is determined with reference to the salary level in the same industry and the qualifications, experience and performance of an employee.

4.4.8.1 Equity Incentive Scheme

In order to fully mobilize the enthusiasm of senior management and core technical personnel of the Group, the Company drafted the Equity Incentive Scheme for the Year 2018 of Wenzhou Kangning Hospital Co., Ltd. (《溫州康寧醫院股份有限公司2018年股權激勵計劃》, the “**Equity Incentive Scheme**”), which was considered and approved and adopted at the annual general meeting of the Company for the year 2017 which has been convened on June 13, 2018. In order to meet the requirements regarding capital certainty when the Company applies for the listing of its A Shares in the future, on June 24, 2021, the proposal on further amendments to the Equity Incentive Scheme was considered and passed (among others) in the meeting of the Board, and it was resolved to cancel the performance assessment requirements and the Company’s obligation to repurchase the unlocked incentive shares under the Equity Incentive Scheme. Unless otherwise specified, capitalized terms used below shall have the same meanings as those defined in the announcement dated May 29, 2018, the supplementary circular dated May 30, 2018, the circular dated May 14, 2021, the announcement dated June 18, 2021 and the announcement dated June 25, 2021 of the Company.

In respect of the Equity Incentive Scheme, the participants of the first actual grant comprised a total of 165 people, with 1,818,529 incentive shares granted. The participants of the second phase of the actual grant comprised a total of 23 people, with 180,516 incentive shares granted. The participants (including connected people) of the third phase of the actual grant comprised a total of 13 people, with 540,229 incentive shares granted. As of the date of this announcement, a total of 8 participants exited, corresponding to a total of 79,274 incentive shares. As of the date of this announcement, the participants of the actual grant under the Equity Incentive Scheme comprised 193 people, and 2,460,000 incentive shares have been granted in total. The incentive shares granted accounted for 3.2976% of the total issued share capital of the Company as of the date of this announcement. The incentive shares were unlocked at one time after 48 months from the date of the grant, and the grant price was RMB10.47/share.

As all 2,460,000 Incentive Shares proposed to be granted under the Equity Incentive Scheme had been granted before June 18, 2021, the number of awards separately authorised to be granted under the Equity Incentive Scheme at the beginning and end of the Reporting Period was nil. Therefore, there was no shares available for issue under the Equity Incentive Scheme as at the date of this announcement.

The details of the Equity Incentive Scheme are as follows:

(1) Purposes

The Equity Incentive Scheme has been formulated to further refine the corporate governance structure of the Company, establish and optimise the Company's long-term incentive and restraint mechanism, attract and motivate professional management talents and core personnel, fully mobilize their enthusiasm and creativity, effectively enhance core team cohesion and core corporate competitiveness, better mobilize the enthusiasm of employees of the Group, and effectively integrate Shareholders' interests, the Company's interests and interests of the core team members so that the parties will make joint efforts for the Company's long-term development and ensure the realization of the Company's development strategy and operation objectives. The Equity Incentive Scheme has been developed on the precondition of fully safeguarding Shareholders' interests pursuant to the principle of benefits being in proportion to contributions and in accordance with provisions of the relevant laws, administrative regulations and regulatory documents including the PRC Company Law and the Articles of Association.

(2) Scope of the Participants

(a) Scope of the Participants

All Participants shall be employed in the Group and have signed labor contracts or employment contracts with the Group during the appraisal period of the Equity Incentive Scheme.

Participants shall include the Directors, Supervisors, senior management of the Group (including the general manager), core technical (business) personnel, and other persons who, in the opinion of the Board, shall be incentivized, and the Board shall determine the Participants and the amount of equity to be granted within 36 months upon consideration and approval of the Equity Incentive Scheme at a general meeting.

(b) List of the Participants under the Equity Incentive Scheme

The specific list and subscribed capital contribution of the Participants shall be selected and assessed by the Board.

(3) Description of equity to be granted under the Equity Incentive Scheme

(a) Form of equity to be granted under the Equity Incentive Scheme

The Company will set up the employees' shareholding platform through the formation of a limited partnership, and the employees' shareholding platform will hold the Incentive Shares for and on behalf of the Participants. When Incentive Shares are granted to the Participants, the Participants shall subscribe for corresponding interests in the limited partnership and contribute capital at the grant price, and indirectly become a Shareholder of the Company. The Participants are prohibited from transferring, pledging or otherwise disposing their respective Incentive Shares during the lock-up period. Incentive Shares to be granted to the Participants are entitled to the corresponding rights upon registration, including but not limited to dividend distribution and voting rights. The aforementioned rights are not subject to lock-up period. Upon the expiry of the lock-up period, unless otherwise agreed, Participants who have fulfilled the unlocking conditions can dispose the unlocked Incentive Shares by transferring their respective interests in the Partnership.

(b) Source and category of the Shares subject to the equity to be granted under the Equity Incentive Scheme

The Incentive Shares under the Equity Incentive Scheme comprise the non-tradable and non-listed Domestic Shares to be issued to the employees' shareholding platform by the Company.

(c) Amount of equity to be granted under the Equity Incentive Scheme and its percentage of the total share capital of the Company

Participants are proposed to be granted up to 2,460,000 Shares under the Equity Incentive Scheme, representing 3.30% of the Company's total share capital as at the date of this announcement, and accounting for 4.45% of the total number of non-tradable and non-listed Domestic Shares.

(4) Validity period, locked-up period and unlocking period arrangement of the Equity Incentive Scheme

(a) Validity period of the Equity Incentive Scheme

The validity period of the Equity Incentive Scheme shall be 10 years from the date of approval at the annual general meeting for the year 2017 (i.e. April 26, 2018), unless it is terminated in accordance with the relevant provisions of the Equity Incentive Scheme. As of the date of this announcement, the remaining validity period of the Equity Incentive Scheme is approximately 4 years.

(b) Locked-up period of the Equity Incentive Scheme

The locked-up period of the Incentive Shares granted to the Participants is 48 months, calculated from the date the Participants are granted the Incentive Shares.

(c) Unlocking period arrangement of the Equity Incentive Scheme

Incentive Shares under the first grant shall be unlocked in one go after 48 months (June 28, 2022) from the date of the first grant (June 29, 2018); Incentive Shares under the reserved grant shall be unlocked concurrently with those under the first grant unless the circumstances are exceptional where the amendment plan shall be made under the Equity Incentive Scheme.

(5) Granting procedures of the Equity Incentive Scheme

- (i) The general partner of the Partnership and the Participants shall sign the Partnership agreement to stipulate the rights and obligations of both parties.
- (ii) The Company will issue the “Demand Note” to the Participants on the Grant Date.
- (iii) The Participants will sign the “Demand Note” and return one of the originals to the Company.
- (iv) Within the period specified by the Company, the Participants will pay the funds used to subscribe for Incentive Shares (calculated based on the grant price) to the accounts designated by the Company according to the requirements of the Company.
- (v) The Company will prepare a management register of the Equity Incentive Scheme according to the entering into of agreements and subscription by the Participants, setting out names of Participants, numbers of Shares granted, grant date, amount of payment and the sequential number of Partnership agreements, etc.

(6) Grant Price of the Equity Incentive Shares and basis for determination

(a) The Grant Price of the Equity Incentive Shares: the Grant Price of the Incentive Shares under the first grant shall be RMB10.47 per Share; the Grant Price of the Incentive Shares under the reserved grant shall be RMB10.47 per Share.

(b) Basis for determination on the Grant Price of the Equity Incentive Shares

Based on the fundamental purpose of promoting the development of the Company and safeguarding the interests of Shareholders, the Grant Price of RMB10.47 of Equity Incentive Shares under the Incentive Scheme has been determined in accordance with the principle of “incentives with emphasis and effectiveness (重點激勵、有效激勵)” and with comprehensive reference to the following factors:

(i) as at the date of the approval of the Equity Incentive Shares by the Board (i.e. May 29, 2018), the trading price of the Company’s H Shares was approximately HK\$40.00 per Share (equivalent to approximately RMB32.50 per Share); and

(ii) the number of Equity Incentive Shares granted this time and the incentive effects.

(c) Grant Price of the Equity Incentive Shares at a discount or premium

The Grant Price of the Incentive Shares under the Equity Incentive Scheme represents approximately 32.22% of the aforementioned trading price of the Company’s H Shares, that is RMB10.47 per Share.

For the six months ended June 30, 2024, the changes in the Incentive Shares granted under the Equity Incentive Scheme are as follows:

Name/Category of Grantee	Date of Grant	Vesting Date (Unlocking Date)	Grant Price (RMB/Share)	Balance of Incentive Shares Granted but not Vested as at January 1, 2024	Balance of Incentive Shares Granted and Vested as at January 1, 2024	Granted during the Reporting Period	Vested (Unlocked) during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Balance of Incentive Shares Granted but not Vested as at June 30, 2024
<i>Director</i>										
Ms. WANG Lianyue	June 18, 2021	June 28, 2022	10.47	-	248,328	-	-	-	-	-
<i>Supervisor</i>										
Mr. XIE Tiefan	June 18, 2021	June 28, 2022	10.47	-	4,776	-	-	-	-	-
<i>Others</i>										
Mr. XU Yi (spouse of Ms. WANG Hongyue)	June 18, 2021	June 28, 2022	10.47	-	28,653	-	-	-	-	-
Ms. WANG Hongyue (younger sister of Ms. WANG Lianyue)	June 18, 2021	June 28, 2022	10.47	-	95,511	-	-	-	-	-
Ms. WANG Biyu (Resigned) (niece of Ms. WANG Lianyue and Ms. WANG Hongyue)	June 18, 2021	June 28, 2022	10.47	-	4,776	-	-	-	-	-
Ms. XU Qunyan (Resigned)(younger sister of Mr. XU Yi)	June 18, 2021	June 28, 2022	10.47	-	4,776	-	-	-	-	-
Mr. GUAN Weilu (younger brother of Mr. GUAN Weili)	June 18, 2021	June 28, 2022	10.47	-	19,102	-	-	-	-	-
Mr. SUN Fangjun (Resigned)	June 18, 2021	June 28, 2022	10.47	-	14,327	-	-	-	-	-
Mr. SUN Hongbo (nephew of Ms. WANG Lianyue and Ms. WANG Hongyue)	June 18, 2021	June 28, 2022	10.47	-	30,563	-	-	-	-	-
Ms. ZHANG Linghui (Resigned) (sister-in-law of Mr. GUAN Weili)	June 18, 2021	June 28, 2022	10.47	-	4,776	-	-	-	-	-
Senior management (total)	August 20, 2018	June 28, 2022	10.47	-	133,715	-	-	-	-	-
	April 16, 2021	June 28, 2022	10.47	-	47,755	-	-	-	-	-
Core technical personnel and other employees (total)	August 20, 2018	June 28, 2022	10.47	-	1,605,540	-	-	-	-	-
	August 26, 2019	June 28, 2022	10.47	-	180,516	-	-	-	-	-
	April 16, 2021	June 28, 2022	10.47	-	36,886	-	-	-	-	-
Total				-	2,460,000	-	-	-	-	-

As the Equity Incentive Scheme only involved the domestic shares of the Company, the closing price of the shares immediately before the date on which the awards were granted is not applicable.

4.4.8.2H Share Award and Trust Scheme

To attract, motivate and retain extensively skilled and experienced “core backbone members of the technicians and management” to continuously strive for the continuing operation and development of the Company in the future, in accordance with the requirements of the Company Law of the People’s Republic of China and other relevant laws, administrative regulations, regulatory documents and the Articles of Association, the Company has formulated the H Share Award and Trust Scheme, which was considered and approved by the 2023 first extraordinary shareholders’ general meeting of the Company convened on September 27, 2023. Unless the context otherwise requires, terms used hereinafter shall have the same meanings as those defined in the circular of the Company dated September 8, 2023 and the announcements of the Company dated September 27, 2023, April 12, 2024, April 23, 2024 and June 18, 2024.

Pursuant to the H Share Award and Trust Scheme, a Trust Deed will be entered into between the Company and the Trustee. Pursuant to the Trust Deed, the Trust will be constituted to service the H Share Award and Trust Scheme whereby the Trustee shall assist with the administration of the Scheme and shall, subject to the relevant provisions of the Trust Deed and upon the instruction of the Company, acquire H Shares through on-market transactions and such Shares shall be acquired by the Trust through the funds transferred by the Company and shall be retained and disposed of by the Trustee at the Company’s instructions. Such H Shares under the Scheme shall not exceed 5% (being 3,730,015 shares) of the total share capital of the Company following the date on which the mandate of the Scheme is approved or at the date on which the approval of updating the limit is obtained. The Awards granted to the Selected Participants shall be held by the Trustee on trust for the benefit of the Selected Participants, and the Trustee shall, for the purposes of vesting of the Award and upon the instruction of the Board and/or the Delegatee, release from the Trust the Award Shares to the Selected Participants or sell the number of Award Shares so vested through on-market transactions at the prevailing market price and pay the Selected Participants the proceeds arising from such sale in accordance with rules and relevant provisions under the Trust Deed.

In respect of the H Share Award and Trust Scheme, the Selected Participants (including connected persons) of the first actual grant comprised a total of 36 persons, with 364,100 Award Shares granted. The Selected Participants (including connected persons) of the second phase of the actual grant comprised a total of 36 persons, with 616,000 Award Shares granted. The Selected Participants (including connected persons) of the third phase of the actual grant comprised a total of 52 persons, with 335,000 Award Shares granted. As of the date of this announcement, a total of 7 participants exited, corresponding to a total of 75,000 Award Shares. As of the date of this announcement, the Selected Participants of the actual grant under the H Share Award and Trust Scheme comprised 101 persons, and a total of 1,240,100 Award Shares have been granted. The Award Shares granted accounted for 1.66% of the total issued share capital of the Company as of the date of this announcement. For details of the grant plan, please refer to the circular of the Company dated September 8, 2023 and the announcements of the Company dated September 27, 2023, April 12, 2024, April 23, 2024 and June 18, 2024.

5 PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares).

As of June 30, 2024, the Group did not hold any treasury shares.

6 EVENTS AFTER THE REPORTING PERIOD

There were no significant subsequent events in the Group occurred since the end of the Reporting Period to the date of this announcement.

7 REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed this interim results announcement and the Group's financial information for the six months ended June 30, 2024, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

The Audit Committee consists of two independent non-executive Directors, Ms. ZHONG Wentang (the chairperson of the Audit Committee), Ms. JIN Ling, and one non-executive Director, Mr. LI Changhao.

8 INTERIM DIVIDEND

The Board recommends the payment of the Proposed Interim Dividend. Based on the total share capital before the record date determined by the implementation of the 2024 interim profit distribution plan (excluding the number of shares repurchased but not cancelled by the Company), a cash dividend of RMB1.50 (tax inclusive) per 10 shares will be distributed to all shareholders of the Company. As at the date of this Announcement, the total share capital of the Company is 74,600,300 shares. Excluding 751,900 H shares that have been repurchased but not cancelled by the Company, the total cash dividend to be distributed is provisionally calculated to be RMB11,077,260 (tax inclusive), representing 21.8% of the net profit attributable to shareholders of the parent company in the consolidated statement during the Reporting Period. The Proposed Interim Dividend will be denominated and declared in RMB. The holders of Domestic Shares will be paid in RMB and the holders of H Shares will be paid in Hong Kong dollars. The exchange rate for the Proposed Interim Dividend to be paid in Hong Kong dollars will be the mean of the exchange rates of Hong Kong dollars to RMB as announced by the People's Bank of China during the five business days prior to the date of declaration of the Proposed Interim Dividend (i.e. the date of convening the EGM of the Company). The proposal for payment of 2024 interim dividend is subject to the consideration and approval at the EGM of the Company.

Subject to the approval of the Proposed Interim Dividend by the Shareholders at the forthcoming EGM, the Proposed Interim Dividend is expected to be paid within two months following the convening of the EGM. The Company will, in due course, announce the date of the EGM, the time of the closure of the register of members of the H Shares for the purpose of determining the list of Shareholders entitled to attend and vote at the EGM and to qualify for the Proposed Interim Dividend as well as the payment date of the Proposed Interim Dividend.

In accordance with the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法) and its implementation regulations which came into effect on January 1, 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise Shareholders whose names appear on the register of members for H Shares when distributing the cash dividends. Any H Shares not registered under the name of an individual Shareholder, including HKSCC Nominees Limited, other nominees, agents or trustees, or other organizations or groups, shall be deemed as Shares held by non-resident enterprise Shareholders. Therefore, enterprise income tax shall be withheld from dividends payable to such Shareholders. If holders of H Shares intend to change its Shareholder status, please enquire about the relevant procedures with the agents or trustees. The Company will strictly comply with the law or the requirements of the relevant government authority and withhold and pay enterprise income tax on behalf of the relevant Shareholders based on the register of members for H Shares as of the Record Date.

If the individual holders of H Shares are Hong Kong or Macau residents or residents of the countries which had an agreed tax rate of 10% for the cash dividends paid to them with the PRC under the relevant tax agreements, the Company should withhold and pay individual income tax on behalf of the relevant Shareholders at a rate of 10%. Should the individual holders of H Shares be residents of the countries which had an agreed tax rate of less than 10% with the PRC under the relevant tax agreement, the Company shall withhold and pay individual income tax on behalf of the relevant Shareholders at a rate of 10%. In this case, if the relevant individual holders of H Shares wish to reclaim the extra amount withheld due to the application of 10% tax rate, the Company can apply for it on behalf of the holders according to the relevant agreed preferential tax treatment. The relevant Shareholders shall submit the evidence required by the notice of the tax agreement to Computershare Hong Kong Investor Services Limited. The Company will assist with the tax refund after the approval of the competent tax authority. Should the individual holders of H Shares be residents of the countries which had an agreed tax rate of over 10% but less than 20% with the PRC under the tax agreement, the Company shall withhold and pay the individual income tax on behalf of the holders at the agreed actual rate in accordance with the relevant tax agreement. In the case that the individual holders of H Shares are residents of the countries which had an agreed tax rate of 20% with the PRC under the tax agreement, or which has not entered into any tax agreement with the PRC, or otherwise, the Company shall withhold and pay the individual income tax on behalf of the holders at a rate of 20%.

9 COMPLIANCE WITH CG CODE

During the Reporting Period and up to the date of this announcement, the Company has complied with all code provisions in the CG Code.

10 ACCOUNTING STANDARDS

The Company has been applying the China Accounting Standards for Business Enterprises since the financial year of 2017, and has complied with the disclosure requirements required in the new Companies Ordinance (《公司條例》) (Chapter 622 of the laws of Hong Kong) (the “**Companies Ordinance**”).

11 FINANCIAL REPORT

11.1 Accounting Policies

11.1.1 Accounting Policies

The financial statements are prepared in accordance with the Accounting Standard for Business Enterprises – Basic Standard (《企業會計準則 – 基本準則》) and specific accounting standards and relevant rules issued by the Ministry of Finance of the PRC (the “**Ministry of Finance**”) on February 15, 2006.

The financial statements are prepared and has disclosed relevant financial information in accordance with the requirements of the Accounting Standard for Business Enterprises No.32 – Interim Financial Report (《企業會計準則第 32 號 – 中期財務報告》) issued by the Ministry of Finance.

The Group’s accounting policies applied in preparing the financial statements are consistent with those policies applied in the financial statements for the year ended 2023. The interim financial statements shall be read together with the financial statements for the year ended 2023 of the Group.

The financial statements are prepared on a going concern basis.

The Companies Ordinance has commenced operation in 2016. Some notes in the financial statements have been reflected the new requirements of the Companies Ordinance.

11.2 Interim Financial Statement

The Interim Financial Statement of the Group prepared in accordance with the China Accounting Standard for Business Enterprises is set out as follows:

11.2.1 Interim Consolidated Income Statement

(All amounts in RMB unless otherwise stated)

Items	For the six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
I. Total revenue	828,957,554	777,925,164
Including: Revenue	828,957,554	777,925,164
Interest income	–	–
Premium income	–	–
Fees and commissions income	–	–
	=====	=====

Items	For the six months ended June 30,	
	2024 <i>(Unaudited)</i>	2023 <i>(Unaudited)</i>
II. Total cost of sales	766,642,938	724,044,724
Including: Cost of sales	602,800,461	576,390,596
Interest expenses	—	—
Fees and commissions expenses	—	—
Surrenders	—	—
Net claims expenses	—	—
Net provisions for insurance contracts reserve	—	—
Insurance policy dividend paid	—	—
Reinsurance costs	—	—
Taxes and surcharges	6,268,299	2,783,861
Selling and distribution expenses	9,249,266	7,828,610
General and administrative expenses	106,271,384	101,924,027
Research and development expenses	17,588,076	14,957,996
Financial expenses	24,465,451	20,159,634
Including: Interest expenses	23,323,467	19,182,137
Interest income	2,686,209	2,704,831
Add: Other income	5,588,263	5,822,495
Investment income (losses represented with “-” signs)	1,680,200	-195,726
Including: Investment income from associates and joint ventures	478,828	-157,522
Derecognition income of financial assets measured at the amortized cost	—	—
Foreign exchange gains (losses represented with “-” signs)	—	—
Gains from net exposure hedges (losses represented with “-” signs)	—	—
Gains from changes in fair value (losses represented with “-” signs)	-98,523	—
Credit impairment losses (losses represented with “-” signs)	-5,584,264	-3,009,927
Asset impairment losses (losses represented with “-” signs)	—	—
Gains from disposal of assets (losses represented with “-” signs)	-74,985	—

Items	For the six months ended June 30,	
	2024 <i>(Unaudited)</i>	2023 <i>(Unaudited)</i>
III. Operating profit (losses represented with “-” signs)	63,825,306	56,497,282
Add: Non-operating income	503,490	5,924,961
Less: Non-operating expenses	2,816,220	2,215,131
	<hr/> <hr/>	<hr/> <hr/>
IV. Total profit (total losses represented with “-” signs)	61,512,576	60,207,112
Less: Income tax expenses	16,516,143	11,477,880
	<hr/> <hr/>	<hr/> <hr/>
V. Net profit (net losses represented with “-” signs)	44,996,433	48,729,232
(I) Classified by continuity of operations		
1. Net profit from continuing operations (net losses represented with “-” signs)	44,996,433	48,729,232
2. Net profit from discontinued operations (net losses represented with “-” signs)	–	–
(II) Classified by ownership of the equity		
1. Net profit attributable to shareholders of the parent company (net losses represented with “-” signs)	50,723,744	43,750,057
2. Profit or loss attributable to non-controlling interests (net losses represented with “-” signs)	-5,727,311	4,979,175
VI. Other comprehensive income, net of tax		
Other comprehensive income attributable to shareholders of the parent company, net of tax		
(I) Other comprehensive income that cannot be reclassified to profit and loss		
1. Changes arising from remeasurement of defined benefit plan	–	–
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method	–	–
3. Changes in fair value of other equity instrument investments	–	–
4. Changes in fair value due to the enterprise’s own credit risk	–	–

Items	For the six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
(II) Other comprehensive income that can be reclassified to profit and loss		
1. Other comprehensive income that can be reclassified to profit or loss under the equity method	-	-
2. Changes in fair value of other debt investments	-	-
3. Amount of financial assets reclassified into other comprehensive income	-	-
4. Credit impairment provisions for other debt investments	-	-
5. Reserves for cash flow hedges	-	-
6. Exchange difference on translation of financial statements in foreign currencies	-	-
7. Others	-	-
Other comprehensive income attributable to non-controlling interests, net of tax	-	-
	<u><u>-</u></u>	<u><u>-</u></u>
VII. Total comprehensive income	44,996,433	48,729,232
Attributable to shareholders of the parent company	50,723,744	43,750,057
Attributable to non-controlling interests	-5,727,311	4,979,175
	<u><u>-5,727,311</u></u>	<u><u>4,979,175</u></u>
VIII. Earnings per share:		
(I) Basic (RMB per share)	0.68	0.59
(II) Diluted (RMB per share)	0.68	0.59
	<u><u>0.68</u></u>	<u><u>0.59</u></u>

11.2.2 Interim Consolidated Balance Sheets

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Current assets:		
Cash at bank and on hand	373,302,433	418,861,721
Settlement deposits	-	-
Placements with banks and other financial institutions	-	-
Financial assets held for trading	7,599,178	7,350,299
Derivative financial assets	-	-
Notes receivable	763,850	-
Accounts receivable	448,102,421	420,441,070
Receivables financing	-	-
Advances to suppliers	2,366,952	9,830,553
Premium receivable	-	-
Reinsurance accounts receivable	-	-
Provision for reinsurance contract receivable	-	-
Other receivables	69,943,028	69,705,729
Financial assets purchased for resale	-	-
Inventories	51,889,641	60,600,180
Contract assets	-	-
Assets held for sale	-	-
Non-current assets due within one year	-	-
Other current assets	3,053,788	858,020
Total current assets	957,021,290	987,647,572

ASSETS	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Non-current assets:		
Granted loans and advances	–	–
Debt investments	–	–
Other debt investments	–	–
Long-term accounts receivable	14,000,000	14,000,000
Long-term equity investments	141,550,815	139,071,987
Investment in other equity instruments	–	–
Other non-current financial assets	64,751,653	65,099,055
Investment properties	–	–
Fixed assets	782,127,103	794,856,343
Construction in progress	234,034,297	186,980,241
Productive biological assets	–	–
Oil and gas assets	–	–
Right-of-use assets	170,465,126	189,054,507
Intangible assets	307,875,476	320,321,705
Development expenditure	–	–
Goodwill	119,909,089	119,909,089
Long-term prepaid expenses	156,750,581	175,910,626
Deferred tax assets	44,940,519	45,146,271
Other non-current assets	14,925,823	9,689,211
Total non-current assets	<u>2,051,330,482</u>	<u>2,060,039,035</u>
TOTAL ASSETS	<u>3,008,351,772</u>	<u>3,047,686,607</u>

LIABILITIES AND SHAREHOLDERS' EQUITY	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Current liabilities:		
Short-term borrowings	111,000,000	127,001,700
Borrowings from central bank	-	-
Placements from banks and other financial institutions	-	-
Financial liabilities held for trading	12,400,000	12,400,000
Derivative financial liabilities	-	-
Notes payable	-	1,545,021
Accounts payable	112,544,938	110,060,008
Receipts in advance	26,157,512	26,563,603
Contract liabilities	92,925	-
Financial assets sold under repurchase agreements	-	-
Receipt of deposits and deposits from other banks	-	-
Funds received as agent of stock exchange	-	-
Funds received as stock underwriter	-	-
Employee benefits payable	67,014,464	84,324,006
Taxes payable	30,855,446	38,553,746
Other payables	68,487,137	150,270,575
Fees and commissions payable	-	-
Reinsurance accounts payable	-	-
Liabilities held for sale	-	-
Non-current liabilities due within one year	108,286,381	250,411,757
Other current liabilities	569,425	-
	<hr/>	<hr/>
Total current liabilities	537,408,228	801,130,416
	<hr/> <hr/>	<hr/> <hr/>

LIABILITIES AND SHAREHOLDERS' EQUITY	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Non-current liabilities:		
Provision for insurance contracts	–	–
Long-term borrowings	768,224,670	557,719,215
Bonds payable	–	–
Including: Preferred shares	–	–
Perpetual bonds	–	–
Lease liabilities	158,912,952	163,239,533
Long-term payables	64,227,914	61,351,341
Long-term employee benefits payables	–	–
Provisions	–	–
Deferred income	8,582,203	8,734,099
Deferred tax liabilities	44,533,950	47,306,056
Other non-current liabilities	–	–
	<hr/>	<hr/>
Total non-current liabilities	<u>1,044,481,689</u>	<u>838,350,244</u>
	<hr/>	<hr/>
Total liabilities	<u>1,581,889,916</u>	<u>1,639,480,660</u>
	<hr/>	<hr/>
Shareholders' equity:		
Share capital	74,600,300	74,600,300
Other equity instruments	–	–
Including: Preferred shares	–	–
Perpetual bonds	–	–
Capital surplus	840,753,481	852,695,602
Less: Treasury stock	3,146,833	12,587,012
Other comprehensive income	–	–
Special reserves	–	–
Surplus reserve	38,399,577	38,399,577
Provision for general risks	–	–
Retained earnings	340,299,883	311,956,229
Total equity attributable to shareholders of the parent company	1,290,906,409	1,265,064,696
Non-controlling interests	135,555,448	143,141,251
	<hr/>	<hr/>
Total shareholders' equity	<u>1,426,461,856</u>	<u>1,408,205,947</u>
	<hr/>	<hr/>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>3,008,351,772</u>	<u>3,047,686,607</u>

11.2.3 Interim Consolidated Statements of Cash Flow
(All amounts in RMB Yuan unless otherwise stated)

Items	For the six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
I. Cash flows from operating activities		
Cash received from sales of goods or rendering of services	774,736,898	780,086,767
Net increase in customer deposits and interbank deposits	–	–
Net increase in borrowings from central bank	–	–
Net increase in placements from other financial institutions	–	–
Cash received from original insurance contract premium	–	–
Net cash received from reinsurance business	–	–
Net increase in deposits and investments from policyholders	–	–
Cash received from interests, fees and commissions	–	–
Net increase in placements from banks and other financial institutions	–	–
Net increase in cash from repurchase business	–	–
Net cash received from securities brokerage services	–	–
Refund of taxes and levies	–	–
Cash received relating to other operating activities	40,064,568	169,903,997
Sub-total of cash inflows of operating activities	814,801,466	949,990,763
Cash paid for goods and services	264,247,149	279,096,560
Net increase in customer loans and advances	–	–
Net increase in deposits with central bank and other banks	–	–
Cash paid for compensation under original insurance contract	–	–
Net increase in placements with banks and other financial institutions	–	–
Cash paid for interests, fees and commissions	–	–
Cash paid for policyholders' dividends	–	–
Cash paid to and on behalf of employees	329,971,886	300,131,942
Payments of taxes and surcharges	40,687,506	37,824,192
Cash paid relating to other operating activities	63,358,941	219,346,731
Sub-total of cash outflows of operating activities	698,265,482	836,399,425
Net cash flows from operating activities	116,535,984	113,591,338

Items	For the six months ended June 30,	
	2024 <i>(Unaudited)</i>	2023 <i>(Unaudited)</i>
II. Cash flows from investing activities		
Cash received from disposal of investments	–	8,249,458
Cash received from returns on investments	–	–
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	644,865	26,383
Net cash received from disposal of subsidiaries and other business units	432,733	–
Cash received relating to other investing activities	–	–
Sub-total of cash inflows of investing activities	1,077,599	8,275,841
Cash paid to acquire fixed assets, intangible assets and other long-term assets	111,001,023	107,843,620
Cash paid to acquire investments	2,000,000	3,866,900
Net increase in pledged loans	–	–
Net cash paid to acquire subsidiaries and other business units	–	15,187,013
Cash paid relating to other investing activities	787,500	500,060
	<hr/>	<hr/>
Sub-total of cash outflows of investing activities	113,788,523	127,397,593
	<hr/>	<hr/>
Net cash flows from investing activities	<u><u>-112,710,924</u></u>	<u><u>-119,121,752</u></u>
III. Cash flows from financing activities		
Cash received from capital contributions	5,210,500	2,845,000
Including: Cash received from capital contributions by non-controlling shareholders of subsidiaries	5,210,500	2,845,000
Cash received from borrowings	362,766,250	251,050,000
Cash received relating to other financing activities	22,800,000	–
Sub-total of cash inflows of financing activities	390,776,750	253,895,000
Cash repayments of borrowings	304,772,127	109,630,000
Cash payments for distribution of dividends, profit or interest expenses	43,748,490	21,324,300
Including: Cash payments for distribution of dividends and profit by subsidiaries to noncontrolling shareholders	1,145,517	–
Cash paid relating to other financing activities	83,915,998	113,150,442
	<hr/>	<hr/>
Sub-total of cash outflows of financing activities	432,436,615	244,104,742
	<hr/>	<hr/>
Net cash flows from financing activities	<u><u>-41,659,865</u></u>	<u><u>9,790,258</u></u>

Items	For the six months ended June 30,	
	2024 <i>(Unaudited)</i>	2023 <i>(Unaudited)</i>
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-99,245	13,070
V. Net increase in cash and cash equivalents	-37,934,050	4,272,914
Add: Cash and cash equivalents at the beginning of the period	404,723,339	258,595,991
VI. Cash and cash equivalents at the end of the period	366,789,289	262,868,905

11.2.4 Consolidated Statement of Changes in Shareholders' Equity

(All amounts in RMB Yuan unless otherwise stated)

Items	Amount for the current period										Total owners' equity			
	Equity attributable to owners of the parent company													
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk	Retained earnings	Subtotal	Non-controlling interests	
I. Balance as at the end of the previous year	74,600,300	-	-	-	852,695,602	12,587,012	-	38,399,577	311,956,229	-	143,141,251	1,265,064,696	143,141,251	1,408,205,947
Plus: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of accounting errors in previous periods	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Business combinations under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance as at the beginning of the current year	74,600,300	-	-	-	852,695,602	12,587,012	-	38,399,577	311,956,229	-	143,141,251	1,265,064,696	143,141,251	1,408,205,947
III. Increases/decreases in the current period ("-" for decreases)	-	-	-	-	-11,942,120	-9,440,179	-	-	28,343,654	-	-7,585,804	25,841,713	-7,585,804	18,255,909
(I) Total comprehensive income	-	-	-	-	-	-	-	-	50,723,744	-	-5,727,311	50,723,744	-5,727,311	44,996,433
(II) Owner contribution and capital decrease	-	-	-	-	-8,566,709	-9,440,179	-	-	-	-	-	873,470	1,033,024	1,906,494
1. Common stock contributed by owners	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital invested by holders of other equity instruments	-	-	-	-	-9,334,383	-9,440,179	-	-	-	-	-	105,796	1,033,024	1,138,820
3. Amounts of sharebased payments recognized in owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	767,674	-	-	-	-	-	-	767,674	-	767,674

Items	Amount for the current period													
	Equity attributable to owners of the parent company													
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk	Retained earnings	Subtotal	Non-controlling interests	Total owners' equity
(III) Distribution of profits														
1. Withdrawal of surplus reserves	-	-	-	-	-	-	-	-	-	-	-22,380,090	-22,380,090	-2,891,517	-25,271,607
2. Withdrawal of provision for general risk														
3. Profit distributed to owners (or shareholders)														
4. Others														
(IV) Internal carry-forward of owners' equity														
1. Conversion of capital reserves into paid-in capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-22,380,090	-22,380,090	-2,891,517	-25,271,607
2. Conversion of surplus reserves into paid-in capital (or share capital)														
3. Surplus reserves offsetting losses														
4. Carry-forward of changes in the defined benefit plan for retained earnings														
5. Carry-forward of other comprehensive income for retained earnings														
6. Others														

Items	Amount for the current period													
	Other equity instruments				Equity attributable to owners of the parent company							Subtotal	Non-controlling interests	Total owners' equity
Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk	Retained earnings				
(V) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Usage for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-3,375,411	-	-	-	-	-3,375,411	-	-	-	-3,375,411
IV. Balance as at the end of the period	74,600,300	-	-	-	840,753,481	3,146,833	-	38,399,577	-	340,299,883	1,290,906,409	135,555,448	1,426,461,856	

Items	Amount for the previous period													
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk	Retained earnings	Subtotal	Non-controlling interests	Total owners' equity
I. Balance as at the end of the previous year	74,600,300				855,078,533				38,399,577		233,506,534	1,201,584,944	124,317,674	1,325,902,618
Plus: Changes in accounting policies														
Correction of accounting errors														
in previous periods														
Business combinations under common control														
Others														
II. Balance as at the beginning of the current year	74,600,300				855,078,533				38,399,577		233,506,534	1,201,584,944	124,317,674	1,325,902,618
III. Increases/decreases in the current period ("—" for decreases)														
(I) Total comprehensive income					-2,357,226						43,750,058	41,392,832	15,254,257	56,647,089
(II) Owner contribution and capital decrease														
1. Common stock contributed by owners														
2. Capital invested by holders of other equity instruments											43,750,058	43,750,058	4,979,175	48,729,233
3. Amounts of sharebased payments recognized in owners' equity														
4. Others														
(III) Distribution of profits														
1. Withdrawal of surplus reserves														
2. Withdrawal of provision for general risk														

Items	Other equity instruments				Amount for the previous period							Total owners' equity		
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk	Retained earnings		Subtotal	Non-controlling interests
3. Profit distributed to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Internal carry-forward of owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Conversion of capital reserves into paid-in capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Conversion of surplus reserves into paid-in capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves offsetting losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Carry-forward of changes in the defined benefit plan for retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Carry-forward of other comprehensive income for retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Usage for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance as at the end of the period	74,600,300	-	-	-	852,721,307	-	-	-	38,399,577	-	277,256,592	1,242,977,776	139,571,931	1,382,549,707

11.3 Notes to the Consolidated Interim Financial Information prepared in accordance with the China Accounting Standard for Business Enterprises

11.3.1 Accounts receivable

The aging analysis of accounts receivables based on the billing date is as follows:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Within 1 year	443,637,523	425,833,221
1 – 2 years	42,631,127	6,696,710
2 – 3 years	4,507,504	4,480,033
Above 3 years	10,140,966	7,780,010
Subtotal	<u>500,917,120</u>	<u>444,789,973</u>
Less: Provision for bad debts	52,814,699	24,348,904
Total	<u><u>448,102,421</u></u>	<u><u>420,441,070</u></u>

Accounts receivable shown by classification of bad debt provisions

	June 30, 2024 (Unaudited)				Book value
	Balance of carrying amount		Provision for bad debts		
	Amount	Proportion (%)	Amount	Percent of provision (%)	
Accounts receivable with provision for bad debts on the individual basis	28,701,127	5.7	24,270,289	84.6	4,430,838
Including:					
Amount due from patients	28,701,127	5.7	24,270,289	84.6	4,430,838
Accounts receivable with provision for bad debts on the grouping basis	472,215,993	94.3	28,544,411	6.0	443,671,582
Including:					
Overdue days grouping	<u>472,215,993</u>	<u>94.3</u>	<u>28,544,411</u>	<u>6.0</u>	<u>443,671,582</u>
Total	<u><u>500,917,120</u></u>	<u><u>100.0</u></u>	<u><u>52,814,700</u></u>	<u><u>10.5</u></u>	<u><u>448,102,420</u></u>

	December 31, 2023 (Audited)				
	Balance of carrying amount		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Percent of provision (%)	
Accounts receivable with provision for bad debts on the individual basis	19,507,031	4.4	12,854,582	65.9	6,652,449
Including:					
Amount due from patients	19,507,031	4.4	12,854,582	65.9	6,652,449
Accounts receivable with provision for bad debts on the grouping basis	425,282,942	95.6	11,494,321	2.7	413,788,621
Including:					
Overdue days grouping	<u>425,282,942</u>	<u>95.6</u>	<u>11,494,321</u>	<u>2.7</u>	<u>413,788,621</u>
Total	<u>444,789,973</u>	<u>100.0</u>	<u>24,348,903</u>	<u>5.5</u>	<u>420,441,070</u>

11.3.2 Accounts payable

The aging analysis of accounts payable based on the billing date is as follows:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Within one year	109,289,542	107,790,035
One to two years	2,464,602	1,815,169
Two year to three years	449,920	85,740
Above three years	<u>340,874</u>	<u>369,064</u>
Total	<u>112,544,938</u>	<u>110,060,008</u>

11.3.3 Revenue and cost of sales

Analysis of revenue and cost of sales

	For the six months ended June 30,			
	2024 (Unaudited)		2023 (Unaudited)	
	Revenue	Cost	Revenue	Cost
Main businesses	765,636,198	555,217,793	728,692,633	547,491,901
Other businesses	63,321,356	47,582,668	49,232,530	28,898,695
Total	<u>828,957,554</u>	<u>602,800,461</u>	<u>779,925,163</u>	<u>576,390,596</u>

Breakdown of revenue:

	For the six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Revenue from main businesses	765,636,198	728,692,633
Including: Pharmaceutical sales	167,185,935	156,978,407
Treatments and general healthcare services	598,450,263	571,714,226
Revenue from other businesses	63,321,356	49,232,530
Including: Wholesale and retail revenue of pharmaceutical and equipment	41,715,643	28,881,807
Management service	1,485,148	1,485,149
Rental income	297,620	2,857,972
Others	19,822,944	16,007,602
Total	<u>828,957,534</u>	<u>777,925,163</u>

11.3.4 Earning per Share

Basic earning per Share

	For the six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
Consolidated net profit attributable to the ordinary Shareholders of the parent company	50,723,744	43,750,057
Weighted average number of outstanding ordinary Shares of the Company	74,600,300	74,600,300
Basic earning per Share	0.68	0.59
Including: Basic earning per Share from continuing operations	0.68	0.59
Basic earning per Share from discontinued operations	–	–

Diluted earning per Share

Diluted earning per Share is calculated by the consolidated net profit attributable to the ordinary Shareholders of the parent company (diluted) divided by the weighted average number of outstanding ordinary Shares of the Company (diluted):

	For the six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
Consolidated net profit attributable to the ordinary Shareholders of the parent company (diluted)	50,723,744	43,750,057
Weighted average number of outstanding ordinary Shares of the Company (diluted)	74,600,300	74,600,300
Diluted earning per Share	0.68	0.59
Including: Diluted earning per Share from continuing operations	0.68	0.59
Diluted earning per Share from discontinued operations	–	–

11.3.5 Income tax expenses

Table of income tax expenses

	For the six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Current income tax expenses	19,082,552	23,358,207
Deferred income tax expenses	<u>-2,566,409</u>	<u>-11,880,327</u>
Total	<u>16,516,143</u>	<u>11,477,880</u>

Reconciliation between total profit and income tax expenses

	For the six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Total profit	<u>61,512,577</u>	<u>60,207,112</u>
Income tax expenses calculated at the statutory tax rates	12,647,014	16,067,002
Impact of different tax rates applicable to Subsidiaries	474,180	212,272
Adjustment to impact of income tax of past periods	-769,493	-1,472,686
Impact of non-taxable income	–	-768,780
Impact of non-deductible costs, expenses and losses	817,638	645,142
Impact of deductible losses of the deferred income tax assets unrecognized in the previous period	-4,610,218	-1,107,566
Impact of deductible temporary differences or deductible losses for which deferred income tax assets are not recognized in the current period	9,615,740	-241,776
Additional deduction of research and development expenses	-3,065,849	-611,076
Impact of business combination involving enterprise not under common control	1,560,541	–
Others	<u>-153,410</u>	<u>-1,244,652</u>
Income tax expenses	<u>16,516,143</u>	<u>11,477,880</u>

11.3.6 Dividends

On August 28, 2024, the Board proposed that, based on the total share capital before the record date determined by the implementation of the 2024 interim profit distribution plan (excluding the number of shares repurchased but not cancelled by the Company), a cash dividend of RMB1.50 (tax inclusive) per 10 shares will be distributed to all shareholders of the Company. As at the date of this Announcement, the total share capital of the Company is 74,600,300 shares. Excluding 751,900 H shares that have been repurchased but not cancelled by the Company, the total cash dividend to be distributed is provisionally calculated to be RMB 11,077,260 (tax inclusive). The proposed dividend is subject to the approval by the Shareholders at the EGM.

On March 28, 2024, the Board proposed an final dividend of RMB22,380,090 (tax-inclusive) for the year ended December 31, 2023 which is calculated based on 74,600,300 issued Shares of the Company as at December 31, 2023. The proposed dividend was approved by the Shareholders at the annual general meeting for the year 2023 of the Company on May 30, 2024.

On July 31, 2023, the Board proposed an interim dividend of RMB7,460,030 (tax-inclusive) for the six months ended June 30, 2023 which is calculated based on 74,600,300 issued Shares of the Company as at June 30, 2023. The proposed dividend was approved by the Shareholders at the first extraordinary general meeting for the year 2023 of the Company on September 27, 2023.

12 FURTHER INFORMATION IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2023

Reference is made to the annual report of the Company for the year ended December 31, 2023 (the “**2023 Annual Report**”). Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the 2023 Annual Report.

In addition to the information disclosed in the paragraph headed “Equity Incentive Scheme” under the Management Discussion and Analysis as set out in the 2023 Annual Report, the Company would like to provide further details regarding the number of the Incentive Shares available for grant under the scheme mandate of the Equity Incentive Scheme at the beginning and the end of the financial year ended December 31, 2023 pursuant to Rule 17.07(2) of the Hong Kong Listing Rules.

As all 2,460,000 Incentive Shares proposed to be granted under the Equity Incentive Scheme have been granted on April 16, 2021, the number of the Incentive Shares available for grant under the scheme mandate of the Equity Incentive Scheme at the beginning and the end of the financial year ended December 31, 2023 was 0, respectively. Therefore, there was no shares available for issue under the Equity Incentive Scheme as at the date of the 2023 Annual Report.

Below is the updated table of the changes in the Incentive Shares granted under the Equity Incentive Scheme for the year ended December 31, 2023:

Name/Category of Grantee	Date of Grant	Vesting Date (Unlocking Date)	Grant Price (RMB/Share)	Balance of Incentive Shares Granted but not Vested as at January 1, 2023	Balance of Incentive Shares Granted and Vested as at January 1, 2023	Granted during the reporting period	Vested (Unlocked) during the reporting period	Cancelled during the reporting period	Lapsed during the reporting period	Balance of Incentive Shares Granted but not Vested as at December 31, 2023
<i>Director</i>										
Ms. WANG Lianyue	June 18, 2021	June 28, 2022	10.47	-	248,328	-	-	-	-	-
<i>Supervisor</i>										
Mr. XIE Tiefan	June 18, 2021	June 28, 2022	10.47	-	4,776	-	-	-	-	-
<i>Others</i>										
Mr. XU Yi (spouse of Ms. WANG Hongyue)	June 18, 2021	June 28, 2022	10.47	-	28,653	-	-	-	-	-
Ms. WANG Hongyue (younger sister of Ms. WANG Lianyue)	June 18, 2021	June 28, 2022	10.47	-	95,511	-	-	-	-	-
Ms. WANG Biyu (Resigned) (niece of Ms. WANG Lianyue and Ms. WANG Hongyue)	June 18, 2021	June 28, 2022	10.47	-	4,776	-	-	-	-	-
Ms. XU Qunyan (Resigned)(younger sister of Mr. XU Yi)	June 18, 2021	June 28, 2022	10.47	-	4,776	-	-	-	-	-
Mr. GUAN Weilu (younger brother of Mr. GUAN Weili)	June 18, 2021	June 28, 2022	10.47	-	19,102	-	-	-	-	-
Mr. SUN Fangjun (Resigned)	June 18, 2021	June 28, 2022	10.47	-	14,327	-	-	-	-	-
Mr. SUN Hongbo (nephew of Ms. WANG Lianyue and Ms. WANG Hongyue)	June 18, 2021	June 28, 2022	10.47	-	30,563	-	-	-	-	-
Ms. ZHANG Linghui (Resigned) (sister-in-law of Mr. GUAN Weili)	June 18, 2021	June 28, 2022	10.47	-	4,776	-	-	-	-	-
Senior management (total)	August 20, 2018	June 28, 2022	10.47	-	133,715	-	-	-	-	-
	April 16, 2021	June 28, 2022	10.47	-	47,755	-	-	-	-	-
Core technical personnel and other employees (total)	August 20, 2018	June 28, 2022	10.47	-	1,605,540	-	-	-	-	-
	August 26, 2019	June 28, 2022	10.47	-	180,516	-	-	-	-	-
	April 16, 2021	June 28, 2022	10.47	-	36,886	-	-	-	-	-
Total				-	2,460,000	-	-	-	-	-

As the Equity Incentive Scheme only involved the domestic shares of the Company, the closing price of the shares immediately before the date on which the awards were granted is not applicable.

The above supplemental information does not affect other information contained in the 2023 Annual Report. Save as disclosed above, all other information in the 2023 Annual Report remains unchanged.

13 DEFINITIONS

“Audit Committee”	the audit committee of the Board
“Beijing Yining Hospital”	Beijing Yining Hospital Co., Ltd. (北京怡寧醫院有限公司), a company established in the PRC with limited liability on August 17, 2015, one of the Company’s indirect non-wholly owned subsidiaries
“Board”	the board of directors of the Company
“Cangnan Kangning Hospital”	Cangnan Kangning Hospital Co., Ltd. (蒼南康寧醫院有限公司), a company established in the PRC with limited liability on June 15, 2012, one of the Company’s wholly owned subsidiaries
“Cangnan Yining Nursing Centre”	Cangnan Yining Nursing Centre Co., Ltd. (蒼南怡寧護理中心有限公司), a company established in the PRC with limited liability on March 9, 2021, one of the Company’s indirect wholly owned subsidiaries
“Chengdu Yining Hospital”	Chengdu Jinniu Yining Psychiatric Hospital Co., Ltd. (previously known as Chengdu Yining Hospital Co., Ltd. (成都怡寧醫院有限公司)), a company established in the PRC with limited liability on June 29, 2010, one of the Company’s indirect non-wholly owned subsidiaries
“Company” or “Wenzhou Kangning Hospital”	Wenzhou Kangning Hospital Co., Ltd., a joint stock limited liability company established under the laws of the PRC, the H Shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 2120)
“CG Code”	the Corporate Governance Code contained in Appendix C1 to the Hong Kong Listing Rules
“Changchun Kanglin Psychological Hospital”	Changchun Kanglin Psychological Hospital Co., Ltd. (長春康林心理醫院有限公司), a company established in the PRC with limited liability on February 16, 2016, one of the Company’s indirect non-wholly owned subsidiaries
“Chun’an Kangning Hospital”	Chun’an Kangning Huangfeng Hospital Co., Ltd. (淳安康寧黃鋒醫院有限公司), a company established in the PRC with limited liability on April 16, 2020, one of the Company’s indirect non-wholly owned subsidiaries
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary Share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and are unlisted Shares which are currently not listed or traded on any stock exchange

“Dongkou Lening Hospital”	Dongkou Lening Hospital Co., Ltd. (洞口樂寧醫院有限公司), a company established in the PRC with limited liability on June 5, 2018, one of the Company’ direct non-wholly owned subsidiaries
“EGM”	the extraordinary general meeting of the Company to be convened and held in due time
“Geriatric Hospital”	Wenzhou Yining Geriatric Hospital Co., Ltd. (溫州怡寧老年醫院有限公司), a company established in the PRC with limited liability on November 2, 2015, one of the wholly owned subsidiaries indirectly held by the Company, whose principal business is to provide medical services for the geriatric, including geriatric psychiatric and psychological treatment
“Group” or “we” or “our”	the Company and its subsidiaries
“Guanxian Yining Hospital”	Guanxian Yining Hospital Co., Ltd. (冠縣怡寧醫院有限公司), a company established in PRC with limited liability on March 1, 2017, one of the Company’s indirect non-wholly owned subsidiaries
“H Share(s)”	overseas listed foreign invested ordinary Share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, listed on the Main Board of The Stock Exchange of Hong Kong Limited
“Heze Yining Hospital”	Heze Yining Psychiatric Hospital Co., Ltd. (荷澤怡寧精神病醫院有限公司), a company established in the PRC with limited liability on April 6, 2017, one of the Company’s indirect non-wholly owned subsidiaries
“HK\$” or “HKD”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended, supplemented or otherwise modified from time to time
“Huainan Kangning Hospital”	Huainan Kangning Hospital Co., Ltd. (淮南康寧醫院有限公司), a company established in the PRC with limited liability on September 22, 2017, one of the Company’s indirect non-wholly owned subsidiaries

“Jinyun Shuning Hospital”	Jinyun Shuning Hospital Co., Ltd. (縉雲舒寧醫院有限公司), a company established in the PRC with limited liability on February 15, 2019, one of the Company’s non-wholly owned subsidiaries
“Longquan Kangning Hospital”	Longquan Kangning Hospital Co., Ltd. (龍泉康寧醫院有限公司), a company established in the PRC with limited liability on February 6, 2023, one of the Company’s indirect wholly owned subsidiaries
“Loudi Kangning Hospital”	Loudi City Kangle Kangning Hospital Co., Ltd. (婁底市康樂康寧醫院有限責任公司), a company established in the PRC with limited liability on August 28, 2017, one of the Company’s direct non-wholly owned subsidiaries
“Lucheng Yining Hospital”	Wenzhou Lucheng Yining Hospital Co., Ltd. (溫州鹿城怡寧醫院有限公司), a company established in the PRC with limited liability on April 2, 2020, one of the Company’s direct non-wholly owned subsidiaries
“Linhai Cining Hospital”	Linhai Cining Hospital Co., Ltd. (臨海慈寧醫院有限公司), a company established in the PRC with limited liability on December 11, 2020, one of the Company’s indirect wholly owned subsidiaries
“Nanjing Yining Hospital”	Nanjing Yining Hospital Co., Ltd. (南京怡寧醫院有限公司), a company established in the PRC with limited liability on June 22, 2018, one of the Company’s indirect non-wholly owned subsidiaries
“Pingyang Changgeng Yining Hospital”	Pingyang Changgeng Yining Hospital Co., Ltd. (平陽長庚怡寧醫院有限公司), a company established in the PRC with limited liability on January 14, 2021, one of the Company’s wholly owned subsidiaries
“Pingyang Kangning Hospital”	Pingyang Kangning Hospital Co., Ltd (平陽康寧醫院有限公司), a company established in the PRC with limited liability on November 2, 2015, one of the Company’s indirect wholly owned subsidiaries
“Pujiang Yining Hospital”	Pujiang Yining Huangfeng Hospital Co., Ltd. (浦江怡寧黃鋒醫院有限公司), a company established in the PRC with limited liability on September 3, 2018, one of the Company’s indirect non-wholly owned subsidiaries
“PRC” or “China”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Proposed Interim Dividend”	the proposed interim dividend distribution plan of RMB1.50 (tax-inclusive) per 10 Shares for the six months ended June 30, 2024 subject to the approval by the Shareholders at the EGM as described under the section headed “INTERIM DIVIDEND” of this announcement
“Quzhou Yining Hospital”	Quzhou Yining Hospital Co., Ltd. (衢州怡寧醫院有限公司), a company established in the PRC with limited liability on November 20, 2015, one of the Company’s indirect non-wholly owned subsidiaries
“Qingtian Kangning Hospital”	Qingtian Kangning Hospital Co., Ltd. (青田康寧醫院有限公司), a company established in the PRC with limited liability on April 1, 2011, one of the Company’s wholly owned subsidiaries
“RMB”	the lawful currency of the PRC
“Share(s)”	Share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, including the Domestic Share(s) and the H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Yining Hospital”	Shenzhen Yining Hospital (深圳怡寧醫院, previously known as Shenzhen Yining Hospital Co., Ltd. (深圳怡寧醫院有限公司), Shenzhen Yining Hospital Co., Ltd. (深圳市怡寧醫院有限公司)), a company established in the PRC with limited liability on September 22, 2014, one of the Company’s indirect non-wholly owned subsidiaries
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in the Companies Ordinance (Chapter 622 of the laws of Hong Kong)
“Reporting Period”	the six months ended June 30, 2024
“treasury shares”	has the meaning ascribed thereto in the Hong Kong Listing Rules
“Wenzhou Cining Hospital”	Wenzhou Cining Hospital Co., Ltd. (溫州慈寧醫院有限公司), a company established in the PRC with limited liability on January 25, 2006, one of the Company’s wholly owned subsidiaries
“Wenzhou Ouhai Yining Geriatric Hospital”	Wenzhou Ouhai Yining Geriatric Hospital Co., Ltd. (溫州甌海怡寧老年醫院有限公司), a company established in China with limited liability on March 8, 2021, one of the non-wholly owned subsidiaries of the Company

“Yining Psychology Internet Hospital”	Yining Psychology Internet Hospital (Wenzhou) Co., Ltd. (怡寧心理互聯網醫院(溫州)有限公司), a company established in the PRC with limited liability on March 10, 2020, one of the Company’s indirect wholly owned subsidiaries
“Yongjia Kangning Hospital”	Yongjia Kangning Hospital Co., Ltd. (永嘉康寧醫院有限公司), a company established in the PRC with limited liability on December 12, 2012, one of the Company’s wholly owned subsidiaries
“Yueqing Kangning Hospital”	Yueqing Kangning Hospital Co., Ltd. (樂清康寧醫院有限公司), a company established in the PRC with limited liability on September 3, 2013, one of the Company’s wholly owned subsidiaries
“Yueqing Yining Hospital”	Yueqing Yining Integrated Traditional Chinese and Western Medicine Hospital Co., Ltd. (樂清怡寧中西醫結合醫院有限公司), a company established in the PRC with limited liability on August 4, 2006, one of the Company’s direct wholly owned subsidiaries, previously known as “Yueqing Bang-er Chinese & Western Medicine Hospital Limited (樂清邦爾中西醫結合醫院有限公司)”
“%”	percentage ratio

By order of the Board
Wenzhou Kangning Hospital Co., Ltd.
GUAN Weili
Chairman

Zhejiang, the PRC
August 28, 2024

As of the date of this announcement, the Company’s executive Directors are Mr. GUAN Weili, Ms. WANG Lianyue and Mr. WANG Jian; the non-executive Directors are Mr. QIN Hao and Mr. LI Changhao; and the independent non-executive Directors are Ms. ZHONG Wentang, Ms. JIN Ling and Mr. CHAN Sai Keung Hugo.