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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

- Revenue for the Reporting Period increased by 10.6% to RMB2,041.9 million (2022: RMB1,845.6 million).
- Profit for the Reporting Period increased by 246.0% to RMB91.0 million (2022: RMB26.3 million).
- Profit for the Reporting Period attributable to owners of the Company increased by 102.8% to RMB121.1 million (2022: RMB59.7 million).
- Earnings per share increased by 102.8% to RMB36.2 cents (2022: RMB17.9 cents).
- Adjusted Earnings Before Interest, Taxes, Depreciation and Amortisation# ("**Adjusted EBITDA**") for the Reporting Period increased by 35.0% to RMB291.3 million (2022: RMB215.8 million).
- The Board does not recommend the distribution of a final dividend for the Reporting Period (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).*

FINAL 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 audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**" or "**our Group**") for the financial year ended 31 December 2023 (the "**Reporting Period**") together with the comparative audited figures for the preceding financial year ended 31 December 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	NOTES	**2023** ***RMB'000***	2022 *RMB'000* (Restated)
Revenue	3	**2,041,858**	1,845,633
Cost of revenue		**(1,677,488)**	(1,584,283)
Gross profit		**364,370**	261,350
Other income	4	**46,279**	54,858
Other expenses, gains and losses, net	5	**(6)**	677
Net provision for impairment losses under the expected credit loss model		**(2,768)**	(4,210)
Administrative expenses		**(242,391)**	(228,323)
Finance costs	6	**(12,055)**	(15,043)
Profit before tax	7	**153,429**	69,309
Income tax expense	8	**(62,406)**	(43,025)
Profit and total comprehensive income for the year		**91,023**	26,284
Profit/(loss) and total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**121,062**	59,697
Non-controlling interests		**(30,039)**	(33,413)
		91,023	26,284
Earnings per share			
Basic *(RMB cents)*	10	**36.2**	17.9
Diluted *(RMB cents)*	10	**36.2**	17.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,128,116**	1,085,833
Right-of-use assets		**284,265**	319,916
Goodwill		**29,101**	29,101
Other asset		**18,417**	19,417
Deposits paid for acquisition of property, plant and equipment		**36,181**	58,073
Financial assets at fair value through profit or loss	11	**33,400**	82,449
Total non-current assets		**1,529,480**	1,594,789
CURRENT ASSETS			
Inventories		**71,975**	86,746
Accounts and other receivables	12	**302,278**	281,183
Financial assets at fair value through profit or loss	11	**350,000**	490,000
Restricted bank balances		**2,732**	2,279
Fixed bank deposits		**63,350**	–
Bank balances and cash		**305,171**	264,337
Total current assets		**1,095,506**	1,124,545
CURRENT LIABILITIES			
Accounts and other payables and provision	13	**660,322**	717,811
Amounts due to the non-controlling shareholder of a subsidiary		**–**	26,861
Bank loans – due within one year	14	**31,090**	28,822
Lease liabilities		**47,212**	41,610
Tax payables		**28,075**	19,881
Total current liabilities		**766,699**	834,985
NET CURRENT ASSETS		**328,807**	289,560
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,858,287**	1,884,349

	NOTES	2023 RMB'000	2022 RMB'000 (Restated)
NON-CURRENT LIABILITIES			
Bank loans – due after one year	14	**287,735**	252,111
Lease liabilities		**60,545**	107,375
Deferred tax liabilities		**12,480**	10,335
Total non-current liabilities		**360,760**	369,821
NET ASSETS		**1,497,527**	1,514,528
EQUITY			
Share capital	15	**334,394**	334,394
Reserves		**1,089,791**	1,164,613
Equity attributable to owners of the Company		**1,424,185**	1,499,007
Non-controlling interests		**73,342**	15,521
TOTAL EQUITY		**1,497,527**	1,514,528

NOTES:

1. CORPORATE AND GROUP INFORMATION

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.

2. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), issued by the International Accounting Standards Board (the "**IASB**"), accounting principles generally accepted in Hong Kong and include applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Hong Kong Listing Rules**") and the Hong Kong Companies Ordinance. They have been prepared on a historical cost convention, except for certain financial assets that are measured at fair value. The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company. All values are rounded to the nearest thousands, except when otherwise indicated.

Changes in accounting policies and disclosures

The Group has adopted the following new and revised IFRSs for the first time for the current year's consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
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 new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 Making Materiality Judgements provide nonmandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's consolidated financial statements.

(b) 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's consolidated financial statements.

(c) Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction 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.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases and decommissioning obligations as at 1 January 2022. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets at 1 January 2022, with cumulative effect recognised as an adjustment to the balances of retained profits and non-controlling interests at that date.

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 consolidated statement of profit or loss and other comprehensive income and earnings per share, are as follows:

	2023	2022
	RMB'000	*RMB'000*
Impact on profit and total comprehensive income for the year		
Increase in income tax expense	**2,647**	1,452
Decrease in profit and total comprehensive income for the year	**2,647**	1,452
Decrease/increase in profit/loss and total comprehensive income/loss for the year attributable to:		
Owners of the Company	**2,447**	1,335
Non-controlling interests	**200**	117
	2,647	1,452
Impact on basic and diluted earnings per share		
Basic and diluted earnings per share before adjustments *(RMB cents)*	**36.9**	18.3
Net adjustments arising from change in accounting policy in relation to deferred tax impact on leasing transactions *(RMB cents)*	**(0.7)**	(0.4)
Reported basic earnings per share *(RMB cents)*	**36.2**	17.9

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 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) *RMB'000*	Adjustments *RMB'000*	At 31 December 2022 (Restated) *RMB'000*
Total effects on net assets			
Deferred tax liabilities *(note)*	(22,356)	12,021	(10,335)
Total effects on equity			
Equity attributable to owners of the Company	1,487,869	11,138	1,499,007
Non-controlling interests	14,638	883	15,521
	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 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) *RMB'000*	Adjustments *RMB'000*	At 1 January 2022 (Restated) *RMB'000*
Total effects on net assets			
Deferred tax liabilities *(note)*	(23,207)	13,473	(9,734)
Total effects on equity			
Equity attributable to owners of the Company	1,426,837	12,473	1,439,310
Non-controlling interests	47,590	1,000	48,590
	1,474,427	13,473	1,487,900

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

The retrospective application of the amendments of IAS 12 had no material effect on the information in the statement of financial position as at 1 January 2022. Hence, a third statement of financial position as at the beginning of the preceding period has not been presented in the consolidated financial statements.

The changes in accounting policy as a result of application of the amendments of IAS 12 which were applied on retrospectively have no impact to the consolidated statement of cash flows for both years.

(d) Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

(e) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism.

In June 2022 the Hong Kong SAR Government (the "**Government**") gazette the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**"), which will come into effect from 1 May 2025 (the "**Transition Date**"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("**MPF**") scheme to reduce the long service payment ("**LSP**") in respect of an employee's service from the Transition Date (the abolition of the "**offsetting mechanism**"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. The abolition of the offsetting mechanism did not have a material impact on the Group's results and financial position.

Issued but not yet effective IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the consolidated financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1	Non-current Liabilities with Covenants[1]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[1]
Amendments to IAS 21	Lack of Exchangeability[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption

The directors of the Company anticipate that the application of all new and revised IFRSs will have no material impact on the Group's consolidated financial statements.

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 year is as follows:

	2023	2022
	RMB'000	*RMB'000*
Recognised over time:		
Hospital services:		
– Inpatient healthcare services	**1,079,614**	927,086
– Outpatient healthcare services	**655,978**	640,699
– Physical examination services	**152,296**	153,677
	1,887,888	1,721,462
Rehabilitation and other healthcare services:		
– Rehabilitation hospital and other healthcare services	**73,868**	53,093
– Rehabilitation centre services and other services	**67,375**	58,621
	141,243	111,714
Elderly healthcare services	**12,727**	12,457
Total revenue from contracts with customers	**2,041,858**	1,845,633

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, as more particularly described below:

(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 year ended 31 December 2023

	Hospital services *RMB'000*	**Rehabilitation and other healthcare services** *RMB'000*	**Elderly healthcare services** *RMB'000*	**Total** *RMB'000*
SEGMENT REVENUE				
External sales	**1,887,888**	**141,243**	**12,727**	**2,041,858**
Segment profit	**333,073**	**26,819**	**4,478**	**364,370**
Other income				**46,279**
Other expenses, gains and losses, net				**(6)**
Net provision for impairment losses under expected credit loss model				**(2,768)**
Administrative expenses				**(242,391)**
Finance costs				**(12,055)**
Profit before tax				**153,429**

For the year ended 31 December 2022

	Hospital services *RMB'000*	Rehabilitation and other healthcare services *RMB'000*	Elderly healthcare services *RMB'000*	Total *RMB'000*
SEGMENT REVENUE				
External sales	1,721,462	111,714	12,457	1,845,633
Segment profit	238,533	18,762	4,055	261,350
Other income				54,858
Other expenses, gains and losses, net				677
Net provision for impairment losses under expected credit loss model				(4,210)
Administrative expenses				(228,323)
Finance costs				(15,043)
Profit before tax				69,309

There were no inter-segment sales during both years.

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 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

	2023	2022
	RMB'000	*RMB'000*
Clinical trial and related income	**13,246**	10,853
Investment income from financial assets at fair value through profit or loss ("**FVTPL**")	**12,092**	13,285
Bank and other interest income	**4,918**	3,226
Fixed operating lease income	**3,877**	3,851
Local health service income	**2,618**	2,437
Government subsidies	**2,275**	5,730
COVID-19-related rent concession	**–**	7,396
Others	**7,253**	8,080
	46,279	54,858

5. OTHER EXPENSES, GAINS AND LOSSES, NET

	2023	2022
	RMB'000	*RMB'000*
Fair value loss on financial assets at FVTPL	**(882)**	(4,436)
Net exchange gain	**1,126**	5,907
Loss on disposals of property, plant and equipment	**(190)**	(579)
Donations	**(60)**	(215)
	(6)	677

6. FINANCE COSTS

	2023	2022
	RMB'000	*RMB'000*
Interest on bank loans	**17,273**	18,558
Interest on lease liabilities	**7,543**	9,738
	24,816	28,296
Less: Amount capitalised in property, plant and equipment	**(12,761)**	(13,253)
	12,055	15,043

The capitalised borrowing costs represent the borrowing costs incurred by a subsidiary on borrowings raised specifically for the construction in progress during the year.

7. PROFIT BEFORE TAX

	2023	2022
	RMB'000	*RMB'000*
Profit before tax has been arrived at after charging:		
Directors' remuneration	**2,493**	3,103
Other staff costs:		
Supervisors' emoluments	**749**	886
Other salaries and allowances	**593,773**	588,170
Retirement benefit schemes contributions	**38,056**	32,173
Total staff costs	**635,071**	624,332
Depreciation of property, plant and equipment	**106,914**	113,007
Depreciation of right-of-use assets	**36,165**	36,434
Variable lease rentals in respect of hospitals	**13,425**	6,015
Short-term lease rentals	**1,639**	1,445
Research and development expenditure	**589**	1,096
Auditor's remuneration	**1,750**	1,650
Cost of inventories recognised as expenses (representing pharmaceutical products, consumables and others used, included in cost of revenue)	**882,911**	814,510

8. INCOME TAX EXPENSES

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
PRC Enterprise Income Tax ("**EIT**")		
Current tax	**60,113**	42,016
Underprovision of EIT in prior years	**133**	330
	60,246	42,346
Hong Kong Profits tax		
Current tax	**5**	56
Underprovision of Hong Kong Profits Tax in prior years	**10**	22
	15	78
Deferred tax charge	**2,145**	601
	62,406	43,025

Under the Law of the PRC on Enterprise Income Tax (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 years. Certain subsidiaries of the Group in Mainland China are regarded as "small and micro enterprises" and, accordingly, were entitled to a preferential income tax rate of 5.0% (2022: 2.5% to 10%) during the reporting 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 will be taxed at 8.25% and profits above HK$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax of 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.

9. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the year ended 31 December 2023 (2022: nil), nor has any dividend been proposed since the end of the reporting period.

10. EARNINGS PER SHARE

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

The calculation of basic earnings per share is based on:

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Earnings:		
Profit for the year attributable to ordinary equity holders of the Company for the purpose of calculating earnings per share	**121,062**	59,697

	2023	2022
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**334,394,000**	334,394,000

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022. The diluted earnings per share amount is the same as the basic earnings per share amount for the years ended 31 December 2023 and 2022.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	RMB'000	*RMB'000*
Structured bank deposits *(note a)*	**350,000**	490,000
Fund investment *(note b)*	**33,400**	18,000
Portfolio investment fund *(note c)*	**–**	64,449
	383,400	572,449
Analysed for reporting purpose as:		
Current assets	**350,000**	490,000
Non-current assets	**33,400**	82,449
	383,400	572,449

Notes:

(a) 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.

(b) 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. 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 31 December 2023, the fund had made equity investments in two (2022: two) unlisted companies and the carrying amount of the equity investments was RMB33,400,000 (2022: RMB18,000,000), which were measured at fair values.

(c) The Group had a portfolio investment fund as part of the Group's cash management activities. It was managed by a discretionary fund manager and measured at fair value. During the year ended 31 December 2023, the fund was redeemed and the proceeds was subsequently placed in fixed bank deposits.

12. ACCOUNTS AND OTHER RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Accounts receivable	**269,745**	241,558
Less: allowance for credit loss	**(13,015)**	(11,939)
Total accounts receivable	**256,730**	229,619
Prepayments to suppliers	**8,587**	19,315
Others	**39,341**	34,569
	47,928	53,884
Less: allowance for credit loss	**(2,380)**	(2,320)
Total other receivables	**45,548**	51,564
Total accounts and other receivables	**302,278**	281,183

The individual patients of the Group usually settle payments by cash, credit cards, mobile payments or governments' social insurance schemes. For credit card and mobile payments, the banks and counterparties normally settle the amounts approximately 30 days (2022: 30 days) after the transaction date. For payment under government social insurance schemes, the settlement by local social insurance bureau or similar government departments typically ranged from 30 to 180 days (2022: 30 to 180 days) from the transaction date. Corporate customers will normally settle the amounts within 90 days (2022: 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:

	2023	2022
	RMB'000	*RMB'000*
Within 30 days	**129,662**	103,728
31 to 90 days	**46,880**	64,322
91 to 180 days	**17,256**	15,189
181 to 365 days	**23,170**	16,829
Over 365 days	**39,762**	29,551
	256,730	229,619

13. ACCOUNTS AND OTHER PAYABLES AND PROVISION

	2023	2022
	RMB'000	*RMB'000*
Accounts payable	**317,263**	348,810
Accrued expenses	**96,093**	106,224
Receipt in advance *(note)*	**197,544**	197,085
Payables for acquisition of property, plant and equipment	**20,615**	36,607
Other tax payables	**3,626**	3,669
Others	**23,959**	24,182
Other payables	**341,837**	367,767
Sub-total accounts and other payables	**659,100**	716,577
Provision for medical dispute claims	**1,222**	1,234
Total accounts and other payables and provision	**660,322**	717,811

Note: Included in the balance are contract liabilities of RMB50,375,000 (2022: RMB42,961,000) and advances from the PRC social insurance bureau of RMB147,169,000 (2022: RMB154,124,000) for the daily hospital operations of the Group.

The credit period of accounts payable is ranged from 30 to 90 days (2022: 30 to 90 days) from the invoice date.

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

	2023	2022
	RMB'000	*RMB'000*
Within 30 days	**93,390**	94,494
31 to 90 days	**125,006**	124,444
91 to 180 days	**58,841**	77,870
181 to 365 days	**15,200**	26,086
Over 365 days	**24,826**	25,916
	317,263	348,810

14. BANK LOANS

	2023	2022
	RMB'000	*RMB'000*
Variable-rate secured bank loan *(note a)*	**288,682**	243,004
Fixed-rate secured bank loan *(note b)*	**30,143**	37,929
	318,825	280,933

	2023	2022
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**31,090**	28,822
In the second year	**33,408**	29,139
In the third to fifth years, inclusive	**107,756**	87,257
Beyond five years	**146,571**	135,715
	318,825	280,933

Notes:

(a) As at 31 December 2023, the balance consisted of 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 (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 ranging from 4.65% to 5.74% (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 elderly medical and healthcare complex development in Qingxi Town, Dongguan City).

As at 31 December 2023 and 2022, the bank loans were secured 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. and which is a shareholder of the Company (collectively referred to as the "**Guarantors**");

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

(iii) leasehold land and buildings held by Kangxin Hospital; and

(iv) leasehold land of the Kanghua Qingxi Healthcare Complex held by a subsidiary of the Company (2022: nil).

(b) As at 31 December 2023 and 2022, the fixed rate secured loan represented a financing arrangement with Industrial and Commercial Bank of China Leasing Co., Ltd. ("**ICBC**"), an independent third party. Pursuant to the arrangement, the Group has transferred legal title of certain items of medical equipment to ICBC, 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 31 December 2023, the carrying amount of these items of medical equipment was approximately RMB14,387,000 (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% (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, 31 December 2022 and 31 December 2023	**250,000**	**84,394**	**334,394**

16. CAPITAL COMMITMENTS

	2023 *RMB'000*	2022 *RMB'000*
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**178,778**	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 RMB13,949,000 (2022: RMB13,983,000) asserted by the plaintiffs as at 31 December 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.

18. EVENT AFTER THE REPORTING PERIOD

On 15 December 2023, the Company entered into an acquisition agreement with YouWang Enterprise Investment Co., Ltd.* (東莞市優旺實業投資有限公司), pursuant to which the Company had agreed to acquire 70% equity interest in Dongguan Kanghua Haemodialysis Healthcare Investment Management Co., Ltd.* (東莞康華血液透析醫療投資管理有限公司) ("**Kanghua Haemodialysis**") and its subsidiaries at a consideration of RMB7,700,000. Details of the acquisition were set out in the Company's announcement dated 15 December 2023. The acquisition was completed on 9 January 2024 and Kanghua Haemodialysis has since become a non-wholly-owned subsidiary of the Company.

The initial accounting of the business combination is incomplete at the time the consolidated financial statements of the Group for the year ended 31 December 2023 are authorised for issue.

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL OPERATIONS

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

Our hospital services segment comprised three self-owned hospitals. We operate one of the largest private general hospitals in the PRC, namely Dongguan Kanghua Hospital (東莞康華醫院) ("**Kanghua Hospital**"), located in Nancheng District, Dongguan, Guangdong Province. Kanghua Hospital was also one of the first private general hospital in the PRC to attain a Grade A Class III rating under the National Health and Family Planning Commission of the PRC classification system, the highest rating attainable by hospitals in the PRC. Kanghua Hospital offers a continuum of healthcare services to a diverse range of patients, particularly those with critical, complex or rare medical conditions. Kanghua Hospital was awarded the 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. We also operate Dongguan Renkang Hospital (東莞仁康醫院) ("**Renkang Hospital**") located in Houjie Town, Dongguan, Guangdong Province, a Grade A Class II private for-profit general hospital servicing the local communities in the surrounding area. Located in Dongguan, Guangdong Province, both hospitals complement each other through patient referrals, technical assistance, multi-site practices and research and teaching collaboration. Our presence outside of Guangdong Province is Chongqing Kanghua Zhonglian Cardiovascular Hospital (重慶康心醫院) ("**Kangxin Hospital**"), a specialty hospital in cardiovascular diseases in Chongqing, the PRC.

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

Our 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 (2022: 108) elderly beds located inside Renkang Hospital aims to provide quality high-end elderly care services to local residents in Houjie Town, Dongguan City, the PRC. In view of the accelerating aging population issue in the PRC that leads to the high development potential of the healthcare and elderly care industry, Renkang Elderly Care Centre signifies our Group's presence and extension of our big health concept business development.

BUSINESS REVIEW AND OUTLOOK

Business Overview for 2023

The China's medical and healthcare sector has made steady progress in 2023, with the relaxation of the three-year restrictive COVID policy unleashing the suppressed demand for healthcare services and medical procedures. This presents a favorable growth for medical services, medical devices, and companies involved in drugs and vaccines. The China's healthcare market continues to remain a high-priority policy segment for the government. One of the PRC central government's major initiatives for the healthcare industry is "Healthy China 2030" which aims for the healthcare market to undergo steady growth, driven by rising incomes, enhanced health awareness, and a fast-aging population. The private healthcare services participation remains key to China government's long term healthcare reforms, offering opportunities for innovative and private healthcare service provider to fill the public healthcare gap.

In 2023, the healthcare industry in China has seen significant legislative advancements and reforms that aim to address industry concerns and promote innovations. From the initial relaxations of COVID-19 controls in late 2022 and complete lifting of pandemic measures in 2023, 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 have undergone critical transformation amid cyclical changes. Since the beginning of 2023, national and local governments have launched a series of measures to stimulate local consumption. From the beginning 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. Our business has been positively impacted by the lifting of pandemic control measures, given the suppressed demand for healthcare services that were put on hold during the pandemic, the resumption in surgeries and medical procedures are benefitting our Group's performance in almost every perspective.

In 2023, the Group's consolidated revenue for the Reporting Period amounted to RMB2,041.9 million (2022: RMB1,845.6 million), representing a year-on-year increase of 10.6%. The Group has recorded an increase in revenue across all of our business segments as compared with last year. The results have proven our achievements for continuous commitment and efforts in offering better service quality, more patient centric focused and comprehensive healthcare services through enhancing our service offerings and strengthening patients trust and recognition of the Kanghua brand.

Our hospital services segment has recorded a revenue for the Reporting Period of RMB1,887.9 million (2022: RMB1,721.5 million), representing a year-on-year increase of 9.7%, which hits our record high since 2019. In 2023, Kanghua Hospital, Renkang Hospital and Kangxin Hospital have recorded changes in revenue of increase of 11.6%, decrease of 5.7% and increase of 36.0%, respectively. The increases in revenue are primarily due to increase in the patient intake and full recovery of our hospital operations after the pandemic control measures were lifted.

Our rehabilitation and other related healthcare services segment, through our ownership of 57% equity interest in Anhui Hualin Medical Investment Co., Ltd.* (安徽樺霖醫療投資有限公司) ("**Anhui Hualin**") (Anhui Hualin and its subsidiaries, directly and indirectly holds sponsor interests in the managed and controlled entities, certain of which are private non-enterprise entities in Anhui Province, the PRC, collectively the "**Anhui Hualin Group**"), has recorded a revenue for the year of RMB141.2 million (2022: RMB111.7 million), representing a year-on-year increase of 26.4%. Revenue for the Reporting Period from our (i) rehabilitation hospitals and other healthcare services operation; and (ii) rehabilitation centre services and other services operation have increased by 39.1% and 14.9%, respectively. The increases in revenue are primarily due to increase in the inpatient intake of our rehabilitation hospitals, the continual expansion of our rehabilitation centres network and recovery from the impact of the pandemic and lifting of pandemic control measures.

Our elderly healthcare services segment has recorded a revenue for the Reporting Period of RMB12.7 million (2022: RMB12.5 million), representing a year-on-year increase of 2.2%. As Renkang Elderly Care Centre is currently operating at close to maximum capacity, the increase in revenue for the Reporting Period is mainly due to the improved utilisation during the year.

The Group's consolidated profit for the Reporting Period amounted to RMB91.0 million (2022: RMB26.3 million), representing a year-on-year increase of 246.0%, which 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 hospital operations; and (iv) the increase in overall operating margin from 14.2% in 2022 to 17.8% for the Reporting Period as a result of our policy on overall stringent cost control.

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 year-on-year increase of 35.0% to RMB291.3 million (2022: RMB215.8 million), which indicates that the Group's core operation has 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. Details and calculations on Adjusted EBITDA are set out in the section headed "Adjusted EBITDA" in this announcement.

Hospital Services

The Group's self-owned hospitals, namely, Kanghua Hospital (our Grade A Class III standard general hospital), Renkang Hospital (our Grade A Class II standard general hospital) and Kangxin Hospital (our private hospital specializing in cardiovascular discipline), represented our Group's hospital services segment. During the Reporting Period, the Group recorded upward recovery in the key financial and operational metrics. Our key operating performance indicators were as follows: (i) the total number of inpatient visits increased to 74,337 (2022: 63,053), representing a year-on-year increase of 17.9%; (ii) the overall average spending per inpatient visit amounted to RMB14,523.2 (2022: RMB14,703.3), representing a year-on-year decline of 1.2%; (iii) the overall bed utilisation rate improved to 71.9% (2022: 62.2%), primarily attributable to the increase in number of inpatient visits; (iv) the average length of stay decreased slightly to 6.4 days (2022: 6.6 days); (v) the total number of outpatient visits increased to 1,530,169 (2022: 1,456,072), representing a year-on-year increase of 5.1%; (vi) the overall average spending per outpatient visit amounted to RMB428.7 (2022: RMB440.0), representing a year-on-year decrease of 2.6%; (vii) the total number of physical examination visits decreased to 169,651 (2022: 174,143), representing a year-on-year decrease of 2.6%; and (viii) the total number of surgical operations increased to 48,105 (2022: 42,346), representing a year-on-year increase of 13.6%.

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

		For the year ended 31 December	
	Change	**2023**	2022
Inpatient healthcare services			
Inpatient visits	+17.9%	**74,337**	63,053
Average length of stay *(days)*	-0.2	**6.4**	6.6
Average spending per visit *(RMB)*	-1.2%	**14,523.2**	14,703.3
Outpatient healthcare services			
Outpatient visits	+5.1%	**1,530,169**	1,456,072
Average spending per visit *(RMB)*	-2.6%	**428.7**	440.0
Physical examination services			
Physical examination visits	-2.6%	**169,651**	174,143
Average spending per visit *(RMB)*	+1.7%	**897.7**	882.5

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 in 2024. 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.

During the Reporting Period, Kanghua Hospital received a number of awards and recognitions including (i) being selected as one of 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); (ii) obtained the highest rating of the "Five Stars and Three A" (五星三A) from China Association of Non-Public Medical Institutions (中國非公醫療機構協會); and (iii) won the title of "China Chronic Hepatitis B Clinical Cure (Everest) Project – Demonstration Centre" (中國慢性乙肝臨床治癒（珠峰）工程項目－示範分中心), "National High Blood Pressure Standard Construction Unit" (國家級高血壓達標建設單位), "National Advanced Stroke Center Construction Unit" (國家級高級卒中中心建設單位) and Dongguan City's "Nursing Management Training Clinical Practice Base" (護理管理培訓臨床實踐基地). The hospital's laboratory also successfully passed the national ISO15189 re-evaluation certification. In 2023, the "4th Guangdong Hospital High-level Specialty Construction Medical Treatment Guide" (第四屆廣東醫院高水準專科建設就醫一本通) was announced and amongst over 1,500 hospitals in the province, the burn care department of Kanghua Hospital is the only burn care specialty in Dongguan City featured in the Guide.

In 2023, Kanghua Hospital has set up a number of new medical departments and wards to cope with rising demand including the Geriatric Medicine Department (老年醫學科), the Emergency Department Inpatient Ward (急診住院病區) and a new Pediatric Ward in the Huaxin Building (華心樓兒科病區). In terms of the establishment of specialist outpatient clinics, Kanghua Hospital has established the COVID-19 Comprehensive Traditional Chinese Medicine Rehabilitation Clinic (新冠中醫康復綜合門診), Traditional Chinese Medicine Reproductive Clinic (中醫生殖門診), Anesthesia Clinic (麻醉門診), VIP Obstetrics Clinic (貴賓產科門診), Podiatry Specialist Clinic (足病專科門診), Snoring Clinic (鼾症門診), providing more room for specialist services development, improving quality and service capabilities.

During the Reporting Period, Kanghua Hospital recorded a revenue of RMB1,566.2 million (2022: RMB1,403.9 million), representing a year-on-year increase of 11.6%. The increase in revenue was mainly driven by the growth in the number of overall patient visits during the Reporting Period.

Renkang Hospital

Renkang Hospital successfully passed the Class II Grade A accreditation review in 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. In 2023, Renkang Hospital continues to strengthen the establishment and construction of three major centers: "Trauma Center" (創傷中心), "Chest Pain Center" (胸痛中心) and "Stroke Center" (卒中中心). With respect to 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" (省級四級創傷中心) and passed the review and acceptance in December 2023. In 2024, 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 RMB248.9 million (2022: RMB263.9 million), representing a year-on-year decrease of 5.7%. 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 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 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. Moreover, in 2023, the laboratory department and blood transfusion department of Kangxin Hospital were recognised to have reached the relevant industry standards with excellence at the national, provincial and municipal levels at the quality evaluation of the National Health Commission Clinical Examination Center (國家衛健委臨檢中心) and Chongqing Clinical Examination Center (重慶市臨檢中心).

Although still operating at loss, during the Reporting Period, Kangxin Hospital has recorded a revenue of RMB72.9 million (2022: RMB53.6 million), representing a year-on-year increase of 36.0%.

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

Healthcare disciplines	Change	For the year ended 31 December 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)	+31.3%	**271,010**	**14.3**	206,477	12.0
Internal medicine related disciplines (內科有關科室)	+16.9%	**225,834**	**12.0**	193,127	11.2
O&G related disciplines (婦產科有關科室)	-7.8%	**212,455**	**11.3**	230,402	13.4
General surgery related disciplines (普通外科有關科室)	+4.3%	**126,149**	**6.7**	120,944	7.0
Neurology related disciplines (神經醫學有關科室)	+5.7%	**124,279**	**6.6**	117,593	6.8
Emergency medicine related disciplines (急診有關科室)	+4.4%	**90,949**	**4.8**	87,094	5.1
Orthopaedics related disciplines (骨科有關科室)	-2.4%	**85,740**	**4.5**	87,888	5.1
Nephrology related disciplines (腎臟科有關科室)	+6.6%	**69,676**	**3.7**	65,335	3.8
Oncology related disciplines (腫瘤科有關科室)	+3.7%	**68,656**	**3.6**	66,198	3.8
Paediatrics related disciplines (兒童醫學有關科室)	+48.0%	**51,980**	**2.8**	35,128	2.0
Medical aesthetic related disciplines (醫學美容有關科室)	+6.7%	**45,569**	**2.4**	42,725	2.5
Physical examination (體檢科)	-0.9%	**152,296**	**8.1**	153,678	8.9
Other disciplines (其他臨床科室)	+15.4%	**363,295**	**19.2**	314,873	18.3
Total		**1,887,888**	**100.0**	1,721,462	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 2023, the Group performed a total of 48,105 surgeries (2022: 42,346), including 22,092 surgeries (2022: 16,107) with level 3 or level 4 complexities, representing a year-on-year increase of 13.6% and 37.2%, 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.

During the Reporting Period, the top five revenue-generating disciplines from the Group's hospital services segment accounted for approximately 50.9% of the Group's revenue from the hospital services segment (2022: 50.4%). During the Reporting Period, our cardiovascular related disciplines has replaced the O&G-related disciplines to be our largest medical discipline, which recorded a year-on-year increase in revenue of 31.3%, primarily due to the significant growth in revenue from Kangxin Hospital. Our O&G-related disciplines recorded a decrease in revenue of 7.8%, mainly caused by a decline of birth rate during the pandemic. Revenue from paediatrics related disciplines and internal medicine related disciplines have also recorded a considerable increase in revenue of 48.0% and 16.9%, respectively, primarily attributable to the increase in the number of patient visits as a result of increase in demand of these services after the pandemic.

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 2023, the total revenue derived from special services amounted to RMB159.9 million (2022: RMB156.1 million), representing a year-on-year increase of 2.4%.

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

		For the year ended 31 December	
		2023	2022
	Change	***RMB'000***	*RMB'000*
VIP healthcare services	+15.0%	**99,964**	86,932
Reproductive medicine	-20.8%	**35,749**	45,133
Laser treatment	+2.3%	**20,294**	19,840
Plastic and aesthetic surgery	-6.7%	**3,879**	4,159
Total revenue from special services	+2.5%	**159,886**	156,064

In 2023, the performance of our VIP healthcare services improved as the number of VIP inpatient and outpatient visits increased as compared with the 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) continues to be solid. Our revenue from VIP healthcare services (included VIP inpatient and outpatient services and VIP O&G services) for the Reporting Period amounted to RMB100.0 million (2022: RMB86.9 million), representing a year-on-year increase of 15.0%. However, our revenue from reproductive medicine has decreased to RMB35.7 million (2022: RMB45.1 million) with a year-on-year decrease of 20.8%, which was mainly caused by a deterioration in the general sentiment of giving birth and the lingering impact from the pandemic.

Rehabilitation and other Healthcare Services

The Group's rehabilitation and other related healthcare services segment, represents the Anhui Hualin Group, as of 31 December 2023, mainly operates two rehabilitation hospitals, a general hospital, an outpatient centre, thirteen rehabilitation centres and one vocational training school. During the Reporting Period, the Group's rehabilitation and other related healthcare services segment recorded a revenue of RMB141.2 million (2022: RMB111.7 million), representing a year-on-year increase of 26.4%.

Anhui Hualin Group currently employs more than 980 (2022: 950) 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, the PRC. As of 31 December 2023, our two major rehabilitation hospitals operated by Anhui Hualin Group, namely, Hefei Kanghua Rehabilitation Hospital and Hefei Jingu Hospital have a total of 250 (2022: 200) registered beds. During the Reporting Period, our rehabilitation hospitals have 24,434 (2022: 30,688) outpatient visits and 4,614 (2022: 4,003) inpatient visits.

In 2023, the decrease in outpatient visits is primarily due to the normalisation of COVID-19 among the public, and the number of patients with fever or seeking medical attention on related symptoms has decreased. However, our inpatient visits have 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 and burn patients to increase. Anhui Hualin Group also 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, including 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), have added new momentum to the development of our rehabilitation hospitals.

During the Reporting Period, revenue from rehabilitation hospital and other healthcare services recorded a year-on-year increase of 39.1% to RMB73.9 million (2022: RMB53.1 million) and revenue from rehabilitation centres services and other services recorded a year-on-year increase of 14.9% to RMB67.4 million (2022: RMB58.6 million).

Elderly Healthcare Services

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

In 2023, Renkang Elderly Care Centre had a total of 108 (2022: 108) beds with an average length of stay of 118.2 days (2022: 95.4 days) and achieved an average annual bed utilisation rate of 87.9% (2022: 86.1%). Revenue from provision of elderly healthcare services for the Reporting Period amounted to RMB12.7 million (2022: RMB12.5 million), representing a year-on-year increase of 2.2%. As the operation matures, Renkang Elderly Care Centre continued to gain reputation for its elderly healthcare services in the district. In 2024, 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 was 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 has stepped 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.

Private healthcare participation remains key to China government's long term healthcare reforms, offering opportunities for innovative and private healthcare service providers to fill the public healthcare gap. In addition, the consequences of the pandemic have prompted the government to place further emphasis on health and medical security reforms. The Chinese government recognizes the limitations of relying solely on public healthcare, which are further exemplified by the COVID-19 pandemic. Hence, encouraging private healthcare provision has always been a part of the national strategy. In 2023, regulators have put in place policies to increase supply and enhance public healthcare systems to ensure basic medical needs are met. At the same time the government is encouraging private sector participation to provide affluent patients who can afford higher quality services with shortened waiting time.

Since the 20th Party Congress in 2022, the policy tone towards the healthcare sector reaffirmed that the government welcomes private sector participation. This is evidenced by the supportive policies being implemented for the development of private hospitals and online healthcare platforms. We believe private hospital operators are in a good position to capture long-term structural demand growth and demand recovery that was subdued during the COVID-19 pandemic. The dynamics of the China healthcare sector have undergone significant changes in the past three years, driven by regulations and the impact of the pandemic. However, certain factors have remained constant, such as the continued growth of healthcare spending in China, driven by the country's aging population, expanding middle class, and increasing demand for high-quality healthcare services.

Our Strategy

The PRC's medical reform has achieved significant 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.

The Traditional Chinese Medicine ("**TCM**") sector is also becoming more attractive as government rolls out policy initiatives including market deregulations and improving manufacturing standards. China's TCM sector has been receiving more support from the government and several new policy directives have been implemented, targeting the development of a strong TCM industry by 2025. This gives great advantage to TCM providers (hospitals and clinics) and practitioners, and promotes service penetration in specific areas such as geriatrics, rehabilitation, obstetrics, and gynecology. In 2024, Kanghua Hospital will continue to develop appropriate channels to encourage clinical departments to actively explore the feasibility of treating the dominant diseases applying traditional Chinese medicine, carrying out special treatments using traditional Chinese medicine, and promote the development of the integration of traditional Chinese and Western medicine technologies with a view to providing the most optimal treatment solutions to the patients.

In 2024, the Group will continue to focus on VIP medical services, attracting customers with "high quality, high technology and high-end service", and prioritize such services as a growth driver for Kanghua Hospital. The Kanghua Club, Huaxin Building, our postpartum care center and related departments collectively form a distinguished offering for the differentiated development of Kanghua Hospital and a key driving force in promoting the service diversity and sustainability of the Group. Looking ahead into 2024, we will continue to optimize medical services and improve medical operation efficiency. In addition, we will leverage our industry recognition, focus on enhancing our core business, heighten management standards, fully utilize the strengths of each of our hospitals, with a view to creating value for our stakeholders and driving business growth momentum.

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. As of 31 December 2023, the total investment in Kanghua Qingxi Healthcare Complex amounted to approximately RMB196.9 million.

Acquisition of Kanghua Haemodialysis Group

On 15 December 2023, the Company entered into an acquisition agreement with YouWang Enterprise Investment Co., Ltd.* (東莞市優旺實業投資有限公司) ("**YouWang Enterprise**"), an independent third party, pursuant to which the Company has agreed to acquire 70% equity interest in Dongguan Kanghua Haemodialysis Healthcare Investment Management Co., Ltd.* (東莞康華血液透析醫療投資管理有限公司) ("**Kanghua Haemodialysis**") its subsidiaries (collectively the "**Kanghua Haemodialysis Group**") at a consideration of RMB7.7 million. Details of the acquisition were set out in the Company's announcement dated 15 December 2023. The acquisition was completed on 9 January 2024 and Kanghua Haemodialysis has since become a non-wholly-owned subsidiary of the Company.

The Kanghua Haemodialysis Group is principally engaged in the operation of haemodialysis outpatient centres in the PRC with its first outpatient centre commenced operation in 2016. As of the date of this announcement, the Kanghua Haemodialysis Group operates 13 haemodialysis centres, located in Guangzhou (3), Chengdu (3), Shenzhen (1), Foshan (1), Zhongshan (1), Zhuhai (1), Yangjiang (1), Jieyang (1) and Jiangmen (1), serving more than 700 haemodialysis patients. In 2023, the Kanghua Haemodialysis Group had performed more than 90,000 haemodialysis operations. The Kanghua Haemodialysis Group has introduced advanced concepts and technologies from haemodialysis outpatient centres in Singapore and implemented high quality dialysis and refined chronic disease management. The Kanghua Haemodialysis Group is a pioneer in introducing "harmless dialysis", which is a protocol significantly more advanced than the prevalent standard in the PRC and has significantly improved the life span and quality of life of kidney patients.

The Board believes the acquisition can create synergies and economies of scale for the Group and the Kanghua Haemodialysis Group, as they can leverage on each other's network, resources, expertise, and reputation in the healthcare industry. The Company can provide the Kanghua Haemodialysis with access to its medical staff, equipment, supplies, management, and quality control systems, as well as its existing and potential customers. The Kanghua Haemodialysis Group can also benefit from the Company's financial support, capital markets platform, and strategic guidance. The Company expects that the acquisition can enhance the profitability and efficiency of the Kanghua Haemodialysis Group and generate positive returns for the Company in the long term.

Acquisition of additional interest in Kangxin Hospital

During the Reporting Period, the Group acquired 40% additional equity interest in Kangxin Hospital at a consideration of RMB108.0 million and the acquisition was completed in November 2023. Since then, Kangxin Hospital had become a wholly-owned subsidiary of the Company. The details of the acquisition are set out in the Company's announcements dated 5 May 2023 and 24 May 2023. The Board considers that the acquisition has enabled the Group to gain full equity control over Kangxin Hospital and facilitate its negotiation and implementation of the management arrangements ("**Management Arrangements**") with Silver Mountain Capital Limited ("**Silver Mountain**"), an independent third party (details of which are set out in the voluntary announcement of the Company dated 23 May 2022 in relation to the Management Arrangements with Silver Mountain in respect of Kangxin Hospital's operations). 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. As at 31 December 2023 and up to the date of this announcement, the Company is still in progress in finalizing the negotiation and implementation of the Management Arrangement with Silver Mountain, as well as 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**") as and when required.

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, cost of revenue, gross profit and gross profit margin of the Group by segment for the years indicated:

For the year ended 31 December 2023

	Hospital services *RMB'000*	**Rehabilitation and other healthcare services** *RMB'000*	**Elderly healthcare services** *RMB'000*	**Total** *RMB'000*
Revenue	**1,887,888**	**141,243**	**12,727**	**2,041,858**
Cost of revenue	**(1,554,815)**	**(114,424)**	**(8,249)**	**(1,677,488)**
Gross profit	**333,073**	**26,819**	**4,478**	**364,370**
Gross profit margin	**17.6%**	**19.0%**	**35.2%**	**17.8%**

For the year ended 31 December 2022

	Hospital services *RMB'000*	Rehabilitation and other healthcare services *RMB'000*	Elderly healthcare services *RMB'000*	Total *RMB'000*
Revenue	1,721,462	111,714	12,457	1,845,633
Cost of revenue	(1,482,929)	(92,952)	(8,402)	(1,584,283)
Gross profit	238,533	18,762	4,055	261,350
Gross profit margin	13.9%	16.8%	32.6%	14.2%

Revenue from the Group's hospital services amounted to RMB1,887.9 million (2022: RMB1,721.5 million), representing a year-on-year increase of 9.7% and accounting for 92.5% (2022: 93.3%) of the total revenue of the Group.

Revenue from hospital services comprised (i) revenue from inpatient healthcare services amounted to RMB1,079.6 million (2022: RMB927.1 million), representing a year-on-year increase of 16.5%, accounting for 52.9% (2022: 50.2%) of the total revenue of the Group; (ii) revenue from outpatient healthcare services amounted to RMB656.0 million (2022: RMB640.7 million), representing a year-on-year increase of 2.4%, accounting for 32.1% (2022: 34.7%) of the total revenue of the Group; and (iii) revenue from physical examination services amounted to RMB152.3 million (2022: RMB153.7 million), representing a year-on-year decrease of 0.9%, accounting for 7.5% (2022: 8.3%) of the total revenue of the Group.

The increase in revenue from hospital services is mainly due to (i) the overall increase in number of inpatient visits at Kanghua Hospital, Renkang Hospital and Kangxin Hospital during the Reporting Period; (ii) our hospital service operations has been positively impacted by the lifting of COVID-19 restrictions in early 2023, given the suppressed demand for healthcare services that were put on hold during the pandemic, the resumption in surgeries and medical procedures are benefitting our hospital services performance in almost every perspective; and (iii) the increase in revenue in a number of our major medical disciplines and our special services. Revenue from our outpatient healthcare services has also increased, in particular, outpatient visits at Kanghua Hospital have increased by 11.0% during the Reporting Period. However, revenue from physical examination has decreased during the Reporting Period, and is primarily due to (i) the decrease in number of physical examination visits at Kanghua Hospital; (ii) the decrease in patient average spending of our physical examination services; and (iii) the decrease in number of COVID-19 tests and related medical treatment performed at our hospitals during the Reporting Period as the pandemic gradually ended in early 2023.

Revenue from rehabilitation and other healthcare services amounted to RMB141.2 million (2022: RMB111.7 million), representing a year-on-year increase of 26.4%, accounting for 6.9% (2022: 6.1%) of the total revenue of the Group. Revenue from rehabilitation and other healthcare services comprised (i) revenue from rehabilitation hospital and other healthcare services amounted to RMB73.9 million (2022: RMB53.1 million), representing a year-on-year increase of 39.1% and (ii) revenue from rehabilitation centres services and other services (in particular our children rehabilitation operations) amounted to RMB67.4 million (2022: RMB58.6 million), representing a year-on-year increase of 14.9%. 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. Total inpatient visits from rehabilitation and other healthcare services recorded an increase of 15.3% for the Reporting Period.

Revenue from elderly healthcare services represented the provision of elderly healthcare services at Renkang Elderly Care Centre, which amounted to RMB12.7 million (2022: RMB12.5 million), representing a year-on-year increase of 2.2%, accounting for 0.6% (2022: 0.7%) of the total revenue of the Group. The relatively stable revenue level is mainly attributable to the maturing business operation of Renkang Elderly Care Centre which is already operating at our maximum capacity.

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 cost of pharmaceuticals and medical consumables, staff cost, depreciation and amortisation, service expenses, utilities expenses, rental expenses and other costs. Cost of revenue of the Group's hospital services segment increased to RMB1,554.8 million (2022: RMB1,482.9 million), representing a year-on-year increase of 4.8%. The increase in cost of revenue for hospital services segment was mainly attributable to improve business operations at Kanghua Hospital and Kangxin Hospital. 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 amounted to RMB114.4 million (2022: RMB93.0 million), representing a year-on-year increase of 23.1%, and primarily consisted of staff costs, medical consumables, depreciation, utilities and rental expenses. The increase in cost of revenue was in line with the increase in revenue for the Reporting Period, mainly as a result of increase in operation of our rehabilitation hospitals and rehabilitation centers, in particular, the rise in number of direct staff headcounts.

Cost of revenue of the Group's elderly healthcare services represents direct operating costs at Renkang Elderly Care Centre, which amounted to RMB8.2 million (2022: RMB8.4 million), representing a year-on-year decrease of 1.8%, which primarily consisted of cost of services including direct staff cost, consumables and cost of meals incurred at the centre. There were no significant changes in cost of revenue primarily due to the full operation of the centre and full deployment of its services since 2020.

For the Reporting Period, costs of pharmaceuticals, costs of medical consumables and staff cost accounted for approximately 26.6% (2022: 25.7%), 26.0% (2022: 25.7%) and 33.0% (2022: 34.2%), respectively, of the total cost of revenue of the Group. The proportion of cost of pharmaceuticals as percentage of total cost of revenue has increased 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 increased by 2.3% as compared with 2022 as our overall medical teams and professional workforce have remained relatively stable throughout the Reporting Period.

Gross Profit and Gross Profit Margin

Total gross profit of the Group amounted to RMB364.4 million (2022: RMB261.4 million), representing a year-on-year increase of 39.4%. The overall gross profit margin improved to 17.8% (2022: 14.2%), primarily due to: (i) the strong rebound in business operations from our hospital services segment; (ii) the overall average patient spending remains relatively stable; (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. During the Reporting Period, other income amounted to RMB46.3 million (2022: RMB54.9 million), representing a year-on-year decrease of approximately 15.6%, primarily due to (i) decrease in government subsidies to RMB2.3 million (2022: RMB5.7 million), caused by the decrease in vaccination and other COVID-19 related subsidies received from government bodies during the Reporting Period. Other subsidies include subsidized funding for operation of our rehabilitation centres and hospitals as well as specific research and development projects; (ii) decrease in investment income from financial assets at FVTPL to RMB12.1 million (2022: RMB13.3 million), which represented investment return from structured deposits with banks in the PRC, caused by the decrease in average investment being placed during the Reporting Period; (iii) increase in clinical trial and related income to RMB13.3 million (2022: RMB10.9 million); (iv) no COVID-19 related rent concession was granted during the Reporting Period (2022: RMB7.4 million); and (v) increase in bank and other interest income to RMB4.9 million (2022: RMB3.2 million).

Other Expenses, Gains and Losses, net

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). During the Reporting Period, other expenses, gains and losses amounted to a net loss of RMB6,000 (2022: net gain of RMB0.7 million), primarily comprised (i) a recorded fair value loss on financial assets at FVTPL of RMB0.9 million (2022: fair value loss of RMB4.4 million); (ii) a recorded net exchange gain of RMB1.1 million (2022: net exchange gain of RMB5.9 million) mainly arising from our Hong Kong dollar denominated financial assets; (iii) loss on disposal of property, plant and equipment amounted to RMB0.2 million (2022: loss of RMB0.6 million); and (iv) donations made of RMB0.06 million (2022: RMB0.2 million).

Net Provision of Impairment Losses under Expected Credit Loss Model

During the Reporting Period, impairment losses under expected credit loss model recorded a net provision of RMB2.8 million (2022: RMB4.2 million). The net provision for the Reporting Period was mainly attributable to the effects of changes in the Group's accounts receivables ageing and deterioration in credit rating of certain corporate customers and outstanding debts from patients as well as certain other receivable balances. Over the past few years, the Group 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' ageing 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. Administrative expenses for the Reporting Period amounted to RMB242.4 million (2022: RMB228.3 million), representing a year-on-year increase of approximately 6.2%, primarily due to (i) a significant increase in management and consultancy fees expense of 47.2% amounted to RMB23.5 million (2022: RMB16.0 million) which was primarily due to the management fees paid in relation to the 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) administrative staff related costs amounted to RMB84.1 million (2022: RMB83.7 million) maintained relatively stable; (iii) an increase in rental expenses and property management expenses of 16.9% amounted to RMB23.4 million (2022: RMB20.0 million) as there was no concession arrangement during the Reporting Period; (iv) an increase in repairs and maintenance expenses to RMB20.0 million (2022: RMB16.2 million); and (v) decrease in general office expenses due to stringent costs control.

Finance Costs

Finance costs for the Reporting Period amounted to RMB12.1 million (2022: RMB15.0 million), representing a year-on-year decrease of 19.9%. Finance costs for the Reporting Period represented (i) interest on bank loans of RMB17.3 million (2022: RMB18.6 million); (ii) the interest element relating to lease liabilities charged to profit or loss of RMB7.5 million (2022: RMB9.7 million); and (iii) less amount of interest capitalised in the cost of qualifying assets of RMB12.8 million (2022: RMB13.3 million).

Income Tax Expenses

The income tax expenses of the Group primarily consisted of PRC enterprise income tax and Hong Kong Profits Tax. Income tax expenses for the Reporting Period amounted to RMB62.4 million (2022: RMB43.0 million), representing a year-on-year increase of approximately 45.0%. The subsidiaries of the Group in the PRC are generally subject to income tax rate of 25% on their respective taxable income. Certain subsidiaries of the Group in the PRC are regarded as "small and micro enterprises" and, accordingly, were entitled to a preferential income tax rate of 5.0% (2022: 2.5% to 10%) during the Reporting Period. Our effective tax rate for the Reporting Period is 40.0% (2022: 62.1%). The increase in income tax expenses was primarily due the increase in profits generated at Kanghua Hospital during the Reporting Period.

Profit for the Year

The Group recorded profit for the Reporting Period amounted to RMB91.0 million (2022: RMB26.3 million), and profit attributable to shareholders of the Company amounted to RMB121.1 million (2022: RMB59.7 million).

Adjusted EBITDA

The profit for the Reporting 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 year ended 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
Profit for the year		**91,023**	26,284
Add: Income tax expenses		**62,406**	43,025
Profit before tax (IFRS measure)		**153,429**	69,309
Add: Finance costs	(i)	**12,055**	15,043
Add: Depreciation of right-of-use assets	(i)	**36,165**	36,434
Add: Depreciation of property, plant and equipment	(i)	**106,914**	113,007
EBITDA (non-IFRS measure)		**308,563**	233,793
Add: Fair value loss on financial assets at FVTPL	(ii)	**882**	4,436
Less: Investment income from financial assets at FVTPL	(iii)	**(12,092)**	(13,285)
Less: Exchange gain	(iv)	**(1,126)**	(5,907)
Less: Bank and other interest income	(v)	**(4,918)**	(3,226)
Adjusted EBITDA (non-IFRS measure)		**291,309**	215,811

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, Rights-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 RMB38.5 million (2022: RMB73.6 million) and RMB111.1 million (2022: RMB94.5 million), respectively, mainly for the purpose of upgrading and expanding the service capacity of the Group's hospital and rehabilitation services operations and construction cost incurred of Phase II medical facility at Kangxin Hospital and the Kanghua Qingxi Healthcare Complex.

At 31 December 2023, the Group had right-of-use assets of RMB284.3 million (2022: RMB319.9 million) which included leasehold lands of RMB216.7 million (2022: RMB221.6 million) and leasehold land and buildings relating to leases of RMB67.6 million (2022: RMB98.3 million) recognised in accordance with IFRS 16. 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 (2022: RMB2.2 million) each relating to those new leases.

At 31 December 2023, the Group had deposits paid for acquisition of property, plant and equipment amounting to RMB36.2 million (2022: RMB58.1 million). The deposits mainly represented deposits paid for construction cost of Phase II medical facility at our Kangxin Hospital and amount paid for acquisition of new medical equipment and other new facilities as the Group continues to upgrade its medical facilities and expand its operation capacity.

Other Asset

On 23 May 2022, the Company entered into certain Management Arrangements with Silver Mountain, pursuant to which Silver Mountain has assumed management of the day-to-day operations of Kangxin Hospital, 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. In 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 RMB1.0 million (2022: RMB0.6 million) had been charged to profit or loss.

Accounts and Other Receivables

The account receivables of the Group primarily consisted of balances due from social insurance funds, certain corporate customers and individual patients. As at 31 December 2023, accounts receivables amounted to RMB256.7 million (2022: RMB229.6 million), of which 68.8% (2022: 73.2%) were aged within 90 days. Average accounts receivables turnover days for the current year is 43.5 days (2022: 45.1 days). The increase in accounts receivables and decrease in accounts receivable turnover days was primarily due to the increase in balance due from social insurance funds and other government authorities, and certain corporate customers, as well as the increase in total revenue of the Group for the Reporting Period. As at 31 December 2023, the Group had carried out credit assessment on its accounts receivables and a net provision for expected credit loss of RMB2.8 million (2022: RMB4.2 million) had been charged to profit or loss during the Reporting Period.

The other receivables of the Group primarily consisted of prepayments to suppliers and others. As at 31 December 2023, total other receivables amounted to RMB45.5 million (2022: RMB51.6 million) and primarily comprised (i) prepayments to suppliers of RMB8.6 million (2022: RMB19.3 million); (ii) other receivables comprising prepayments to other non-trade suppliers, security deposits and other prepaid expenses and others amounted to RMB31.6 million (2022: RMB34.6 million); and (iii) offset by a net provision expected for credit loss of RMB2.4 million (2022: RMB2.3 million).

Accounts and Other Payables and Provisions

The accounts and other payables and provisions of the Group primarily consisted of accounts payables, accrued expenses, receipt in advance, payables for acquisition of property, plant and equipment, provision for medical dispute claims, other tax payables and others. As at 31 December 2023, accounts and other payables and provisions decreased to RMB660.3 million (2022: RMB717.8 million) primarily due to (i) a decrease in accounts payable to RMB317.3 million (2022: RMB348.8 million) mainly due to acceleration of payments to suppliers during the Reporting Period; (ii) decrease of accrued expenses to RMB96.1 million (2022: RMB106.2 million); (iii) receipt in advance amounted to RMB197.5 million (2022: RMB197.1 million) mainly represents temporary funds received from social security insurance fund; (iv) a decrease in payable for acquisition of property, plant and equipment to RMB20.6 million (2022: RMB36.6 million); and (v) provision for medical dispute claims amounted to RMB1.2 million (2022: RMB1.2 million), comprising provision for the Reporting Period of RMB3.3 million (2022: RMB2.4 million), reversal of provision for the Reporting Period of RMB0.2 million (2022: RMB1.5 million) and utilisation of provision for the Reporting Period of RMB3.1 million (2022: RMB1.6 million).

Net Current Assets

As at 31 December 2023, the Group recorded net current assets of RMB328.8 million (2022: RMB289.6 million) and net assets position of RMB1,497.5 million (2022: RMB1,514.5 million).

LIQUIDITY AND CAPITAL RESOURCES

Financial Resources

The Group continued to maintain a strong financial position with cash and cash equivalents of RMB305.2 million as at 31 December 2023 (2022: RMB264.3 million) and fixed bank deposits of RMB63.4 million as at 31 December 2023 (2022: nil). The Group continues to generate steady cash inflow from operations and coupled with 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 31 December 2023, as part of the Group's cash management activities, the Group had investments (classified as financial assets at FVTPL) in aggregate of RMB383.4 million (2022: RMB572.4 million), primarily consisting of, (i) a fund investment of RMB33.4 million (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 31 December 2023, the fund had made equity investments in two (2022: two) unlisted companies and the aggregate carrying amounts of the equity investments was RMB33.4 million (2022: RMB18.0 million), which were measured at fair values; (ii) structured short-term bank deposits of RMB350.0 million (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; and (iii) a portfolio investment fund as at 31 December 2022 amounted to RMB64.4 million (2023: nil), 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, which was subsequently placed in fixed bank deposits.

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 consolidated statement of cash flow of the Group for the years indicated:

	Change	**2023**	2022
		RMB'000	*RMB'000*
Net cash flows from operating activities	-7.8%	**204,195**	221,404
Net cash flows used in investing activities	+29.5%	**(107,724)**	(83,159)
Net cash flows used in financing activities	-49.9%	**(55,563)**	(110,880)
Net increase in cash and cash equivalents	+49.5%	**40,908**	27,365

Net cash flows from operating activities

During the Reporting Period, the net cash generated from operating activities amounted to RMB204.2 million (2022: RMB221.4 million), representing a year-on-year decrease of 7.8%, the decrease is primarily attributable to our improved performance in adjusted EBITDA for the Reporting Period, but partly offset by various changes in working capital include: (i) decrease in inventories amounted to RMB14.8 million (2022: increase in inventories of RMB2.8 million); (ii) increase in accounts and other receivables amounted to RMB16.2 million (2022: RMB16.9 million); and (iii) decrease in accounts and other payables amounted to RMB44.6 million (2022: increase in accounts and other payables RMB77.2 million). Total income tax paid during the Reporting Period amounting to RMB52.1 million (2022: RMB51.6 million).

Net cash flows used in investing activities

During the Reporting Period, the net cash used in investing activities amounted to RMB107.7 million (2022: RMB83.2 million), representing a year-on-year increase of 29.5%. The increase is primarily attributable to: (i) an increase in purchase of property, plant and equipment of RMB98.3 million (2022: RMB93.8 million); (ii) an increase in deposits paid for acquisition of property, plant and equipment of RMB32.6 million (2022: RMB21.4 million); (iii) a recorded net proceeds from disposal of investments in financial assets at FVTPL of RMB187.5 million (2022: RMB32.0 million); (iv) a decrease in investment income received from financial assets at FVTPL of RMB12.1 million (2022: RMB13.3 million); (v) net placement of fixed deposits of RMB65.4 million (2022: net withdrawal of RMB3.0 million) during the Reporting Period; and (vi) cash used in acquisition of subsidiaries of RMB108.1 million (2022: RMB0.6 million) and deposits paid for acquisition of subsidiaries of RMB7.7 million (2022: nil).

Net cash flows used in financing activities

During the Reporting Period, the net cash flows used in financing activities amounted to RMB55.6 million (2022: RMB110.9 million) and primarily consists of: (i) new bank loans raised during the Reporting Period of RMB68.2 million (2022: no new bank loans raised); (ii) repayment of bank loans of RMB33.0 million (2022: RMB31.5 million); (iii) net repayments to non-controlling shareholders of subsidiaries of RMB26.9 million (2022: RMB23.1 million); (iv) repayments of principal portion of lease liabilities of RMB41.7 million (2022: RMB39.3 million); and (v) increase in interest paid amounted to RMB22.2 million (2022: RMB15.6 million).

Significant Investment, Acquisition and Disposal

Acquisition of additional interest in Kangxin Hospital

During the Reporting Period, the Group acquired 40% additional equity interest in Kangxin Hospital at a consideration of RMB108.0 million and the acquisition was completed in November 2023. Since then, Kangxin Hospital had become a wholly-owned subsidiary of the Company. The details of the acquisition are set out in the Company's announcements dated 5 May 2023 and 24 May 2023. The Board considers that the acquisition has enabled the Group to gain full equity control over Kangxin Hospital and facilitate its negotiation and implementation of the Management Arrangements with Silver Mountain (details of which are set out in the voluntary announcement of the Company dated 23 May 2022 in relation to the Management Arrangements with Silver Mountain in respect of Kangxin Hospital's operations). 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. As at 31 December 2023 and up to the date of this announcement, the Company is still in progress in finalizing the negotiation and implementation of the Management Arrangement with Silver Mountain, as well as 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.

Acquisition of Kanghua Haemodialysis Group

On 15 December 2023, the Company entered into an acquisition agreement with YouWang Enterprise, pursuant to which the Company has agreed to acquire 70% equity interest in Kanghua Haemodialysis Group at a consideration of RMB7.7 million. Details of the acquisition were set out in the Company's announcement dated 15 December 2023. The acquisition was completed on 9 January 2024 and Kanghua Haemodialysis has since become a non-wholly-owned subsidiary of the Company.

Acquisition of Hefei Aikanghui Group

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. 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 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 RMB149.5 million (2022: RMB168.0 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 Hong Kong Stock Exchange on 8 November 2016. The Company's net proceeds from the initial public offering of its H shares amounts to approximately RMB782.6 million (equivalently to approximately HK$874.9 million) after deducting underwriting commissions and all related expenses. The net proceeds from the initial public offering have been and will be utilised in accordance with the purposes set out in the prospectus of the Company dated 27 October 2016 (the "**Prospectus**").

Up to 31 December 2023, of the net proceeds from the initial public offering, (i) RMB78.3 million, representing approximately 10% of the net proceeds, have been fully utilised and used as general working capital; (ii) RMB134.7 million, representing approximately 17.2% of the net proceeds, have been utilised and used on expansion of our current operations and upgrading our hospital's facilities; and (iii) RMB208.8 million, representing approximately 26.7% of the net proceeds, have been utilised and used for acquisition and potential acquisition of businesses. As at 31 December 2023, out of the balance of the unutilised net proceeds of RMB360.8 million, part of such proceeds have been used to purchase certain financial products (classified as financial assets at FVTPL) or placed in fixed bank deposits to achieve higher interest income and capital return without interfering with our business operations or capital expenditures to earn better return on our excess cash balance, and the remaining balance have been kept at the bank accounts of the Group (included in bank balances and cash). As at the date of this announcement, the Company does not anticipate any material change to its plan on the use of proceeds as stated in the Prospectus.

INDEBTEDNESS

Bank Loans

As at 31 December 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 31 December 2023, RMB413.6 million has been drawn down. As at 31 December 2023, the Group had secured bank loans of carrying amount of RMB318.8 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 2021and 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 leasehold land and buildings held by Kangxin Hospital and shares pledged over the entire equity in Kangxin Hospital held by the Company. As at 31 December 2023, the carrying amount of the borrowing in respect of such arrangement amounted to RMB241.5 million (2022: RMB243.0 million); and

(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 31 December 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% (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 31 December 2023, the carrying amount of the borrowing in respect of such arrangement amounted to RMB30.1 million (2022: RMB37.9 million). As at 31 December 2023, the property, plant and equipment with net book value of RMB14.4 million (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 RMB47.2 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 31 December 2023, the carrying amount of the borrowing in respect of such arrangement amounted to RMB47.2 million (2022: nil).

In connection with the bank loan facilities above, certain of our controlling shareholders 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 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 31 December 2023, except for those disputes with provision made, the total stated claim amount of the Group's on-going medical disputes was approximately RMB13.9 million (2022: RMB14.0 million) and there were certain medical disputes without claim amount stated. Based on the Group's assessment, as at 31 December 2023, provisions of approximately RMB1.2 million (2022: RMB1.2 million) had been provided and included in accounts and other payables and provisions of the Group.

As at 31 December 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 31 December 2023, certain property, plant and equipment of the Group with net book value of RMB14.4 million (2022: RMB21.0 million) 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 31 December 2023, the capital commitments in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements were RMB178.8 million (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, amount due to a non-controlling shareholder of a subsidiary, bank loans and lease liabilities. The management of the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Exposure to Fluctuation in Exchange Rates

The proceeds 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 31 December 2023, the Group's gearing ratio (total interest-bearing bank loans divided by total equity and multiplied by 100%) was 21.3% (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 31 December 2023, the Group had a total of 3,946 (2022: 3,848) full-time staff. Total staff related costs for the Reporting Period (excluding directors' and supervisors' emoluments) amounted to approximately RMB631.8 million (2022: RMB620.3 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 specialized 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.

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 C3 (formerly known as 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.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company had complied with all applicable code provisions contained in Part 2 of the Corporate Governance Code as set out in Appendix C1 (formerly known as Appendix 14) to the Hong Kong Listing Rules during the Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

On 15 December 2023, the Company entered into an acquisition agreement with YouWang Enterprise, pursuant to which the Company had agreed to acquire 70% equity interest in Kanghua Haemodialysis and its subsidiaries at a consideration of RMB7.7 million. Details of the acquisition are set out in the Company's announcement dated 15 December 2023. The acquisition was completed on 9 January 2024 and Kanghua Haemodialysis has since become a non-wholly-owned subsidiary of the Company.

Save as disclosed above, as at the date of this announcement, the Group has no significant event after the Reporting Period.

FINAL DIVIDEND

The Board does not recommend the distribution of final dividend for the year ended 31 December 2023.

ANNUAL GENERAL MEETING

The Company will hold the annual general meeting (the "**AGM**") at Meeting Room 1, 2nd Floor of Dongguan Kanghua Hospital Administration Center in 1000 Dongguan Avenue, Nancheng District, Dongguan, Guangdong Province, PRC at 3:00 p.m. on Wednesday, 26 June 2024 for the Shareholders to consider, and if thought fit, approve the resolutions relating to, among others, (i) the 2023 Work Report of the Board; (ii) the 2023 Work Report of the Supervisory Committee; (iii) the 2023 Financial Reports; (iv) the annual report for 2023; and (v) the re-appointment of domestic auditor and international auditor of the Company for 2024 and authorise the Board to determine their respective remuneration. A special resolution will be proposed at the AGM approve the general mandate to issue Shares.

CLOSURE OF REGISTER OF MEMBERS OF H SHARES AND ASCERTAINING OF ELIGIBILITY FOR ATTENDING THE AGM

The register of members of H Shares of the Company will be closed from Monday, 27 May 2024 to Wednesday, 26 June 2024, both days inclusive, during which no transfer of H Shares will be registered. In order to qualify for attending the AGM and vote for all resolutions to be submitted thereat, all transfer instruments of the H Shares together with the relevant share certificates shall be lodged with the Company's H Shares registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, before 4:30 p.m., on Friday, 24 May 2024 for registration.

REVIEW OF RESULTS ANNOUNCEMENT

The Company's audit committee has reviewed the Group's annual results for the financial year ended 31 December 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).

SCOPE OF WORK OF MESSRS. BAKERTILLY

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Bakertilly, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Messrs. Bakertilly in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Bakertilly on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.kanghuagp.com). The 2023 annual report of the Company containing all the information required by the Hong Kong Listing Rules will be dispatched to the shareholders 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
28 March 2024

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

Executive Directors:
Mr. Wang Junyang *(Chairman)*
Mr. Chen Wangzhi *(Chief executive officer)*
Mr. Wong Wai Hung Simon *(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.*