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廣東康華醫療集團股份有限公司

GUANGDONG KANGHUA HEALTHCARE GROUP 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 2024

FINANCIAL HIGHLIGHTS

- Revenue for the Reporting Period increased by 0.7% to RMB2,055.7 million (2023: RMB2,041.9 million).
- Profit for the Reporting Period decreased by 88.5% to RMB10.5 million (2023: RMB91.0 million).
- Profit for the Reporting Period attributable to owners of the Company decreased by 87.3% to RMB15.3 million (2023: RMB121.1 million).
- Earnings per share decreased by 87.3% to RMB4.6 cents (2023: RMB36.2 cents).
- Adjusted Earnings Before Interest, Taxes, Depreciation and Amortisation[#] ("**Adjusted EBITDA**") for the Reporting Period decreased by 21.2% to RMB229.6 million (2023: RMB291.3 million).

FINAL DIVIDEND

- The Board recommended the distribution of a final dividend of RMB15 cents per share (inclusive of applicable tax) for the Reporting Period (2023: nil).

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

FINAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Guangdong Kanghua Healthcare Group Co., Ltd.* (廣東康華醫療集團股份有限公司) (formerly known as Guangdong Kanghua Healthcare Co., Ltd.* (廣東康華醫療股份有限公司)) (the "**Company**" or "**our Company**", "**we**" or "**us**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**" or "**our Group**") for the financial year ended 31 December 2024 (the "**Reporting Period**") together with the comparative audited figures for the preceding financial year ended 31 December 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	NOTES	**2024** *RMB'000*	2023 *RMB'000*
Revenue	3	**2,055,670**	2,041,858
Cost of revenue		**(1,733,797)**	(1,677,488)
Gross profit		**321,873**	364,370
Other income	4	**53,521**	46,279
Other expenses, gains and losses, net	5	**(7,333)**	(6)
Net provision for impairment losses under expected credit loss model		**(4,277)**	(2,768)
Administrative expenses		**(277,102)**	(242,391)
Finance costs	6	**(23,627)**	(12,055)
Profit before taxation	7	**63,055**	153,429
Income tax expense	8	**(52,582)**	(62,406)
Profit and total comprehensive income for the year		**10,473**	91,023
Profit/(loss) and total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**15,337**	121,062
Non-controlling interests		**(4,864)**	(30,039)
		10,473	91,023
		RMB cents	*RMB cents*
Earnings per share			
Basic	10	**4.6**	36.2
Diluted	10	**4.6**	36.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2024

	NOTES	**2024** **RMB'000**	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,143,686**	1,128,116
Right-of-use assets		**280,147**	284,265
Goodwill	11	**143,325**	29,101
Other asset		**–**	18,417
Deposits paid for acquisition of property, plant and equipment		**29,506**	36,181
Financial assets at fair value through profit or loss	12	**24,000**	33,400
Deferred tax assets		**10,390**	–
Total non-current assets		**1,631,054**	1,529,480
CURRENT ASSETS			
Inventories		**66,441**	71,975
Accounts and other receivables	13	**312,537**	302,278
Financial assets at fair value through profit or loss	12	**370,000**	350,000
Restricted bank balances		**3,088**	2,732
Fixed bank deposits		**65,800**	63,350
Bank balances and cash		**242,604**	305,171
		1,060,470	1,095,506
Assets classified as held for sale	14	**50,011**	–
Total current assets		**1,110,481**	1,095,506
CURRENT LIABILITIES			
Accounts and other payables and provision	15	**758,754**	660,322
Bank loans – due within one year	16	**4,000**	31,090
Lease liabilities		**61,257**	47,212
Tax payables		**26,386**	28,075
		850,397	766,699
Liabilities associated with assets classified as held for sale	14	**23,181**	–
Total current liabilities		**873,578**	766,699
NET CURRENT ASSETS		**236,903**	328,807
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,867,957**	1,858,287

	NOTES	**2024** *RMB'000*	2023 *RMB'000*
NON-CURRENT LIABILITIES			
Amount due to a non-controlling shareholder of a subsidiary		**134,248**	–
Bank loans – due after one year	16	**225,067**	287,735
Lease liabilities		**30,332**	60,545
Deferred tax liabilities		**15,963**	12,480
Total non-current liabilities		**405,610**	360,760
NET ASSETS		**1,462,347**	1,497,527
EQUITY			
Share capital	17	**334,394**	334,394
Reserves		**1,105,128**	1,089,791
Equity attributable to owners of the Company		**1,439,522**	1,424,185
Non-controlling interests		**22,825**	73,342
TOTAL EQUITY		**1,462,347**	1,497,527

NOTES:

1. CORPORATE AND GROUP INFORMATION

廣東康華醫療集團股份有限公司 (Guangdong Kanghua Healthcare Group Co., Ltd.*) (formerly known as Guangdong Kanghua Healthcare Co., Ltd.* (廣東康華醫療股份有限公司)) (the "**Company**") was established as a limited liability company in the People's Republic of China (the "**PRC**" or "**China**") and its overseas listed ordinary shares (the "**H Shares**") are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"). The Company's immediate and ultimate holding company is 東莞市康華投資集團有限公司 (Dongguan Kanghua Investment 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, provision of haemodialysis services and provision of elderly healthcare services in the PRC.

2. MATERIAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (the "**IASB**") and include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and the disclosure requirements of 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) and all values are rounded to the nearest thousand (RMB'000), except when otherwise indicated.

Changes in accounting policies and disclosures

The Group has adopted the following amendments to IFRS Accounting Standards for the first time for the current year's consolidated financial statements:

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

The nature of the impact of the amendments to IFRS Accounting Standards that are applicable to the Group are described below:

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or noncurrent should be based on rights that are in existence at the end of the reporting period. Specifically, the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

- clarify that the settlement of a liability can be a transfer of cash, goods or services, or the entity's own equity instruments to the counterparty. If a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 Financial Instruments: Presentation.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the 2022 Amendments specifically clarify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date, even if compliance with the covenant is assessed only after the reporting date. The 2022 Amendments also specify that covenants with which an entity must comply after the reporting date (i.e. future covenants) do not affect the classification of a liability as current or non-current at the reporting date. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants, the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

In accordance with the transition provision, the Group has applied the new accounting policy to the classification of liability as current or non-current retrospectively. The application of the amendments in the current year had no material impact on the consolidated financial statements.

Issued but not yet effective IFRS Accounting Standards

The Group has not applied the following new and amendments of IFRS Accounting Standards, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and amendments of IFRS Accounting Standards, if applicable, when they become effective.

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IAS 21	Lack of Exchangeability[2]
IFRS 18	Presentation and Disclosure in Financial Statements[4]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2025.
3 Effective for annual periods beginning on or after 1 January 2026.
4 Effective for annual periods beginning on or after 1 January 2027.

The application of IFRS 18 is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of IFRS 18 on the Group's consolidated financial statements. The directors of the Company anticipate that the application of other amendments will have no significant impact on the financial position and performance of the Group.

3. REVENUE AND SEGMENT INFORMATION

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

Revenue

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

	2024	2023
	RMB'000	*RMB'000*
Recognised over time:		
Hospital services:		
– Inpatient healthcare services	**1,086,353**	1,079,614
– Outpatient healthcare services	**644,936**	655,978
– Physical examination services	**107,243**	152,296
	1,838,532	1,887,888
Rehabilitation and other healthcare services:		
– Rehabilitation hospital and other healthcare services	**54,350**	73,868
– Rehabilitation centre services and other services	**74,099**	67,375
	128,449	141,243
Haemodialysis services	**75,770**	–
Elderly healthcare services	**12,919**	12,727
Total revenue from contracts with customers	**2,055,670**	2,041,858

Segment information

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

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

For management purposes, the Group is organised into business units based on their products and services and has four (2023: three) reportable operating segments as follows:

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

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 2024

	Hospital services	**Rehabilitation and other healthcare services**	**Haemodialysis services**	**Elderly healthcare services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
SEGMENT REVENUE					
External sales	**1,838,532**	**128,449**	**75,770**	**12,919**	**2,055,670**
Segment profit	**288,747**	**26,672**	**1,442**	**5,012**	**321,873**
Other income					**53,521**
Other expenses, gains and losses, net					**(7,333)**
Net provision for impairment losses under expected credit loss model					**(4,277)**
Administrative expenses					**(277,102)**
Finance costs					**(23,627)**
Profit before taxation					**63,055**

For the year ended 31 December 2023

	Hospital services	Rehabilitation and other healthcare services	Elderly healthcare services	Total
	RMB'000	*RMB'000*	*RMB'000*	*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 taxation				153,429

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

	2024	2023
	RMB'000	*RMB'000*
Government subsidies	**5,417**	2,275
Investment income from financial assets at fair value through profit or loss ("**FVTPL**")	**7,797**	12,092
Clinical trial and related income	**19,488**	13,246
Fixed operating lease income	**4,391**	3,877
Bank and other interest income	**6,000**	4,918
Local health service income	**2,696**	2,618
Others	**7,732**	7,253
	53,521	46,279

5. OTHER EXPENSES, GAINS AND LOSSES, NET

	2024	2023
	RMB'000	*RMB'000*
Fair value loss on financial assets at FVTPL	**(9,400)**	(882)
Net exchange gain	**2,504**	1,126
Loss on disposals of property, plant and equipment	**(350)**	(190)
Donations	**(87)**	(60)
	(7,333)	(6)

6. FINANCE COSTS

	2024	2023
	RMB'000	*RMB'000*
Interest on bank loans	**9,563**	14,627
Interest on amount due to immediate holding company	**3,084**	–
Interest on lease liabilities	**7,171**	7,543
Other finance charge	**11,680**	2,646
	31,498	24,816
Less: Amount capitalised in property, plant and equipment	**(7,871)**	(12,761)
	23,627	12,055

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 TAXATION

	2024 *RMB'000*	2023 *RMB'000*
Profit before taxation has been arrived at after charging:		
Directors' remuneration	**3,625**	2,493
Other staff costs:		
Supervisors' emoluments	**890**	749
Other salaries, allowances and bonus	**641,948**	593,773
Retirement benefit scheme contributions	**44,657**	38,056
Total staff costs	**691,120**	635,071
Cost of inventories recognised as expenses (representing pharmaceutical products, consumables and others used, included in cost of revenue)	**872,838**	882,911
Depreciation of property, plant and equipment	**106,683**	106,914
Depreciation of right-of-use assets	**43,172**	36,165
Research and development expenditure	**834**	589
Short-term lease expenses	**1,894**	1,639
Variable lease rentals in respect of hospitals	**14,823**	13,425
Auditor's remuneration	**1,650**	1,750

8. INCOME TAX EXPENSE

	2024 *RMB'000*	2023 *RMB'000*
PRC Enterprise Income Tax ("**EIT**")		
Current tax	**51,369**	60,113
Underprovision in prior years	**8**	133
	51,377	60,246
Hong Kong Profits tax		
Current tax	**–**	5
Underprovision in prior years	**–**	10
	–	15
Deferred tax charge	**1,205**	2,145
	52,582	62,406

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% (2023: 5%) for the year.

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2,000,000 of profits of the qualifying group entity are taxed at 8.25% and profits above HK$2,000,000 are taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime are taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax 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. Hong Kong Profits Tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the year ended 31 December 2024.

9. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend for the year ended 31 December 2024 of RMB15 cents (2023: nil) per share amounting to approximately RMB50,159,000 (2023: nil) in aggregate has been proposed by the directors of the Company which is subject to approval by the shareholders of the Company in the forthcoming annual general meeting of the Company.

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on:

	2024	2023
	RMB'000	*RMB'000*
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of calculating earnings per share	**15,337**	121,062

	2024	2023
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 2024 and 2023. The diluted earnings per share amount is the same as the basic earnings per share amount for the years ended 31 December 2024 and 2023.

11. GOODWILL

As at 31 December 2024, the net carrying amounts of goodwill represented the goodwill allocated to the cash-generating unit ("**CGU**") of 安徽樺霖醫療投資有限公司 (Anhui Hualin Medical Investment Co., Ltd.*) ("**Anhui Hualin**") (the "**Anhui Hualin CGU**") and the CGU of Kanghua Haemodialysis (the "**Kanghua Haemodialysis CGU**") amounted to RMB29,101,000 (2023: RMB29,101,000) and RMB114,224,000 (2023: N/A), respectively.

For the purpose of impairment assessment, the directors of the Company conducted reviews of Anhui Hualin CGU and Kanghua Haemodialysis CGU containing the goodwill and determined that there is no impairment of the CGUs.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024	2023
	RMB'000	*RMB'000*
Structured bank deposits *(note a)*	**370,000**	350,000
Fund investment *(note b)*	**24,000**	33,400
	394,000	383,400
Analysed for reporting purpose as:		
Current assets	**370,000**	350,000
Non-current assets	**24,000**	33,400
	394,000	383,400

Notes:

(a) The Group has structured deposits with commercial banks 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) 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 the laws of the PRC, 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 2024, the fund had made equity investments in two (2023: two) unlisted companies and the aggregate carrying amounts of the equity investments was RMB24,000,000 (2023: RMB33,400,000), which were measured at fair values.

13. ACCOUNTS AND OTHER RECEIVABLES

	2024	2023
	RMB'000	*RMB'000*
Accounts receivable	**280,197**	269,745
Less: allowance for credit loss	**(14,598)**	(13,015)
Total accounts receivable	**265,599**	256,730
Prepayments to suppliers	**11,255**	8,587
Others	**37,872**	39,341
	49,127	47,928
Less: allowance for credit loss	**(2,189)**	(2,380)
Total other receivables	**46,938**	45,548
Total accounts and other receivables	**312,537**	302,278

The individual patients of the Group usually settle payments by cash, credit cards and mobile payment or through government's social insurance schemes. For credit card and mobile payments, the banks and counterparties normally settle the amounts approximately 30 days (2023: 30 days) after the transaction date. Payments by the PRC government's social insurance schemes will normally be settled by the local social insurance bureau or similar government departments responsible for reimbursing medical expenses for patients covered by the government's medical insurance schemes ranged from 30 to 180 days (2023: 30 to 180 days) from the transaction date. Corporate customers normally settle the amounts within 90 days (2023: 90 days) after the transaction date via bank transfers.

An ageing analysis of the accounts receivable as at the end of the reporting period, based on the revenue recognition date and net of allowance for credit loss, is as follows:

	2024	2023
	RMB'000	*RMB'000*
Within 30 days	**136,837**	129,662
31 to 90 days	**39,063**	46,880
91 to 180 days	**17,236**	17,256
181 to 365 days	**26,193**	23,170
Over 365 days	**46,270**	39,762
	265,599	256,730

14. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 20 December 2024, the directors of the Company resolved to dispose of 55% equity interest of Chongqing Kanghua Zhonglian Cardiovascular Hospital Co., Ltd.* (重慶康華眾聯心血管病醫院有限公司) ("**Kangxin Hospital**") to Silver Mountain Capital Limited (銀山資本有限公司) ("**Silver Mountain**") or its affiliates. As the demerger of Kangxin Hospital (which was conducted under the laws of the PRC, pursuant to which Chongqing Kanghua Zhonglian Healthcare Management Co., Ltd.* (重慶康華眾聯醫療管理有限公司) ("**Chongqing Kanghua Property**"), a wholly-owned subsidiary of the Company, has been established to hold the land and buildings underlying the operations of Kangxin Hospital) was completed and the land and buildings were transferred to Chongqing Kanghua Property on 25 December 2024, Kangxin Hospital was in a condition ready for immediate sale.

The following assets and liabilities of Kangxin Hospital have been presented separately in the consolidated statement of financial position and were reclassified as held for sale as at 31 December 2024:

	RMB'000
Assets classified as held for sale	
Property, plant and equipment	**17,073**
Other asset	**17,417**
Deferred tax assets	**30**
Inventories	**4,095**
Accounts and other receivables	**7,876**
Bank balances and cash	**3,520**
Total assets classified as held for sale	**50,011**
Liabilities directly associated with assets classified as held for sale	
Accounts and other payables	**(23,181)**
Total liabilities classified as held for sale	**(23,181)**

Kangxin Hospital is included in the Group's hospital services for segment reporting purposes. As the anticipated net proceeds of the disposal exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

On 9 January 2025, the Company entered into a sale and purchase agreement with an independent third party, Beijing Pantheon Health Management Co., Ltd.* (北京鉑頌健康管理有限公司) (the "**Purchaser**"), a company established in the PRC and is under common control with Silver Mountain, for the disposal of 55% equity interest in Kangxin Hospital at a consideration of RMB34,936,000. The disposal was later completed on 8 February 2025.

15. ACCOUNTS AND OTHER PAYABLES AND PROVISION

	2024	2023
	RMB'000	*RMB'000*
Accounts payable	**357,884**	317,263
Accrued expenses	**90,522**	96,093
Receipt in advance *(note)*	**250,004**	197,544
Payables for acquisition of property, plant and equipment	**26,335**	20,615
Other tax payables	**4,227**	3,626
Others	**26,897**	23,959
Other payables	**397,985**	341,837
Total accounts and other payables	**755,869**	659,100
Provision for medical dispute claims	**2,885**	1,222
Total accounts and other payables and provision	**758,754**	660,322

Note: Included in the balance are contract liabilities of RMB68,641,000 (2023: RMB50,375,000) and advances from the PRC social insurance bureau of RMB181,363,000 (2023: RMB147,169,000) for the daily hospital operations of the Group.

The credit period of accounts payables is ranged from 30 to 90 days (2023: 30 to 90 days) from the invoice date.

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

	2024	2023
	RMB'000	*RMB'000*
Within 30 days	**86,467**	93,390
31 to 90 days	**118,661**	125,006
91 to 180 days	**77,329**	58,841
181 to 365 days	**36,522**	15,200
Over 365 days	**38,905**	24,826
	357,884	317,263

16. BANK LOANS

	2024	2023
	RMB'000	*RMB'000*
Variable-rate secured bank loan *(note a)*	**74,369**	288,682
Variable-rate unsecured bank loan *(note b)*	**154,698**	–
Fixed-rate secured bank loan *(note c)*	**–**	30,143
	229,067	318,825

	2024	2023
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**4,000**	31,090
In the second year	**4,000**	33,408
In the third to fifth years, inclusive	**182,699**	107,756
Beyond five years	**38,368**	146,571
	229,067	318,825

Notes:

(a) As at 31 December 2024 and 2023, the Group had a variable-rate secured bank loan with an interest rate based on the Loan Prime Rate (LPR) announced by the People's Bank of China, adjusted annually from the drawdown date. As at 31 December 2024, the carrying amount of this loan was RMB74,369,000 (2023: RMB47,150,000), with an effective interest rate of 4.65% per annum (2023: 4.65%).

This bank loan primarily finances the construction, development, and fixed asset purchases for the Kanghua Qingxi Healthcare Complex – the Group's elderly medical and healthcare complex development in Qingxi Town, Dongguan City.

As at 31 December 2024 and 2023, this bank loan was secured by:

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

(ii) leasehold land held by a subsidiary of the Company, with a carrying amount of approximately RMB77,553,000 as at 31 December 2024 (2023: RMB79,255,000).

As at 31 December 2023, the Group had another variable-rate secured bank loan with an interest rate based on the benchmark interest rate for loans set by the People's Bank of China, adjusted annually from the drawdown date, and the carrying amount of the loan was RMB241,532,000, with an effective interest rate of 5.74%.

This bank loan primarily financed the construction of Phase Two of the Kangxin Hospital medical facility development.

This bank loan was secured by:

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

(ii) pledge of the Company's equity shares in Kangxin Hospital.

This bank loan was fully repaid during the year, and the pledged shares were released upon settlement.

(b) As at 31 December 2024, the balance comprises one variable-rate unsecured bank loan with an interest rate based on the LPR announced by the People's Bank of China, adjusted annually from the drawdown date. The loan carries an effective interest rate of 4.3% per annum and primarily serves to provide operating cash flow for Kanghua Hospital.

The loan is unsecured and financial guarantees have been provided by the Company and Mr. Wang Junyang, the chairman of the Group.

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

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

17. SHARE CAPITAL

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

18. BUSINESS COMBINATION AND ACQUISITIONS

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

The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of Kanghua Haemodialysis Group for the period from the completion date of the acquisition to 31 December 2024. The Group has elected to measure the non-controlling interests in Kanghua Haemodialysis Group at the non-controlling interests' proportionate share of the Kanghua Haemodialysis Group's recognised amounts of net liabilities. The amount of goodwill recognised as a result of the acquisition was RMB114,224,000.

19. CAPITAL COMMITMENTS

	2024	2023
	RMB'000	*RMB'000*
Capital expenditure in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements	**153,706**	178,778

20. CONTINGENT LIABILITIES

The Group is involved as defendants in certain medical disputes arising from its normal business operations. Except for those disputes with provision made as disclosed in note 15, the management of the Group believes that the final result of other medical disputes with total claims of RMB14,292,000 (2023: RMB13,949,000) as at 31 December 2024 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.

21. EVENT AFTER THE REPORTING PERIOD

On 9 January 2025, the Company entered into a sale and purchase Agreement with the Purchaser for the disposal of 55% equity interest in Kangxin Hospital at a consideration of RMB34,936,000. The disposal was later completed on 8 February 2025. Kangxin Hospital ceased to be a subsidiary of the Company and the financial results of Kangxin Hospital will no longer be consolidated into those of the Company. The Company will account for its remaining 45% equity interest in Kangxin Hospital as an interest in associate under equity method. The Group will lease the land and building of Chongqing Kanghua Property to Kangxin Hospital for its operations. The Company is still in the progress of preparing the initial accounting for the disposal up to the date of this announcement. Details of the above contractual arrangements are set out in the Company's announcement dated 9 January 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL OPERATIONS

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

Our hospital services segment comprised three self-owned hospitals. We operate one of the largest private general hospitals in the PRC, namely Dongguan Kanghua Hospital (東莞康華醫院) ("**Kanghua Hospital**"), located in Nancheng District, Dongguan, Guangdong Province. Kanghua Hospital was also one of the first private general hospital in the PRC to attain a Grade A Class III rating under the National Health and Family Planning Commission of the PRC classification system, the highest rating attainable by hospitals in the PRC. Kanghua Hospital commenced operation in November 2006 and covers a land area of 563 acres, with a total building area of 398,000 square meters and has a designed capacity of 2,006 beds, of which 1,500 beds are already in use and operating. Kanghua Hospital is an ecological large-scale hospital, it was rated as the highest level of "Industry Credit AAA" (行業信用 AAA) and "Five-Star Service Capability" (服務能力五星) by the China Association of Non-Public Medical Institutions (中國非公立醫療機構協會), being the first in Southern China region. Kanghua Hospital offers a continuum of healthcare services to a diverse range of patients, particularly those with critical, complex or rare medical conditions. Kanghua Hospital was awarded the 2023 Top 300 Prefecture-level Urban Hospitals (2023地級城市醫院300強), 2024 Top 100 Best Hospitals in the Guangdong-Hong Kong-Macao Greater Bay Area (2024粵港澳大灣區最佳醫院100強) and 2024 Dongguan Excellent Medical Insurance Demonstration Hospital (2024年東莞市優秀醫保示範醫院) 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 general hospital servicing the local communities in the surrounding area. Located in Dongguan, Guangdong Province, Kanghua Hospital and Renkang Hospital complement each other through patient referrals, technical assistance, multisite practices and research and teaching collaboration. Renkang Hospital commenced operation in March 2008 and covers a land area of 118 acres, with a total building area of 110,000 square meters with close to 500 beds in service capacity.

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. Kangxin Hospital is an investment attraction project of the Chongqing Investment and Trade Fair (重慶渝洽會) and the first cardiovascular disease private hospital in Chongqing. Kangxin Hospital was built according to the national Grade A Class III rating specialized hospital standards. The campus covers an area of more than 30 acres, with a planned building area of approximately 100,000 square meters and can accommodate 505 beds in service capacity.

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

Our haemodialysis services segment is principally engaged in the operation of haemodialysis outpatient centres in the PRC. During the Reporting Period, the Group completed the acquisition of 70% equity interest in Dongguan Kanghua Haemodialysis Healthcare Investment Management Co., Ltd.* (東莞康華血液透析醫療投資管理有限公司) and its subsidiaries (collectively referred to as the "**Kanghua Haemodialysis Group**" or "**Kanghua Sunshine**" (康華陽光)). The provision of haemodialysis services generally refers to treatments that replicate kidney's function to remove wastes in blood for patients with kidney conditions. The first outpatient centre of the Kanghua Haemodialysis Group commenced operation in 2016. As at the date of this announcement, the Group operates 12 (2023: 13) haemodialysis centres, located in Guangzhou (2), Chengdu (3), Shenzhen (1), Foshan (1), Zhongshan (1), Zhuhai (1), Yangjiang (1), Jieyang (1) and Jiangmen (1), serving more than 930 (2023: 730) regular haemodialysis patients. In 2024, the haemodialysis outpatient centres had performed more than 118,000 (2023: 90,000) haemodialysis operations. The Kanghua Haemodialysis Group has introduced advanced concepts and technologies from haemodialysis outpatient centres in Singapore and implemented high-quality dialysis and refined chronic disease management. The Kanghua Haemodialysis Group is a pioneer in introducing "harmless dialysis" (無傷害透析), which is a protocol significantly more advanced than the prevalent standard in the PRC and has significantly improved the life span and quality of life of kidney patients.

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

BUSINESS REVIEW AND OUTLOOK

Business Overview for 2024

In 2024, the overall economic development in China remained steady, with the gross domestic product (GDP) reaching RMB134.9 trillion, representing a year-on-year increase of 5.0% at constant price, according to data from the National Bureau of Statistics. With a population of exceeding 1.4 billion and a rapidly ageing population, China is experiencing a surging demand for healthcare services. China's hospital network is one of the largest and most complex globally, including both public and private facilities. Operating under a tiered structure, it addresses a wide range of healthcare needs, with private hospitals increasingly complementing the extensive public infrastructure.

However, the healthcare industry is still in a critical period of transition and the overall recovery of the healthcare and medical service industry is relatively weak during the Reporting Period. In 2024, the healthcare industry has continued to evolve rapidly, as the comprehensive reforms in the healthcare system reshape the market and industry participants, the Chinese government is implementing policies aimed at improving healthcare accessibility and affordability, including implementing laws requiring hospitals and healthcare providers to improve price transparency, emphasizing value-based care, reviewing and adjusting payment rates for different Diagnosis-Related Group (DRG) payment groups, expanding insurance coverage and promoting public-private partnerships.

In 2024, due to the intensified national policy reforms, decrease in post-COVID-19 related demand and industry adjustments, the Group's revenue and total profit attributable to operation of its self-owned hospitals experienced a year-on-year decline, while its operational costs, including employee expenses and other operating expenditures continued to increase. In particular, the changes in healthcare, pharmaceuticals, and healthcare insurance policies (the "**Three Medical**" policies) have altered the existing management models and performance evaluation systems of healthcare institutions, presenting new opportunities and challenges to the Group.

Amidst this wave of challenges and opportunities, under the leadership of the Board, all employees of the Group have closely followed our development strategy of "Precision healthcare, Efficient Management and Sincere Service" (精準醫療、精益管理、精誠服務), committed to steady progress and determined efforts, we navigate our mission to save lives with professionalism as our oar and conviction as our sail, delivering a track record of solid and impactful achievements.

In 2024, the Group's consolidated revenue for the Reporting Period amounted to RMB2,055.7 million (2023: RMB2,041.9 million), representing a year-on-year increase of 0.7%, despite the additional revenue of RMB75.8 million generated from our newly acquired haemodialysis services segment in January 2024. The Group recorded a consolidated profit of RMB10.5 million for the Reporting Period as compared to a profit of RMB91.0 million for last year, representing a year-on-year decrease of 88.5%. The decrease for the Reporting Period is primarily attributable to (i) the general decline in revenue from the Group's self-owned hospitals; (ii) our newly acquired haemodialysis services business since January 2024, although contribute additional revenue to the Group, however, is still operating at a loss, which added pressure to the Group's overall results; (iii) Kangxin Hospital continues to operate at a loss; and (iv) a fair value loss of RMB9.4 million in relation to our interest in an investment fund.

Our hospital services segment has recorded a revenue for the Reporting Period of RMB1,838.5 million (2023: RMB1,887.9 million), representing a year-on-year decrease of 2.6%. In 2024, the overall patient visits of our hospital services segment recorded a mild decrease of 0.9% as compared to 2023, the Group also experienced pressure on patient's average spending on our service offerings. The Group's self-owned hospitals (making up our hospital services segment), Kanghua Hospital, Renkang Hospital and Kangxin Hospital have recorded decrease in revenue of 1.6%, 6.7% and 10.6%, respectively.

Our rehabilitation and other related healthcare services segment, through our ownership of 57% equity interest in Anhui Hualin Medical Investment Co., Ltd.* (安徽樺霖醫療投資有限公司) ("**Anhui Hualin**") (Anhui Hualin and its subsidiaries, directly and indirectly holds sponsor interests in the managed and controlled entities, certain of which are private non-enterprise entities in Anhui Province, the PRC, collectively the "**Anhui Hualin Group**"), has recorded revenue for the Reporting Period of RMB128.4 million (2023: RMB141.2 million), representing a year-on-year decrease of 9.1%. Revenue for the Reporting Period from our (i) rehabilitation hospitals and other healthcare services operation and (ii) rehabilitation centre services and other services operation have decreased by 26.4% and increased by 10.0%, respectively. The decrease in revenue is primarily due to decrease in the inpatient intake and patients average spending at our rehabilitation hospitals, but partly offset by the increase in patient visits at our rehabilitation centres. The private rehabilitation market is expanding, driven by an increasing elderly population and shift towards preventive rehabilitation services, however, the competition is also increasingly intense with more private clinics and facilities emerging to meet the demand.

Our haemodialysis services segment, the newly acquired business segment in January 2024, has recorded revenue for the Reporting Period of RMB75.8 million (2023: nil). The demand for haemodialysis service in China had experienced significant growth and development in the last decade, mainly attributable to (i) the rising incidence of chronic kidney disease (CKD) and end-stage renal disease (ESRD) which has increased the demand for dialysis services; (ii) lifestyle changes, urbanization and an aging population; and (iii) the Chinese government has been actively promoting healthcare reforms, including the expansion of dialysis services and policies aimed at improving access to treatment and subsidizing costs for patients are being implemented. As people's income and expectation for quality services increase, patients are seeking alternative options in the private sector for haemodialysis services, where they can enjoy more convenience, flexibility, and personalized care. It is expected that the proportion of patients opting for private sector providers to undergo haemodialysis-related treatments in the PRC will continue to increase. The geographical presence of our haemodialysis out-patient centres aligns with the Group's strategy of expanding and promoting the "Kanghua" brand (which currently operates in the name of Kanghua Sunshine (康華陽光)) in the Greater Bay Area. The Kanghua Haemodialysis Group operates in major cities outside of Dongguan, where Kanghua Hospital is located. The acquisition the Kanghua Haemodialysis Group can strengthen the Group's network and visibility in the region. In the opinion of the Directors, the acquisition will create synergies and economies of scale for the Group, as they can leverage on each other's network, resources, expertise and reputation in the healthcare industry.

Our elderly healthcare services segment has recorded a revenue for the Reporting Period of RMB12.9 million (2023: RMB12.7 million), representing a year-on-year increase of 1.5%. As Renkang Elderly Care Centre is currently operating at close to maximum capacity, the slight increase in revenue for the Reporting Period is mainly due to the improved utilisation during the year. Over the past years, China's elderly care service policies have continued to evolve in response to the growing aging population and the need for diverse care options. The government has been increasingly supportive of private elderly care centers, including (i) allocation of more resources to enhance private elderly care facilities and services, such as grants and incentives for infrastructure development and improvements; (ii) provision of operational subsidies and tax incentives; (iii) stronger emphasis on promoting home-based care; and (iv) efforts to integrate private elderly care services into social security and health insurance systems, making it easier for families to afford private elderly care services.

The Group's Adjusted EBITDA (which is defined as 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 decrease of 21.2% to RMB229.6 million (2023: RMB291.3 million), which indicates that the Group's core operation remained solid, after eliminating the effects of financing, investment-related income, fair value changes of investments, effects of exchange rates, capital expenditures and extraordinary non-cash related losses. 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 approved Grade A Class III standard general hospital), Renkang Hospital (our Grade A Class II standard general hospital) and Kangxin Hospital (our private hospital specializing in cardiovascular discipline), represented our Group's hospital services segment. During the Reporting Period, the key metrics of our financial and operational performance are as follows: (i) the total number of inpatient visits increased to 76,968 (2023: 74,337), representing a year-on-year increase of 3.5%; (ii) the overall average spending per inpatient visit amounted to RMB14,114.3 (2023: RMB14,523.2), representing a year-on-year decline of 2.8%; (iii) the overall bed utilisation rate improved to 74.3% (2023: 71.9%), primarily attributable to the increase in number of inpatient visits; (iv) the average length of stay maintained at 6.4 days (2023: 6.4 days); (v) the total number of outpatient visits decreased to 1,499,016 (2023: 1,530,169), representing a year-on-year decrease of 2.0%; (vi) the overall average spending per outpatient visit amounted to RMB430.2 (2023: RMB428.7), representing a year-on-year increase of 0.4%; (vii) the total number of physical examination visits increased to 181,661 (2023: 169,651), representing a year-on-year increase of 7.1%; and (viii) the total number of surgical operations increased to 53,871 (2023: 48,105), representing a year-on-year increase of 12.0%.

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	**2024**	2023
Inpatient healthcare services			
Inpatient visits	+3.5%	**76,968**	74,337
Average length of stay *(days)*	–	**6.4**	6.4
Average spending per visit *(RMB)*	-2.8%	**14,114.3**	14,523.2
Outpatient healthcare services			
Outpatient visits	-2.0%	**1,449,016**	1,530,169
Average spending per visit *(RMB)*	-0.4%	**430.2**	428.7
Physical examination services			
Physical examination visits	+7.1%	**181,661**	169,651
Average spending per visit *(RMB)*	-34.2%	**590.3**	897.7

Kanghua Hospital

In 2024, under the strong leadership of the Board and through the collective efforts of the entire hospital over the last three years, Kanghua Hospital successfully passed the on-site review for the Grade III Class A Hospital re-evaluation in September 2024 after a series of regulatory and elective measures. On 1 November 2024, the Provincial Health Commission officially announced that Kanghua Hospital has passed the re-evaluation. This achievement reflects Kanghua Hospital's excellence in medical quality and hospital management, and during this process, numerous outstanding departments and individuals emerged, demonstrating the hospital's core values, exceptional professional skills and selfless dedication. In December 2024, our General Surgery Department regained the recognition as a Key Clinical Specialty in Dongguan City (東莞市臨床重點專科); the Gastroenterology Department has also officially passed the re-evaluation as a Key Specialty in Dongguan City (東莞市重點專科).

Kanghua Hospital, in conjunction with the Grade III Class A Hospital re-evaluation, has comprehensively implemented the directives of the higher health authorities to strengthen medical quality control. In 2024, Kanghua Hospital also received numerous honors at various levels, successfully being recognized as a National Level III Stroke Center (國家級三級醫院卒中中心), a National Inflammatory Bowel Disease Regional Center (國家級炎症性腸病區域中心), a National Headache Clinic (國家級頭痛門診), a Demonstration Unit for Obesity Management by the China Non-public Medical Institutions Association and a Deputy Director Unit (中國非公立醫療機構協會肥胖管理中心建設示範單位及副主任委員單位). Additionally, it was designated as a Guangdong Province Trauma Center (Level III) (廣東省創傷中心(三級)建設單位) and a member of the Guangdong Province Minimally Invasive Endoscopic Neurosurgery Alliance (廣東省微創內鏡神經外科聯盟單位). Through the re-evaluation for Grade III Class A status, the Hypertension Control Center (Standard Version) certification (高血壓達標中心(標準版)認證), the Heart Failure Center re-certification (心衰中心再認證) and the fifth review for "Human Assisted Reproductive Technology" (第五次"人類輔助生殖技術"校驗評審), Kanghua Hospital was officially inaugurated as a Teaching Hospital of Guangdong Pharmaceutical University (廣東藥科大學教學醫院).

In 2024, Kanghua Hospital continued to optimize its management practices. The hospital's administrative and logistics departments worked closely together with high efficiency and selfless dedication, accomplishing a significant amount of work, including: (1) enhancing responsibility and improving management efficiency; (2) proactively engaging with frontline clinical services, thereby increasing our service awareness; (3) improving the spirit of collaboration and proactively taking on responsibilities; and (4) raising management skill levels, with the culture of efficiency improvement and cost reduction becoming deeply ingrained.

During the Reporting Period, Kanghua Hospital recorded a revenue of RMB1,541.2 million (2023: RMB1,566.2 million), representing a year-on-year decrease of 1.6%, mainly due to a drop in patients' average spending and revenue from physical examination.

Renkang Hospital

In 2024, Renkang Hospital continued to strengthen its medical quality control, and enhance its technical levels, fully optimize medical service quality, and improve patient experience. Throughout the year, the hospital focused on the development of the "Three Major Centers" to elevate the overall standard of emergency and critical care services. Efforts to refine the establishment of the "Trauma Center, Chest Pain Center and Stroke Center" (創傷中心、胸痛中心、卒中中心) continued, and in May 2024, Renkang Hospital received notification from the Dongguan Health Bureau, designating it once again as an emergency medical rescue hospital for road traffic accidents, resuming the treatment of critically injured traffic accident patients. Renkang Hospital also established a new Internal Medicine Ward, launched Traditional Chinese Medicine (TCM) Daycare and Night Clinics, as well as an Oral Night Clinic, thereby enhancing its core competitiveness with community and neighboring hospitals. In terms of strengthening medical staff training, multiple business knowledge training sessions were conducted throughout the year to improve medical technical standards. Additionally, the hospital implemented "Internet + Nursing Services" (互聯網+護理服務) and in compliance with the city health bureau's management requirements, completed registration and successfully commenced services in December 2024, providing home nursing care to patients in need. Clinical specialty development is fundamental to the hospital's foundation and its strengthening. To bolster specialty development, a Science and Education Department (科教科) was established this year to formulate, revise and improve regulations and management methods in areas such as discipline construction, research, publications, talent selection, teaching, and continuing education.

During the Reporting Period, Renkang Hospital recorded a revenue of RMB232.2 million (2023: RMB248.9 million), representing a year-on-year decrease of 6.7%. The decrease in revenue was mainly attributable to a drop in patients' average spending and overall decrease in patient visits, which was affected by the local economic environment with the decline in number of local immigrants, and the number of people seeking medical treatment has dropped significantly.

Kangxin Hospital

In 2024, Kangxin Hospital closely aligned with national healthcare policies, focusing on its cardiovascular specialty while enhancing its general services to leverage the hospital's unique strengths and meet patients' health needs. The hospital remained focused on its development goals, expanding channels, deepening market reach, and continuously broadening its service scope. It also strengthened its talent pool and focused on medical quality and safety, achieving significant social and economic benefits and taking the hospital's overall development to a new level.

Throughout the year, Kangxin Hospital made several notable achievements, including: (i) successfully hosting the 5th Chongqing-Europe (Kangxin) International Cardiovascular Disease Forum (第五屆渝歐(康心)國際心血管疾病論壇), and participating in multiple free clinics and screening events across various districts and counties in Chongqing, significantly enhancing the hospital's influence and reputation; (ii) successfully establishing General Surgery, Thoracic Surgery, and Urology departments, and performing its first laparoscopic appendectomy and cholecystectomy, marking the successful establishment of its major surgery department. The hospital also opened a Health Management Nursing Clinic, receiving positive feedback from patients; (iii) successfully organizing the inaugural meeting and first academic annual conference of the Chongqing Social Medical Institutions Cardiac Rehabilitation Professional Group (重慶市社會醫療機構心臟康復專業學組); and (iv) receiving certification for performing leadless pacemaker procedures and being awarded the title of "National Standardized External Counterpulsation Center Construction Unit" (國家標準化體外反搏中心建設單位).

During the Reporting Period, Kangxin Hospital has recorded a revenue of RMB65.2 million (2023: RMB72.9 million), representing a year-on-year decrease of 10.6%, primarily due to a decrease in the average spending per visit despite an overall improvement in patient visits.

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

		For the year ended 31 December			
Healthcare disciplines	**Change**	**2024**	**% of revenue of the Group's owned hospitals**	2023	% of revenue of the Group's owned hospitals
		RMB'000		*RMB'000*	
Cardiovascular related disciplines	-4.4%	**258,977**	**14.1**	271,010	14.3
Internal medicine related disciplines	-0.7%	**224,300**	**12.2**	225,834	12.0
O&G related disciplines	+0.5%	**213,494**	**11.6**	212,455	11.3
General surgery related disciplines	+13.6%	**143,344**	**7.8**	126,149	6.7
Neurology related disciplines	-3.0%	**120,550**	**6.6**	124,279	6.6
Orthopaedics related disciplines	-5.6%	**80,907**	**4.4**	85,740	4.5
Emergency medicine related disciplines	-14.2%	**78,030**	**4.2**	90,949	4.8
Oncology related disciplines	+6.9%	**73,414**	**4.0**	68,656	3.6
Nephrology related disciplines	+3.2%	**71,888**	**3.9**	69,676	3.7
Medical aesthetic related disciplines	+4.6%	**47,668**	**2.6**	45,569	2.4
Paediatrics related disciplines	-18.4%	**42,434**	**2.3**	51,980	2.8
Physical examination	-29.6%	**107,243**	**5.8**	152,296	8.1
Other disciplines	+3.6%	**376,283**	**20.5**	363,295	19.2
Total		**1,838,532**	**100.0**	1,887,888	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 2024, the Group performed a total of 53,871 surgeries (2023: 48,105), including 24,031 surgeries (2023: 22,092) with level 3 or level 4 complexities, representing a year-on-year increase of 12.0% and 8.8%, respectively. The increase is primarily attributable to an increase in patient visits which demonstrates the improvements in our medical service quality and capabilities, as well as the growing recognition of our brand and reputation.

During the Reporting Period, the top five revenue-generating disciplines from the Group's hospital services segment accounted for approximately 52.3% of the segment's revenue (2023: 50.9%). Revenue from most of our major disciplines and service offerings has recorded a decline in 2024. The Group only recorded a mild decrease in the overall number of patient visits, however, recent stringent reforms in the social security system, particularly regarding payment rate adjustments and standardized pricing for common procedures, have resulted in a reduction in patients' average spending, and in turn a decline in revenue compared to last year.

VIP Special Services

The Group's special services are high-end healthcare services that extend beyond basic medical services and are specifically catered for more affluent patients who are willing to pay a premium for higher quality and customised services that are not generally available in public hospitals. The Group's special services consist of VIP healthcare services, reproductive medicine, plastic and aesthetic surgery and laser treatment. In 2024, the total revenue derived from special services amounted to RMB149.0 million (2023: RMB159.9 million), representing a year-on-year decrease of 6.8%.

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

		For the year ended 31 December	
		2024	2023
	Change	***RMB'000***	*RMB'000*
VIP healthcare services	-4.9%	**95,016**	99,964
Reproductive medicine	-14.4%	**30,594**	35,749
Laser treatment	-8.9%	**18,487**	20,294
Plastic and aesthetic surgery	+27.4%	**4,941**	3,879
Total revenue from special services	-6.8%	**149,038**	159,886

In 2024, the performance of our VIP healthcare services declined as the number of VIP outpatient visits and inpatient's average spending per visit decreased as compared with last year. The demand (by number of inpatient visits) for our service offerings from Huaxin Building (華心樓) (a complex in Kanghua Hospital dedicated to VIP healthcare services) maintained relatively stable, however, average spending per inpatient visit has significantly decreased. Our revenue from VIP healthcare services (including VIP inpatient and outpatient services and VIP O&G services) amounted to RMB95.0 million for the Reporting Period (2023: RMB100.0 million), representing a year-on-year decrease of 4.9%. The Group believes the decline is related to the staggering economic environment in the Dongguan region.

Our revenue from reproductive medicine decreased to RMB30.6 million (2023: RMB35.7 million), representing a year-on-year decline of 14.4%. This decrease is primarily attributed to the ongoing decline in the general sentiment towards childbirth and the lingering effects of the pandemic.

Rehabilitation and other Healthcare Services

The Group's rehabilitation and healthcare services segment, represented by Anhui Hualin Group, is operated through two rehabilitation hospitals, a general hospital, an outpatient center, thirteen rehabilitation centers, and one vocational training school. During the Reporting Period, the Group's rehabilitation and other related healthcare services segment recorded a revenue of RMB128.4 million (2023: RMB141.2 million), representing a year-on-year decrease of 9.1%.

Anhui Hualin Group employs over 1,000 (2023: 980) staff and has a stable cooperation with the Anhui Disabled Persons Federation (安徽省殘疾人聯合會) and local governments in the provision of training services for the disabled. It is also a major organisation offering children rehabilitation services in Auhui Province, the PRC. As at 31 December 2024, Hefei Kanghua Rehabilitation Hospital and Hefei Jingu Hospital operated a total of 260 registered beds (2023: 250). During the Reporting Period, the rehabilitation hospitals recorded 27,988 outpatient visits (2023: 24,434) and 4,624 inpatient visits (2023: 4,614).

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

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

The business environment for children's rehabilitation services remains more favorable than for adults. Measures are being implemented to promote the growth and sustainability of children's rehabilitation centers. The Group continues to monitor the market and seek partnerships with suitable local rehabilitation centers. In 2024, the thirteen rehabilitation centers (including the newly established rehabilitation center under the management of the Hefei Disabled Persons' Federation) admitted a total of 3,493 (2023: 3,277) children with cerebral palsy, autism, hearing impairment and mental retardation, with a year-on-year increase of 6.6% compared to 2023.

During the Reporting Period, revenue from rehabilitation hospital and other healthcare services recorded a year-on-year decrease of 26.4% to RMB54.4 million (2023: RMB73.9 million) and revenue from rehabilitation centres services and other services recorded a year-on-year increase of 10.0% to RMB74.1 million (2023: RMB67.4 million).

Haemodialysis services segment

The Group's haemodialysis services segment represents the operation of haemodialysis outpatient centres in the PRC. During the Reporting Period, the Group completed the acquisition of 70% equity interest in the Kanghua Haemodialysis Group. As at the date of this announcement, the Kanghua Haemodialysis Group operates 12 haemodialysis centres, located in Guangzhou (2), Chengdu (3), Shenzhen (1), Foshan (1), Zhongshan (1), Zhuhai (1), Yangjiang (1), Jieyang (1) and Jiangmen (1), serving more than 930 (2023: 730) regular haemodialysis patients. In 2024 (since its acquisition), the haemodialysis outpatient centres had performed more than 118,000 haemodialysis operations as compared with approximately 90,000 haemodialysis operations with 2023, representing a year-on-year growth of over 31.1%.

The Kanghua Haemodialysis Group benefits from a strong recurring patient flow and stable income, as haemodialysis requires ongoing and regular sessions rather than being a one-time treatment. The Group plans to increase its service capacity, thereby expanding its revenue base. For the Reporting Period, the Kanghua Haemodialysis Group generated revenue of RMB75.8 million, which has been consolidated into the Group's annual results. The Board is of the view that the acquisition is expected to enhance the profitability and efficiency of the Kanghua Haemodialysis Group. Although currently loss-making, the haemodialysis services segment is anticipated to generate positive returns for the Company and its Shareholders in the long term.

Elderly Healthcare Services

The Group's elderly healthcare services segment comprised 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 2024, Renkang Elderly Care Centre had a total of 108 (2023: 108) beds with an average length of stay of 113.2 days (2023: 118.2 days) and achieved an average annual bed utilisation rate of 91.0% (2023: 87.9%). Revenue from the provision of elderly healthcare services for the Reporting Period amounted to RMB12.9 million (2023: RMB12.7 million), representing a period-on-period increase of 1.5%, primarily due to improved utilisation during the year. As the operation matures, Renkang Elderly Care Centre continues to gain reputation for its elderly healthcare services in the district. In 2024, the center has placed an emphasis on providing high-quality follow-up services for elderly residents, including traditional Chinese medicine physiotherapy and rehabilitation training. Additionally, the center has strengthened internal management, revising and improving safety protocols and other systems for nursing homes to ensure the standardization and institutionalization of all service aspects. Renkang Elderly Care Centre will continue to focus on enhancing service quality and cooperating with the evaluation process of Guangdong Province's Pension Institution (廣東省養老機構), striving to achieve accreditation as a five-star pension institution.

Industry Outlook and Strategy

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

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

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

Looking forward into 2025, we anticipate that China's hospital reform will continue to focus on:

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

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

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

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

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

Healthcare expenditure in China is projected to reach RMB205 trillion by 2030. Despite recent challenges, the Board is positive on the healthcare sector for 2025.

Our Strategy

In 2025, our Group intends to capitalise on industry opportunities through the following measures:

- *Continue to strengthen the development of key specialties:* Enhance the construction of key specialty departments such as the Cardiovascular Center, Plastic and Cosmetic Surgery, Obstetrics and Gynecology, Health Management Center, Rehabilitation Medicine, Hematology and Lymphoma, Digestive Diseases Center, Laboratory, Oncology Precision Treatment Center, Breast Center, and General Surgery. Introduce and cultivate prominent leaders in these fields, further optimize the specialty layout, build top-notch specialized departments, and lead the hospital's development.

- *Focus on high-end medical services:* As society develops, the demand for medical services is increasing, and patients' expectations for high-quality medical experiences are rising. Our Group needs to promote the hospitals' differentiated development and high-end services, providing patients with convenient, personalized, and comprehensive diagnostic and treatment management across the entire cycle, thus meaningfully enhancing the hospital's high-end service capabilities.

- *Standardize medical insurance, hospital infection control, nursing, and pharmaceutical management:* Fully leverage medical insurance policies and payment mechanisms, and strengthen the management of medical insurance funds. Comprehensively advance the "infection control" initiative to increase healthcare workers' awareness of hospital infections and ensure surgical quality and safety. Enhance the organizational system for nursing quality control and the construction of nursing quality, continuously upgrading nursing standards. Strengthen the management of rational drug use.

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 mid of 2025, the relevant interior decoration to complete by end of 2025, and aim to put the first phase of the project into operation by early 2026. As of 31 December 2024, the total investment in Kanghua Qingxi Healthcare Complex amounted to approximately RMB229.2 million.

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

FINANCIAL REVIEW

Segment Revenue

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

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

For the year ended 31 December 2024

	Hospital services *RMB'000*	**Rehabilitation and other healthcare services** *RMB'000*	**Haemodialysis services** *RMB'000*	**Elderly healthcare services** *RMB'000*	**Total** *RMB'000*
Revenue	**1,838,532**	**128,449**	**75,770**	**12,919**	**2,055,670**
Cost of revenue	**(1,549,785)**	**(101,777)**	**(74,328)**	**(7,907)**	**(1,733,797)**
Gross profit	**288,747**	**26,672**	**1,442**	**5,012**	**321,873**
Gross profit margin	**15.7%**	**20.8%**	**1.9%**	**38.8%**	**15.7%**

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%

Revenue from the Group's hospital services amounted to RMB1,838.5 million (2023: RMB1,887.9 million), representing a year-on-year decrease of 2.6% and accounting for 89.4% (2023: 92.5%) of the total revenue of the Group.

Revenue from hospital services comprised (i) revenue from inpatient healthcare services amounted to RMB1,086.4 million (2023: RMB1,079.6 million), representing a year-on-year increase of 0.6%, accounting for 52.8% (2023: 52.9%) of the total revenue of the Group; (ii) revenue from outpatient healthcare services amounted to RMB644.9 million (2023: RMB656.0 million), representing a year-on-year decrease of 1.7%, accounting for 31.4% (2023: 32.1%) of the total revenue of the Group; and (iii) revenue from physical examination services amounted to RMB107.2 million (2023: RMB152.3 million), representing a year-on-year decrease of 29.6%, accounting for 5.2% (2023: 7.5%) of the total revenue of the Group. The decrease in revenue from hospital services is primarily attributable to (i) the decline in revenue of our major medical disciplines, in particular, physical examination, paediatrics related disciplines, emergency medicine related disciplines, orthopaedics related disciplines and cardiovascular related disciplines; (ii) the decrease in patient average spending across all of our major service offerings; and (iii) despite the increase in the number of inpatient and physical examination visits during the Reporting Period. The decline in average spending is primarily due to downward adjustments in payment rates for different DRG groups and tightened social insurance payment quotas under the DIP model implemented by the Ministry of Human Resources and Social Security. Additionally, the significant drop in revenue from physical examinations is due to fewer examination tasks performed per patient during the Reporting Period. Recent reforms and tightened social insurance payments are expected to continue to put a pressure on our revenue growth. With recent intensified national policy reforms, decrease in post-COVID-19 related demand and industry adjustments, the Group's revenue of our self-owned hospitals experienced a year-on-year decline. In particular, the changes in healthcare, pharmaceuticals, and the "Three Medical" policies have altered the existing management models and performance evaluation systems of healthcare institutions, presenting new opportunities and challenges to the Group.

Revenue from rehabilitation and other healthcare services amounted to RMB128.4 million (2023: RMB141.2 million), representing a year-on-year decrease of 9.1%, accounting for 6.2% (2023: 6.9%) 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 RMB54.4 million (2023: RMB73.9 million), representing a year-on-year decrease of 26.4% and (ii) revenue from rehabilitation centres services and other services (in particular our children rehabilitation operations) amounted to RMB74.1 million (2023: RMB67.4 million), representing a year-on-year increase of 10.0%. The decrease in revenue is mainly attributable to (i) the suspension of our hemophilia services at our rehabilitation hospitals due to regular inspection by the local government authority; (ii) recent reforms and policy implementation in payment rates adjustments as well as restrictions on annual social insurance payout quotas; and (iii) despite the increase in patient visits and revenue from our children rehabilitation centres operations.

Revenue from haemodialysis services amounted to RMB75.8 million (2023: nil), accounting for 3.7% (2023: nil) of the total revenue of the Group. The haemodialysis services segment was newly acquired by the Group in January 2024 and is still operating at loss. The Board is optimistic that the haemodialysis services segment will be one of the key revenue drivers of the Group in the medium to long term.

Revenue from elderly healthcare services represented the provision of elderly healthcare services at Renkang Elderly Care Centre, which amounted to RMB12.9 million (2023: RMB12.7 million), representing a year-on-year increase of 1.5%, accounting for 0.6% (2023: 0.6%) 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 amounted to RMB1,549.8 million (2023: RMB1,554.8 million), representing a year-on-year decrease of 0.3%. The decrease in cost of revenue of our hospital services segment is mainly attributable to the decrease in operation in all of our self-owned hospitals with drop in cost of pharmaceuticals and medical consumables, however, partly offset by the increase in direct staff related costs and rental expenses during the Reporting Period. The rise in direct staff-related costs reflects ongoing pressure in staff retention expenses and a shortage of qualified professionals in the market. Additionally, Kangxin Hospital continued to operate at a negative gross margin during the Reporting Period.

Cost of revenue of the Group's rehabilitation and other healthcare services segment amounted to RMB101.8 million (2023: RMB114.4 million), representing a year-on-year decrease of 11.1%, and primarily consisted of staff costs, medical consumables, depreciation, utilities and rental expenses. Staff costs are salaries and benefits for healthcare professionals, including physical therapists, occupational therapists, speech therapists, and nursing staff involved in patient care. Medical consumables are therapeutic supplies associated with purchasing and maintaining rehabilitation equipment (e.g., treadmills, weights and adaptive devices) and consumable supplies. The decrease in the cost of revenue for our rehabilitation and healthcare services segment is primarily due to reduced operations at Hefei Jingu Hospital as a result of the suspension of hemophilia services during the Reporting Period.

Cost of revenue of the Group's haemodialysis services segment amounts to RMB74.3 million (2023: nil) and primarily consisted of staff costs, medical consumables, depreciation, utilities and rental expenses. Direct staff costs include expenses related to the salaries and benefits of healthcare professionals, such as nephrologists, nurses, and technicians who provide dialysis treatments. Medical consumables refer to medical supplies and costs associated with the purchases and maintenance of dialysis machines, tubing, filters, and other consumables necessary for each treatment session. Facility overhead such as utility expenses relates to the operational costs of the dialysis centres, including rent, water and electricity and maintenance of the facility. Other costs are expenses related to ancillary services, such as lab tests and cleaning and waste treatment.

Cost of revenue of the Group's elderly healthcare services represents direct operating costs at Renkang Elderly Care Centre, which amounted to RMB7.9 million (2023: RMB8.2 million), representing a year-on-year decrease of 4.1%, 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 as the centre had been operating at high utilisation.

During the Reporting Period, costs of pharmaceuticals, costs of medical consumables and staff cost accounted for approximately 25.4% (2023: 26.6%), 25.9% (2023: 26.0%) and 34.3% (2023: 33.0%), respectively, of the total cost of revenue of the Group. The proportion of cost of pharmaceuticals and medical consumables as percentage of total cost of revenue recorded a decrease during the Reporting period, which is mainly attributable to the decrease in operations of our hospital services segment. Our total staff-related costs, including salaries, bonuses, and other benefits, increased by 7.4% compared to the prior year. This increase is primarily attributable to (i) higher salary levels, retention costs, and a shortage of professional medical staff in the market; and (ii) the impact in acquisition of the Kanghua Haemodialysis Group during the Reporting Period.

Gross Profit and Gross Profit Margin

Total gross profit of the Group amounted to RMB321.9 million (2023: RMB364.4 million), representing a year-on-year decrease of 11.7%. The overall gross profit margin declined to 15.7% (2023: 17.8%), primarily due to: (i) the decrease in revenue from our hospital services segment; (ii) the decrease in the average patient spending from our inpatient and physical examination services; (iii) the impact in acquisition of the haemodialysis services business in January 2024; and (iv) the deterioration in financial performance of Kangxin Hospital, which 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 and other subsidies, fixed operating lease income (rental income), clinical trial and related income and others. During the Reporting Period, other income amounted to RMB53.5 million (2023: RMB46.3 million), representing a year-on-year increase of approximately 15.6%, primarily due to (i) increase in government and other subsidies to RMB5.4 million (2023: RMB2.3 million); (ii) increase in clinical trial and related income to RMB19.5 million (2023: RMB13.2 million); (iii) increase in bank and other interest income to RMB6.0 million (2023: RMB4.9 million); and (iv) partially offset by a decrease in investment income from financial assets at FVTPL to RMB7.8 million (2023: RMB12.1 million), which mainly represented investment return from structured deposits with banks in the PRC, caused by the decrease in average investment being placed during the Reporting Period.

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 RMB7.3 million (2023: net loss of RMB6,000), which primarily comprised of (i) a recorded unrealised fair value loss on financial assets at FVTPL of RMB9.4 million (2023: fair value loss of RMB0.9 million) in relation to our interest in an investment fund; (ii) a recorded net exchange gain of RMB2.5 million (2023: net exchange gain of RMB1.1 million) mainly arising from our Hong Kong dollar denominated financial assets; (iii) loss on disposal of property, plant and equipment amounted to RMB0.4 million (2023: loss of RMB0.2 million); and (iv) donations made of RMB0.09 million (2023: RMB0.06 million).

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

During the Reporting Period, impairment losses under expected credit loss model recorded a net provision of RMB4.3 million (2023: RMB2.8 million). The net provision for the Reporting Period was mainly attributable to (i) an increase in the overall balance of accounts and other receivables at the end of the Reporting Period (with the effects of acquisition of the Kanghua Haemodialysis Group); and (ii) increases in the Group’s accounts receivable aging and deterioration in credit rating of certain corporate customers and outstanding debts from patients. In the past years, the Group has increased its efforts to recover overdue debts, including recovering receivables from patients through legal actions, as well as tightening credit reviews given to corporate customers.

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

The management of the Group closely monitors the credit quality of accounts and other receivables and considers the debts that are neither past due nor impaired to be of a good credit quality. Receivables that were neither past due nor impaired related to the customers and debtors for whom there was no history of default. As part of the Group's credit risk management, the Group uses receivables' 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 RMB277.1 million (2023: RMB242.4 million), representing a year-on-year increase of approximately 14.3%, primarily due to (i) the increase in administrative staff related costs to RMB99.5 million (2023: RMB84.1 million), representing a year-on-year increase of approximately 18.2%, primarily due to rise in general salary level and the impact in acquisition of the haemodialysis services business in January 2024; (ii) the increase in rental expenses and property management expenses to RMB26.6 million (2023: RMB23.4 million), representing a year-on-year increase of approximately 13.4%; (iii) the increase in repair and maintenance expenses as well as other major administrative expenses including office expenses and entertainment and travelling expenses; (iv) increase in provision for medical dispute claims expense; and (v) decrease in management and consultancy fees.

Finance Costs

Finance costs for the Reporting Period amounted to RMB23.6 million (2023: RMB12.1 million), representing a year-on-year increase of 96.0%. Finance costs for the Reporting Period represents (i) interest on bank loans of RMB9.6 million (2023: RMB14.6 million), the decrease is mainly due to one of the Group's major bank loans was repaid in full during the Reporting Period (part of the repayment was replaced by an interest-bearing advance from the Company's immediate holding company, Kanghua Group); (ii) interest on other loan from Kanghua Group of RMB3.1 million (2023: nil) (the advance from Kanghua Group was fully repaid during the Reporting Period); (iii) the interest element relating to lease liabilities charged to profit or loss of RMB7.2 million (2023: RMB7.5 million); (iv) other finance charges of RMB11.7 million (2023: RMB2.6 million), the increase is mainly due to the remaining unamortised bank arrangement fee that was charged to profit or loss on a one-off basis during the Reporting Period together with the full repayment of the bank loan; and (v) less amount of interest capitalised in the cost of qualifying assets of RMB7.9 million (2023: RMB12.8 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 RMB52.6 million (2023: RMB62.4 million), representing a year-on-year decrease of approximately 15.7%. 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% (2023: 5.0%) during the Reporting Period. Our effective tax rate for the Reporting Period is 83.4% (2023: 40.0%). The decrease in income tax expenses was primarily due the decrease in profits generated at Kanghua Hospital during the Reporting Period.

Profit for the Year

The Group recorded profit for the Reporting Period amounted to RMB10.5 million (2023: RMB91.0 million), and profit attributable to shareholders of the Company amounted to RMB15.3 million (2023: RMB121.1 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 taxation to Adjusted EBITDA and explanation notes:

		For the year ended 31 December	
		2024	2023
	Notes	***RMB'000***	*RMB'000*
Profit for the year		**10,473**	91,023
Add: Income tax expenses		**52,582**	62,406
Profit before taxation (IFRS measure)		**63,055**	153,429
Add: Finance costs	(i)	**23,627**	12,055
Add: Depreciation of right-of-use assets	(i)	**43,172**	36,165
Add: Depreciation of property, plant and equipment	(i)	**106,683**	106,914
EBITDA (non-IFRS measure)		**236,537**	308,563
Add: Fair value loss on financial assets at FVTPL	(ii)	**9,400**	882
Less: Investment income from financial assets at FVTPL	(iii)	**(7,797)**	(12,092)
Less: Exchange gain	(iv)	**(2,504)**	(1,126)
Less: Bank and other interest income	(v)	**(6,000)**	(4,918)
Adjusted EBITDA (non-IFRS measure)		**229,636**	291,309

Notes:

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

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

(iii) Investment income from 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 fixed bank deposits which is denominated in Hong Kong dollars. Other than the fixed bank deposits, the Group does not have other significant foreign currency denominated financial assets and liabilities. In the opinion of the Directors, such exchange gains or losses associated with fixed bank deposits are not reflective of the daily business operations of the Group, and the removal exchange gains or losses would enable the users of the financial information to better understand the core operating performance of the Group.

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

FINANCIAL POSITION

Property, Plant and Equipment, 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 RMB60.4 million (2023: RMB38.5 million) and RMB48.4 million (2023: RMB111.1 million), respectively, mainly for the purpose of (i) upgrading and expanding the service capacity of our hospital operations, rehabilitation service operations and haemodialysis outpatient centres; (ii) construction cost incurred at Phase II medical facility at our Kangxin Hospital; and (iii) construction for the development of our Kanghua Qingxi Healthcare Complex.

At 31 December 2024, the Group has right-of-use assets of RMB280.1 million (2023: RMB284.3 million) which includes leasehold lands of RMB212.0 million (2023: RMB216.7 million) and leasehold land and buildings relating to leases of RMB68.2 million (2023: RMB67.6 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 RMB2.8 million (2023: RMB0.5 million) relating to each of those new leases during the Reporting Period.

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

At 31 December 2024, the Group has deposits paid for acquisition of property, plant and equipment amounting to RMB29.5 million (2023: RMB36.2 million). The deposits mainly represent deposits paid for construction cost of Phase II medical facility at our Kangxin Hospital and amount paid for acquisition of new medical equipment and other new facilities as the Group continues to upgrade its medical facilities and expand its operation capacity.

Other Asset

Other asset represented a brand introduction fee paid by the Group to procure the introduction of the "Artemed" brand by Silver Mountain Capital Limited (銀山資本有限公司) ("**Silver Mountain**") to Kangxin Hospital under a management arrangement with Silver Mountain in 2022 ("**Management Arrangements**"). Details of the Management Arrangements are set out in the Company's announcement dated 23 May 2022. Pursuant to the Management Arrangements, Silver Mountain shall provide a series of services with a view to improving and optimising the operations of Kangxin Hospital including the introduction of a German medical group "Artemed" to Kangxin Hospital to participate in daily management and operations, overseas and domestic resources, research capabilities, clinical achievement transformation, policy innovation, cooperation with medical colleges, key scientific construction, medical informatics, medical payment system, quality control, expert collaboration and cost control. The "Artemed" license holder has granted Kangxin Hospital for a non-exclusive right to use Artemed brand in Mainland China. As at 31 December 2024, other asset of RMB17.4 million has been reclassified to and included in assets classified as held for sale.

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 2024, accounts receivables amounted to RMB265.6 million (2023: RMB256.7 million), of which 66.2% (2023: 68.8%) were aged within 90 days. Average accounts receivables turnover days for the current year is 46.4 days (2023: 43.5 days). The increase in accounts receivables and accounts receivable turnover days was primarily due to the increase in balance due from social insurance funds and other government authorities, and certain corporate customers, as well as impact in acquisition of the haemodialysis services business in January 2024. As at 31 December 2024, the Group has carried out credit assessment on its accounts receivables and a net provision of impairment loss of RMB4.3 million (2023: impairment loss of RMB2.8 million) has been charged to profit or loss during the Reporting Period.

The other receivables of the Group primarily consisted of prepayments to suppliers and others. As at 31 December 2024, total other receivables amounted to RMB46.9 million (2023: RMB45.5 million) and primarily comprised (i) prepayments to suppliers of RMB11.3 million (2023: RMB8.6 million); (ii) other receivables comprising prepayments to other non-trade suppliers, security deposits and other prepaid expenses and others amounted to RMB37.9 million (2023: RMB39.3 million), which is offset by a net provision expected for credit loss of RMB2.2 million (2023: RMB2.4 million).

Disposal Group Classified as Held for Sale

On 20 December 2024, the Board resolved to dispose of 55% equity interest of Kangxin Hospital to Silver Mountain or its affiliates. As the demerger of Kangxin Hospital conducted under PRC laws, pursuant to which Chongqing Kanghua Zhonglian Healthcare Management Co., Ltd.* (重慶康華眾聯醫療管理有限公司) ("**Chongqing Kanghua Property**"), a wholly-owned subsidiary of the Company, has been established to hold the land and buildings underlying the operations of Kangxin Hospital, was completed and the land and buildings were transferred to Chongqing Kanghua Property, Kangxin Hospital was in a condition ready for immediate sale. The assets and liabilities of Kangxin Hospital have been presented separately in the consolidated statement of financial position as at 31 December 2024.

On 9 January 2025, the Company entered into a sale and purchase agreement with an independent third-party, Beijing Pantheon Health Management Co., Ltd.* (北京鉑頌健康管理有限公司) ("**Pantheon Health**"), a company established in the PRC and is under common control with Silver Mountain, for the disposal of 55% equity interest in Kangxin Hospital at a consideration of RMB34.9 million. The disposal was later completed on 8 February 2025.

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 2024, accounts and other payables and provisions increased to RMB758.8 million (2023: RMB660.3 million) primarily attributable to: (i) an increase in accounts payable to RMB357.9 million (2023: RMB317.3 million), mainly due to the acquisition of the haemodialysis services business in January 2024; (ii) a decrease of accrued expenses to RMB90.5 million (2023: RMB96.1 million); (iii) an increase in receipt in advance to RMB250.0 million (2023: RMB197.5 million) which mainly represents temporary funds received from social insurance fund; and (iv) an increase in payables for acquisition of property, plant and equipment to RMB26.3 million (2023: RMB20.6 million); and (v) an increase in provision for medical dispute claims to RMB2.9 million (2023: RMB1.2 million), comprising a net provision for the Reporting Period of RMB7.5 million (2023: RMB3.1 million).

Net Current Assets and Net Assets

As at 31 December 2024, the Group recorded net current assets of RMB236.9 million (2023: RMB328.8 million) and net assets position of RMB1,462.3 million (2023: RMB1,497.5 million).

LIQUIDITY AND CAPITAL RESOURCES

Financial Resources

The Group continued to maintain a strong financial position with cash and cash equivalents of RMB242.6 million (2023: RMB305.2 million) and fixed bank deposits of RMB65.8 million (2023: RMB63.4 million) as at 31 December 2024. 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 2024, as part of the Group's cash management activities, the Group had investments (classified as financial assets at FVTPL) in aggregate of RMB394.0 million (2023: RMB383.4 million), primarily consisting of, (i) a fund investment of RMB24.0 million (2023: RMB33.4 million). In 2021, the Group entered into a partnership agreement with two independent third parties for the establishment of a fund, namely, Guangdong Bosong Kanghua Equity Investment Partnership, L.P. (廣東鉑頌康華股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC. The purpose of the fund is to achieve investment returns and capital appreciation through carrying out investment, investment management and other activities in accordance with PRC laws, business scope under business registration, and the partnership agreement. To the extent permitted by the applicable laws, the fund will invest primarily in the fields of medical services, biotechnology, medical equipment, and medical informatics. The initial term of the fund shall be seven years. As at 31 December 2024, the fund had made equity investments in two (2023: two) unlisted companies and the aggregate carrying amounts of the equity investments was RMB24.0 million (2023: RMB33.4 million), which were measured at fair values. During the Reporting Period, the Group recognised a fair value loss of RMB9.4 million (2023: nil) in relation to fund investment; and (iii) structured short-term bank deposits of RMB370.0 million (2023: RMB350.0 million), representing low-risk structured investment products issued by commercial banks in the PRC for variable investment returns. Majority of these structured deposits are with maturities of less than six months and the principal is generally renewed when matured.

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

Cash Flow Analysis

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

	Change	**2024**	2023
		RMB'000	*RMB'000*
Net cash flows from operating activities	+37.2%	**280,132**	204,195
Net cash flows used in investing activities	-18.9%	**(87,331)**	(107,724)
Net cash flows used in financing activities	+353.0%	**(251,705)**	(55,563)
Net (decrease)/increase in cash and cash equivalents	N/A	**(58,904)**	40,908

Net cash flows from operating activities

During the Reporting Period, the net cash generated from operating activities amounted to RMB280.1 million (2023: RMB204.2 million), representing a year-on-year increase of 37.2%, the increase is primarily attributable to the deterioration of our performance in adjusted EBITDA for the Reporting Period, but partly offset by various changes in working capital include: (i) decrease in inventories amounted to RMB4.6 million (2023: decrease of RMB14.8 million); (ii) increase in accounts and other receivables amounted to RMB13.6 million (2023: increase of RMB16.2 million); and (iii) increase in accounts and other payables amounted to RMB99.3 million (2023: decrease of RMB44.6 million). Total income tax paid during the Reporting Period amounting to RMB53.1 million (2023: RMB52.1 million).

Net cash flows used in investing activities

During the Reporting Period, the net cash used in investing activities amounted to RMB87.3 million (2023: RMB107.7 million), representing a year-on-year decrease of 18.9%. The decrease is primarily attributable to: (i) a decrease in purchase of property, plant and equipment to RMB65.4 million (2023: RMB98.3 million); (ii) a decrease in deposits paid for acquisition of property, plant and equipment to RMB21.3 million (2023: RMB32.6 million); (iii) a recorded net cash used in purchase of investments in financial assets at FVTPL of RMB20.0 million (2023: net proceeds from disposal of RMB187.5 million); (iv) a decrease in investment income received from financial assets at FVTPL to RMB7.8 million (2023: RMB12.1 million); (v) no change in fixed bank deposits (2023: net placement of RMB65.4 million) during the Reporting Period; and (vi) net cash inflow on acquisition of subsidiaries (Kanghua Haemodialysis Group) of RMB6.1 million (2023: cash used in acquisition of additional interest in subsidiaries (mainly Kangxin Hospital) of RMB108.1 million and deposits paid for acquisition of subsidiaries of RMB0.8 million).

Net cash flows used in financing activities

During the Reporting Period, the net cash flows used in financing activities amounted to RMB251.7 million (2023: RMB55.6 million) and primarily consists of: (i) new bank loans raised of RMB181.9 million (2023: RMB68.2 million); (ii) repayment of bank loans of RMB283.4 million (2023: RMB33.0 million); (iii) net repayments to non-controlling shareholders of subsidiaries of RMB75.1 million (2023: RMB26.9 million); (iv) repayments of principal portion of lease liabilities of RMB62.1 million (2023: RMB41.7 million); and (v) decrease in interest paid amounted to RMB13.1 million (2023: RMB22.2 million).

Significant Investment, Acquisition and Disposal

Acquisition of Kanghua Haemodialysis Group

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

The acquisition has been accounted for using the acquisition method. The consolidated financial statements for the Reporting Period include the results of Kanghua Haemodialysis Group for the period from the acquisition date to 31 December 2024. The Group has elected to measure the non-controlling interests in Kanghua Haemodialysis Group at the non-controlling interests' proportionate share of the Kanghua Haemodialysis Group's identifiable net liabilities. The amount of goodwill arising as a result of the acquisition was RMB114.2 million.

Disposal of Equity Interest in Kangxin Hospital

On 20 December 2024, the Board resolved to dispose of 55% equity interest of Kangxin Hospital to Silver Mountain or its affiliates. As the demerger of Kangxin Hospital (which was conducted under PRC laws, pursuant to which Chongqing Kanghua Zhonglian Healthcare Management Co., Ltd.* (重慶康華眾聯醫療管理有限公司) ("**Chongqing Kanghua Property**"), a wholly-owned subsidiary of the Company, has been established to hold the land and buildings underlying the operations of Kangxin Hospital) was completed and the land and buildings were transferred to Chongqing Kanghua Property, Kangxin Hospital was in a condition ready for immediate sale. The assets and liabilities of Kangxin Hospital have been presented separately in the consolidated statement of financial position as at 31 December 2024.

On 9 January 2025, the Company entered into a sale and purchase agreement with Pantheon Health for the disposal of 55% equity interest in Kangxin Hospital at a consideration of RMB34.9 million. As at 31 December 2024, the disposal of Kangxin Hospital was undergoing negotiation with Pantheon Health and the completion of the transaction was subject to various conditions as set out in the sale and purchase agreement. The disposal was later completed on 8 February 2025.

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

Capital Expenditure

The Group regularly makes capital expenditures to expand its operations, maintain its medical facilities and improve its operating efficiency. Capital expenditure primarily consists of purchases of property, plant and equipment (including capital expenditure in construction in progress). The capital expenditure of the Group during the Reporting Period was RMB108.8 million (2023: RMB149.5 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 2024, of the net proceeds from the initial public offering, (i) RMB78.3 million, representing approximately 10% of the net proceeds, have been fully utilised and used as general working capital; (ii) RMB134.7 million, representing approximately 17.2% of the net proceeds, have been utilised and used on expansion of our current operations and upgrading our hospital's facilities; and (iii) RMB208.8 million, representing approximately 26.7% of the net proceeds, have been utilised and used for acquisition and potential acquisition of businesses. As at 31 December 2024, out of the balance of the unutilised net proceeds of RMB360.8 million, part of such proceeds have been used to purchase certain financial products (classified as financial assets at FVTPL) or placed in fixed bank deposits to achieve higher interest income and capital return without interfering with our business operations or capital expenditures to earn better return on our excess cash balance, and the remaining balance have been kept at the bank accounts of the Group (included in bank balances and cash). As at the date of this announcement, the Company does not anticipate any material change to its plan on the use of proceeds as stated in the Prospectus.

INDEBTEDNESS

Bank Loans

As at 31 December 2024, the Group had a secured bank loan of carrying amount of RMB74.4 million and an unsecured bank loan of carrying amount of RMB154.7 million (2023: secured bank loans of RMB318.8 million). During the Reporting Period, the bank loan facility in respect to the development of the Phase II medical facility and financing the operations of Kangxin Hospital (being the RMB420.0 million fixed asset facility agreement (固定資產借款合同) and RMB200.0 million financial leasing agreement (融資租賃合同)) was fully repaid and cancelled.

As at 31 December 2024, the Group had two bank loan facilities and details are as follows:

(i) RMB330.0 million fixed asset facility agreement (固定資產貸款合同) with Bank of Dongguan Co., Ltd. and carries variable interest rate using five-year LPR (Loan Prime Rate) (貸款基礎利率) offered by the People's Bank of China plus 0.5%, at each drawn down date and adjusted annually. Loan principal can be drawn down up to 25 April 2026 with full repayment term of 15 years from each drawn down date. As at 31 December 2024, the carrying amount of this variable-rate secured bank loan amounted to RMB74.4 million (2023: RMB47.2 million). The main purpose of the loan is to finance payments for the construction development and fixed assets purchase of the Kanghua Qingxi Healthcare Complex (the Group's elderly medical and healthcare complex development in Qingxi Town, Dongguan City). The bank loan is secured with (i) financial guarantees provided by the Company and Mr. Wang Junyang, the chairman of the Group; and (ii) pledge of leasehold land held by a subsidiary of the Company with carrying amount of approximately RMB77.6 million as at 31 December 2024 (2023: RMB79.3 million).

(ii) RMB299.0 million revolving credit facility agreement (循環額度貸款合同) with Bank of Dongguan Co., Ltd. and carries variable interest rate using one-year LPR (Loan Prime Rate) (貸款基礎利率) offered by the People's Bank of China plus 0.85%, at each drawn down date and adjusted annually. Loan principal can be drawn down up to 29 May 2026 with full repayment term of 3 years from each drawn down date. As at 31 December 2024, the carrying amount of this variable-rate unsecured bank loan amounted to RMB154.7 million (2023: N/A). The main purpose of the loan is to provide operating cash flow for Kanghua Hospital. The bank loan is unsecured with financial guarantees provided by the Company and Mr. Wang Junyang, the chairman of the Group.

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

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 2024, except for those disputes with provision made, the total stated claim amount of the Group's on-going medical disputes was approximately RMB14.3 million (2023: RMB13.9 million) and there were certain medical disputes without claim amount stated. Based on the Group's assessment, as at 31 December 2024, approximately RMB2.9 million (2023: RMB1.2 million) had been provided and included in accounts and other payables and provisions of the Group.

As at 31 December 2024, the Group had no contingent liabilities or guarantees that would have a material impact on the financial position or operation of the Group.

Pledge of Assets

As at 31 December 2024, leasehold land (included in right-of-use assets) with net carrying amount of RMB77.6 million (2023: RMB79.3 million) had been pledged to secure a banking facility granted to the Group. At 31 December 2023, certain property, plant and equipment of the Group with net carrying amount of RMB14.4 million (31 December 2024: nil) had been pledged to secure a banking facility granted to the Group.

Capital commitments

The capital commitments of the Group were primarily attributable to construction costs relating to the expansion and renovation of the Group's medical facilities. As at 31 December 2024, the capital commitments in respect of property, plant and equipment contracted for but not provided in the consolidated financial statements were RMB153.7 million (2023: RMB178.8 million).

Financial Instruments

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

Exposure to fluctuation in Exchange rates

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

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

Gearing Ratio

As at 31 December 2024, the Group's gearing ratio (total interest-bearing bank loans divided by total equity and multiplied by 100%) was 15.7% (2023: 21.3%).

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEMES

The Group's comprehensive staff remuneration policy comprise basic salary determined with reference to the individual's position, seniority and length of service, performance bonus determined with reference to the metrics specific to the individual's job function and other benefits. The Group regularly benchmarks against available market data and adjusts its remuneration structure with a view to remaining competitive. As at 31 December 2024, the Group had a total of 4,320 (2023: 3,946) full-time staff. Total staff related costs for the Reporting Period (excluding directors' and supervisors' emoluments) amounted to approximately RMB686.6 million (2023: RMB631.8 million). The Group endeavours to ensure that the compensation level of its employees remains competitive and in line with market conditions and its employees are appropriately rewarded based on their performance within the general framework of the Group's salary and bonus system.

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

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

EVENTS AFTER THE REPORTING PERIOD

On 9 January 2025, the Company entered into a sale and purchase agreement with Pantheon Health for the disposal of 55% equity interest in Kangxin Hospital at a consideration of RMB34.9 million. The disposal was later completed on 8 February 2025. Kangxin Hospital ceased to be a subsidiary of the Company and the financial results of Kangxin Hospital will no longer be consolidated into those of the Company. The Company accounts for its remaining 45% equity interest in Kangxin Hospital as an interest in associate under equity method. The Group will lease the land and building of Chongqing Kanghua Property to Kangxin Hospital for its operations. The Company is still in the progress of preparing the initial accounting for the disposal up to the date of this announcement. Details of the above contractual arrangements are set out in the Company's announcement dated 9 January 2025.

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

FINAL DIVIDEND

The Board recommended the payment of a final dividend of RMB15 cents in cash per Share (inclusive of applicable tax) for the year ended 31 December 2024, payable to Shareholders whose names appear on the register of members of the Company on Friday, 27 June 2025. The final dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company (the "**AGM**") to be held on Wednesday, 18 June 2025. Subject to the aforesaid approval, the recommended final dividend for the year ended 31 December 2024 will be payable on or around Friday, 25 July 2025. The final dividend will be denominated and declared in RMB. Dividends on Domestic Shares will be paid in RMB and dividends on H Shares will be paid in Hong Kong dollars. The amount of Hong Kong dollars payable shall be calculated on the basis of the average closing exchange rates for Hong Kong dollars as announced by the Foreign Exchange Trading Centre of the PRC for one calendar week prior to the approval of the final dividend at the AGM.

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, 18 June 2025 for the Shareholders to consider, and if thought fit, approve the resolutions relating to, among others, (i) the 2024 Work Report of the Board; (ii) the 2024 Work Report of the Supervisory Committee; (iii) the 2024 Financial Reports; (iv) the annual report for 2024; (v) the 2024 final dividend; and (vi) the re-appointment of domestic auditor and international auditor of the Company for 2025 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, 19 May 2025 to Wednesday, 18 June 2025, 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, 16 May 2025 for registration.

CLOSURE OF REGISTER OF MEMBERS OF H SHARES AND ASCERTAINING OF ELIGIBILITY FOR THE PROPOSED FINAL DIVIDEND

The Board proposes a final dividend of RMB15 cents per Share (inclusive of applicable tax) for the year ended 31 December 2024. The dividend proposal will be submitted for consideration at the AGM. If such proposed dividend distribution is approved by the shareholders, the final dividend will be distributed to those Shareholders whose names appear on the register of members of the Company on Friday, 27 June 2025. The register of members of H Shares of the Company will be closed from Wednesday, 25 June 2025 to Friday, 27 June 2025, both days inclusive, during which no transfer of H Shares will be registered. In order to qualify for the entitlement to the final dividend, 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 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, before 4:30 p.m., on Tuesday, 24 June 2025 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 2024 and has opined that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made by the Company.

The Company's audit committee consists of three independent non-executive directors 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 BAKER TILLY HONG KONG LIMITED

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 2024 as set out in the preliminary announcement have been agreed by the Group's auditors, Baker Tilly Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Baker Tilly Hong Kong Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Baker Tilly Hong Kong Limited 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 2024 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 Group Co., Ltd.*
WANG Junyang
Chairman

Hong Kong
31 March 2025

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

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

Non-executive Director:
Mr. Lv Yubo

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

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.*