廣東康華醫療集團股份有限公司
GUANGDONG KANGHUA HEALTHCARE GROUP CO., LTD.*

(Formerly known as 廣東康華醫療股份有限公司 Guangdong Kanghua Healthcare Co., Ltd.)*
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 3689)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

- Revenue for the Reporting Period decreased by 0.3% to RMB984.5 million (six months ended 30 June 2023: RMB987.5 million).
- Loss for the Reporting Period amounted to RMB24.7 million (six months ended 30 June 2023: Profit of RMB29.4 million).
- Loss for the period attributable to owners of the Company amounted to RMB19.5 million (six months ended 30 June 2023: Profit of RMB50.7 million).
- Loss per share amounted to RMB5.8 cents (six months ended 30 June 2023: Earnings per share of RMB15.1 cents).
- Adjusted Earnings Before Interest, Taxes, Depreciation and Amortisation[#] ("**Adjusted EBITDA**") for the Reporting Period decreased by 29.3% to RMB91.3 million (six months ended 30 June 2023: RMB129.2 million).
- The Board does not recommend payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

[#] Adjusted EBITDA is earnings before accounting for bank and other interest income, interest expenses, taxes, depreciation and amortisation, fair value gain/(loss) and investment income from financial assets at fair value through profit or loss ("**FVTPL**") and net exchange gain/(loss).

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Guangdong Kanghua Healthcare Group Co., Ltd.* (廣東康華醫療集團股份有限公司) (formerly known as Guangdong Kanghua Healthcare Co., Ltd.* (廣東康華醫療股份有限公司)) (the "**Company**" or "**our Company**", "**we**" or "**us**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**" or "**our Group**") for the six months ended 30 June 2024 (the "**Reporting Period**") together with the comparative figures for the corresponding period in 2023.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	3	**984,518**	987,498
Cost of revenue		**(838,119)**	(816,504)
Gross profit		**146,399**	170,994
Other income	4	**21,154**	21,179
Other expenses, gains and losses, net	5	**(9,888)**	1,122
Net provision for impairment losses under the expected credit loss model		**(3,236)**	(2,236)
Administrative expenses		**(140,468)**	(125,617)
Finance costs		**(17,061)**	(6,361)
(Loss)/profit before tax	6	**(3,100)**	59,081
Income tax expense	7	**(21,557)**	(29,715)
(Loss)/profit and total comprehensive (loss)/income for the period		**(24,657)**	29,366
(Loss)/profit and total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		**(19,542)**	50,655
Non-controlling interests		**(5,115)**	(21,289)
		(24,657)	29,366
(Loss)/earnings per share			
Basic *(RMB cents)*	9	**(5.8)**	15.1
Diluted *(RMB cents)*	9	**(5.8)**	15.1

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	NOTES	**At 30 June 2024** *RMB'000* **(unaudited)**	At 31 December 2023 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**1,159,055**	1,128,116
Right-of-use assets	10	**299,542**	284,265
Goodwill	11	**143,325**	29,101
Other asset		**17,917**	18,417
Deposits paid for acquisition of property, plant and equipment		**40,496**	36,181
Financial assets at fair value through profit or loss	13	**22,000**	33,400
Deferred tax assets		**9,603**	–
Total non-current assets		**1,691,938**	1,529,480
CURRENT ASSETS			
Inventories		**68,053**	71,975
Accounts and other receivables	12	**354,956**	302,278
Financial assets at fair value through profit or loss	13	**365,000**	350,000
Restricted bank balances		**1,742**	2,732
Fixed bank deposits		**65,100**	63,350
Bank balances and cash		**105,920**	305,171
Total current assets		**960,771**	1,095,506
CURRENT LIABILITIES			
Accounts and other payables and provision	14	**689,425**	660,322
Bank loans – due within one year	15	**1,000**	31,090
Lease liabilities		**57,602**	47,212
Tax payables		**24,627**	28,075
Total current liabilities		**772,654**	766,699
NET CURRENT ASSETS		**188,117**	328,807
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,880,055**	1,858,287

	NOTES	At 30 June 2024 RMB'000 (unaudited)	At 31 December 2023 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Amount due to immediate holding company		**177,596**	–
Amount due to non-controlling shareholder of a subsidiary		**134,248**	–
Bank loans – due after one year	15	**67,975**	287,735
Lease liabilities		**59,397**	60,545
Deferred tax liabilities		**13,622**	12,480
Total non-current liabilities		**452,838**	360,760
NET ASSETS		**1,427,217**	1,497,527
EQUITY			
Share capital	16	**334,394**	334,394
Reserves		**1,070,249**	1,089,791
Equity attributable to owners of the Company		**1,404,643**	1,424,185
Non-controlling interests		**22,574**	73,342
TOTAL EQUITY		**1,427,217**	1,497,527

NOTES:

1. GENERAL INFORMATION AND BASIS OF PREPARATION

廣東康華醫療集團股份有限公司 (Guangdong Kanghua Healthcare Group Co., Ltd.*) (formerly known as Guangdong Kanghua Healthcare Co., Ltd.* (廣東康華醫療股份有限公司)) (the "**Company**") was established as a limited liability company in the People's Republic of China (the "**PRC**" or "**China**") and its overseas listed ordinary shares (the "**H Shares**") are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"). The Company's immediate and ultimate holding company is 東莞市康華投資集團有限公司 (Dongguan Kanghua Group Co., Ltd.*) ("**Kanghua Group**"), a limited liability company established in the PRC. The addresses of the registered office and the principal place of business in Hong Kong of the Company are 3/F, Outpatient Zone One, Dongguan Kanghua Hospital, Nancheng Street Road, Dongguan, Guangdong Province, PRC and Unit 3207, Metroplaza Tower 2, 223 Hing Fong Road, Kwai Fong, New Territories, Hong Kong, respectively.

The Company and its subsidiaries (collectively referred as the "**Group**") are principally engaged in the provision of hospital services, provision of rehabilitation and other healthcare services, provision of haemodialysis services and provision of elderly healthcare services in the PRC.

The interim condensed consolidated financial information is presented in Renminbi ("**RMB**"), which is also the functional currency of the Company. All values are rounded to the nearest thousand, except when otherwise indicated.

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("**IASB**") as well as with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange. The interim condensed consolidation financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2023.

2. PRINCIPAL ACCOUNTING POLICIES

The interim condensed consolidated financial information have been prepared on the historical cost convention, except for certain financial assets that are measured at fair values.

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following amendments to International Financial Reporting Standards ("**IFRSs**") issued by IASB for the first time for the current period's financial information.

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")
Amendments to IAS 1	Non-current Liabilities with Covenants (the "**2022 Amendments**")
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The nature and the impact of the amendments to IFRSs that are applicable to the Group are described below:

(a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, and ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments had no impact on the Group's interim condensed consolidated financial information.

(b) Amendments to IAS 1 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced whereby an entity must disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments had no impact on the Group's interim condensed consolidated financial information.

3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in (i) provision of hospital services; (ii) provision of rehabilitation and other healthcare services; (iii) provision of haemodialysis services; and (iv) provision of elderly healthcare service.

Revenue

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Recognised over time:		
Hospital services:		
– Inpatient healthcare services	**522,781**	547,443
– Outpatient healthcare services	**319,288**	312,416
– Physical examination services	**38,681**	61,024
Rehabilitation and other healthcare services:		
– Rehabilitation hospital and other healthcare services	**28,302**	32,035
– Rehabilitation centre services and other services	**31,406**	28,706
Haemodialysis services	**37,092**	–
Elderly healthcare services	**6,968**	5,874
Total revenue from contract with customers	**984,518**	987,498

Segment information

Information reported to the executive directors of the Company, being the chief operating decision maker (the "**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of service provided.

During the current interim period, the Group commenced the business of provision of haemodialysis services through the acquisition of 東莞康華血液透析醫療投資管理有限公司 (Dongguan Kanghua Haemodialysis Healthcare Investment Management Co., Ltd.*) ("**Kanghua Haemodialysis**") and its subsidiaries (collectively referred to as the "**Kanghua Haemodialysis Group**"), and it is considered as a new operating and reportable segment by the CODM.

The Group's operating segments are classified as (i) hospital services; (ii) rehabilitation and other healthcare services; (iii) provision of haemodialysis services; and (iv) elderly healthcare services. The details of the Group's operating segments are as follows:

(i)	Hospital services:	Provision of hospital services includes (i) inpatient healthcare services, which generally refer to the treatment of patients who are hospitalised overnight or for an indeterminate period of time; (ii) outpatient healthcare services, which generally refer to the treatment of patients who are hospitalised for less than 24 hours; and (iii) physical examinations services, which generally refer to the clinical examination of individuals for signs of diseases and health advisory services.
(ii)	Rehabilitation and other healthcare services:	Provision of rehabilitation services generally refers to provision of special care services to patients with permanent or long-term physical or mental disabilities. Other healthcare services include elderly healthcare and training services for the disabled.
(iii)	Haemodialysis services:	Provision of haemodialysis services generally refers to treatments that replicate kidney's function to remove wastes in blood for patients with kidney conditions.
(iv)	Elderly healthcare services:	Provision of elderly healthcare services generally refers to assisted living, adult daycare, long-term care, residential care and hospice care to the aged patients.

These operating segments also represent the Group's reportable segments. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating segments:

For the six months ended 30 June 2024 (unaudited)

	Hospital services *RMB'000*	**Rehabilitation and other healthcare services** *RMB'000*	**Haemodialysis services** *RMB'000*	**Elderly healthcare services** *RMB'000*	**Total** *RMB'000*
SEGMENT REVENUE					
External sales	**880,750**	**59,708**	**37,092**	**6,968**	**984,518**
Segment profit	**132,792**	**10,259**	**186**	**3,162**	**146,399**
Other income					**21,154**
Other expenses, gains and losses, net					**(9,888)**
Net provision for impairment losses under the expected credit loss model					**(3,236)**
Administrative expenses					**(140,468)**
Finance costs					**(17,061)**
Loss before tax					**(3,100)**

For the six months ended 30 June 2023 (unaudited)

	Hospital services *RMB'000*	Rehabilitation and other healthcare services *RMB'000*	Elderly healthcare services *RMB'000*	Total *RMB'000*
SEGMENT REVENUE				
External sales	920,883	60,741	5,874	987,498
Segment profit	159,714	9,549	1,731	170,944
Other income				21,179
Other expenses, gains and losses, net				1,122
Net provision for impairment losses under the expected credit loss model				(2,236)
Administrative expenses				(125,617)
Finance costs				(6,361)
Profit before tax				59,081

There were no inter-segment sales during both periods.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of other income, other expenses, gains and losses, net, net provision for impairment losses under the expected credit loss model, administrative expenses and finance costs. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

Except as disclosed above, no other amounts are regularly provided to the CODM of the Group and therefore, no further analysis is presented.

4. OTHER INCOME

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Investment income from structured bank deposits	**4,075**	6,384
Clinical trial and related income	**7,283**	5,303
Fixed operating lease income	**1,883**	1,922
Bank and other interest income	**3,210**	1,576
Local health service income	**1,507**	1,316
Government subsidies	**313**	632
Others	**2,883**	4,046
	21,154	21,179

5. OTHER EXPENSES, GAINS AND LOSSES, NET

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Fair value (loss)/gain on financial assets at fair value through profit or loss ("**FVTPL**")	**(11,400)**	1,718
Net exchange gain/(loss)	**1,815**	(493)
Loss on disposals of property, plant and equipment	**(222)**	(93)
Donations	**(81)**	(10)
	(9,888)	1,122

6. (LOSS)/PROFIT BEFORE TAX

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
(Loss)/profit before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	**53,804**	54,853
Depreciation of right-of-use assets	**21,274**	18,117
Research and development expenditure	**361**	258
Short-term lease expenses	**1,031**	1,445
Variable lease rentals in respect of hospitals	**7,423**	6,399
Cost of inventories recognised as expenses (representing pharmaceutical products and consumables and others used, included in cost of revenue)	**433,976**	433,962

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax		
PRC Enterprise Income Tax (**"EIT"**)		
Provision for the period	**21,864**	28,606
Underprovision of EIT in prior years	**12**	129
	21,876	28,735
Hong Kong Profits Tax		
Provision for the period	**–**	151
	21,876	28,886
Deferred tax	**(319)**	829
	21,557	29,715

Under the Law of the PRC on EIT (the "**EIT Law**") and the Implementation Regulation of the EIT Law, a subsidiary which operates in Mainland China is subject to corporate income tax at a rate of 25% on the taxable income for both periods. Certain subsidiaries of the Group in Mainland China are regarded as "small and micro enterprises" and, accordingly, were entitled to a preferential income tax rate of 5% (six months ended 30 June 2023: 2.5% to 10%) during the current interim period.

No provision for Hong Kong Profits Tax had been made as the Group did not generate any assessable profits in Hong Kong during the six months ended 30 June 2024.

8. DIVIDENDS

No dividends were paid, declared or proposed during the current interim period (six months ended 30 June 2023: nil). The Board has determined that no dividend will be declared and paid in respect of the current interim period (six months ended 30 June 2023: nil).

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on:

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
(Loss)/earnings:		
(Loss)/profit for the period attributable to ordinary equity holders of the Company for the purpose of calculating (loss)/earnings per share	**(19,542)**	50,655

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	**334,394,000**	334,394,000

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2024 and 2023. The diluted (loss)/earnings per share amount is the same as the basic (loss)/earnings per share amount for the six months ended 30 June 2024 and 2023.

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS

During the current interim period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB268,000 (six months ended 30 June 2023: RMB149,000) for cash proceeds of RMB46,000 (six months ended 30 June 2023: RMB56,000), resulting in a loss on disposals of RMB222,000 (six months ended 30 June 2023: RMB93,000).

In addition, during the current interim period, the Group acquired property, plant and equipment and incurred expenditure on construction in progress of RMB24,904,000 and RMB29,188,000 (six months ended 30 June 2023: RMB19,017,000 and RMB63,535,000), respectively, for the purpose of upgrading and expanding the service capacity of the Group's hospital operations and development of new medical facilities.

During the current interim period, the Group entered into new lease agreements for the use of properties in the PRC for 2 years (six months ended 30 June 2023: for the use of properties in the PRC for 2 to 5 years). On commencement of the leases, the Group recognised right-of-use assets and lease liabilities of RMB137,000 (six months ended 30 June 2023: RMB514,000) each relating to those new leases.

In addition, during the current interim period, the Group recognised addition of property, plant and equipment of RMB30,919,000 due to acquisition of subsidiaries. On acquisition date of the subsidiaries, the Group also recognised addition of right-of-use assets of RMB36,143,000 and lease liabilities of RMB36,143,000 for leases of properties for use in the PRC with remaining lease term ranging from 1 to 13 years. Details of the acquisition are disclosed in note 17.

11. GOODWILL

As at 30 June 2024, the net carrying amount of goodwill of the Group represented the goodwill allocated to the cash-generating unit ("**CGU**") of 安徽樺霖醫療投資有限公司 (Anhui Hualin Medical Investment Co., Ltd.) ("**Anhui Hualin**") (the "**Anhui Hualin CGU**") amounted to RMB29,101,000 (31 December 2023: RMB29,101,000) and the CGU of Kanghua Haemodialysis (the "**Kanghua Haemodialysis CGU**") amounted to RMB114,224,000 (31 December 2023: N/A). The Board considered there is no impairment indicator for Anhui Hualin CGU and Kanghua Haemodialysis CGU containing the goodwill and determined that no impairment assessment of the CGUs is required during the current interim period.

12. ACCOUNTS AND OTHER RECEIVABLES

	At 30 June 2024 *RMB'000* **(unaudited)**	At 31 December 2023 *RMB'000* (audited)
Accounts receivable	**327,597**	269,745
Less: Allowance for credit loss	**(15,825)**	(13,015)
Total accounts receivable	**311,772**	256,730
Prepayments to suppliers	**10,597**	8,587
Others	**34,954**	39,341
	45,551	47,928
Less: Allowance for credit loss	**(2,367)**	(2,380)
Total other receivables	**43,184**	45,548
Total accounts and other receivables	**354,956**	302,278

The individual patients of the Group usually settle payments by cash, credit cards, mobile payments or governments' social insurance schemes. For credit card and mobile payments, the banks and counterparties normally settle the amounts approximately 30 days after the transaction date. Payments by governments' social insurance schemes are normally settled by the local social insurance bureau or similar government departments which are responsible for the reimbursement of medical expenses for patients who are covered by the government medical insurance schemes; such settlement ranged from 30 to 180 days from the transaction date. Corporate customers will normally settle the amounts within 90 days after the transaction date by bank transfers. There has been no material change to the above pattern throughout the current and prior interim period.

The following is an ageing analysis of the accounts receivable, net of allowances for credit loss, presented based on the revenue recognition date at the end of the reporting period:

	At 30 June 2024 *RMB'000* **(unaudited)**	At 31 December 2023 *RMB'000* (audited)
Within 30 days	**128,066**	129,662
31 to 90 days	**83,645**	46,880
91 to 180 days	**21,470**	17,256
181 to 365 days	**25,343**	23,170
Over 365 days	**53,248**	39,762
	311,772	256,730

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2024 *RMB'000* **(unaudited)**	At 31 December 2023 *RMB'000* (audited)
Structured bank deposits (*note (i)*)	**365,000**	350,000
Fund investment (*note (ii)*)	**22,000**	34,400
	387,000	383,400
Analysed for reporting purpose as:		
Current assets	**365,000**	350,000
Non-current assets	**22,000**	33,400
	387,000	383,400

Notes:

(i) The Group has structured deposits with commercial banks/financial institutions in the PRC for variable investment returns. All these structured deposits are with maturities of less than six months and the principal is generally renewed when matured.

(ii) In 2021, the Group entered into a partnership agreement with two independent third parties for the establishment of a fund, namely, Guangdong Bosong Kanghua Equity Investment Partnership, L.P. (廣東鉑頌康華股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC. The purpose of the fund is to achieve investment returns and capital appreciation through carrying out investment, investment management and other activities in accordance with PRC laws, business scope under business registration and the partnership agreement. To the extent permitted by the applicable laws, the fund will invest primarily in the fields of medical services, biotechnology, medical equipment, and medical informatics. The initial term of the fund shall be seven years. As at 30 June 2024, the fund had made equity investments in two (31 December 2023: two) unlisted companies and the aggregate carrying amounts of the equity investments was RMB22,000,000 (31 December 2023: RMB33,400,000), which were measured at fair values.

14. ACCOUNTS AND OTHER PAYABLES AND PROVISION

	At 30 June 2024 *RMB'000* **(unaudited)**	At 31 December 2023 *RMB'000* (audited)
Accounts payable	**366,803**	317,263
Accrued expenses	**83,467**	96,093
Receipts in advance (*note*)	**187,109**	197,544
Payables for acquisition of property, plant and equipment	**21,939**	20,615
Other tax payables	**2,761**	3,626
Others	**25,216**	23,959
Other payables	**320,492**	341,837
Sub-total accounts and other payables	**687,295**	659,100
Provision for medical dispute claims	**2,130**	1,222
Total accounts and other payables and provision	**689,425**	660,322

Note: Included in the balance are contract liabilities of RMB78,186,000 (31 December 2023: RMB50,375,000) and advances from the PRC social insurance bureau of RMB108,923,000 (31 December 2023: RMB147,169,000) for the daily hospital operations of the Group.

The credit period of accounts payable is from 30 to 90 days (31 December 2023: 30 to 90 days) from the invoice date.

The following is an aged analysis of accounts payables based on the date of receipt of goods at the end of the reporting period:

	At 30 June 2024 *RMB'000* **(unaudited)**	At 31 December 2023 *RMB'000* (audited)
Within 30 days	**76,160**	93,390
31 to 90 days	**131,183**	125,006
91 to 180 days	**91,811**	58,841
181 to 365 days	**32,311**	15,200
Over 365 days	**35,338**	24,826
	366,803	317,263

15. BANK LOANS

	At 30 June 2024 *RMB'000* **(unaudited)**	At 31 December 2023 *RMB'000* (audited)
Variable rate secured bank loans (*note a*)	**68,975**	288,682
Fixed rate secured loan (*note b*)	**–**	30,143
	68,975	318,825
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**1,000**	31,090
In the second year	**2,000**	33,408
In the third to fifth year, inclusive	**27,000**	107,756
Beyond five years	**38,975**	146,571
	68,975	318,825

Notes:

(a) As at 30 June 2024, the balance consists of one variable rate secured bank loan which carried interest at Loan Prime Rate announced by the National Interbank Funding Center of China (31 December 2023: two variable rate secured bank loans which carried interest at (i) benchmark interest rate for loan offered by the People's Bank of China adjusted annually from the draw down date; and (ii) Loan Prime Rate announced by the National Interbank Funding Center of China). The effective interest rate of the secured bank loans is 4.65% (31 December 2023: ranging from 4.65% to 5.74%) per annum. The bank loan for financing the payment for the phase two medical facility development of Kangxin Hospital was amounted to RMB241,532,000 as at 31 December 2023. The loan was fully repaid during the current interim period. As at 30 June 2024, the main purpose of the remaining loan is to finance the payment for the construction development of the Kanghua Qingxi Healthcare Complex (the Group's elderly medical and healthcare complex development in Qingxi Town, Dongguan City).

As at 30 June 2024 and 31 December 2023, the bank loans were secured with the key terms and securities pledged as follows:

(i) Financial guarantees provided by the Company and Mr. Wang Junyang, the chairman of the Group (31 December 2023: the Company, Mr. Wang Junyang and 東莞市東成石材有限公司 (a company controlled by Dongguan Xingye Group Co., Ltd., a shareholder of the Company) (collectively referred to as the "**Guarantors**"));

(ii) Leasehold land held by a subsidiary of the Company with carrying amount of approximately RMB78,404,000 as at 30 June 2024 (31 December 2023: RMB79,255,000); and

(iii) As at 31 December 2023, the bank loans were secured by the equity shares in Kangxin Hospital held by the Company. The pledged shares were released upon the settlement of relevant bank loans during the current interim period.

(b) As at 31 December 2023, the fixed rate secured loan represented a financing arrangement with Industrial and Commercial Bank of China Leasing Co., Ltd., an independent third party. Pursuant to the arrangement, the Group has transferred legal title of certain items of medical equipment to Industrial and Commercial Bank of China Leasing Co., Ltd., which shall then be leased back for use by the Group. Upon expiry of the lease term, the Group has an option to repurchase these items of medical equipment at a cash consideration of RMB1. At 31 December 2023, the carrying amount of these items of medical equipment was approximately RMB14,387,000, and is guaranteed by the Guarantors.

The transfers of these medical equipment do not satisfy the requirements of IFRS 15 to be accounted for as a sale of assets. The Group continued to recognise the transferred assets under property, plant and equipment and initially recognised a secured loan in an amount equal to the proceeds obtained by the Group. As at 31 December 2023, the loan carried an effective interest rate of 6.74% per annum. During the current interim period, the loan had been fully repaid and the legal title of the medical equipments had been transferred back to the Company.

16. SHARE CAPITAL

	Number of domestic shares *'000*	**Number of H shares** *'000*	**Share capital** *RMB'000*
As at 1 January 2023 (audited), 31 December 2023 (audited) and 30 June 2024 (unaudited)	**250,000**	**84,394**	**334,394**

17. BUSINESS COMBINATION AND ACQUISITIONS

On 15 December 2023, the Company entered into an acquisition agreement with Dongguan YouWang Enterprise Investment Co., Ltd., an independent third party, pursuant to which the Company had agreed to acquire 70% equity interest in Kanghua Haemodialysis Group at a consideration of RMB7,700,000. The acquisition was completed on 9 January 2024 and Kanghua Haemodialysis has since become a non-wholly-owned subsidiary of the Company.

The acquisition has been accounted for using the acquisition method. The interim condensed consolidated financial information includes the results of Kanghua Haemodialysis Group for the period from the completion date of the acquisition to 30 June 2024. The Group has elected to measure the non-controlling interests in Kanghua Haemodialysis Group at the non-controlling interests' proportionate share of the Kanghua Haemodialysis Group's identifiable net liabilities. The amount of goodwill recognised as a result of the acquisition was RMB114,224,000.

18. CAPITAL COMMITMENTS

	At 30 June 2024 *RMB'000* **(unaudited)**	At 31 December 2023 *RMB'000* (audited)
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated financial information	**140,825**	178,778

19. CONTINGENT LIABILITIES

Certain subsidiaries of the Company are involved as defendants in certain medical disputes arising from its normal business operations. Provision has been made for certain medical disputes as disclosed in note 14. With respect to other medical disputes with total claims of RMB15,557,000 (31 December 2023: RMB13,949,000) as at 30 June 2024, the management of the Group believes that the final outcome of such disputes will not have a material impact on the financial position or operations of the Group and the amount of outflow, if any, cannot be determined with sufficient reliability prior to judicial appraisals. Accordingly, no provision is made in this regard.

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL OPERATIONS

The Group is a well-recognised hospital operator and healthcare services provider in the PRC with the mission of "caring for the people and practicing medicine with integrity" (蒼生為念•厚德載醫). The Group operates four major business segments: (i) provision of hospital services; (ii) provision of rehabilitation and other healthcare services; (iii) provision of haemodialysis services; and (iv) provision of elderly healthcare services.

Our hospital services segment comprised three self-owned hospitals. We operate one of the largest private general hospitals in the PRC, namely Dongguan Kanghua Hospital (東莞康華醫院) ("**Kanghua Hospital**"), located in Nancheng District, Dongguan, Guangdong Province. Kanghua Hospital was also one of the first private general hospital in the PRC to attain a Grade A Class III rating under the National Health and Family Planning Commission of the PRC classification system, the highest rating attainable by hospitals in the PRC. Kanghua Hospital offers a continuum of healthcare services to a diverse range of patients, particularly those with critical, complex or rare medical conditions. Kanghua Hospital was awarded the 2023 Top 300 Prefecture-level Urban Hospitals (2023地級城市醫院300強) and 2024 Top 100 Best Hospitals in the Guangdong-Hong Kong-Macao Greater Bay Area (2024粵港澳大灣區最佳醫院100強) during the Reporting Period. We also operate Dongguan Renkang Hospital (東莞仁康醫院) ("**Renkang Hospital**") located in Houjie Town, Dongguan, Guangdong Province, a Grade A Class II private for-profit general hospital servicing the local communities in the surrounding area. Located in Dongguan, Guangdong Province, both hospitals complement each other through patient referrals, technical assistance, multisite practices and research and teaching collaboration. Our presence outside of Guangdong Province is Chongqing Kanghua Zhonglian Cardiovascular Hospital (重慶康心醫院) ("**Kangxin Hospital**"), a specialty hospital in cardiovascular diseases in Chongqing, the PRC.

Our rehabilitation and other related healthcare services segment, with its operations located in Anhui Province, the PRC, mainly consist of two major rehabilitation hospitals, namely, Hefei Kanghua Rehabilitation Hospital (合肥康華康復醫院) and Hefei Jingu Hospital (合肥金谷醫院), a Grade A Class I general hospital, Bengbu Renkang Hospital (蚌埠仁康醫院) and an out-patient centre (these hospitals and out-patient centre represent our rehabilitation hospital and other healthcare services operation), and thirteen rehabilitation centres and one vocational training school (representing our rehabilitation centre services and other services operation). These operations primarily consist of provision of special care services to patients with permanent or long-term physical or mental disabilities and also healthcare and training services for the disabled. These operations signify the Group's offerings into disability rehabilitation services outside of Guangdong Province, and our expansion initiatives and confidence into quality rehabilitation services in the PRC.

Our haemodialysis services segment is principally engaged in the operation of haemodialysis outpatient centres in the PRC. During the Reporting Period, the Group completed the acquisition of 70% equity interest in Dongguan Kanghua Haemodialysis Healthcare Investment Management Co., Ltd.* (東莞康華血液透析醫療投資管理有限公司) and its subsidiaries (collectively referred to as the "**Kanghua Haemodialysis Group**"). The provision of haemodialysis services generally refers to treatments that replicate kidney's function to remove wastes in blood for patients with kidney conditions. The first outpatient centre of the Kanghua Haemodialysis Group commenced operation in 2016. As at the date of this announcement, the Group operates 13 haemodialysis centres, located in Guangzhou (3), Chengdu (3), Shenzhen (1), Foshan (1), Zhongshan (1), Zhuhai (1), Yangjiang (1), Jieyang (1) and Jiangmen (1), serving more than 780 regular haemodialysis patients. In 2023, the haemodialysis outpatient centres had performed more than 90,000 haemodialysis operations. The Kanghua Haemodialysis Group has introduced advanced concepts and technologies from haemodialysis outpatient centres in Singapore and implemented high-quality dialysis and refined chronic disease management. The Kanghua Haemodialysis Group is a pioneer in introducing "harmless dialysis" ("無傷害透析"), which is a protocol significantly more advanced than the prevalent standard in the PRC and has significantly improved the life span and quality of life of kidney patients.

Our elderly healthcare services segment represents the operation of Renkang Elderly Care Centre (仁康護理院). Our comprehensive elderly healthcare centre with a capacity of 108 (31 December 2023: 108) elderly beds located inside Renkang Hospital aims to provide quality high-end elderly care services to local residents in Houjie Town, Dongguan City, the PRC. In view of the accelerating aging population issue in the PRC that leads to the high development potential of the healthcare and elderly care industry, Renkang Elderly Care Centre signifies our Group's presence and extension of our "big health" concept business development.

BUSINESS REVIEW AND OUTLOOK

Business Overview for the six months ended 30 June 2024

In the first half of 2024, the overall economic development in China remained steady, with the gross domestic product (GDP) reaching RMB61.7 trillion, representing a year-on-year increase of 5.0% at constant price, according to data from the National Bureau of Statistics. However, the healthcare industry is still in a critical period of transition and the overall recovery of the healthcare and medical service industry is relatively weak. In 2024 so far, the healthcare industry has continued to evolve rapidly, as the comprehensive reforms in the healthcare system reshape the market and industry participants, the Chinese government is implementing policies aimed at improving healthcare accessibility and affordability, including implementing laws requiring hospitals and healthcare providers to improve price transparency, emphasizing value-based care, reviewing and adjusting payment rates for different Diagnosis-Related Group (DRG) payment groups, expanding insurance coverage and promoting public-private partnerships.

During the Reporting Period, the Group's consolidated revenue amounted to RMB984.5 million (six months ended 30 June 2023: RMB987.5 million), representing a period-on-period decrease of 0.3%, despite the additional revenue of RMB37.1 million generated from our newly acquired haemodialysis services segment in January 2024. The Group recorded a consolidated loss of RMB24.7 million for the Reporting Period as compared to a profit of RMB29.4 million for the same period last year. The loss for the Reporting Period is primarily attributable to (i) the general decline in revenue from the Group's owned hospitals; (ii) our newly acquired haemodialysis services business since January 2024 is still operating at a loss, which added pressure to the Group's overall results; (iii) Kangxin Hospital continues to operate at a loss; and (iv) a fair value loss of approximately RMB11.4 million in relation to our interest in an investment fund.

Our hospital services segment has recorded a revenue for the Reporting Period of RMB880.8 million (six months ended 30 June 2023: RMB920.9 million), representing a period-on-period decrease of 4.4% as compared to same period last year. For the first half of 2024, although the overall patient visits of our hospital services segment recorded an increase of 6.1% as compared to same period of 2023, the Group experienced pressure on patient's average spending across all of our service offerings. The Group's self-owned hospitals (making up our hospital services segment), Kanghua Hospital, Renkang Hospital and Kangxin Hospital have recorded decrease in revenue of 4.3%, 1.3% and 14.6%, respectively.

Our rehabilitation and other related healthcare services segment, through our ownership of 57% equity interest in Anhui Hualin Medical Investment Co., Ltd.* (安徽樺霖醫療投資有限公司) ("**Anhui Hualin**") (Anhui Hualin and its subsidiaries, directly and indirectly holds sponsor interests in the managed and controlled entities, certain of which are private non-enterprise entities in Anhui Province, the PRC, collectively the "**Anhui Hualin Group**"), has recorded revenue for the Reporting Period of RMB59.7 million (six months ended 30 June 2023: RMB60.7 million), representing a period-on-period decrease of 1.7%. Revenue for the Reporting Period from our (i) rehabilitation hospitals and other healthcare services operation; and (ii) rehabilitation centre services and other services operation have decreased by 11.7% and increased by 9.4%, respectively. The decrease in revenue is primarily due to decrease in the inpatient intake and patients average spending at our rehabilitation hospitals, but partly offset by the increase in patient visits at our rehabilitation centres. Although the private rehabilitation market is expanding, driven by an increasing elderly population and shift towards preventive rehabilitation services, however, the competition is also increasingly intense with more private clinics and facilities emerging to meet the demand.

Our haemodialysis services segment, the newly acquired business segment in January 2024, has recorded revenue for the Reporting Period of RMB37.1 million (six months ended 30 June 2023: nil). The demand for haemodialysis service in China had experienced significant growth and development in the last decade, mainly attributable to (i) the rising incidence of chronic kidney disease (CKD) and end-stage renal disease (ESRD) which has increased the demand for dialysis services; (ii) lifestyle changes, urbanization and an aging population; and (iii) the Chinese government has been actively promoting healthcare reforms, including the expansion of dialysis services and policies aimed at improving access to treatment and subsidizing costs for patients are being implemented. As people's income and expectation for quality services increase, patients are seeking alternative options in the private sector for haemodialysis services, where they can enjoy more convenience, flexibility, and personalized care. It is expected that the proportion of patients opting for private sector providers to undergo haemodialysis-related treatments in the PRC will continue to increase. The geographical presence of our haemodialysis out-patient centres aligns with the Group's strategy of expanding and promoting the "Kanghua" brand in the Greater Bay Area. The Kanghua Haemodialysis Group operates in major cities outside of Dongguan, where Kanghua Hospital is located. The acquisition the Kanghua Haemodialysis Group can strengthen the Group's network and visibility in the region. In the opinion of the Directors, the acquisition will create synergies and economies of scale for the Group, as they can leverage on each other's network, resources, expertise and reputation in the healthcare industry.

Our elderly healthcare services segment has recorded a revenue for the Reporting Period of RMB7.0 million (six months ended 30 June 2023: RMB5.9 million), representing a period-on-period increase of 18.6%. As Renkang Elderly Care Centre is currently operating at close to maximum capacity, the increase in revenue for the Reporting Period was mainly due to the improved utilisation and average spending during the Reporting Period. Over the past years, China's elderly care service policies have continued to evolve in response to the growing aging population and the need for diverse care options. The government has been increasingly supportive of private elderly care centers, including (i) allocation of more resources to enhance private elderly care facilities and services, such as grants and incentives for infrastructure development and improvements; (ii) provision of operational subsidies and tax incentives; (iii) stronger emphasis on promoting home-based care; and (iv) efforts to integrate private elderly care services into social security and health insurance systems, making it easier for families to afford private elderly care services.

The Group's Adjusted EBITDA (Adjusted EBITDA is earnings before accounting for bank and other interest income, interest expenses, taxes, depreciation and amortisation, fair value gain/(loss) and investment income from financial assets at FVTPL and net exchange gain/(loss)) recorded a period-on-period decrease of 29.3% to RMB91.3 million (six months ended 30 June 2023: RMB129.2 million). The Group's positive Adjusted EBITDA indicates that the Group's core operations have remained stable, after eliminating the effects of financing, investment-related income, fair value changes of investments, effects of exchange rates, capital expenditures and extraordinary non-cash related losses.

Hospital Services

The Group's self-owned hospitals, namely, Kanghua Hospital (our Grade A Class III standard general hospital), Renkang Hospital (our Grade A Class II standard general hospital) and Kangxin Hospital (our private hospital specializing in cardiovascular discipline), represented our Group's hospital services segment. During the Reporting Period, the key metrics of our financial and operational performance are as follows: (i) the total number of inpatient visits increased to 37,979 (six months ended 30 June 2023: 35,012), representing a period-on-period increase of 8.5%; (ii) the overall average spending per inpatient visit amounted to RMB13,765.0 (six months ended 30 June 2023: RMB15,635.9), representing a period-on-period decrease of 12.0%; (iii) the overall bed utilisation rate increased to 73.2% (six months ended 30 June 2023: 69.8%); (iv) the average length of stay at 6.4 days (six months ended 30 June 2023: 6.6 days); (v) the total number of outpatient visits increased to 757,695 (six months ended 30 June 2023: 718,641), representing a period-on-period increase of 5.4%; (vi) the overall average spending per outpatient amounted to RMB421.4 (six months ended 30 June 2023: RMB434.7), representing a period-on-period decrease of 3.1%; and (vii) the total number of surgical operations decreased slightly to 19,692 (six months ended 30 June 2023: 19,714), representing a period-on-period decrease of 0.1%.

The table below sets forth certain key operational data of the Group's self-owned hospitals of our hospital services segment for the periods indicated:

	For the six months ended 30 June		
	Change	**2024**	2023
Inpatient healthcare services			
Inpatient visits	+8.5%	**37,979**	35,012
Average length of stay *(days)*	-0.2	**6.4**	6.6
Average spending per visit *(RMB)*	-12.0%	**13,765.0**	15,635.9
Outpatient healthcare services			
Outpatient visits	+5.4%	**757,695**	718,641
Average spending per visit *(RMB)*	-3.1%	**421.4**	434.7
Physical examination services			
Physical examination visits	+11.6%	**85,350**	77,376
Average spending per visit *(RMB)*	-43.2%	**448.0**	788.7

Kanghua Hospital

In the first half of 2024, Kanghua Hospital enhanced management efficiency and internal functions. In March 2024, it became a teaching hospital for Guangdong Pharmaceutical University (廣東藥科大學), fostering teaching and clinical internship collaborations. Kanghua Hospital received the 2023 Top 300 Prefecture-level Urban Hospitals (2023地級城市醫院300強) and 2024 Top 100 Best Hospitals in the Guangdong-Hong Kong-Macao Greater Bay Area (2024粵港澳大灣區最佳醫院100強) awards. The hospital's revenue for the period was RMB732.2 million, a 4.3% decrease from the previous period, mainly due to a drop in patients' average spending despite an increase in patient visits.

Renkang Hospital

Renkang Hospital, since becoming a Class II Grade A hospital (二級甲等醫院), has continued to optimize medical services and patient experience through standardized processes and quality management. In the first half of 2024, it hosted several training sessions to improve service efficiency and advanced its Trauma, Chest Pain, and Stroke Centers (創傷中心、胸痛中心、卒中中心). In May 2024, it was designated again as the emergency medical treatment hospital for road traffic accidents (市道路交通事故應急醫療救治定點醫院) by the Dongguan Municipal Health Bureau (東莞市衛生局). The hospital's revenue for the period was RMB114.4 million, a 1.3% decrease from the previous period, mainly due to a drop in patients' average spending despite an increase in patient visits.

Kangxin Hospital

In the first half of 2024, Kangxin Hospital strengthened medical management and revised its rules and regulations. It introduced new departments, including thoracic surgery (胸外科), general surgery (普通外科), and geriatric medicine (老年醫學科), focusing on local community needs. The hospital's revenue for the period was RMB34.2 million, a 14.6% decrease from the previous period, due to recent stringent reforms in the social security system affecting patient spending.

The table below sets forth the revenue contribution by healthcare disciplines of our hospital services segment for the periods indicated:

		For the six months ended 30 June			
Healthcare disciplines	**Change**	**2024** *RMB'000*	**% of revenue of the Group's owned hospitals**	2023 *RMB'000*	% of revenue of the Group's owned hospitals
Cardiovascular related disciplines (心血管有關科室)	-11.9%	**126,900**	**14.4**	144,010	15.6
Internal medicine related disciplines (內科有關科室)	-0.9%	**111,408**	**12.6**	112,435	12.2
O&G related disciplines (婦產科有關科室)	-3.0%	**103,306**	**11.7**	106,499	11.6
General surgery related disciplines (普通外科有關科室)	+3.6%	**63,950**	**7.3**	61,728	6.7
Neurology related disciplines (神經醫學有關科室)	-6.4%	**59,119**	**6.7**	63,175	6.9
Orthopaedics related disciplines (骨科有關科室)	-5.5%	**39,574**	**4.5**	41,844	4.5
Emergency medicine related disciplines (急診有關科室)	-23.5%	**38,329**	**4.4**	50,083	5.4
Nephrology related disciplines (腎臟科有關科室)	+2.0%	**35,214**	**4.0**	34,529	3.7
Oncology related disciplines (腫瘤有關科室)	-6.5%	**33,095**	**3.8**	35,381	3.8
Medical aesthetic related disciplines (醫學美容有關科室)	-2.9%	**23,129**	**2.6**	23,813	2.6
Paediatrics related disciplines (兒童醫學有關科室)	+17.6%	**27,022**	**3.1**	22,975	2.5
Physical examination (體檢科)	-36.6%	**38,681**	**4.4**	61,024	6.6
Other disciplines (其他臨床科室)	+10.8%	**181,023**	**20.5**	163,347	17.7
Total		**880,750**	**100.0**	920,883	100.0

Note: The Group's healthcare disciplines can generally be classified into clinical disciplines and medical technology disciplines. Medical technology disciplines provide diagnostic and treatment support according to the requirements of clinical disciplines from time to time. Revenue derived from services delivered through medical technology disciplines is generally recognised in the relevant clinical disciplines that utilised such services.

In the first half of 2024, the Group performed a total of 19,692 surgeries (six months ended 30 June 2023: 19,714), including 11,561 surgeries (six months ended 30 June 2023: 10,181) with level 3 or level 4 complexities. This represents a period-on-period decrease of 0.1% in total surgeries and an increase of 13.6% in complex surgeries. While the total number of surgeries remained steady, the significant increase in complex surgeries demonstrates the improvements in our medical service quality and capabilities, as well as the growing recognition of our brand and reputation.

During the Reporting Period, the top five revenue-generating disciplines from the Group's hospital services segment accounted for approximately 52.7% of the segment's revenue (six months ended 30 June 2023: 53.0%). With the exception of general surgery, nephrology and pediatrics, revenue decreased across all major disciplines and service offerings. Although the Group recorded an increase in the overall number of patient visits, recent stringent reforms in the social security system, particularly regarding payment rate adjustments and standardized pricing for common procedures, have resulted in a reduction in patients' average spending, and in turn a decline in revenue compared to the same period last year.

VIP Special Services

The Group's special services are high-end healthcare services that extend beyond basic medical services and are specifically catered for more affluent patients who are willing to pay a premium for higher quality and customised services that are not generally available in public hospitals. The Group's special services consist of VIP healthcare services, reproductive medicine, plastic and aesthetic surgery and laser treatment. In the first half of 2024, the total revenue derived from special services amounted to RMB79.5 million (six months ended 30 June 2023: RMB91.6 million), representing a period-on-period decrease of 13.2%.

The table below sets forth the revenue contribution for the Group's special services for the periods indicated:

	Change	For the six months ended 30 June **2024** ***RMB'000***	 2023 *RMB'000*
VIP healthcare services	-12.4%	**53,474**	61,027
Reproductive medicine	-19.8%	**14,465**	18,039
Plastic and aesthetic surgery	+7.6%	**2,373**	2,206
Laser treatment	-10.7%	**9,191**	10,293
Total revenue from special services	-13.2%	**79,503**	91,565

In the first half of 2024, the performance of our VIP healthcare services declined as the number of VIP outpatient visits and average spending per visit decreased as compared with the same period last year. Though the demand (by number of inpatient visits) for our service offerings from Huaxin Building (華心樓) (a complex in Kanghua Hospital dedicated to VIP healthcare services) maintained relatively stable, however, average spending per inpatient visit has significantly decreased. Our revenue from VIP healthcare services (including VIP inpatient and outpatient services and VIP O&G services) was RMB53.5 million for the Reporting Period (six months ended 30 June 2023: RMB61.0 million), representing a period-on-period decrease of 12.4%. The Group believes the decline is related to the staggering economic environment in the Dongguan region.

Our revenue from reproductive medicine decreased to RMB14.5 million (six months ended 30 June 2023: RMB18.0 million), representing a period-on-period decline of 19.8%. This decrease is primarily attributed to the ongoing decline in the general sentiment towards childbirth and the lingering effects of the pandemic.

Rehabilitation and other Healthcare Services

As at 30 June 2024, the Group's rehabilitation and healthcare services segment, represented by Anhui Hualin Group, operates two rehabilitation hospitals, a general hospital, an outpatient center, thirteen rehabilitation centers, and one vocational training school. During the Reporting Period, this segment recorded a revenue of RMB59.7 million (six months ended 30 June 2023: RMB60.7 million), representing a period-one-period decrease of 1.7%.

Anhui Hualin Group employs over 1,040 staff (31 December 2023: 980) and maintains stable cooperation with the Anhui Disabled Persons Federation (安徽省殘疾人聯合會) and local governments for training services for the disabled. It is also a major provider of children's rehabilitation services in Anhui Province. As at 30 June 2024, Hefei Kanghua Rehabilitation Hospital (合肥康華康復醫院) and Hefei Jingu Hospital (合肥金谷醫院) operated a total of 265 registered beds (31 December 2023: 250). During the Reporting Period, the rehabilitation hospitals recorded 13,740 outpatient visits (six months ended 30 June 2023: 11,204) and 2,369 inpatient visits (six months ended 30 June 2023: 2,250).

In the first half of 2024, a full inspection of hemophilia services by the Hefei Municipal Medical Insurance Bureau led to a suspension of these services, significantly impacting revenue. Efforts to restore operations have included promoting special outpatient services, diagnosis and treatment projects, and medical experts, resulting in increased outpatient volume. Notably, traditional Chinese medicine outpatient visits have risen compared to the same period last year.

Inpatient visit growth and revenue have been restrained by social insurance limits and stricter production safety regulations, leading to fewer work-related injury patients. New DRG regulations implemented in 2024 have kept annual social insurance quotas at last year's levels, impacting revenue forecasts. Although efforts have been made to attract patients from new regions in Anhui, patient volume remains limited, pressuring anticipated revenue growth for 2024.

The business environment for children's rehabilitation services remains more favorable than for adults. Measures are being implemented to promote the growth and sustainability of children's rehabilitation centers. The Group continues to monitor the market and seek partnerships with suitable local rehabilitation centers.

During the Reporting Period, revenue from rehabilitation hospitals and other healthcare services decreased by 11.7% to RMB28.3 million (six months ended 30 June 2023: RMB32.0 million), and revenue from rehabilitation center services and other services increased by 9.4% to RMB31.4 million (six months ended 30 June 2023: RMB28.7 million).

Haemodialysis services segment

The Group's haemodialysis services segment represents the operation of haemodialysis outpatient centres in the PRC. During the Reporting Period, the Group completed the acquisition of 70% equity interest in the Kanghua Haemodialysis Group. As at the date of this announcement, the Group operates 13 haemodialysis centres, located in Guangzhou (3), Chengdu (3), Shenzhen (1), Foshan (1), Zhongshan (1), Zhuhai (1), Yangjiang (1), Jieyang (1) and Jiangmen (1), serving more than 780 regular haemodialysis patients. In the first half of 2024 (since its acquisition), the haemodialysis outpatient centres had performed more than 56,000 haemodialysis operations as compared with approximately 41,000 haemodialysis operations with the same period last year, representing a period-on-period growth of over 36.0%.

The Kanghua Haemodialysis Group benefits from a strong recurring patient flow and stable income, as haemodialysis requires ongoing and regular sessions rather than being a one-time treatment. The Group plans to increase its service capacity, thereby expanding its revenue base. For the Reporting Period, the Kanghua Haemodialysis Group generated revenue of RMB37.1 million, which has been consolidated into the Group's interim results. The Board is of the view that the acquisition is expected to enhance the profitability and efficiency of the Kanghua Haemodialysis Group. Although currently loss-making, the haemodialysis services segment is anticipated to generate positive returns for the Company and its Shareholders in the long term.

Elderly Healthcare Services

The Group's elderly healthcare services segment comprised of our comprehensive elderly healthcare centre, the Renkang Elderly Care Centre (仁康護理院), which aims to provide quality high-end elderly care services to local residents in Houjie Town, Dongguan City, the PRC.

In the first half of 2024, Renkang Elderly Care Centre had a total of 108 beds with an average length of stay of 129.6 days (six months ended 30 June 2023: 134.6 days) and recorded total patient visits of 138 (six months ended 30 June 2023: 120). Revenue from the provision of elderly healthcare services for the Reporting Period amounted to RMB7.0 million (six months ended 30 June 2023: RMB5.9 million), representing a period-on-period increase of 18.6%, primarily due to the increase in intake of patients during the Reporting Period. As the operation matures, Renkang Elderly Care Centre continues to gain reputation for its elderly healthcare services in the district. In 2024, the center has placed an emphasis on providing high-quality follow-up services for elderly residents, including traditional Chinese medicine physiotherapy and rehabilitation training. Additionally, the center has strengthened internal management, revising and improving safety protocols and other systems for nursing homes to ensure the standardization and institutionalization of all service aspects. Renkang Elderly Care Centre will continue to focus on enhancing service quality and cooperating with the evaluation process of Guangdong Province's Pension Institution (廣東省養老機構), striving to achieve accreditation as a five-star pension institution.

Industry Outlook and Strategy

China's medical reform is rapidly advancing towards establishing a high-quality and efficient healthcare system with unique Chinese characteristics. As a leading healthcare service provider, the Group embraces these opportunities and challenges by adhering to professional, standardized, and differentiated management services. During the Reporting Period, we focused on enhancing hospital management, improving the quality of comprehensive medical services, and promoting development in standardization, specialization, and branding.

In late June 2024, a national conference on China's health development and healthcare reform discussed topics including public hospital reforms, medicine supply, and social insurance. China aims to improve access to public healthcare services, especially at the primary level, and reduce patients' financial burdens in 2024. The reform tasks include enhancing public healthcare services, developing public hospitals, and reforming medicine-related policies. The current year's reforms will also emphasize medical technological progress, multi-tiered diagnosis and treatment, and digitalized services.

The National Healthcare Security Administration's "Three-Year Action Plan for DRG/DIP Payment Reform" mandates that DRG/DIP Payment will be implemented in all planning areas by the end of 2024 and cover all qualified medical institutions providing inpatient services by the end of 2025. This plan promotes transparency and efficiency in medical insurance, requiring high standards from private medical institutions and attracting patients with long-term and complex illnesses.

For the remainder of 2024, we anticipate that China's hospital reform will focus on:

- *Healthcare Accessibility*: Improving access to services, particularly in rural and underserved areas, by increasing community health centers and enhancing telemedicine.

- *Quality of Care*: Standardizing and improving care quality through stricter regulations and performance evaluations.

- *Integration of Services*: Enhancing integration between primary, secondary, and tertiary healthcare services to improve referral systems and continuity of care.

- *Digital Health*: Prioritizing the adoption of digital technologies, including electronic health records (EHRs) and AI-driven diagnostics, to streamline operations and improve outcomes.

- *Insurance Reforms:* Expanding social insurance coverage and improving reimbursement rates to make medical services more affordable and accessible.

In 2024, our Group intends to leverage industry opportunities through the following measures:

- Implementing the "Comprehensive Improvement of Medical Quality Action Plan (2023–2025)" (全面提升醫療品質行動計劃 (2023–2025) at Kanghua Hospital to strengthen medical quality management.

- Enhancing information technology to improve the quality and efficiency of medical management.

- Building the Kanghua brand to attract high-income patient groups and focus on VIP medical services, emphasizing "high quality, high technology, and high-end service" as growth drivers.

- Accelerating the development of smart hospitals, focusing on electronic medical records and digital transformation to provide more convenient and high-quality smart medical services.

- Increasing personnel training to improve the overall quality of staff.

Future Plans for Material Investments and Capital Assets

The Kanghua Qingxi Healthcare Complex (康華•清溪分院)

The Kanghua Qingxi Healthcare Complex is the Group's new elderly medical and healthcare complex development in Qingxi Town, Dongguan City (the land use rights of a land parcel which was acquired in year 2020), construction work of the main facilities had commenced in 2021. The development involves a comprehensive elderly healthcare medical facility with a particular focus on geriatric patients and rehabilitation, and will further enhance the Group's capability in providing high-end integrated medical care to meet the increasing demand for such services in Guangdong Province, the PRC.

The Kanghua Qingxi Healthcare Complex has a total construction area of more than 130,000 square meters, and the planned architectural content includes several medical technology buildings, inpatient buildings, and nursing buildings, among which we expect there will be 500 inpatient beds and about 800 nursing and rehabilitation beds. The first phase of construction covers the medical technology building, the inpatient building, and the rehabilitation building, with a total construction area of approximately 44,000 square meters. We expect the construction and inspection of the main structure of the buildings for the first phase of the construct to complete by end of 2024, the relevant interior decoration to complete by June 2025, and aim to put the first phase of the project into operation by July 2025. As of 30 June 2024, the total investment in Kanghua Qingxi Healthcare Complex amounted to approximately RMB215.9 million.

Save as disclosed in this announcement, the Group did not have other plans for material investments or capital assets as of the date of this announcement.

FINANCIAL REVIEW

Segment Revenue

The Group generates revenue primarily from: (i) hospital services – provision of healthcare services through its owned hospitals, namely Kanghua Hospital, Renkang Hospital and Kangxin Hospital, comprising inpatient healthcare services, outpatient healthcare services and physical examination services; (ii) rehabilitation and other healthcare services – provision of rehabilitation services to patients with physical or mental disabilities and other healthcare related services including elderly care and training service for the disabled; (iii) haemodialysis services – provision of haemodialysis services, which generally refers to treatments that replicate kidney's function to remove wastes in blood for patients with kidney conditions; and (iv) elderly healthcare services – provision of elderly healthcare services, including assisted living, adult daycare, long-term care, residential care and hospice care to the aged patients.

The following tables below set forth the revenue, costs of revenue, gross profit and gross profit margin of the Group by segment for the periods indicated:

For the six months ended 30 June 2024 (unaudited)

	Hospital services	**Rehabilitation and other healthcare services**	**Haemodialysis services**	**Elderly healthcare services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Revenue	**880,750**	**59,708**	**37,092**	**6,968**	**984,518**
Cost of revenue	**(747,958)**	**(49,449)**	**(36,906)**	**(3,806)**	**(838,119)**
Gross profit	**132,792**	**10,259**	**186**	**3,162**	**146,399**
Gross profit margin	**15.1%**	**17.2%**	**0.5%**	**45.4%**	**14.9%**

For the six months ended 30 June 2023 (unaudited)

	Hospital services	Rehabilitation and other healthcare services	Elderly healthcare services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	920,883	60,741	5,874	987,498
Cost of revenue	(761,169)	(51,192)	(4,143)	(816,504)
Gross profit	159,714	9,549	1,731	170,944
Gross profit margin	17.3%	15.7%	29.5%	17.3%

Revenue from the Group's hospital services amount to RMB880.8 million for the Reporting Period (six months ended 30 June 2023: RMB920.9 million), representing a period-on-period decrease of 4.4%, accounting for 89.5% (six months ended 30 June 2023: 93.3%) of the total revenue of the Group.

Revenue from hospital services comprised (i) revenue from inpatient healthcare services amounted to RMB522.8 million (six months ended 30 June 2023: RMB547.4 million), representing a period-on-period decrease of 4.5%, accounting for 53.1% (six months ended 30 June 2023: 55.4%) of the total revenue of the Group; (ii) revenue from outpatient healthcare services amounted to RMB319.3 million (six months ended 30 June 2023: RMB312.4 million), representing a period-on-period increase of 2.2%, accounting for 32.4% (six months ended 30 June 2023: 31.6%) of the total revenue of the Group; and (iii) revenue from physical examination services amounted to RMB38.7 million (six months ended 30 June 2023: RMB61.0 million), representing a period-on-period decrease of 36.6%, accounting for 3.9% (six months ended 30 June 2023: 6.2%) of the total revenue of the Group. The decrease in revenue from hospital services is primarily attributable to (i) the decline in revenue in all of our major medical disciplines, in particular, the cardiovascular related disciplines, internal medicine related disciplines and O&G related disciplines; (ii) the decrease in patient average spending across all of our service offerings; and (iii) despite the increase in the number of inpatient, outpatient and physical examination visits during the Reporting Period. The decline in average spending is primarily due to downward adjustments in payment rates for different DRG groups and tightened social insurance payment quotas under the Diagnosis-Related Group Incentive Payment (DIP) model implemented by the Ministry of Human Resources and Social Security. Additionally, the significant drop in revenue from physical examinations is due to fewer examination tasks performed per patient during the Reporting Period. Recent reforms and tightened social insurance payments are expected to continue to put a pressure on our revenue growth.

Revenue from rehabilitation and other healthcare services amounted to RMB59.7 million (six months ended 30 June 2023: RMB60.7 million), representing a period-on-period decrease of 1.7%, accounting for 6.1% (six months ended 30 June 2023: 6.2%) of the total revenue of the Group. Anhui Hualin Group is principally engaged in provision of rehabilitation services to the patients with physical or mental disabilities and other healthcare related services including care services for elderly and training services for the disabled. The decrease in revenue is mainly attributable to (i) the suspension of our hemophilia services at our rehabilitation hospitals due to regular inspection by the local government authority; and (ii) recent reforms and policy implementation in payment rates adjustments as well as restrictions on annual social insurance payout quotas.

Revenue from haemodialysis services amounted to RMB37.1 million (six months ended 30 June 2023: nil), accounting for 3.8% (six months ended 30 June 2023: nil) of the total revenue of the Group. The haemodialysis services segment was newly acquired by the Group in January 2024 and is still operating at loss. The Board is optimistic that the haemodialysis services segment will be one of the key revenue drivers of the Group in the medium to long term.

Revenue from elderly healthcare services represents the provision of elderly healthcare services at our Renkang Elderly Care Centre, which amounted to RMB7.0 million (six months ended 30 June 2023: RMB5.9 million), representing a period-on-period increase of 18.6%, accounting for 0.7% (six months ended 30 June 2023: 0.6%) of the total revenue of the Group. The increase in revenue is primarily attributable to higher patient intake during the Reporting Period, increased average spending per patient, and the overall impact of a growing elderly population.

Cost of Revenue

Cost of revenue of the Group's hospital services segment (consisting of inpatient healthcare services, outpatient healthcare services and physical examination services) primarily consisted of pharmaceuticals, medical consumables, staff cost, depreciation, service expenses, utilities expenses, rental expenses and other costs. Cost of revenue of the Group's hospital services segment decreased to RMB748.0 million (six months ended 30 June 2023: RMB761.2 million), representing a period-on-period decrease of 1.7%. The decrease in cost of revenue of our hospital services segment is mainly attributable to the decrease in operation of our hospital services segment with drop in cost of pharmaceuticals and medical consumables, however, partly offset by the increase in direct staff related costs and rental expenses during the Reporting Period. The rise in direct staff-related costs reflects ongoing pressure in staff retention expenses and a shortage of qualified professionals in the market. Additionally, Kangxin Hospital continued to operate at a negative gross margin during the Reporting Period.

Cost of revenue of the Group's rehabilitation and other healthcare services segment amounts to RMB49.4 million (six months ended 30 June 2023: RMB51.2 million), representing a period-on-period decrease of 3.4%, and primarily consisted of staff costs, medical consumables, depreciation, utilities and rental expenses. Staff costs are salaries and benefits for healthcare professionals, including physical therapists, occupational therapists, speech therapists, and nursing staff involved in patient care. Medical consumables are therapeutic supplies associated with purchasing and maintaining rehabilitation equipment (e.g., treadmills, weights, adaptive devices) and consumable supplies. The decrease in the cost of revenue for our rehabilitation and healthcare services segment is primarily due to reduced operations at Hefei Kanghua Rehabilitation Hospital as a result of the suspension of hemophilia services during the Reporting Period.

Cost of revenue of the Group's haemodialysis services segment amounts to RMB36.9 million (six months ended 30 June 2023: nil) and primarily consisted of staff costs, medical consumables, depreciation, utilities and rental expenses. Direct staff costs include expenses related to the salaries and benefits of healthcare professionals, such as nephrologists, nurses, and technicians who provide dialysis treatments. Medical consumables refer to medical supplies and costs associated with the purchases and maintenance of dialysis machines, tubing, filters, and other consumables necessary for each treatment session. Facility overhead such as utility expenses relates to the operational costs of the dialysis centres, including rent, water and electricity and maintenance of the facility. Other costs are expenses related to ancillary services, such as lab tests and cleaning and waste treatment.

Cost of revenue of the Group's elderly healthcare services represents cost of revenue at Renkang Elderly Care Centre amounted to RMB3.8 million (six months ended 30 June 2023: RMB4.1 million), representing a period-on-period decrease of 8.1%, which mainly represent the cost of services including direct staff cost and consumables incurred at the elderly care centre. There were no significant changes in cost of revenue as the centre had been operating at high utilisation.

During the Reporting Period, pharmaceuticals, medical consumables and staff cost accounted for approximately 25.9% (six months ended 30 June 2023: 26.7%), 25.8% (six months ended 30 June 2023: 26.4%) and 34.2% (six months ended 30 June 2023: 33.2%), respectively, of the total cost of revenue of the Group. The proportion of cost of pharmaceuticals and medical consumables as percentage of total cost of revenue recorded a decrease during the Reporting period, which is mainly attributable to the decrease in operations of our outpatient and inpatient healthcare services. Our total staff-related costs, including salaries, bonuses, and other benefits, increased by 6.0% compared to the prior period. This increase is primarily attributable to (i) higher salary levels, retention costs, and a shortage of professional medical staff in the market; and (ii) the impact in acquisition of the Kanghua Haemodialysis Group during the Reporting Period.

Gross Profit and Gross Profit Margin

Total gross profit of the Group amounted to RMB146.4 million (six months ended 30 June 2023: RMB171.0 million), representing a period-on-period decrease of 14.4%. The overall gross profit margin decreased to 14.9% (six months ended 30 June 2023: 17.3%), primarily due to: (i) the decrease in revenue from our hospital services segment; (ii) the decrease in the average patient spending from our inpatient and outpatient healthcare services and physical examination services; (iii) the impact in acquisition of the haemodialysis services business in January 2024; and (iv) the deterioration in financial performance of Kangxin Hospital, notwithstanding it is still operating at a negative gross margin.

Other Income

The other income of the Group primarily consisted of bank and other interest income, investment income from structured bank deposits, government subsidies, fixed operating lease income (rental income), clinical trial and related income and others. In the first half of 2024, other income amounted to approximately RMB21.2 million (six months ended 30 June 2023: RMB21.2 million), representing a period-on-period decrease of approximately 0.1%, primarily attributable to (i) decrease in investment income from structured bank deposits to RMB4.1 million (six months ended 30 June 2023: RMB6.4 million) primarily due to a decrease in amount of structured deposits being placed during the Reporting Period; (ii) decrease in government related subsidies to RMB0.3 million (six months ended 30 June 2023: RMB0.6 million); (iii) an increase in clinical trial and related income to RMB7.3 million (six months ended 30 June 2023: RMB5.3 million); and (iv) an increase in bank and other interest income to RMB3.2 million (six months ended 30 June 2023: RMB1.6 million).

Other Expenses, Gains and Losses

The other expenses, gains and losses of the Group primarily consisted of fair value gain/(loss) on financial assets at FVTPL, loss on disposals of property, plant and equipment, donations and net exchange gain/(loss). In the first half of 2024, other expenses, gains and losses amounted to a net loss of RMB9.9 million (six months ended 30 June 2023: net gain of RMB1.1 million), primarily attributable to (i) a recorded fair value loss on financial assets at FVTPL of RMB11.4 million (six months ended 30 June 2023: fair value gain of RMB1.7 million) in relation to an unrealised fair value loss in an investment fund recognised during the Reporting Period; and (ii) a recorded net exchange gain of RMB1.8 million (six months ended 30 June 2023: net exchange loss of RMB0.5 million) mainly arising from our Hong Kong dollar denominated financial assets.

Net Provision for Impairment Losses under Expected Credit Loss (ECL) Model

During the Reporting Period, impairment losses under expected credit loss model recorded a net provision of RMB3.2 million (six months ended 30 June 2023: RMB2.2 million). The net provision for the Reporting Period is mainly attributable to: (i) an increase in the overall balance of accounts and other receivables at the end of the Reporting Period; and (ii) the effects of increase in the Group's accounts receivable aging and deterioration in credit rating of certain corporate customers and outstanding debts from patients. In the past years, the Group has increased its efforts to recover overdue debts, including recovering receivables from patients through legal actions, as well as tightening credit reviews given to corporate customers.

The Group collectively assesses ECL for the accounts and other receivables, except for accounts receivable from the PRC government's social insurance scheme and certain credit impaired debtors which are assessed for ECL individually. The provision rates are based on internal credit ratings as groupings of various receivables that have similar loss patterns. The collective assessment is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and available without undue costs or effort. At every reporting date, the historically observed default rates are reassessed and changes in the forward-looking information are considered.

The management of the Group closely monitors the credit quality of accounts and other receivables and considers the debts that are neither past due nor impaired to be of a good credit quality. Receivables that were neither past due nor impaired related to the customers and debtors for whom there was no history of default. As part of the Group's credit risk management, the Group uses receivables' aging to assess the impairment for its receivables except for accounts receivables from the PRC government's social insurance schemes and certain credit impaired debtors of which ECL are assessed individually. These receivables consist of a large number of small patients with common risk characteristics that are representative of the patients' abilities to pay all amounts due in accordance with the contractual terms.

Administrative Expenses

The administrative expenses of the Group primarily consisted of staff costs, repairs and maintenance expenses, office expenses, depreciation and amortisation, rental expenses, utilities expenses, entertainment and travelling expenses and other expenses. In the first half of 2024, administrative expenses amounted to RMB140.5 million (six months ended 30 June 2023: RMB125.6 million), representing a period-on-period increase of approximately 11.8%, primarily due to (i) the increase in administrative staff related costs due to rise in general salary level and the impact in acquisition of the haemodialysis services business in January 2024; (ii) the increase in rental expenses and property management expenses during the Reporting Period; and (iii) increase in repair and maintenance expenses as well as other major administrative expenses including office expenses and entertainment and travelling expenses.

Finance Costs

Finance costs for the Reporting Period amounted to RMB17.1 million (six months ended 30 June 2023: RMB6.4 million), representing a period-on-period increase of 168.2%. Finance costs for the Reporting Period represents (i) interest on bank loans raised of RMB18.7 million (six months ended 30 June 2023: RMB8.4 million), during the Reporting Period, one of the Group's major bank loan was repaid in full (part of the repayment was replaced by an advance from the Company's immediate holding company, Kanghua Group) and the related remaining unamortised bank arrangement fee of approximately RMB11.7 million was charged to profit or loss on a one-off basis; (ii) interest on loan from Kanghua Group of RMB0.6 million (six months ended 30 June 2023: nil); (iii) the interest element relating to lease liabilities charged to profit or loss during the Reporting Period of RMB4.0 million (six months ended 30 June 2023: RMB4.1 million); and (iv) less the amount of interest capitalised in the cost of qualifying assets of RMB6.2 million (six months ended 30 June 2023: RMB6.1 million).

Income Tax Expenses

The income tax expenses of the Group primarily consisted of PRC enterprise income tax, Hong Kong Profits Tax and deferred tax. In the first half of 2024, income tax expenses amounted to RMB21.6 million (six months ended 30 June 2023: RMB29.7 million), representing a period-on-period decrease of approximately 27.5%. The subsidiaries of the Group in the PRC are generally subject to income tax rate of 25% on their respective taxable income. The decrease in income tax expenses was primarily due the decrease in profits generated at Kanghua Hospital during the Reporting Period.

(Loss)/Profit for the Period

The Group recorded loss for the Reporting Period amounting to RMB24.7 million (six months ended 30 June 2023: profit of RMB29.4 million), and loss attributable to the shareholders amounting to RMB19.5 million (six months ended 30 June 2023: profit of RMB50.7 million).

Adjusted EBITDA

The (loss)/profit for the period is the primary performance indicator of the Group, which reflects the totality of the Group's performance based on IFRS and has been discussed in the management discussion in this announcement. The relevant disclosures on Adjusted EBITDA are intended to provide an additional measure for investors to understand the Group's core operating performance based on elimination of impact that the management considers is not reflective of the core operations of the Group.

The following table sets out the reconciliation from (loss)/profit before tax to Adjusted EBITDA and explanation notes:

		For the six months ended 30 June	
		2024	2023
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
(Loss)/profit for the period		**(24,657)**	29,366
Add: Income tax expenses		**21,557**	29,715
(Loss)/profit before tax (IFRS measure)		**(3,100)**	59,081
Add: Finance costs	(i)	**17,061**	6,361
Add: Depreciation of right-of-use assets	(i)	**21,274**	18,117
Add: Depreciation of property, plant and equipment	(i)	**53,804**	54,853
EBITDA (non-IFRS measure)		**89,039**	138,412
Add: Fair value loss/(gain) on financial assets at FVTPL	(ii)	**11,400**	(1,718)
Less: Investment income from structured bank deposits	(iii)	**(4,075)**	(6,384)
Less: Exchange (gain)/loss	(iv)	**(1,815)**	493
Less: Bank and other interest income	(v)	**(3,210)**	(1,576)
Adjusted EBITDA (non-IFRS measure)		**91,339**	129,227

Notes:

(i) EBITDA (represents earnings before interest, taxes, depreciation and amortization) is an additional tool for users of the financial information to understand the cash profit generated by the Group's operations, by eliminating the impact of taxes, cost of debts (finance costs) and non-cash depreciation of right-of-use assets and property, plant and equipment. EBITDA can also represent the financial outcome of operating management decisions by eliminating the impact of non-operating management decisions, such as tax expenses, interest expenses and depreciation, and enables to assess the substantive profitability of the Group net of expenses dependent on financing decisions, tax strategy, and discretionary depreciation schedules.

(ii) Fair value loss/(gain) on financial assets at FVTPL represents fair value changes of investments held by the Group. As part of the Group's cash management policy to manage excess cash, the Group purchased investment products from financial institutions or invest into funds to achieve higher interest income without interfering with the business operations or capital expenditures. Such investment products or investment funds held by the Group does not form part of the Group's core business operations and subject to fair value changes from time to time with fair value gains or losses recognised in the consolidated statement of profit or loss. In the opinion of the Directors, such gains or losses associated with the investment is not reflective of the daily business operations of the Group, and removal of such gains or losses would enable the users of the financial information to better understand the core operating performance of the Group.

(iii) Investment income from structured bank deposits represents investment income earned by the Group which primarily includes interest income from structured bank deposits purchased by the Group. As part of the Group's cash management policy to manage excess cash, the Group purchased investment products from financial institutions to achieve higher interest income without interfering with the business operations or capital expenditures. Such structured bank deposits do not form part of the Group's core business operations. In the opinion of the Directors, the income associated with the structured bank deposits is not reflective of the daily business operations of the Group, and the removal of such income would enable the users of the financial information to better understand the core operating performance of the Group.

(iv) Exchange (gain)/loss represents the financial impact in movements of exchange rates primarily on the Group's bank balances and fixed bank deposits which are denominated in Hong Kong dollars. Other than the bank balances and fixed bank deposits, the Group does not have other significant foreign currency denominated financial assets and liabilities. In the opinion of the Directors, such exchange gains or losses associated with bank balances and fixed bank deposits are not reflective of the daily business operations of the Group, and the removal exchange gains or losses would enable the users of the financial information to better understand the core operating performance of the Group.

(v) Bank and other interest income primarily represents interest income from bank deposits from the savings accounts. In the opinion of the Directors, such interest income is not reflective of the daily business operations of the Group, and the removal of such interest income would enable the users of the financial information to better understand the core operating performance of the Group.

FINANCIAL POSITION

Property, Plant and Equipment, Right-of-use assets and Deposits Paid for Acquisition of Property, Plant and Equipment

During the Reporting Period, the Group acquired property, plant and equipment and incurred expenditure on construction in progress of RMB24.9 million and RMB29.2 million (six months ended 30 June 2023: RMB19.0 million and RMB63.5 million), respectively, mainly for the purpose of (i) upgrading and expanding the service capacity of our hospital operations; (ii) construction cost incurred at Phase II medical facility at our Kangxin Hospital; and (iii) the construction for the development of our Kanghua Qingxi Healthcare Complex.

As at 30 June 2024, the Group had right-of-use assets of RMB299.5 million (31 December 2023: RMB284.3 million) which includes leasehold lands of RMB214.5 million (31 December 2023: RMB216.7 million) and leasehold land and buildings relating to leases of RMB85.1 million (31 December 2023: RMB67.6 million). During the Reporting Period, the Group entered into new lease agreements for the use of properties in the PRC for 2 years and is required to make fixed monthly payments. In relation to such leases, the Group recognised right-of-use assets and lease liabilities of RMB0.1 million (six months ended 30 June 2023: RMB0.5 million).

During the Reporting Period, the Group recognized an addition of RMB30.9 million in property, plant, and equipment due to the acquisition of subsidiaries. On the acquisition date, the Group also recognized an addition of RMB36.1 million in right-of-use assets and RMB36.1 million in lease liabilities for properties in the PRC, with remaining lease terms ranging from 1 to 13 years.

As at 30 June 2024, the Group had deposits paid for acquisition of property, plant and equipment amounting to RMB40.5 million (31 December 2023: RMB36.2 million). The deposits mainly represent deposits paid for construction cost of Phase II medical facility at our Kangxin Hospital and amount paid for acquisition of new medical equipment and other new facilities as the Group continues to upgrade its medical facilities and expand its operation capacity.

Other Asset

Other asset represented a brand introduction fee paid by the Group to procure the introduction of the "Artemed" brand by Silver Mountain to Kangxin Hospital under a management arrangement with Silver Mountain in 2022 ("**Management Arrangements**"). Details of the Management Arrangements are set out in the Company's announcement dated 23 May 2022. Pursuant to the Management Arrangements, Silver Mountain shall provide a series of services with a view to improving and optimising the operations of Kangxin Hospital including the introduction of a German medical group "Artemed" to Kangxin Hospital to participate in daily management and operations, overseas and domestic resources, research capabilities, clinical achievement transformation, policy innovation, cooperation with medical colleges, key scientific construction, medical informatics, medical payment system, quality control, expert collaboration and cost control. The "Artemed" license holder has granted Kangxin Hospital for a non-exclusive right to use Artemed brand in Mainland China.

Accounts and Other Receivables

The account receivables of the Group primarily consisted of balances due from social insurance funds, certain corporate customers and individual patients. As at 30 June 2024, accounts receivables amounted to RMB311.8 million (31 December 2023: RMB256.7 million), of which 67.9% (31 December 2023: 68.8%) were aged within 90 days. Average accounts receivables turnover days for the Reporting Period is 52.3 days (31 December 2023: 43.5 days). The increase in accounts receivables and accounts receivable turnover days was primarily due to the increase in balance due from social insurance funds and other government authorities, and certain corporate customers, as well as impact in acquisition of the haemodialysis services business in January 2024. As at 30 June 2024, the Group has carried out credit assessment on its accounts and other receivables and a net provision of impairment loss of RMB3.2 million (six months ended 30 June 2023: RMB2.2 million) has been charged to profit or loss during the Reporting Period.

The other receivables of the Group primarily consisted of prepayments to suppliers and others. As at 30 June 2024, total other receivables amounted to RMB43.2 million (31 December 2023: RMB45.5 million) and primarily comprised (i) prepayments to suppliers of RMB10.6 million (31 December 2023: RMB8.6 million); and (ii) other receivables comprising prepayments to other non-trade suppliers, security deposits and other prepaid expenses and others amounted to RMB35.0 million (31 December 2023: RMB39.3 million), which is offset by a net provision expected for credit loss of RMB2.4 million (31 December 2023: RMB2.4 million).

Accounts and Other Payables and Provision

The accounts and other payables and provision of the Group primarily consisted of accounts payable, accrued expenses, receipts in advance, payables for acquisition of property, plant and equipment, provision for medical dispute claims, other tax payables and others. At 30 June 2024, accounts and other payables and provisions increased to RMB689.4 million (31 December 2023: RMB660.3 million) primarily attributable to: (i) an increase in accounts payable to RMB366.8 million (31 December 2023: RMB317.3 million) mainly due impact in acquisition of the haemodialysis services business in January 2024; (ii) a decrease of accrued expenses to RMB83.5 million (31 December 2023: RMB96.1 million); (iii) a decrease in receipt in advance to RMB187.1 million (31 December 2023: RMB197.5 million) which mainly represents temporary funds received from social insurance fund; and (iv) an increase in payables for acquisition of property, plant and equipment to RMB21.9 million (31 December 2023: RMB20.6 million); and (v) an increase in provision for medical dispute claims to RMB2.1 million (31 December 2023: RMB1.2 million), comprising a net provision for the Reporting Period of RMB3.2 million (six months ended 30 June 2023: RMB3.3 million).

Net Current Assets and Net Assets

As at 30 June 2024, the Group recorded net current assets of RMB188.1 million (31 December 2023: RMB328.8 million) and net assets position of RMB1,427.2 million (31 December 2023: RMB1,497.5 million).

LIQUIDITY AND CAPITAL RESOURCES

Financial Resources

As at 30 June 2024, the Group continued to maintain a good financial position with cash and cash equivalents of RMB105.9 million (31 December 2023: RMB305.2 million), fixed bank deposits of RMB65.1 million (31 December 2023: RMB63.4 million) and restricted bank balances of RMB1.7 million (31 December 2023: RMB2.7 million). The Group continues to generate steady cash flow from operations. Taking into account sufficient cash and bank balances, in the opinion of the directors of the Company, the Group will have adequate and sufficient liquidity and financial resources to meet the working capital requirement of the Group for at least the next twelve months following the end of the Reporting Period.

As at 30 June 2024, as part of the Group's cash management activities, the Group had investments (classified as financial assets at FVTPL) in aggregate of RMB387.0 million (31 December 2023: RMB383.4 million), primarily consisting of, (i) a fund investment of RMB22.0 million (31 December 2023: RMB34.4 million). In 2021, the Group entered into a partnership agreement with two independent third parties for the establishment of a fund, namely, Guangdong Bosong Kanghua Equity Investment Partnership, L.P. (廣東鉑頌康華股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC. The purpose of the fund is to achieve investment returns and capital appreciation through carrying out investment, investment management and other activities in accordance with PRC laws, business scope under business registration, and the partnership agreement. To the extent permitted by the applicable laws, the fund will invest primarily in the fields of medical services, biotechnology, medical equipment, and medical informatics. The initial term of the fund shall be seven years. As at 30 June 2024, the fund had made equity investments in two (31 December 2023: two) unlisted companies and the aggregate carrying amounts of the equity investments was RMB22.0 million (31 December 2023: RMB34.4 million), which were measured at fair values. During the Reporting Period, the Group recognised a fair value loss of RMB11.4 million (six months ended 30 June 2023: nil) in relation to fund investment; and (iii) structured short-term bank deposits of RMB365.0 million (31 December 2023: RMB350.0 million), representing low-risk structured investment products issued by commercial banks in the PRC for variable investment returns. Majority of these structured deposits are with maturities of less than six months and the principal is generally renewed when matured.

As part of the Group's cash management policy to manage excess cash, the Group purchases investment products from financial institutions to achieve higher interest income without interfering with business operations or capital expenditures. The Group carefully balances the risks and returns associated with the investment products when making the investment decisions. The senior management of the Group is closely involved in scrutinizing any decision of the Group to purchase investment products. The investment products should generally satisfy the following criteria, including: (i) its term should generally not exceed one year; (ii) it should not interfere with the Group's business operations or capital expenditures; (iii) it should be issued by a reputable bank which the Group has a long-term relationship, preferably exceeding five years; and (iv) the underlying investment portfolio should generally be low risk.

Cash Flow Analysis

The table below sets forth the information as extracted from the condensed consolidated statement of cash flows of the Group for the periods indicated:

		For the six months ended 30 June	
	Change	**2024**	2023
		RMB'000	*RMB'000*
Net cash flow from operating activities	-22.0%	**48,783**	62,571
Net cash flow (used in)/from investing activities	N/A	**(49,824)**	18,351
Net cash flow used in financing activities	+228.0%	**(198,102)**	(60,406)
Net (decrease)/increase in cash and cash equivalents		**(199,143)**	20,516

Net cash flow from operating activities

During the Reporting Period, the net cash flow from operating activities amounted to RMB48.8 million (six months ended 30 June 2023: RMB62.6 million), representing a period-on-period decrease of 22.0%, which is primarily attributable to the deterioration of our performance in adjusted EBITDA and loss for the Reporting Period.

Net cash flow (used in)/from investing activities

During the Reporting Period, the net cash flow used in investing activities amounted to RMB49.8 million (six months ended 30 June 2023: net cash flow from of RMB18.4 million), which is primarily attributable to (i) a recorded net purchase of financial assets at FVTPL of RMB15.0 million (six months ended 30 June 2023: net proceed from disposal of financial assets at FVTPL of RMB187.5 million); (ii) net cash flow from acquisition of the Kanghua Haemodialysis Group of RMB6.1 million (six months ended 30 June 2023: nil); (iii) a decrease in purchase of property, plant and equipment to RMB36.9 million (six months ended 30 June 2024: RMB77.9 million); and (iv) an increase in deposits paid for acquisition of property, plant and equipment to RMB12.1 million (six months ended 30 June 2024: RMB4.4 million).

Net cash flow used in financing activities

During the Reporting Period, the net cash flow used in financing activities amounted to RMB198.1 million (six months ended 30 June 2023: RMB60.4 million), which is primarily attributable to (i) new bank loan raised of RMB21.8 million (six months ended 30 June 2023: RMB30.7 million); (ii) the Group has net repayment to non-controlling shareholders of subsidiaries of RMB75.1 million (six months ended 30 June 2023: RMB26.9 million); (iii) repayment of bank loans of RMB283.4 million (six months ended 30 June 2023: RMB16.3 million); and (iv) advance from the Company's immediate holding company, Kanghua Group of RMB177.0 million (six months ended 30 June 2023: nil).

Significant Investment, Acquisition and Disposal

On 15 December 2023, the Company entered into an acquisition agreement with Dongguan YouWang Enterprise Investment Co., Ltd., an independent third party, pursuant to which the Company had agreed to acquire 70% equity interest in Kanghua Haemodialysis and its subsidiaries (Kanghua Haemodialysis Group) at a consideration of RMB7.7 million. The acquisition was completed on 9 January 2024 and Kanghua Haemodialysis has since become a non-wholly-owned subsidiary of the Company.

The acquisition has been accounted for using the acquisition method. The interim condensed consolidated financial information include the results of Kanghua Haemodialysis Group for the period from the acquisition date to 30 June 2024. The Group has elected to measure the non-controlling interests in Kanghua Haemodialysis Group at the non-controlling interests' proportionate share of the Kanghua Haemodialysis and Group's identifiable net liabilities. The amount of goodwill arising as a result of the acquisition was RMB114.2 million.

Save as disclosed in this announcement, the Group had no significant investment, acquisition or disposal during the Reporting Period.

Cash Management Activities

As part of the Group's cash management, the Group has from time to time purchased investment products (structured bank deposits) issued by a reputable PRC commercial bank with terms ranging from 7 days to 189 days and investment funds to achieve higher interest income without interfering with business operations or capital expenditures. The investment products are not rated by any credit rating agency but is classified as low-risk by the issuing bank and may involve liquid listed securities. The Group carefully balances the risks and returns associated with the investment products when making the investment decisions. The senior management of the Group is closely involved in scrutinizing any decision of the Group to purchase investment products. Furthermore, the Group has also invested in investment fund and equity investment fund for the purpose of generating long-term investment returns. It has been the strategy of the Group to explore new potential investments projects and capital market investments in order to diversify business risk as well as broaden income source and spectrum of the Group and eventually maximizing shareholders' values. The Company considers that these investment funds involve scopes that covers quality capital market stocks and high value-added health industries which are in line with PRC's development trajectories in the healthcare and technology space which is highly relevant to the Group's core business. The Directors consider that, through appropriate market screening of investment projects by the funds, they will in the long term be a reasonable investment of the Company and potentially facilitate the Group's entry into the relevant healthcare space and establishing strategic cooperation with relevant players in the market.

Capital Expenditure

The Group regularly makes capital expenditures to expand its operations, maintain its medical facilities and improve its operating efficiency. Capital expenditure primarily consists of purchases of property, plant and equipment. The capital expenditure of the Group during the Reporting Period was RMB54.1 million (six months ended 30 June 2023: RMB82.6 million). The Group has financed its capital expenditure mainly through cash flows generated from operating activities and bank loans.

USE OF PROCEED FROM THE INITIAL PUBLIC OFFERING

The Company's H shares were listed on the Stock Exchange on 8 November 2016. The Company's net proceeds from the initial public offering of its H shares amounts to approximately RMB782.6 million (equivalently to approximately HK$874.9 million) after deducting underwriting commissions and all related expenses. The net proceeds from the initial public offering have been and will be utilised in accordance with the purposes set out in the prospectus of the Company dated 27 October 2016 (the **"Prospectus"**).

Up to 30 June 2024, of the net proceeds from the initial public offering, (i) RMB78.3 million, representing approximately 10% of the net proceeds, have been fully utilised and used as general working capital; (ii) RMB134.7 million, representing approximately 17.2% of the net proceeds, have been utilised and used on expansion of our current operations and upgrading our hospital's facilities; and (iii) RMB208.8 million, representing approximately 26.7% of the net proceeds, have been utilised and used for acquisition and potential acquisition of businesses. As at 30 June 2024, out of the balance of the unutilised net proceeds of RMB360.8 million, part of such proceeds have been used to purchase certain financial products (classified as financial assets at FVTPL) or placed in fixed bank deposits to achieve higher interest income and capital return without interfering with our business operations or capital expenditures to earn better return on our excess cash balance, and the remaining balance have been kept at the bank accounts of the Group (included in bank balances and cash). As at the date of this announcement, the Company does not anticipate any material change to its plan on the use of proceeds as stated in the Prospectus.

INDEBTEDNESS

Bank Loans

As at 30 June 2024, the Group had secured bank loans of carrying amount of RMB69.0 million (31 December 2023: RMB318.8 million). During the Reporting Period, the bank loan facility in respect to the development of the Phase II medical facility and financing the operations of Kangxin Hospital (being the RMB420.0 million fixed asset facility agreement (固定資產借款合同) and RMB200.0 million financial leasing agreement (融資租賃合同)) was fully repaid and cancelled.

As at 30 June 2024, the Group had one bank loan facility of RMB330.0 million for the purpose of constructing the Kanghua Qingxi Healthcare Complex, and up to 30 June 2024, RMB69.0 million has been drawn down. The principal agreements underlying the bank loan facility were as follows:

(i) a RMB330.0 million fixed asset facility agreement (固定資產貸款合同) with Bank of Dongguan Co., Ltd. and carried an interest rate at the LPR (Loan Prime Rate) (貸款基礎利率) offered by the People's Bank of China plus 0.5%, which was fixed at the drawn down date;

(ii) guarantees by the Company and Mr. Wang Junyang, the chairman of the Group; and

(iii) pledge of leasehold land held by the Group.

In connection with the bank loan facility above, Mr. Wang Junyang, the chairman of the Group, provided guarantees and undertakings in favour of the relevant lender. The financial assistance provided by Mr. Wang Junyang is exempted from the connected transaction requirements under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**") by virtue of Rule 14A.90.

Amount Due to Immediate Holding Company and Non-Controlling Shareholder of a Subsidiary

As at 30 June 2024, the Group had an amount due to the Company's immediate holding company of RMB177.6 million (31 December 2023: nil). During the Reporting Period, the Group had repaid a bank loan in full amounted to RMB283.4 million in respect of a bank loan facility granted to Kangxin Hospital for the development of the Phase II medical facility and financing the operations of Kangxin Hospital. A portion of the funds used for the repayment was sourced from the Group's internal operating cash flows, while the remaining balance of RMB177.0 million was obtained through an advance from the Company's immediate holding company, Kanghua Group. The advance is unsecured, bears interest at 3.7% per annum, and is due within two years from the drawdown date. This advance is exempt from the connected transaction requirements under Chapter 14A of the Hong Kong Listing Rules, pursuant to Rule 14A.90.

As at 30 June 2024, the Group had an amount due to non-controlling shareholder of a subsidiary of RMB134.3 million (31 December 2023: nil). During the Reporting Period, the Group completed the acquisition of 70% equity interest in Kanghua Haemodialysis Group, and as of the acquisition date, the Kanghua Haemodialysis Group had an amount due to the vendor, namely Dongguan YouWang Enterprise Investment Co., Ltd.* (東莞市優旺實業投資有限公司) (the "**Vendor**"), representing a shareholder's loan of approximately RMB203.8 million to Kanghua Haemodialysis. Pursuant to the acquisition agreement, the Vendor had agreed that it would not require repayment of such shareholder's loan after completion and would continue to provide such shareholder's loan for the benefit of the Kanghua Haemodialysis Group until Kanghua Haemodialysis has sufficient cash resources and the board of directors of the Kanghua Haemodialysis considers appropriate to repay such shareholder's loan. In view of the loss-making position of Kanghua Haemodialysis Group, the Directors expect that financial assistance of up to RMB100 million within one year from the completion date may be required from the Group, which will primarily be used: (i) to support the ongoing operations of Kanghua Haemodialysis Group; (ii) for the capital expenditure of medical equipment and expansion plans (if any); and/or (iii) for the repayment of debt obligations of the Kanghua Haemodialysis Group as and when the board of directors of Kanghua Haemodialysis considers appropriate. During the Reporting Period, the Group advanced RMB86.8 million to Kanghua Haemodialysis, of which RMB75.1 million was used for repayment to the Vendor, with the remaining amount supporting the ongoing operations of Kanghua Haemodialysis Group. The amount due to non-controlling shareholder of a subsidiary was unsecured, non-interest bearing, and not due within one year from the end of the Reporting Period, and has therefore been classified as non-current liabilities as of 30 June 2024.

Contingent Liabilities

The Group is subject to legal proceedings and claims in the ordinary of business primarily arising from medical disputes brought by patients. Provision for medical disputes is made based on the status of potential and active claims outstanding as at the end of the relevant period, and primarily taking into account any judicial appraisal or court determination against the Group. As at 30 June 2024, except for those disputes with provision made, the total stated claim amount of the Group's on-going medical disputes was approximately RMB15.6 million (31 December 2023: RMB13.9 million) and there were certain medical disputes without claim amount stated. Based on the Group's assessment, as at 30 June 2024, approximately RMB2.1 million (31 December 2023: RMB1.2 million) had been provided and included in accounts and other payables and provisions of the Group.

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

Pledge of Assets

As at 30 June 2024, leasehold land (included in right-of-use assets) with net carrying amount of RMB78.4 million (31 December 2023: RMB79.3 million) had been pledged to secure a banking facility granted to the Group. At 31 December 2023, certain property, plant and equipment of the Group with net carrying amount of RMB14.4 million (30 June 2024: nil) had been pledged to secure a banking facility granted to the Group.

Capital Commitments

The capital commitments of the Group were primarily attributable to construction costs relating to the expansion and renovation of the Group's medical facilities. As at 30 June 2024, the capital commitments in respect of property, plant and equipment contracted for but not provided in the condensed consolidated financial information were RMB140.8 million (31 December 2023: RMB178.8 million).

Financial Instruments

The Group's financial instruments primarily consisted of accounts and other receivables, financial assets at FVTPL, fixed bank deposits, bank balances and cash, restricted bank balances, accounts and other payables, amounts due to immediate holding company and a non-controlling shareholder of a subsidiary, bank loans and lease liabilities. The management of the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Exposure to fluctuation in Exchange rates

The proceeds raised by the Company in its initial public offering of its H Shares is denominated in Hong Kong dollars. The Group deposits certain of its financial assets in Hong Kong dollars, and is mainly exposed to fluctuation in exchange rates of Hong Kong dollars against RMB. The Group is therefore exposed to foreign exchange risk.

The Group has not used any derivatives financial instruments to hedge against its exposure to currency risk. The management manages the currency risk by closely monitoring the movement of the foreign currency rates and will consider hedging significant foreign currency exposure should such need arise.

Gearing Ratio

As at 30 June 2024, the Group's gearing ratio (total interest-bearing bank loans divided by total equity and multiplied by 100%) was 4.8% (31 December 2023: 21.3%).

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEMES

The Group's comprehensive staff remuneration policy comprise basic salary determined with reference to the individual's position, seniority and length of service, performance bonus determined with reference to the metrics specific to the individual's job function and other benefits. The Group regularly benchmarks against available market data and adjusts its remuneration structure with a view to remaining competitive. As at 30 June 2024, the Group had a total of 4,231 (31 December 2023: 3,946) full-time staff. Total staff related costs for the Reporting Period (excluding directors' and supervisors' emoluments) amounted to approximately RMB336.3 million (six months ended 30 June 2023: RMB311.6 million). The Group endeavours to ensure that the compensation level of its employees remains competitive and in line with market conditions and its employees are appropriately rewarded based on their performance within the general framework of the Group's salary and bonus system.

The Group provides structured training and education programmes to enable its staff to consistently deliver high quality services. These programmes aim to equip the staff with a sound foundation of the medical principles and knowledge as well as practical skills in their respective practice area and foster a high standard of practice, organisation capability and vigilant attitude. Regular internal and external mandatory trainings are organised for medical staff to keep them abreast of the latest development in healthcare. From time to time, the Group identifies and sponsors its staff with high development potential to undertake further studies and professional training in prestigious academic institutions and participate in industry conventions. Medical teams also benefit from the experience and knowledge exchange during seminars and sharing sessions regularly held. The Group encourages medical staff to apply for professional and technical qualifications and enrol in specialised training programmes and assessments from time to time, including induction training for new employees, development training for young and middle-aged core talent, medical service quality training and management training for young core talent, with a view to ensuring that their relevant professional competencies meet the required standards. Through various training and education programmes, the Group also aims to foster a proactive risk reporting culture among staff, which is important in the early detection of clinical failure and damage control.

INTERIM DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Hong Kong Listing Rules as its own code of conduct regarding Directors' and supervisors' securities transactions. Having made specific enquiries of all Directors and supervisors, each of the Directors and supervisors has confirmed that he or she has complied with the required standards as set out in the Model Code during the Reporting Period.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company had complied with all applicable code provisions contained in Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Hong Kong Listing Rules during the Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, save as disclosed above, the Group did not have any other significant event after the Reporting Period.

REVIEW OF INTERIM RESULTS

The Company's audit committee has reviewed the Group's interim results for the six months ended 30 June 2024 and has opined that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made by the Company.

The Company's audit committee consists of three independent non-executive Directors, Mr. Chan Sing Nun (the chairman of the audit committee), Mr. Yeung Ming Lai and Dr. Chen Keji. Among them, Mr. Chan Sing Nun (a certified public accountant accredited by the Hong Kong Institute of Certified Public Accountants) has the appropriate professional qualifications.

The auditor of the Company has also reviewed the Group's interim results for the six months ended 30 June 2024 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

Save as disclosed in this announcement, there has been no change in information required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules since the date of the 2023 annual report of the Company.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE HONG KONG LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Hong Kong Listing Rules.

PUBLICATION OF THE 2024 CONDENSED CONSOLIDATED INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kanghuagp.com). The 2024 interim report of the Company containing all the information required by the Hong Kong Listing Rules will be dispatched (if necessary) to the shareholders of the Company and made available on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our appreciation to the management team and staff of the Group for their contribution and also to extend my sincere gratitude to all our shareholders and business partners for their continuous support.

By order of the Board
Guangdong Kanghua Healthcare Group Co., Ltd.*
WANG Junyang
Chairman

Hong Kong
30 August 2024

As at the date of this announcement, the Board comprises:

Executive Directors:
Mr. Wang Junyang *(Chairman)*
Mr. Chen Wangzhi *(Chief executive officer)*
Mr. Wong Wai Hung *(Vice chairman)*
Ms. Wang Aiqin

Independent non-executive Directors:
Dr. Chen Keji
Mr. Yeung Ming Lai
Mr. Chan Sing Nun

Non-executive Director:
Mr. Lv Yubo

This announcement contains forward-looking statements relating to the business outlook, estimates of financial performance, forecast business plans and growth strategies of the Group. These forward-looking statements are based on information currently available to the Group and are stated herein on the basis of the outlook at the time of this announcement. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond control of the Group. These forward-looking statements may prove to be incorrect and may not be realized in the future. Underlying these forward-looking statements are a large number of risks and uncertainties. In light of the risks and uncertainties, the inclusion of forward-looking statements in this announcement should not be regarded as representations by the Board or the Company that the plans and objectives will be achieved. Furthermore, this announcement also contains statements based on the Group's management accounts, which have not been audited or reviewed by the Group's auditor. Shareholders and potential investors should therefore not place undue reliance on such statements.

* *English translated name for identification purpose only.*