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 2023

FINANCIAL HIGHLIGHTS

- Revenue for the Reporting Period increased by 14.5% to RMB987.5 million (six months ended 30 June 2022: RMB862.7 million).

- Profit for the Reporting Period amounted to RMB29.4 million (six months ended 30 June 2022: Loss of RMB22.3 million).

- Profit for the period attributable to owners of the Company amounted to RMB50.7 million (six months ended 30 June 2022: Loss of RMB4.8 million).

- Earnings per share amounted to RMB15.1 cents (six months ended 30 June 2022: Loss per share of RMB1.4 cents).

- Adjusted Earnings Before Interest, Taxes, Depreciation and Amortisation# ("**Adjusted EBITDA**") for the Reporting Period increased by 98.1% to RMB129.2 million (six months ended 30 June 2022: RMB65.2 million).

- The Board does not recommend payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 Co., Ltd.* (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 2023 (the "**Reporting Period**") together with the comparative figures for the corresponding period in 2022.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited) (restated)
Revenue	3	**987,498**	862,722
Cost of revenue		**(816,504)**	(774,199)
Gross profit		**170,994**	88,523
Other income	4	**21,179**	28,795
Other expenses, gains and losses, net	5	**1,122**	691
Net provision for impairment losses under the expected credit loss model		**(2,236)**	(2,991)
Administrative expenses		**(125,617)**	(115,340)
Finance costs		**(6,361)**	(8,550)
Profit/(loss) before tax	6	**59,081**	(8,872)
Income tax expense	7	**(29,715)**	(13,399)
Profit/(loss) and total comprehensive income/(loss) for the period		**29,366**	(22,271)
Profit/(loss) and total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		**50,655**	(4,771)
Non-controlling interests		**(21,289)**	(17,500)
		29,366	(22,271)
Earnings/(loss) per share			
Basic *(RMB cents)*	9	**15.1**	(1.4)
Diluted *(RMB cents)*	9	**15.1**	(1.4)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	NOTES	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited) (restated)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**1,113,383**	1,085,833
Right-of-use assets	10	**302,313**	319,916
Goodwill		**29,101**	29,101
Other asset		**18,917**	19,417
Deposits paid for acquisition of property, plant and equipment		**12,887**	58,073
Financial assets at fair value through profit or loss	12	**36,000**	82,449
Total non-current assets		**1,512,601**	1,594,789
CURRENT ASSETS			
Inventories		**76,376**	86,746
Accounts and other receivables	11	**337,308**	281,183
Financial assets at fair value through profit or loss	12	**350,000**	490,000
Restricted bank balances		**35,486**	2,279
Fixed bank deposits		**61,638**	–
Bank balances and cash		**285,016**	264,337
Total current assets		**1,145,824**	1,124,545
CURRENT LIABILITIES			
Accounts and other payables and provision	13	**651,720**	717,811
Amount due to non-controlling shareholders of subsidiaries		**–**	26,861
Bank loans – due within one year	14	**30,930**	28,822
Lease liabilities		**44,496**	41,610
Tax payables		**26,094**	19,881
Total current liabilities		**753,240**	834,985
NET CURRENT ASSETS		**392,584**	289,560
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,905,185**	1,884,349

	NOTES	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited) (restated)
NON-CURRENT LIABILITIES			
Bank loans – due after one year	14	**265,774**	252,111
Lease liabilities		**84,410**	107,375
Deferred tax liabilities		**11,164**	10,335
Total non-current liabilities		**361,348**	369,821
NET ASSETS		**1,543,837**	1,514,528
EQUITY			
Share capital	15	**334,394**	334,394
Reserves		**1,215,268**	1,164,613
Equity attributable to owners of the Company		**1,549,662**	1,499,007
Non-controlling interests		**(5,825)**	15,521
TOTAL EQUITY		**1,543,837**	1,514,528

NOTES:

1. GENERAL INFORMATION AND BASIS OF PREPARATION

廣東康華醫療股份有限公司 (Guangdong Kanghua Healthcare Co., Ltd.*) (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, 1000 Dongguan Avenue, Dongguan, Guangdong Province, the 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 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 Appendix 16 to the Rules Governing the Listing of Securities on 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 2022.

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 2022, except for the adoption of the following new and amendments to International Financial Reporting Standards ("**IFRSs**") issued by IASB for the first time for the current period's financial information.

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules

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

(a) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of 1 January 2023. The amendments are not expected to have any significant impact on the Group's interim condensed consolidated financial information.

(b) Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are applied to transactions related to leases and decommissioning obligations at 1 January 2022, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations.

The impacts and changes in accounting policies on application of the amendments are summarised below:

Accounting policies of taxation (extract)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and at the time of the transaction does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and at the time of the transaction does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Transition and summary of effects

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The effects of the changes in accounting policy as a result of application of the amendments to IAS 12 which were applied on retrospectively on the interim condensed consolidated statement of profit or loss and other comprehensive income and earnings/(loss) per share, are as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Impact on profit/(loss) and total comprehensive income/(loss) for the period		
Increase in income tax expense	**1,257**	669
Decrease/increase in profit/(loss) and total comprehensive income/(loss) for the period	**1,257**	669
Decrease/increase in profit/(loss) and total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	**1,161**	615
Non-controlling interests	**96**	54
	1,257	669
Impact on basic and diluted earnings/(loss) per share		
Basic and diluted earnings/(loss) per share before adjustments	**15.5**	(1.2)
Net adjustments arising from change in accounting policy in relation to deferred tax impact on leasing transactions	**(0.4)**	(0.2)
Reported basic earnings/(loss) per share	**15.1**	(1.4)

The effects of the changes in accounting policy as a result of application of the amendments to IAS 12 which were applied on retrospectively on the condensed consolidated statement of financial position as at the end of the immediately preceding financial year, i.e. 31 December 2022, are as follows:

	At 31 December 2022 (Originally stated)	**Adjustments**	**At 31 December 2022 (Restated)**
	RMB'000	*RMB'000*	*RMB'000*
Total effects on net assets			
Deferred tax liabilities	(22,356)	12,021	(10,335)
Total effects on equity			
Non-controlling interests	14,638	883	15,521
Equity attributable to owners of the Company	1,487,869	11,138	1,499,007
	1,502,507	12,021	1,514,528

The effects of the changes in accounting policy as a result of application of the amendments to IAS 12 which were applied on retrospectively on the condensed consolidated statement of financial position as at the beginning of the comparative period, i.e. 1 January 2022, are as follows:

	At 1 January 2022 (Originally stated)	**Adjustments**	**At 1 January 2022 (Restated)**
	RMB'000	*RMB'000*	*RMB'000*
Total effects on net assets			
Deferred tax liabilities	(23,207)	13,473	(9,734)
Total effects on equity			
Non-controlling interests	47,590	1,000	48,590
Equity attributable to owners of the Company	1,426,837	12,473	1,439,310
	1,474,427	13,473	1,487,900

Except as described above, the application of the new and other amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in the 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; and (iii) provision of elderly healthcare services.

Revenue

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Recognised over time:		
Hospital services:		
– Inpatient healthcare services	**547,443**	444,340
– Outpatient healthcare services	**312,416**	315,637
– Physical examination services	**61,024**	46,766
Rehabilitation and other healthcare services:		
– Rehabilitation hospital and other healthcare services	**32,035**	22,600
– Rehabilitation centre services and other services	**28,706**	26,816
Elderly healthcare services	**5,874**	6,563
Total revenue from contract with customers	**987,498**	862,722

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.

The Group's operating segments are classified as (i) hospital services; (ii) rehabilitation and other healthcare services; and (iii) 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)	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.

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 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**	**170,994**
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**

For the six months ended 30 June 2022 (unaudited)

	Hospital services *RMB'000*	Rehabilitation and other healthcare services *RMB'000*	Elderly healthcare services *RMB'000*	Total *RMB'000*
SEGMENT REVENUE				
External sales	806,743	49,416	6,563	862,722
Segment profit	81,169	5,121	2,233	88,523
Other income				28,795
Other expenses, gains and losses, net				691
Net provision for impairment losses under the expected credit loss model				(2,991)
Administrative expenses				(115,340)
Finance costs				(8,550)
Loss before tax				(8,872)

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	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Investment income from financial assets at fair value through profit loss ("**FVTPL**")	**6,384**	7,907
Clinical trial and related income	**5,303**	3,919
Fixed operating lease income	**1,922**	2,383
Bank and other interest income	**1,576**	946
Local health service income	**1,316**	1,202
Government subsidies	**632**	789
Vaccine-related income	**–**	5,793
COVID-19 related rent concession	**–**	3,691
Others	**4,046**	2,165
	21,179	28,795

5. OTHER EXPENSES, GAINS AND LOSSES, NET

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Fair value gain/(loss) on financial assets at FVTPL	**1,718**	(2,361)
Net exchange (loss)/gain	**(493)**	3,076
Loss on disposals of property, plant and equipment	**(93)**	(14)
Donations	**(10)**	(10)
	1,122	691

6. PROFIT/(LOSS) BEFORE TAX

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit/(loss) before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	**54,853**	57,008
Depreciation of right-of-use assets	**18,117**	18,127
Research and development expenditure	**258**	563
Short-term lease expenses	**1,445**	1,421
Variable lease rentals in respect of hospitals	**6,399**	3,029
Cost of inventories recognised as expenses (representing pharmaceutical products and consumables and others used, included in cost of revenue)	**433,962**	394,965

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
		(restated)
PRC Enterprise Income Tax ("**EIT**")		
Current tax	**28,606**	12,887
Under/(over)provision of EIT in prior years	**129**	(4)
	28,735	12,883
Hong Kong Profits Tax		
Current tax	**151**	–
	28,886	12,883
Deferred tax	**829**	516
	29,715	13,399

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 2.5% to 10% (six months ended 30 June 2022: 2.5% to 10%) during the current interim period.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of the qualifying group entity are taxed at 8.25% and profits above HK$2,000,000 are taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime are taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax for the qualifying group entity is calculated at 8.25% on the first HK$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2,000,000.

8. DIVIDENDS

No dividends were paid, declared or proposed during the current interim period (six months ended 30 June 2022: nil). The directors of the Company have determined that no dividend will be declared and paid in respect of the current interim period (six months ended 30 June 2022: nil).

9. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on the profit/(loss) for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 334,394,000 (six months ended 30 June 2022: 334,394,000) in issue during the period.

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
		(restated)
Earnings/(loss):		
Profit/(loss) for the period attributable to ordinary equity holders of the Company for the purpose of calculating earnings/(loss) per share	**50,655**	(4,771)

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) 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 2023 and 2022. The diluted earnings/(loss) per share amount is the same as the basic earnings/(loss) per share amount for the six months ended 30 June 2023 and 2022.

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 RMB149,000 (six months ended 30 June 2022: RMB24,000) for cash proceeds of RMB56,000 (six months ended 30 June 2022: RMB10,000), resulting in a loss on disposals of RMB93,000 (six months ended 30 June 2022: RMB14,000).

In addition, during the current interim period, the Group acquired property, plant and equipment and incurred expenditure on construction in progress of RMB19,017,000 and RMB63,535,000 (six months ended 30 June 2022: RMB48,911,000 and RMB29,798,000), 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 renewed or entered into new lease agreements for the use of properties in the PRC for 2 to 5 years (six months ended 30 June 2022: 2 to 5 years). The Group is required to make fixed monthly payments. On commencement of the leases, the Group recognised right-of-use assets and lease liabilities of RMB514,000 (six months ended 30 June 2022: RMB1,918,000) each relating to those new leases.

11. ACCOUNTS AND OTHER RECEIVABLES

	At 30 June 2023 *RMB'000* **(unaudited)**	At 31 December 2022 *RMB'000* (audited)
Accounts receivable	**292,398**	241,558
Less: Allowance for credit loss	**(12,729)**	(11,939)
Total accounts receivable	**279,669**	229,619
Prepayments to suppliers	**10,570**	19,315
Deposit for acquisition of additional interest in a non-wholly owned subsidiary *(note)*	**16,200**	–
Others	**33,819**	34,569
	60,589	53,884
Less: Allowance for credit loss	**(2,950)**	(2,320)
Total other receivables	**57,639**	51,564
Total accounts and other receivables	**337,308**	281,183

Note: On 5 May 2023, the Company entered into an acquisition agreement with Dongguan Jiade Healthcare Investment Co., Ltd. (東莞嘉德醫療投資有限公司) ("**Dongguan Jiade**"), the non-controlling shareholder of 40% equity interest of Kangxin Hospital (as defined in note 14), pursuant to which the Company has agreed to acquire the 40% interest in Kangxin Hospital from Dongguan Jiade at a consideration of RMB108.0 million. Upon completion, Kangxin Hospital will become a wholly-owned subsidiary of the Company. Details of which are set out in the Company's announcements dated 5 May 2023 and 24 May 2023. As at the date of this announcement, the acquisition has not yet completed.

The individual patients of the Group would usually settle payments by cash, credit cards or governments' social insurance schemes. For credit card payments, the banks will normally settle the amounts approximately 30 days after the transaction date. Payments by governments' social insurance schemes will normally be 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 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.

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 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Within 30 days	**128,293**	103,728
31 to 90 days	**46,805**	64,322
91 to 180 days	**47,894**	15,189
181 to 365 days	**19,038**	16,829
Over 365 days	**37,639**	29,551
	279,669	229,619

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Structured bank deposits *(note (i))*	**350,000**	490,000
Fund investment *(note (ii))*	**36,000**	18,000
Portfolio investment fund *(note (iii))*	**–**	64,449
	386,000	572,449
Analysed for reporting purpose as:		
Current assets	**350,000**	490,000
Non-current assets	**36,000**	82,449
	386,000	572,449

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) During the year ended 31 December 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 pursuant to the partnership agreement. 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 2023, the fund had made equity investments in two (31 December 2022: two) unlisted companies and the carrying amount of the equity investments was RMB36,000,000 (31 December 2022: RMB18,000,000), which were measured at fair values.

(iii) The Group has a portfolio investment fund as part of the Group's cash management activities. The underlying portfolio of which includes a mixture of shares that are primarily listed in Hong Kong. The portfolio investment fund was maintained by a discretionary fund manager and measured at fair value. As at 31 December 2022, the Group intended to invest in the fund for long-term purposes and the portfolio investment fund was classified as non-current assets, and measured at fair value. During the current interim period, the Group changed its investment strategy and redeemed the fund.

13. ACCOUNTS AND OTHER PAYABLES AND PROVISION

	At 30 June 2023 *RMB'000* **(unaudited)**	At 31 December 2022 *RMB'000* (audited)
Accounts payables	**313,990**	348,810
Accrued expenses	**85,324**	106,224
Receipts in advance *(note)*	**185,891**	197,085
Payables for acquisition of property, plant and equipment	**27,618**	36,607
Other tax payables	**2,357**	3,669
Others	**34,114**	24,182
Other payables	**335,304**	367,767
Sub-total accounts and other payables	**649,294**	716,577
Provision for medical dispute claims	**2,426**	1,234
Total accounts and other payables and provision	**651,720**	717,811

Note: Included in the balance are contract liabilities of RMB47,461,000 (31 December 2022: RMB42,961,000) and advances from the PRC social insurance bureau of RMB138,430,000 (31 December 2022: RMB154,124,000) for the daily hospital operations of the Group.

The credit period of accounts payables is from 30 to 90 days (31 December 2022: 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 2023 *RMB'000* **(unaudited)**	At 31 December 2022 *RMB'000* (audited)
Within 30 days	**92,160**	94,494
31 to 90 days	**139,064**	124,444
91 to 180 days	**41,948**	77,870
181 to 365 days	**18,893**	26,086
Over 365 days	**21,925**	25,916
	313,990	348,810

14. BANK LOANS

	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Variable rate secured bank loans *(note a)*	**262,655**	243,004
Fixed rate secured loan *(note b)*	**34,049**	37,929
	296,704	280,933
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**30,930**	28,822
In the second year	**31,249**	29,139
In the third to fifth year, inclusive	**99,055**	87,257
Beyond five years	**135,470**	135,715
	296,704	280,933

Notes:

(a) As at 30 June 2023, the Group had two variable rate secured bank loans which carried interest at (i) benchmark interest rate for loan offered by the People's Bank of China ("**Benchmark Interest Rate**") adjusted annually from the draw down date; and (ii) Loan Prime Rate announced by the National Interbank Funding Center of China (31 December 2022: one variable rate secured bank loan which carried interest at Benchmark Interest Rate adjusted annually from the draw down date). The effective interest rate of the secured bank loans is 5.7% (31 December 2022: 5.81%) per annum. The main purposes of the loans are to finance the payments for the phase two medical facility development of 重慶康華眾聯心血管病醫院有限公司 (Chongqing Kanghua Zhonglian Cardiovascular Hospital Co., Ltd.) ("**Kangxin Hospital**") and the construction development of the Kanghua Qingxi Healthcare Complex (the Group's new elderly medical and healthcare complex development in Qingxi Town, Dongguan City on a land parcel which was acquired in 2020 and the construction work of the main facilities had commenced in 2021).

As at 30 June 2023 and 31 December 2022, the bank loans were secured with the key terms and securities pledged as follows:

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

(ii) share pledges over the equity shares in Kangxin Hospital held by the Company and Dongguan Jiade; and

(iii) leasehold land held by a subsidiary of the Company (31 December 2022: nil).

(b) As at 30 June 2023 and 31 December 2022, 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. As at 30 June 2023, the carrying amount of these items of medical equipment was approximately RMB17,094,000 (31 December 2022: RMB21,040,000), 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 and initially recognised a secured loan in an amount equal to the proceeds obtained by the Group. The loan carried an effective interest rate of 6.74% (31 December 2022: 6.74%) per annum and would be settled with quarterly instalments until September 2027.

15. SHARE CAPITAL

	Number of domestic shares *'000*	**Number of H shares** *'000*	**Share capital** *RMB'000*
As at 1 January 2022 (audited), 31 December 2022 (audited) and 30 June 2023 (unaudited)	**250,000**	**84,394**	**334,394**

16. CAPITAL COMMITMENTS

	At 30 June 2023 ***RMB'000*** **(unaudited)**	At 31 December 2022 *RMB'000* (audited)
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the condensed consolidated financial information	**219,458**	262,531

17. CONTINGENT LIABILITIES

Certain subsidiaries of the Group are involved as defendant in certain medical disputes arising from its normal business operations. Except for those disputes with provision made as disclosed in note 13, the management of the Group believes that the final result of other medical disputes with total claims of RMB12,110,000 (31 December 2022: RMB13,983,000) as at 30 June 2023 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

BUSINESS REVIEW AND OUTLOOK

Business Overview for the six months ended 30 June 2023

The year 2023 marks the first year of implementation of the guiding principles of the 20th CPC National Congress, and a crucial year for the advancement of China's "14th Five-Year Plan". From the initial recovery to relaxations of COVID-19 controls in late 2022 and complete lifting of pandemic measures in 2023, there has been insufficient and lack of growth momentum in the economy. China's economy showed moderate signs of recovery across different sectors. The three-year pandemic has transformed the healthcare industry in China, in particular, medical service providers and all levels of the supply chain in the healthcare market are undergoing critical transformation as well as facing cyclical changes.

Since the beginning of 2023, national and local governments have launched a series of measures to stimulate consumption. From the beginning of year 2023, the government has introduced a series of supportive policies for the development of the healthcare industry. In the first half of 2023, our business has shown signs of recovery with overall patient visits regaining a growing momentum. From March 2023, as all pandemic restrictions were removed, demand for medical services were released, and the volume of patient visits have grown significantly. During the Reporting Period, the Group's consolidated revenue amounted to RMB987.5 million (six months ended 30 June 2022: RMB862.7 million), representing a period-on-period increase of 14.5%. The Group recorded a consolidated profit of RMB29.4 million for the Reporting Period as compared to a loss of RMB22.3 million for the same period last year. In 2023, we are committed to offering better service quality, more patient centric focused and comprehensive healthcare services by enhancing our service offerings and strengthening patients trust and recognition of the Kanghua brand.

In the first half of 2023, our hospital services segment recorded an increase in revenue of 14.1% as compared to same period last year. The Group's self-owned hospitals (making up our hospital services segment), namely Dongguan Kanghua Hospital (康華醫院) ("**Kanghua Hospital**"), Dongguan Renkang Hospital (仁康醫院) ("**Renkang Hospital**") and Chongqing Kanghua Zhonglian Cardiovascular Hospital (康心醫院) ("**Kangxin Hospital**") have recorded changes in revenue of increase of 17.1%, decrease of 11.5% and increase of 77.2%, respectively.

Our rehabilitation and other 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 directly and indirectly (through its wholly-owned subsidiaries, collectively the "**Anhui Hualin Group**") holds sponsor interests in the managed and controlled entities, certain of which are private non-enterprise entities in Anhui Province, the PRC), has recorded revenue for the Reporting Period of RMB60.7 million (six months ended 30 June 2022: RMB49.4 million), representing a period-on-period increase of 22.9%. Our rehabilitation and other healthcare services segment primarily consists of our 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), thirteen rehabilitation centres and one vocational training school (representing our rehabilitation centre services and other services operation). For the first half of 2023, revenue from our (i) rehabilitation hospitals and other healthcare services operation; and (ii) rehabilitation centre services and other services operation have increased by 41.7% and 7.0%, respectively. The increases in revenue are primarily due to increase in the patient intake of our rehabilitation hospitals, the continual expansion of our rehabilitation centres network and recovery from the impact of the pandemic and removal related restrictive measures.

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 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. Revenue from our elderly healthcare services segment decreased by 10.5%, primarily due to drop in elder patient intake during the Reporting Period.

The Group's consolidated profit for the Reporting Period amounted to RMB29.4 million (six months ended 30 June 2022: loss of RMB22.3 million). The profit for the Reporting Period as compared to loss in the corresponding period last year is mainly attributable to: (i) the increase in revenue and profit recorded at Kanghua Hospital, due to the increase in the number of inpatient and outpatient visits as a result of the relaxation of pandemic related measures and recovery of the hospital operation; (ii) the strong revenue growth at Kangxin Hospital for the Reporting Period; (iii) the growth in revenue from our rehabilitation hospitals operation; and (iv) the increase in overall operating margin from 10.3% for the six months ended 30 June 2022 to 17.3% for the Reporting Period.

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 increase of 98.1% to RMB129.2 million (six months ended 30 June 2022: RMB65.2 million), which indicates that the Group's core operation remained solid, 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, Renkang Hospital and Kangxin Hospital, represent our Group's hospital services segment. During the Reporting Period, the Group recorded upward recovery in the key metrics of our financial and operational performance. Our key operating performance indicators are as follows: (i) the total number of inpatient visits increased to 35,012 (six months ended 30 June 2022: 29,761), representing a period-on-period increase of 17.6%; (ii) the overall average spending per inpatient visit amounted to RMB15,635.9 (six months ended 30 June 2022: RMB14,930.3), representing a period-on-period increase of 4.7%; (iii) the overall bed utilisation rate increased to 69.8% (six months ended 30 June 2022: 61.2%); (iv) the average length of stay at 6.6 days (six months ended 30 June 2022: 6.7 days); (v) the total number of outpatient visits increased to 718,641 (six months ended 30 June 2022: 692,141), representing a period-on-period increase of 3.8%; (vi) the overall average spending per outpatient amounted to RMB434.7 (six months ended 30 June 2022: RMB456.0), representing a period-on-period decrease of 4.7%; and (vii) the total number of surgical operations increased to 19,714 (six months ended 30 June 2022: 17,826), representing a period-on-period increase of 10.6%.

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	**2023**	2022
Inpatient healthcare services			
Inpatient visits	+17.6%	**35,012**	29,761
Average length of stay *(days)*	-0.1	**6.6**	6.7
Average spending per visit *(RMB)*	+4.7%	**15,635.9**	14,930.3
Outpatient healthcare services			
Outpatient visits	+3.8%	**718,641**	692,141
Average spending per visit *(RMB)*	-4.7%	**434.7**	456.0
Physical examination services			
Physical examination visits	+7.1%	**77,376**	72,278
Average spending per visit *(RMB)*	+21.9%	**788.7**	647.0

Kanghua Hospital

In 2023, Kanghua Hospital continued to focus on improving its management efficiency by strengthening various mechanisms and following clear and rational rules and principles for all management tasks. The hospital and each department are committed to conducting and complying with stringent evaluation work according to the relevant standards with the aim to pass the Class III Grade A re-evaluation by the end of 2023. The hospital also enhanced its management standards in medical technology application and cooperated with external parties to promote its brand and reputation through joint interviews, manuscript and short-video clips sharing, and other methods. Kanghua Hospital was also awarded the 2022 China Hospital Competitiveness Top 300 Prefectural-level City Hospitals (2022中國醫院競爭力地級城市醫院300強) during the Reporting Period. During the Reporting Period, Kanghua Hospital recorded a revenue of RMB765.0 million (six months ended 30 June 2022: RMB653.2 million), representing a period-on-period increase of 17.1%. The increase in revenue is mainly driven by the growth in the number of patient visits during the Reporting Period.

Renkang Hospital

Renkang Hospital successfully passed the Class II Grade A accreditation review in the first half of 2023. Since becoming a Class II Grade A hospital, Renkang Hospital has strictly followed the relevant standards and rules, striving to maintain the accreditation and improve its medical capabilities and quality standards. Moreover, Renkang Hospital has advanced the construction of the Trauma Center. In June 2023, the Municipal Health and Health Bureau conducted a pre-evaluation of the establishment of a "Provincial Level 4 Trauma Center" and gave positive feedback. In 2023, Renkang Hospital will continue to optimize its medical services and enhance patient experience, adhering to a patient-centric approach, focusing on medical safety, standardizing medical service behavior, streamlining medical service processes and strengthening medical quality management. During the Reporting Period, Renkang Hospital recorded a revenue of RMB115.9 million (six months ended 30 June 2022: RMB131.0 million), representing a period-on-period decrease of 11.5%. The decrease in revenue was mainly attributable to the decline in the number of outpatient visits as the pandemic receded and fewer patients sought medical treatment for fever and vaccination services at Renkang Hospital, which was one of Renkang Hospital's revenue drivers over the past few years.

Kangxin Hospital

In the first half of 2023, Kangxin Hospital has continued to strengthen its medical management, adhere to the two-level management responsibilities of the hospital and each department, revise and improve its rules and regulations, optimize its medical process, establish assessment and evaluation methods, and gradually implement the medical target responsibility system. These measures aim to enhance the level of medical management and ensure medical quality and safety. Kangxin Hospital will also implement employee performance management and foster a culture of efficiency management among departments. To address the issue of low social insurance claims ratio, the hospital will explore the reform of Diagnosis Related Groups (DRGs) medical insurance payment methods, enhance external communication and coordination, and strengthen internal refined management, striving to improve its efficiency.

In the first half of 2023, Kangxin Hospital has organized the third and fourth international cardiovascular disease forums, inviting local and overseas experts in the field of cardiovascular diseases to gather in Chongqing and exchange the latest medical technologies, diagnostic methods and treatment options in cardiovascular diseases. The forums not only promoted and improved the diagnosis and treatment of cardiovascular diseases, but also increased the publicity and brand recognition of Kangxin Hospital in the local community. During the Reporting Period, Kangxin Hospital recorded a revenue of RMB40.0 million (six months ended 30 June 2022: RMB22.6 million), representing a period-on-period increase of 77.2%.

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

Healthcare disciplines	Change	For the six months ended 30 June **2023** *RMB'000*	**% of revenue of the Group's owned hospitals**	2022 *RMB'000*	% of revenue of the Group's owned hospitals
Cardiovascular related disciplines (心血管有關科室)	+51.2%	**144,010**	**15.6**	95,242	11.8
Internal medicine related disciplines (內科有關科室)	+17.9%	**112,435**	**12.2**	95,339	11.8
O&G related disciplines (婦產科有關科室)	-6.6%	**106,499**	**11.6**	114,054	14.1
Neurology related disciplines (神經醫學有關科室)	+10.4%	**63,175**	**6.9**	57,215	7.1
General surgery related disciplines (普通外科有關科室)	+10.9%	**61,728**	**6.7**	55,662	6.9
Emergency medicine related disciplines (急診有關科室)	+14.7%	**50,083**	**5.4**	43,681	5.4
Orthopaedics related disciplines (骨科有關科室)	-5.3%	**41,884**	**4.5**	44,210	5.5
Oncology related disciplines (腫瘤有關科室)	+12.5%	**35,381**	**3.8**	31,446	3.9
Nephrology related disciplines (腎臟科有關科室)	+8.8%	**34,529**	**3.7**	31,729	3.9
Medical aesthetic related disciplines (醫學美容有關科室)	+10.8%	**23,813**	**2.6**	21,488	2.7
Paediatrics related disciplines (兒童醫學有關科室)	+46.0%	**22,975**	**2.5**	15,739	2.0
Physical examination (體檢科)	+30.5%	**61,024**	**6.6**	46,766	5.8
Other disciplines (其他臨床科室)	+6.0%	**163,347**	**17.7**	154,172	19.1
Total		**920,883**	**100.0**	806,743	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 2023, the Group performed a total of 19,714 surgeries (six months ended 30 June 2022: 17,826), including 10,181 surgeries (six months ended 30 June 2022: 5,691) with level 3 or level 4 complexities, representing a period-on-period increase of 10.6% and 78.9%, respectively. The significant increase is primarily attributable to an increase in patient visits and rebound in the performance of Kanghua Hospital during the Reporting Period driven by the lifting of pandemic related restrictive measures and recovery of the economy as well as people's activities, releasing the demand for medical treatment and services.

Cardiovascular disciplines, internal medicine disciplines, obstetrics and gynaecology ("**O&G**") disciplines, neurology disciplines and general surgery disciplines (six months ended 30 June 2022: O&G disciplines, cardiovascular disciplines, internal medicine disciplines, neurology disciplines and general surgery disciplines) were the top five revenue-generating disciplines of the Group for the first half of 2023, accounting for approximately 53.0% of the Group's total revenue in the same period (six months ended 30 June 2022: 51.7%).

During the Reporting Period, our cardiovascular disciplines has replaced the O&G-related disciplines to be our largest medical discipline, which recorded a period-on-period increase in revenue of 51.2%, primarily due to the significant growth in revenue from Kangxin Hospital. Our O&G-related disciplines recorded a decrease in revenue of 6.6%, mainly caused by a decline of birth rate during the pandemic. Revenue from paediatrics related disciplines, physical examination, internal medicine related disciplines, emergency medicine related disciplines and oncology related disciplines have recorded a considerable increase in revenue of 46.0%, 30.5%, 17.9%, 14.7% and 12.5%, respectively, primarily attributable to the increase in the number of patient visits as a result of increase in demand of these services.

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 2023, the total revenue derived from special services amounted to RMB91.6 million (six months ended 30 June 2022: RMB85.7 million), representing a period-on-period increase of 6.8%.

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

		For the six months ended 30 June	
	Change	**2023**	2022
		RMB'000	*RMB'000*
VIP healthcare services	+21.3%	**61,027**	50,328
Reproductive medicine	-21.1%	**18,039**	22,853
Plastic and aesthetic surgery	-14.6%	**2,206**	2,582
Laser treatment	+3.4%	**10,293**	9,952
Total revenue from special services	+6.8%	**91,565**	85,715

In the first half of 2023, the performance of our VIP healthcare services improved as the number of VIP inpatient and outpatient visits increased as compared with the same period last year due to the recovery from the pandemic. The demand for our service offerings from Huaxin Building (華心樓) (a complex in Kanghua Hospital dedicated to VIP healthcare services) has proven to be solid. Our revenue from VIP healthcare services (included VIP inpatient and outpatient services and VIP O&G services) recorded RMB61.0 million (six months ended 30 June 2022: RMB50.3 million), representing a period-on-period increase of 21.3%.

Our revenue from reproductive medicine has decreased to RMB18.0 million (six months ended 30 June 2022: RMB22.9 million) with a period-on-period decrease of 21.1%, which mainly caused by a deterioration in the general sentiment of giving birth and the after effect from the pandemic.

Rehabilitation and other Healthcare Services

During the Reporting Period, the Group's rehabilitation and other related healthcare services segment, through its ownership of 57% equity interest in Anhui Hualin, has recorded a revenue of RMB60.7 million (six months ended 30 June 2022: RMB49.4 million), representing a period-on-period increase of 22.9%. Anhui Hualin directly and indirectly (through its wholly-owned subsidiaries) holds sponsor interests in the managed and controlled entities, some of which are private non-enterprise entities in Anhui Province, the PRC. As at 30 June 2023, it primarily operated two rehabilitation hospitals, a general hospital, an outpatient centre, thirteen rehabilitation centres and one vocational training school.

Anhui Hualin Group currently employs more than 980 staff and has a stable cooperation with the Anhui Disabled Persons Federation (安徽省殘疾人聯合會) and local governments in the provision of training services for the disabled. The Anhui Hualin Group is also a major organisation offering children rehabilitation services in Auhui Province. Our 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) currently operate a total of 280 (31 December 2022: 200) registered beds. During the Reporting Period, our rehabilitation hospitals and centres have 11,204 (six months ended 30 June 2022: 13,830) outpatient visits, 2,250 (six months ended 30 June 2022: 1,043) inpatient visits and served 154,872 (six months ended 30 June 2022: 171,206) rehabilitation patient visits.

In the first half of 2023, the decrease in outpatient visits is primarily due to the normalisation of the pandemic, and the number of patients with fever or seeking medical attention on related symptoms has decreased. However, our inpatient visits have significantly increased, as our hospitals have committed increased efforts in marketing and promotion since the lifting of pandemic related control measures; the management of Anhui Hualin actively visited work-related injury institutions and accessed market resources in the region, which attracted work-related injury patients to increase by 35% and burn patients to increase by 27% as compared with the same period last year. Furthermore, our surgery volume in the first half of 2023 has increased by 140% as compared with the same period in 2022.

In the first half of 2023, Anhui Hualin Group promoted internal organizational innovation, established a business development department, and introduced young medical professionals to our medical institutions. The two rehabilitation hospitals actively responded to national policies, explored the construction of medical-related commercial platforms, and launched new technologies and new projects. The implementation and promotion of traditional Chinese medicine, vigorously promote the clinical application of traditional Chinese medicine such as the first triple sequential therapy for rheumatism and pain (風濕與疼痛三聯序貫療法), these have which added new momentum to the development of our rehabilitation hospitals.

During the Reporting Period, revenue from rehabilitation hospital and other healthcare services recorded a period-on-period increase of 41.7% to RMB32.0 million (six months ended 30 June 2022: RMB22.6 million) and revenue from rehabilitation centres services and other services recorded a period-on-period increase of 7.0% to RMB28.7 million (six months ended 30 June 2022: RMB26.8 million).

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 2023, Renkang Elderly Care Centre had a total of 108 beds with an average elderly inpatient of 92 (six months ended 30 June 2022: 96), achieving an average bed utilisation rate of 82.6% (six months ended 30 June 2022: 88.9%). Revenue from the provision of elderly healthcare services for the Reporting Period amounted to RMB5.9 million (six months ended 30 June 2022: RMB6.6 million), representing a period-on-period decrease of 10.5%, primarily due to a decrease in intake of patients during the Reporting Period. As pandemic related restrictions on nursing services were still in placed during early 2023, new admissions have dropped, which has impacted on overall intake of patients during the Reporting Period, however, the Renkang Elderly Care Centre will continue to focus on improving service quality and cooperation with the evaluation work of Guangdong Province's Pension Institution (廣東省養老機構) and strive to achieve accreditation of the five-star pension institution.

Industry Outlook and Strategy

2023 is a year when the PRC entered into the post-pandemic era. The three-year pandemic has heightened people's awareness of health management. With the comprehensive relaxation of the pandemic related prevention and control measures, the healthcare industry has begun to recover. In the PRC government's 14th Five-Year Plan, the top-level design of strengthening the national medical security system has been enhanced. Under the principle of putting people's health at the center, the healthcare reform has been deepened from various dimensions, from the centralized procurement of drugs and consumables by volume to the multi-level development of social medical insurance payments. The medical system and institutions have become increasingly sound, injecting vitality into the development of the healthcare industry and ensuring its sustainable and stable growth.

In the context of China's intensified medical reform, the graded diagnosis and treatment system has been promoted. At the same time, with the development of new technologies such as the internet, big data, and artificial intelligence, new technological means and innovative models have been developed for the medical system. In 2023, the PRC government will step up its efforts in promoting medical reform, and its determination to crack down on corruption in the healthcare industry is unwavering. In the short term, it may have a slight negative impact on the public healthcare sector, but in the long run, it will accelerate the mission of reducing medical costs, and restore the confidence and trust of patients, laying a solid foundation for its healthy development.

Our Strategy

The PRC's medical reform has achieved significantly results, gradually alleviating the issue of high medical costs. It is currently at a critical juncture of reform. The social medical insurance payment system is still strengthening its supervision, and the regulation of various aspects of the medical industry is also gradually improving. In the future, the Group will follow the government's policies closely and adapt its operations accordingly. Internally, the Group will strengthen the talent bench and medical technology, and develop specialty departments according to the social demand, with a view to enhancing the Group's competitiveness.

Looking ahead to the rest of 2023, we will continue to strive to optimize medical services and improve medical operation efficiency. In addition, we will leverage our advantages, focus on our core business, heighten management standards, fully utilize the strengths of each of our hospitals, with a view to achieving the Group's overall business recovery as soon as possible.

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 April 2024, the relevant interior decoration to complete by February 2025, and aim to put the first phase of the project into operation by March 2025. For the six months ended 30 June 2023, the total investment in Kanghua Qingxi Healthcare Complex amounted to approximately RMB156.4 million.

Acquisition of additional interest in Kangxin Hospital

On 5 May 2023, the Company entered into the acquisition agreement (the "**Acquisition Agreement**") with Dongguan Jiade Healthcare Investment Co., Ltd.* (東莞嘉德醫療投資有限公司), currently the non-controlling shareholder as to 40% equity interest (the "**Equity Interest**") of Kangxin Hospital as of the date of this announcement (the "**Vendor**"), pursuant to which the Company has agreed to acquire the Equity Interest in Kangxin Hospital from the Vendor at the consideration of RMB108.0 million ("**Consideration**"). Upon completion, Kangxin Hospital will become a wholly-owned subsidiary of the Company. Details of which are set out in the Company's announcements dated 5 May 2023 and 24 May 2023.

The Consideration shall be payable in two instalments: (i) RMB16.2 million, representing approximately 15% of the Consideration, within 10 business days from the date of the Acquisition Agreement; and (ii) RMB91.8 million, representing approximately 85% of the Consideration, within 60 days from completion (i.e. 60 days from the date of completion of registration of the transfer of the Equity Interest with the relevant industrial and commercial administration authority in the PRC). As at 30 June 2023 and up to the date of this announcement, a deposit for this acquisition of RMB16.2 million has been paid by the Group to the Vendor. Completion of the Acquisition Agreement has yet to occur primarily because of administration procedures relating to the release of the pledge over the Equity Interest as security for certain bank loans.

The Board considers that the acquisition will enable the Group to gain full equity control over Kangxin Hospital and facilitate its negotiation and implementation of the management arrangements with Silver Mountain Capital Limited ("**Silver Mountain**") (details of which are set out in the announcement of the Company dated 23 May 2022 in relation to the management arrangements with Silver Mountain in respect of Kangxin Hospital's operations).

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 – providing 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 – providing rehabilitation services to patients with physical or mental disabilities and other healthcare related services including elderly care and training service for the disabled; and (iii) 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 2023 (unaudited)

	Hospital services *RMB'000*	**Rehabilitation and other healthcare services** *RMB'000*	**Elderly healthcare services** *RMB'000*	**Total** *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%**

For the six months ended 30 June 2022 (unaudited)

	Hospital services *RMB'000*	Rehabilitation and other healthcare services *RMB'000*	Elderly healthcare services *RMB'000*	Total *RMB'000*
Revenue	806,743	49,416	6,563	862,722
Cost of revenue	(725,574)	(44,295)	(4,330)	(774,199)
Gross profit	81,169	5,121	2,233	88,523
Gross profit margin	10.1%	10.4%	34.0%	10.3%

Revenue from the Group's hospital services amounts to RMB920.9 million for the Reporting Period (six months ended 30 June 2022: RMB806.7 million), representing a period-on-period increase of 14.1%, accounting for 93.3% (six months ended 30 June 2022: 93.5%) of the total revenue of the Group.

Revenue from hospital services comprised (i) revenue from inpatient healthcare services amounted to RMB547.4 million (six months ended 30 June 2022: RMB444.3 million), representing a period-on-period increase of 23.2%, accounting for 55.4% (six months ended 30 June 2022: 51.5%) of the total revenue of the Group; (ii) revenue from outpatient healthcare services amounted to RMB312.4 million (six months ended 30 June 2022: RMB315.6 million), representing a period-on-period decrease of 1.0%, accounting for 31.6% (six months ended 30 June 2022: 36.6%) of the total revenue of the Group; and (iii) revenue from physical examination services amounted to RMB61.0 million (six months ended 30 June 2022: RMB46.8 million), representing a period-on-period increase of 30.5%, accounting for 6.2% (six months ended 30 June 2022: 5.4%) of the total revenue of the Group. The increase in revenue from hospital services is primarily attributable to (i) the increase in the number of inpatient and outpatient visits during the Reporting Period due to the recovery from the pandemic and gradual normalisation of the economy and people's activities after the lifting of all the pandemic related controls and measures since late 2022; (ii) the improvements in revenue from all of our major medical disciplines; and (iii) the increase in patient average spending on our inpatient healthcare services and physical examination services. The increase in revenue from physical examination is primarily due to increase in patient average spending during the Reporting Period resulting from an increase in health awareness and receptiveness to vaccinations by the general public after the pandemic.

Revenue from rehabilitation and other healthcare services amounted to RMB60.7 million (six months ended 30 June 2022: RMB49.4 million), representing a period-on-period increase of 22.9%, accounting for 6.2% (six months ended 30 June 2022: 5.7%) 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 increase in revenue is mainly attributable to the continual recovery of patient visits after the lifting of the pandemic related controls and measures, and also the maturity and improvement in business operations of our rehabilitation hospitals in particular our Hefei Kanghua Rehabilitation Hospital.

Revenue from elderly healthcare services represents the provision of elderly healthcare services at our Renkang Elderly Care Centre, which amounted to RMB5.9 million (six months ended 30 June 2022: RMB6.6 million), representing a period-on-period decrease of 10.5%, accounting for 0.6% (six months ended 30 June 2022: 0.8%) of the total revenue of the Group. The decrease in revenue is mainly attributable to the decrease in patient intake during the Reporting Period and the lasting negative impact of the pandemic which particularly affected the 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 increased to RMB761.2 million (six months ended 30 June 2022: RMB725.6 million), representing a period-on-period increase of 4.9%. The increase in cost of revenue of our hospital services segment is mainly attributable to the increased pharmaceuticals and medical consumables consumption during the Reporting Period which is in line with the increase in business operations, whilst all direct staff related costs maintained relatively stable. However, our Kangxin Hospital continued to operate at a negative gross margin during the Reporting Period; nevertheless its operations have had significant improvement in terms of revenue.

Cost of revenue of the Group's rehabilitation and other healthcare services segment amounts to RMB51.2 million (six months ended 30 June 2022: RMB44.3 million), representing a period-on-period increase of 15.6%, and primarily consisted of staff costs, medical consumables, depreciation, utilities and rental expenses. The increase in cost of revenue of our rehabilitation and other healthcare services segment is mainly attributable to the increase in operation of our Hefei Kanghua Rehabilitation Hospital and rehabilitation centres during the Reporting Period.

Cost of revenue of the Group's elderly healthcare services represents cost of revenue at Renkang Elderly Care Centre amounted to RMB4.1 million (six months ended 30 June 2022: RMB4.3 million), representing a period-on-period decrease of 4.3%, 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 is operating in high capacity.

During the Reporting Period, pharmaceuticals, medical consumables and staff cost accounted for approximately 26.7% (six months ended 30 June 2022: 25.7%), 26.4% (six months ended 30 June 2022: 25.3%) and 33.2% (six months ended 30 June 2022: 34.6%), 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 an increase during the Reporting Period, which is mainly attributable to the increase in number of outpatient and inpatient visits. Our total staff related costs including salary, bonus and other benefits had increased slightly by 1.0% as compared with the prior period as our medical teams and professional workforce have remained relatively stable.

Gross Profit and Gross Profit Margin

Total gross profit of the Group amounted to RMB171.0 million (six months ended 30 June 2022: RMB88.5 million), representing a period-on-period increase of 93.2%. The overall gross profit margin increased to 17.3% (six months ended 30 June 2022: 10.3%), primarily due to: (i) the strong rebound in business operations from our hospital services segment; (ii) the increase in the average patient spending from our inpatient healthcare services and physical examination services; (iii) the increase in number of surgeries performed; and (iv) the improvement 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 financial assets at FVTPL, government subsidies, fixed operating lease income (rental income), clinical trial and related income and others. In the first half of 2023, other income amounted to RMB21.2 million (six months ended 30 June 2022: RMB28.8 million), representing a period-on-period decrease of approximately 26.4%, primarily attributable to (i) decrease in investment income from financial assets at FVTPL to RMB6.4 million (six months ended 30 June 2022: RMB7.9 million) primarily due to a decrease in amount of structured deposits being placed during the Reporting Period; (ii) decrease in fixed operating lease income to RMB1.9 million (six months ended 30 June 2022: RMB2.4 million) mainly due to a decrease rental income from staff quarters; (iii) no vaccine-related income received during the Reporting Period (six months ended 30 June 2022: RMB5.8 million); and (iv) an increase in clinical trial and related income to RMB5.3 million (six months ended 30 June 2022: RMB3.9 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 2023, other expenses, gains and losses amounted to a net gain of RMB1.1 million (six months ended 30 June 2022: RMB0.7 million), primarily attributable to (i) a recorded fair value gain on financial assets at FVTPL of RMB1.7 million (six months ended 30 June 2022: fair value loss of RMB2.4 million) during the Reporting Period; and (ii) a recorded net exchange loss of RMB0.5 million (six months ended 30 June 2022: net exchange gain of RMB3.1 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 RMB2.2 million (six months ended 30 June 2022: RMB3.0 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 receivable 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 2023, administrative expenses amounted to RMB125.6 million (six months ended 30 June 2022: RMB115.3 million), representing a period-on-period increase of approximately 8.9%, primarily due to (i) a significant increase in management and consultancy fees expense of RMB15.7 million (six months ended 30 June 2022: RMB5.3 million) which was primarily due to the management fees paid in relation to the outsourced Management Arrangements for Kangxin Hospital since June 2022 (details of the Management Arrangements are set out in the Company's announcement dated 23 May 2022 and the section headed "Other Asset" in this announcement); (ii) the increase in rental expenses and property management expenses as there was no concession arrangement during the Reporting Period; and (iii) administrative staff costs as well as other major administrative expenses including repairs and maintenance expenses, office expenses and entertainment and travelling expenses have maintained relatively stable due to stringent costs control.

Finance Costs

Finance costs for the Reporting Period amounted to RMB6.4 million (six months ended 30 June 2022: RMB8.6 million), representing a period-on-period decrease of 25.6%. Finance costs for the Reporting Period represents (i) interest on bank loans raised of RMB8.4 million (six months ended 30 June 2022: RMB9.6 million); (ii) the interest element relating to lease liabilities charged to profit or loss of RMB4.1 million (six months ended 30 June 2022: RMB5.1 million); and (iii) less the amount of interest capitalised in the cost of qualifying assets of RMB6.1 million (six months ended 30 June 2022: RMB6.2 million).

Income Tax Expenses

The income tax expenses of the Group primarily consisted of the PRC enterprise income tax and Hong Kong Profits Tax. In the first half of 2023, income tax expenses amounted to RMB29.7 million (six months ended 30 June 2022: RMB13.4 million), representing a period-on-period increase of approximately 121.8%. The subsidiaries of the Group in the PRC are generally subject to income tax rate of 25% on their respective taxable income. The increase in income tax expenses was primarily due the increase in profits generated at Kanghua Hospital during the Reporting Period.

Profit (Loss) for the Period

The Group recorded profit for the Reporting Period amounting to RMB29.4 million (six months ended 30 June 2022: loss of RMB22.3 million), and profit attributable to the shareholders amounted to RMB50.7 million (six months ended 30 June 2022: loss of RMB4.8 million).

Adjusted EBITDA

The 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 profit before tax to Adjusted EBITDA and explanation notes:

		For the six months ended 30 June	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited) (restated)
Profit/(loss) for the period		**29,366**	(22,271)
Add: Income tax expenses		**29,715**	13,399
Profit/(loss) before tax (IFRS measure)		**59,081**	(8,872)
Add: Finance costs	(i)	**6,361**	8,550
Add: Depreciation of right-of-use assets	(i)	**18,117**	18,127
Add: Depreciation of property, plant and equipment	(i)	**54,853**	57,008
EBITDA (non-IFRS measure)		**138,412**	74,813
Less: Fair value (gain)/loss on financial assets at FVTPL	(ii)	**(1,718)**	2,361
Less: Investment income from financial assets at FVTPL	(iii)	**(6,384)**	(7,907)
Add: Exchange loss/(gain)	(iv)	**493**	(3,076)
Less: Bank and other interest income	(v)	**(1,576)**	(946)
Adjusted EBITDA (non-IFRS measure)		**129,227**	65,245

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 on financial assets at FVTPL represents fair value changes of portfolio investment fund 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 to achieve higher interest income without interfering with the business operations or capital expenditures. Such portfolio investment fund 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 portfolio 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 financial assets at FVTPL 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 portfolio investment fund which is denominated in Hong Kong dollars. Other than the portfolio investment fund, 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 portfolio investment fund 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 RMB19.0 million (six months ended 30 June 2022: RMB48.9 million) and RMB63.5 million (six months ended 30 June 2022: RMB29.8 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) construction development of our Kanghua Qingxi Healthcare Complex.

As at 30 June 2023, the Group had right-of-use assets of RMB302.3 million (31 December 2022: RMB319.9 million) which includes leasehold lands of RMB219.1 million (31 December 2022: RMB221.6 million) and leasehold land and buildings relating to leases of RMB83.2 million (31 December 2022: RMB98.3 million). During the Reporting Period, the Group entered into new lease agreements for the use of properties in the PRC ranging from 2 to 5 years and is required to make fixed monthly payments. On lease commencement, the Group recognised right-of-use assets and lease liabilities of RMB0.5 million (six months ended 30 June 2022: RMB1.9 million) each relating to those new leases.

As at 30 June 2023, the Group had deposits paid for acquisition of property, plant and equipment amounting to RMB12.9 million (31 December 2022: RMB58.1 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.

Accounts and Other Receivables

The accounts receivable of the Group primarily consisted of balances due from social insurance funds, certain corporate customers and individual patients. As at 30 June 2023, accounts receivable increased to RMB279.7 million (31 December 2022: RMB229.6 million), of which 62.6% (31 December 2022: 73.2%) were aged within 90 days. Average accounts receivable turnover days for the current period is 46.7 days (31 December 2022: 45.1 days). The increase in accounts receivable and increase in accounts receivable turnover days is primarily due to the increase in balance due from social insurance funds and other government authorities, and certain corporate customers. As at 30 June 2023, the Group has carried out credit assessment on its accounts and other receivables and a net provision of impairment loss of RMB2.2 million (six months ended 30 June 2022: RMB3.0 million) has been charged to profit or loss during the Reporting Period.

The other receivables of the Group primarily consisted of prepayments to suppliers, deposit for acquisition of additional interest in a non-wholly owned subsidiary and others. As at 30 June 2023, other receivables increased to RMB57.6 million (31 December 2022: RMB51.6 million) primarily due to (i) decrease in prepayments to suppliers to RMB10.6 million (31 December 2022: RMB19.3 million); (ii) a deposit paid for acquisition of additional interest in Kangxin Hospital of RMB16.2 million (31 December 2022: nil) (details of which are set out in the Company's announcements dated 5 May 2023 and 24 May 2023); (iii) other receivables of RMB33.8 million (31 December 2022: RMB34.6 million) which primarily consist of other prepaid expenses, security deposits for bank loans and staff advances; and (iv) net of allowance for credit loss of RMB3.0 million (31 December 2022: RMB2.3 million).

Other Asset

On 23 May 2022, the Company entered into certain management arrangements ("**Management Arrangements**") with Silver Mountain, an independent third party, pursuant to which Silver Mountain has assumed management of the day-to-day operations of Kangxin Hospital, a non-wholly owned subsidiary of the Company, for a period of 20 years ("**Service Period**") subject to certain terms and conditions. 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.

In return, Kangxin Hospital shall pay to Silver Mountain a fee of RMB20.0 million (the "**Brand Introduction Fee**") to procure the introduction of "Artemed", and an annual fixed management fee of RMB10.0 million together with variable management fee which is based on certain percentage of Kangxin Hospital's annual revenue during the Service Period. During the year ended 31 December 2022, Silver Mountain had procured "Artemed" license holder to sign a trademark licensing agreement with Kangxin Hospital for a non-exclusive right to use Artemed brand in Mainland China and the Group paid the Brand Introduction Fee of RMB20.0 million to Silver Mountain and classified as other asset in the consolidated statement of financial position of the Group. According to the Management Arrangements, Silver Mountain shall refund a certain portion of the Brand Introduction Fee paid to Kangxin Hospital under certain circumstances, including, among others, in the event that Kangxin Hospital is not able to achieve the growth of audited revenue based on an agreed threshold during the performance period (i.e. the 12-month period beginning from the 1st day of the month after the completion of the transfer of management rights of Kangxin Hospital to Silver Mountain). During the Reporting Period, Kangxin Hospital met the target growth of revenue over the performance period and hence the Group shall not be entitled to refund of the Brand Introduction Fee from Silver Mountain.

In the opinion of the Directors, the payment of the Brand Introduction Fee is part of the Management Arrangements with Silver Mountain for its services during the Service Period and the introduction of German medical group "Artemed" brand could bring long-term benefits to the operations of Kangxin Hospital, and accordingly, the Brand Introduction Fee is amortised over the Service Period. During the Reporting Period, the amortisation of the Brand Introduction Fee (other asset) of RMB0.5 million has been charged to profit or loss.

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 2023, accounts and other payables and provisions decreased to RMB651.7 million (31 December 2022: RMB717.8 million) primarily attributable to: (i) a decrease in accounts payable to RMB314.0 million (31 December 2022: RMB348.8 million) mainly due to acceleration of payments to suppliers during the Reporting Period; (ii) a decrease of accrued expenses to RMB85.3 million (31 December 2022: RMB106.2 million); (iii) a decrease in receipt in advance to RMB185.9 million (31 December 2022: RMB197.1 million) which mainly represents temporary funds received from social security insurance fund; (iv) a decrease in payables for acquisition of property, plant and equipment to RMB27.6 million (31 December 2022: RMB36.6 million); and (v) an increase in provision for medical dispute claims to RMB2.4 million (31 December 2022: RMB1.2 million).

Net Current Assets and Net Assets

As at 30 June 2023, the Group recorded net current assets of RMB392.6 million (31 December 2022: RMB289.6 million) and net assets position of RMB1,543.8 million (31 December 2022: RMB1,514.5 million).

LIQUIDITY AND CAPITAL RESOURCES

Financial Resources

As at 30 June 2023, the Group continued to maintain a strong financial position with cash and cash equivalents of RMB285.0 million (31 December 2022: RMB264.3 million), fixed bank deposits of RMB61.6 million (31 December 2022: nil) and restricted bank balances of RMB35.5 million (31 December 2022: RMB2.3 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 2023, as part of the Group's cash management activities, the Group had investments (classified as financial assets at FVTPL) in aggregate of RMB386.0 million (31 December 2022: RMB572.4 million), primarily consisting of, (i) no portfolio investment fund (31 December 2022: RMB64.4 million), representing an investment fund, the underlying portfolio of which included a mixture of cash and shares that are primarily listed in Hong Kong. The portfolio investment fund was maintained by a discretionary fund manager and measured at fair value. The Group may at its discretion redeem the fund subject to the relevant procedures, requirements and restrictions. During the Reporting Period, the Group redeemed the fund with a cash proceed of RMB65.5 million; (ii) a fund investment of RMB36.0 million (31 December 2022: RMB18.0 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 2023, the fund had made equity investments in two (31 December 2022: two) unlisted companies and the aggregate carrying amounts of the equity investments was RMB36.0 million (31 December 2022: RMB18.0 million), which were measured at fair values; and (iii) structured short-term bank deposits of RMB350.0 million (31 December 2022: RMB490.0 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 flow of the Group for the periods indicated:

		For the six months ended 30 June	
	Change	**2023**	2022
		RMB'000	*RMB'000*
Net cash flow from operating activities	+24.1%	**62,571**	50,421
Net cash flow from/(used in) investing activities	N/A	**18,351**	(149,356)
Net cash flow used in financing activities	+266.3%	**(60,406)**	(16,490)
Net increase/(decrease) in cash and cash equivalents		**20,516**	(115,425)

Net cash flow from operating activities

During the Reporting Period, the net cash flow from operating activities amounted to RMB62.6 million (six months ended 30 June 2022: RMB50.4 million), representing a period-on-period increase of 24.1%, which is primarily attributable to the improvement of our performance in adjusted EBITDA and profit recorded for the Reporting Period as compared to loss for the same period last year.

Net cash flow from/(used in) investing activities

During the Reporting Period, the net cash flow from investing activities amounted to RMB18.4 million (six months ended 30 June 2022: net cash flow used of RMB149.4 million), which is primarily attributable to (i) a recorded net proceed from disposal of financial assets at FVTPL of RMB187.5 million (six months ended 30 June 2022: net purchase of financial assets at FVTPL of RMB98.0 million); and (ii) an increase in purchase of property, plant and equipment and placement of fixed bank deposits during the Reporting Period.

Net cash flow used in financing activities

During the Reporting Period, the net cash flow used in financing activities amounted to RMB60.4 million (six months ended 30 June 2022: RMB16.5 million), which is primarily attributable to (i) a deposit paid for acquisition of additional interest in Kangxin Hospital of RMB16.2 million (six months ended 30 June 2022: nil); (ii) new bank loan raised of RMB30.7 million (six months ended 30 June 2022: nil); (iii) the Group has net repayment to non-controlling shareholders of subsidiaries of RMB26.9 million (six months ended 30 June 2022: net advance from of RMB32.0 million); and (iv) repayment of bank loans of RMB16.3 million (six months ended 30 June 2022: RMB15.8 million).

Significant Investment, Acquisition and Disposal

On 22 January 2022, the Group acquired a 57.7% equity interest in 合肥市愛康慧健康管理有限公司 ("**Hefei Aikanghui**") from independent third parties at a cash consideration of RMB577,000. Hefei Aikanghui and its subsidiary 合肥市愛康慧康復有限公司 (collectively referred to as the "**Hefei Aikanghui Group**") were mainly engaged in providing homebased elderly rehabilitation and care services in Hefei. The transaction was completed on 22 January 2022. The book values of assets and liabilities of Hefei Aikanghui Group at the date of acquisition amounted to approximately RMB972,000 and non-controlling interest amounted to approximately RMB395,000. There is no goodwill arose from this acquisition. The Group has elected to measure the non-controlling interests in Hefei Aikanghui Group at the non-controlling interests' proportionate share of the Hefei Aikanghui Group's identifiable net assets. Net cash outflow of RMB570,000 is derived by total cash consideration paid of RMB577,000 less cash acquired of RMB7,000. During the Reporting Period, the Group acquire additional 32.9% in Hefei Aikanghui for a cash consideration of RMB49,000 and the change in value of the proportionate share of net assets attributable to non-controlling interests of Hefei Aikanghui was approximately RMB57,000.

Save as disclosed in this announcement, the Group had no other 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 188 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 certain of which, may 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 (including capital expenditure in construction in progress). The capital expenditure of the Group during the Reporting Period was RMB82.6 million (six months ended 30 June 2022: RMB78.7 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**").

For the six months ended 30 June 2023, of the net proceeds from the initial public offering, (i) RMB78.3 million, representing approximately 10% of the net proceeds, have been 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) RMB175.0 million, representing approximately 22.4% of the net proceeds, have been utilised and used for acquisition and potential acquisition of businesses. As at 30 June 2023, out of the balance of the unutilised net proceeds of RMB394.6 million, part of such proceeds have been used to purchase certain financial products (classified as financial assets at FVTPL) and 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 2023, the Group had bank loan facilities of (i) RMB620.0 million for the purpose of funding the development of the Phase II medical facility and financing the operations of Kangxin Hospital; and (ii) RMB330.0 million for the purpose of construction development of Kanghua Qingxi Healthcare Complex. Up to 30 June 2023, RMB376.1 million has been drawn down. As at 30 June 2023, the Group had secured bank loans of carrying amount of RMB296.7 million (31 December 2022: RMB280.9 million). The principal agreements underlying these bank loan facilities were as follows:

(i) a RMB420.0 million fixed asset facility agreement (固定資產借款合同) with Industrial and Commercial Bank of China Limited, Chongqing Jiangbei Branch, pursuant to which RMB169.4 million was drawn down in year 2019, RMB50.0 million was drawn down in year 2020, RMB60.0 million was drawn down in year 2021 and RMB21.1 million was drawn down during the Reporting Period. The bank loan carried an interest rate at the benchmark lending rate offered by the People's Bank of China (adjusted annually from the drawn down date) and is secured by shares pledged over the entire equity in Kangxin Hospital held by the Company and its non-controlling shareholder. As at 30 June 2023, the carrying amount of the borrowing in respect of such arrangement amounted to RMB253.1 million (31 December 2022: RMB243.0 million);

(ii) a RMB200.0 million financial leasing agreement (融資租賃合同) with Industrial and Commercial Bank of China Leasing Co., Ltd., pursuant to which, up to 30 June 2023, RMB66.0 million has been drawn down. The loan carried an interest rate at the benchmark lending rate offered by the People's Bank of China plus 5%, which was fixed at the drawn down date. This agreement involves a sale and lease back arrangement over certain medical equipment assets of Kangxin Hospital, pursuant to which such assets have been transferred to the lender and leased back to Kangxin Hospital, with an option exercisable by Kangxin Hospital to purchase the assets at a nominal consideration upon the maturity of the lease. Despite that such arrangement assumes the legal form of a lease, the Group retains effective control over such assets. Thus, the Group accounted for such arrangement as a secured loan at amortised cost at an effective interest rate of 6.74% (31 December 2022: 6.74%) per annum and repayable in quarterly variable instalments until September 2027. In addition, such assets have been pledged to the lender as security throughout the loan period. As at 30 June 2023, the carrying amount of the borrowing in respect of such arrangement amounted to RMB34.0 million (31 December 2022: RMB37.9 million). As at 30 June 2023, the property, plant and equipment with net book value of RMB17.1 million (31 December 2022: RMB21.0 million) had been pledged to secure the banking facility granted; and

(iii) a RMB330.0 million fixed asset facility agreement (固定資產貸款合同) with Bank of Dongguan Co., Ltd., pursuant to which RMB9.6 million was drawn down during the Reporting Period. The loan carried an interest rate at the LPR (Loan Prime Rate) (貸款基礎利率) announced by the National Interbank Funding Center of China plus 0.5%, which was fixed at the drawn down date and is secured by leasehold land held by the Group and guaranteed by Mr. Wang Junyang, the chairman of the Group. As at 30 June 2023, the carrying amount of the borrowing in respect of such arrangement amounted to RMB9.6 million (31 December 2022: nil).

In connection with the bank loan facilities above, certain of our controlling shareholders, a non-controlling shareholder of a subsidiary and a related company controlled by certain of our controlling shareholders provided guarantees and undertakings in favour of the relevant lender. The financial assistance provided by certain of our controlling shareholders 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 of the Hong Kong Listing Rules.

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 2023, except for those disputes with provision made, the total stated claim amount of the Group's on-going medical disputes was approximately RMB12.1 million (31 December 2022: RMB14.0 million) and there were certain medical disputes without claim amount stated. Based on the Group's assessment, as at 30 June 2023, provisions of approximately RMB2.4 million (31 December 2022: RMB1.2 million) had been provided and included in accounts and other payables and provisions of the Group.

As at 30 June 2023, 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 2023, certain property, plant and equipment of the Group with net carrying amount of RMB17.1 million (31 December 2022: RMB21.0 million) and leasehold land (included in right-of-use assets) with net carrying amount of RMB80.1 million (31 December 2022: nil) had been pledged to secure banking facilities 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 2023, the capital commitments in respect of property, plant and equipment contracted for but not provided in the interim condensed consolidated financial information were RMB219.5 million (31 December 2022: RMB262.5 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 non-controlling shareholders of subsidiaries, 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 of 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 2023, the Group's gearing ratio (total interest-bearing bank loans divided by total equity and multiplied by 100%) was 19.2% (31 December 2022: 18.5%).

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 2023, the Group had a total of 3,956 (31 December 2022: 3,848) full-time staff. Total staff related costs for the Reporting Period (excluding directors' and supervisors' emoluments) amounted to approximately RMB311.6 million (six months ended 30 June 2022: RMB308.9 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 enroll 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 2023 (six months ended 30 June 2022: nil).

REPURCHASE, 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 10 to the Hong Kong Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he or she has complied with the required standards as set out in the Model Code during the Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

On 14 July 2023, the Company entered into a supplemental agreement with Silver Mountain to extend the term of the Management Arrangements relating to Kangxin Hospital (details of which are set out in the Company's announcement dated 23 May 2022). The Company is in the process of finalising the details and implementing the plan of the demerger to carve out the land and buildings from Kangxin Hospital. The Company is also in negotiation with Silver Mountain regarding a disposal of a controlling stake in Kangxin Hospital (after the demerger is completed) and, upon the entering into of a definitive agreement, the Company will make an announcement in accordance with the Hong Kong Listing Rules as and when required.

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 2023 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 of the Company, Mr. Chan Sing Nun (the chairman of the audit committee), Mr. Yeung Ming Lai and Dr. Chen Keji. Among them, Mr. Chan Sing Nun has the appropriate professional qualifications (a certified public accountant accredited by the Hong Kong Institute of Certified Public Accountants).

The auditor of the Company has also reviewed the Group's interim results for the six months ended 30 June 2023 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.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance practices. The Board is of the opinion that the Company has complied with all code provisions contained in Part 2 of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules (the "**CG Code**") during the six months ended 30 June 2023.

The Board is committed to promoting good corporate governance to safeguard the interests of the shareholders of the Company and believes that maintaining a high standard of corporate governance is essential to the success of the Company and would provide a practice enhancing greater accountability and transparency and meeting the expectations of the Group's stakeholders. The Company will continue to review and enhance its corporate governance to ensure that it will continue to meet the applicable requirements of the CG Code.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

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 2022 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 2023 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 2023 interim report of the Company containing all the information required by the Hong Kong Listing Rules will be dispatched 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 Co., Ltd.*
WANG Junyang
Chairman

Hong Kong
31 August 2023

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.*