廣東康華醫療股份有限公司
GUANGDONG KANGHUA HEALTHCARE CO., LTD.*

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

(Stock Code: 3689)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

- Revenue for the Reporting Period increased by 23.8% to RMB914.4 million (six months ended 30 June 2018: RMB738.6 million).
- Profit for the Reporting Period decreased by 37.9% to RMB55.5 million (six months ended 30 June 2018: RMB89.4 million).
- Profit for the period attributable to owners of the Company decreased by 21.0% to RMB67.6 million (six months ended 30 June 2018: RMB85.6 million).
- Earnings per share decreased by 21.1% to RMB20.2 cents (six months ended 30 June 2018: RMB25.6 cents).
- Adjusted Earnings Before Interest, Taxes, Depreciation and Amortisation[#] ("**Adjusted EBITDA**") for the Reporting Period increased by 10.4% to RMB136.6 million (six months ended 30 June 2018: RMB123.7 million).
- The Board does not recommend payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

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

INTERIM RESULTS

The board of directors (the "**Board**") of Guangdong Kanghua Healthcare Co., Ltd.* (the "**Company**", "**our company**", "**we**" or "**us**") is pleased to announced the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**" or "**our Group**"), for the six months ended 30 June 2019 (the "**Reporting Period**") together with the comparative figures for the corresponding period in 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	3	**914,364**	738,589
Cost of revenue		**(728,418)**	(570,541)
Gross profit		**185,946**	168,048
Other income	4	**19,611**	28,513
Other expenses, gains and losses	5	**(960)**	248
Administrative expenses		**(113,013)**	(80,580)
Finance costs		**(6,895)**	–
Profit before taxation	6	**84,689**	116,229
Income tax expenses	7	**(29,140)**	(26,796)
Profit and total comprehensive income for the period		**55,549**	89,433
Profit (loss) and total comprehensive income (expense) for the period attributable to:			
– owners of the Company		**67,637**	85,632
– non-controlling interests		**(12,088)**	3,801
		55,549	89,433
Earnings per share, basic *(RMB cents)*	9	**20.2**	25.6

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	NOTES	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	10	**839,158**	814,390
Right-of-use assets	10	**331,511**	–
Prepaid lease payment		**–**	150,398
Goodwill		**182,013**	182,013
Deposits paid for acquisition of property, plant and equipment		**101,555**	81,133
Fixed bank deposit		**33,000**	16,000
		1,487,237	1,243,934
Current assets			
Inventories		**53,421**	45,358
Accounts and other receivables	11	**259,732**	207,016
Amount due from a non-controlling shareholder of a subsidiary		**4,300**	–
Prepaid lease payment		**–**	3,248
Financial assets at fair value through profit or loss	12	**496,313**	479,142
Restricted bank balances		**4,567**	21,098
Bank balances and cash		**208,474**	203,256
		1,026,807	959,118
Current liabilities			
Accounts and other payables	13	**496,951**	481,839
Amount due to a shareholder		**682**	682
Amounts due to non-controlling shareholders of subsidiaries		**213,004**	152,204
Dividend payable		**53,363**	–
Tax payables		**34,908**	38,368
Lease liabilities		**23,716**	–
		822,624	673,093
Net current assets		**204,183**	286,025
Total assets less current liabilities		**1,691,420**	1,529,959

	At 30 June 2019 *RMB'000* (unaudited)	At 31 December 2018 *RMB'000* (audited)
Non-current liabilities		
Deferred tax liabilities	**20,753**	20,485
Lease liabilities	**206,298**	–
	227,051	20,485
Net assets	**1,464,369**	1,509,474
Capital and reserves		
Share capital	**334,394**	334,394
Reserves	**1,015,404**	1,044,543
Equity attributable to owners of the Company	**1,349,798**	1,378,937
Non-controlling interests	**114,571**	130,537
Total equity	**1,464,369**	1,509,474

NOTES:

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("**IASB**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Hong Kong Listing Rules**").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss ("**FVTPL**") which are measured at fair values at the end of each reporting period.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interest in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015 – 2017 Cycle

Except as described below, the application of the amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in the condensed consolidated financial statements.

Impacts and changes in accounting policies of application on IFRS 16 "Leases"

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 "Leases" and the related interpretations.

On transition, the Group has made the following adjustments upon application of IFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amount as if IFRS 16 had been applied since commencement dates, but discounted using incremental borrowing rates of the relevant group entities at the date of initial application by applying IFRS 16.C8(b)(i) transition. Amounts of RMB43,413,000 and RMB3,878,000 of transition upon adoption of IFRS 16 is recognised as decrease to retained earnings and non-controlling interests on 1 January 2019 respectively.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rates applied by the relevant group entities range from 5.1% to 5.9%.

	At 1 January 2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	259,570
Add: Lease liabilities resulting from lease modifications of existing leases *(note)*	39,686
Less: Recognition exemption – short-term leases	(103)
	299,153
Lease liabilities discounted at relevant incremental borrowing rates	(59,429)
Lease liabilities relating to operating leases recognised upon application of IFRS 16 and as at 1 January 2019	239,724
Analysed as:	
Current	21,512
Non-current	218,212
	239,724

Note: The Group renewed the leases of certain leasehold land and buildings by entering into new lease contracts which commence after date of initial application, these new contracts are accounted as lease modifications of the existing contracts upon application of IFRS 16.

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets
	RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	192,433
Reclassified from prepaid lease payment *(note)*	153,646
	346,079
By class:	
Leasehold lands	153,646
Leasehold land and buildings	192,433
	346,079

Note: Upfront payments for leasehold lands in the PRC were classified as prepaid lease payment as at 31 December 2018. Upon application of IFRS 16, prepaid lease payment amounting to RMB153,646,000 were reclassified to right-of-use assets.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	**Adjustments**	**Carrying amounts under IFRS 16 at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Prepaid lease payment	150,398	(150,398)	–
Right-of-use assets	–	346,079	346,079
Current asset			
Prepaid lease payment	3,248	(3,248)	–
Current liability			
Lease liabilities	–	(21,512)	(21,512)
Non-current liability			
Lease liabilities	–	(218,212)	(218,212)
Capital and reserves			
Reserves	(1,044,543)	43,413	(1,001,130)
Non-controlling interests	(130,537)	3,878	(126,659)

Note: For the purpose of reporting cash flows for the six months ended 30 June 2019, movements have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

The directors of the Company do not anticipate that the application of the other new and amendments to IFRSs will have a material effect on the condensed consolidated financial statements in the foreseeable future.

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 hospital management services; (iv) sale of pharmaceutical products; and (v) provision of other services.

Revenue

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Recognised over time:		
Hospital services:		
– Inpatient healthcare services	**536,185**	426,169
– Outpatient healthcare services	**299,581**	258,761
– Physical examination services	**33,668**	30,163
Rehabilitation and other healthcare services:		
– Rehabilitation hospital services	**22,662**	10,436
– Rehabilitation centre services and other healthcare services	**12,907**	4,215
Hospital management services	**–**	1,922
Others	**522**	–
	905,525	731,666
Recognised at a point in time:		
Sale of pharmaceutical products	**8,839**	6,923
	914,364	738,589

Segment information

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

The Group's operating segments are classified as (i) hospital services; (ii) rehabilitation and other healthcare services; (iii) hospital management services; (iv) sale of pharmaceutical products; and (v) others. The details of the Group's operating segments are as follows:

(i)	Hospital services:	(i) Provision of hospital services includes inpatient healthcare services generally refer to the treatment of patients who are hospitalised overnight or for an indeterminate period of time; (ii) outpatient healthcare services generally refer to the treatment of patients who are hospitalised for less than 24 hours; (iii) physical examinations services 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 refer to healthcare services: provision of special care services to patients with permanent or long-term physical or mental disabilities. Other healthcare services include elderly care and training services for the disabled.
(iii)	Hospital management services:	Provision of management services to a hospital owned by an independent third party.
(iv)	Sale of pharmaceutical products:	Sale of pharmaceutical products to patients of the Group's hospitals and outside customers.
(v)	Others:	Provision of elderly care services to patients.

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

Segment revenues and results

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

For the six months ended 30 June 2019 (unaudited)

	Hospital services *RMB'000*	**Rehabilitation and other healthcare services** *RMB'000* *note (i)*	**Sale of pharmaceutical products** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
SEGMENT REVENUE					
External revenue	**869,434**	**35,569**	**8,839**	**522**	**914,364**
Segment profit	**175,281**	**8,184**	**2,053**	**428**	**185,946**
Other income					**19,611**
Other expenses, gains and losses					**(960)**
Administrative expenses					**(113,013)**
Finance costs					**(6,895)**
Profit before taxation					**84,689**

For the six months ended 30 June 2018 (unaudited)

	Hospital services *RMB'000*	Rehabilitation and other healthcare services *RMB'000* *note (i)*	Hospital management services *RMB'000* *note (ii)*	Sale of pharmaceutical products *RMB'000*	Total *RMB'000*
SEGMENT REVENUE					
External revenue	715,093	14,651	1,922	6,923	738,589
Segment profit	157,804	7,819	981	1,444	168,048
Other income					28,513
Other expenses, gains and losses					248
Administrative expenses					(80,580)
Profit before taxation					116,229

Notes:

(i) Operation in rehabilitation and other healthcare services was acquired since April 2018.

(ii) Operation of hospital management services represents provision of hospital management services to 重慶康華眾聯心血管病醫院有限公司 (Chongqing Kanghua Zhonglian Cardiovascular Hospital Co., Ltd.) ("**Zhonglian Cardiovascular Hospital**"). The Group acquired 60% equity interest in Zhonglian Cardiovascular Hospital in August 2018. Segment revenue and profit for the six months ended 30 June 2018 represented segment results prior to acquisition.

There were no inter-segment sales during both periods.

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

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

4. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Bank and other interest income	**579**	5,566
Fair value gain on financial assets at FVTPL	**5,824**	6,283
Investment income from financial assets at FVTPL	**7,245**	9,881
Rental income	**3,400**	2,206
Government subsidies *(note)*	**112**	138
Others	**2,451**	4,439
	19,611	28,513

Note: The government subsidies mainly represent the subsidies on costs incurred for operation of rehabilitation centres and hospitals, research and development projects, medical related seminars and forums with no special and unfulfilled conditions attached.

5. OTHER EXPENSES, GAINS AND LOSSES

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net exchange gain	**1,011**	1,096
Loss on disposal of property, plant and equipment	**(38)**	(72)
Allowance for credit loss	**(223)**	(776)
Donations	**(1,710)**	–
	(960)	248

6. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**44,118**	30,339
Depreciation of right-of-use assets	**15,572**	–
Research and development expenditure	**606**	389
Short-term lease rentals in respect of rehabilitation centres and staff quarters	**1,012**	–
Variable lease rentals in respect of hospitals	**3,024**	–
Operating lease rentals in respect of hospitals and rehabilitation centres	**–**	14,794
Cost of inventories recognised as expenses (representing pharmaceutical products, consumables and others used, included in cost of revenue)	**432,208**	346,815

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**28,840**	26,131
Underprovision of PRC EIT in prior years	**32**	665
	28,872	26,796
Deferred tax	**268**	–
	29,140	26,796

Under the Law of the PRC on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the statutory income tax rate of the Company and its PRC subsidiaries is 25% for both periods.

8. DIVIDENDS

During the current interim period, a final dividend of RMB16 cents per share in respect of the year ended 31 December 2018 (six months ended 30 June 2018: RMB16 cents per share in respect of the year ended 31 December 2017) was declared to the owners of the Company. The directors of the Company have determined that no dividend will be paid in respect of the current interim period (six months ended 30 June 2018: nil).

9. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of calculating earnings per share	**67,637**	85,632

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**334,394,000**	334,394,000

No diluted earnings per share has been presented since there was no potential ordinary share in issue for both periods.

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

During the current interim period, the Group acquired property, plant and equipment and incurred expenditure on construction in progress of RMB36,654,000 and RMB32,398,000 (six months ended 30 June 2018: RMB34,076,000 and RMB10,211,000), respectively, for the purpose of upgrading and expanding the service capacity of the Group's hospital operations.

During the current interim period, the Group entered into new lease agreements for the use of properties in the PRC for 2 to 3 years. The Group is required to make fixed monthly payments. On lease commencement, the Group recognised right-of-use assets and lease liabilities of RMB1,004,000 each relating to those new leases.

11. ACCOUNTS AND OTHER RECEIVABLES

	At 30 June 2019 *RMB'000* **(unaudited)**	At 31 December 2018 *RMB'000* (audited)
Accounts receivables	**236,558**	186,063
Less: Allowance for credit loss	**(9,573)**	(9,573)
	226,985	176,490
Prepayments to suppliers	**9,090**	11,715
Interest receivables	**91**	1,048
Others	**23,566**	17,763
	259,732	207,016

The individual patients of the Group would usually settle payments by cash, credit cards or governments' social insurance schemes. For credit card payments, the banks will normally settle the amounts approximately 30 days after the transaction date. Payments by governments' social insurance schemes will normally be settled by the local social insurance bureau or similar government departments which are responsible for the reimbursement of medical expenses for patients who are covered by the government medical insurance schemes ranged from 30 to 180 days (31 December 2018: 30 to 90 days) from the transaction date. Corporate customers will normally settle the amounts within 90 days after the transaction date by bank transfers.

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

	At 30 June 2019 *RMB'000* **(unaudited)**	At 31 December 2018 *RMB'000* (audited)
Within 30 days	**113,760**	115,761
31 to 90 days	**59,299**	21,351
91 to 180 days	**13,253**	25,954
181 to 365 days	**38,209**	12,847
Over 365 days	**2,464**	577
	226,985	176,490

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Unlisted fund *(note (i))*	**–**	23,162
Portfolio investment fund *(note (ii))*	**73,843**	53,980
Structured bank deposits *(note (iii))*	**422,470**	402,000
	496,313	479,142

Notes:

(i) The unlisted fund represents an investment in equity securities of an unlisted company in the PRC and is measured at fair value. In January 2019, all of the unlisted fund was disposed at a consideration of RMB23,162,000.

(ii) The Group invested into a portfolio investment fund with a fund manager in Hong Kong for investment returns. The portfolio includes a mixture of cash and shares which are primarily listed in Hong Kong and is measured at fair value.

(iii) The Group invested into structured deposits with a bank in the PRC for investment returns. Majority of these structured deposits are with maturities of less than six months and the principal is generally renewed when matured.

13. ACCOUNTS AND OTHER PAYABLES

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Accounts payables	**312,279**	263,927
Accrued expenses	**53,507**	77,541
Receipts in advance *(note)*	**69,364**	73,182
Payables for acquisition of property, plant and equipment	**46,725**	54,460
Other tax payables	**3,514**	3,129
Provision for medical dispute claims	**1,032**	1,280
Others	**10,530**	8,320
Other payables	**184,672**	217,912
	496,951	481,839

The credit period of accounts payables is from 30 to 90 days from the invoice date.

Note: Included in the balance are advances from social insurance which represent operating cash of RMB41,481,000 (31 December 2018: RMB42,831,000) advanced from the PRC government for the daily operations of the hospitals operated by the Group.

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

	At 30 June 2019 *RMB'000* **(unaudited)**	At 31 December 2018 *RMB'000* (audited)
Within 30 days	**80,699**	66,394
31 to 90 days	**128,763**	94,213
91 to 180 days	**64,702**	64,499
181 to 365 days	**18,863**	20,769
Over 365 days	**19,252**	18,052
	312,279	263,927

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Business Overview for the six months ended 30 June 2019

In the first half of 2019, the Group's consolidated revenue reached its record high to RMB914.4 million (six months ended 30 June 2018: RMB738.6 million), representing a period-on-period growth of 23.8%, mainly attributable to the growth of our owned-hospital operations. The Group's owned-hospitals, namely Dongguan Kanghua Hospital Co., Ltd.* (東莞康華醫院有限公司) ("**Kanghua Hospital**") and Dongguan Renkang Hospital Co., Ltd.* (東莞仁康醫院有限公司) ("**Renkang Hospital**"), has delivered solid growth in revenue of 20.3% and 5.6%, respectively. However, the Group's results for the Reporting Period has been adversely affected by losses incurred at our 60% owned hospital, namely Chongqing Kanghua Zhonglian Cardiovascular Hospital Co., Ltd.* (重慶康華眾聯心血管病醫院有限公司), ("**Zhonglian Cardiovascular Hospital**") which the Group successfully acquired in August 2018, mainly because Zhonglian Cardiovascular Hospital is still at its initial stage of ramping up its operations.

The Group's consolidated profit for the six months ended 30 June 2019 has dropped to RMB55.5 million (six months ended 30 June 2018: RMB89.4 million), representing a period-on-period decrease of 37.9%. However, the Group's Adjusted EBITDA has recorded a period-on-period increase of 10.4% to RMB136.6 million (six months ended 30 June 2018: RMB123.7 million), which indicates that the Group's core operation has remained strong after eliminating the effects of financing, investment-related income, effects of exchange rate changes and capital expenditures.

The Group's rehabilitation and other related healthcare services segment, through its 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**"), has recorded a revenue of RMB35.6 million (six months ended 30 June 2018: RMB14.6 million). Anhui Hualin directly and indirectly (through its wholly-owned subsidiary) holds sponsor interests in certain private non-enterprise entities in Anhui Province, the PRC. It mainly operates two rehabilitation hospitals, one general hospital, nine rehabilitation centres and one vocational training school.

Hospital Services

The Group's owned hospitals, Kanghua Hospital, Renkang Hospital and Zhonglian Cardiovascular Hospital, representing our Group's hospital services segment, has continued to deliver solidly rising results, in particular (i) the total number of inpatient visits reached 36,025 (for six months ended 30 June 2018: 30,507), representing a period-on-period increase of 18.1%; (ii) the overall average spending per inpatient visit amounted to RMB14,883.7 (six months ended 30 June 2018: RMB13,969.5), representing a period-on-period increase of 6.5%; (iii) the overall bed utilisation rate dropped to 80.6% (six months ended 30 June 2018: 87.8%), mainly affected by the lower bed utilisation performance at Zhonglian Cardiovascular Hospital; (iv) the average length of stay was slightly lowered to 7.3 days (six months ended

30 June 2018: 7.6 days) as a result of further improved clinical processes; (v) the total number of outpatient visits reached 861,872 (six months ended 30 June 2018: 765,370), representing a period-on-period increase of 12.6%; (vi) the overall average spending per outpatient visit amounted to RMB347.6 (six months ended 30 June 2018: RMB338.1), representing a period-on-period increase of 2.8%; and (vii) the total number of surgical operations reached 20,994 (six months ended 30 June 2018: 18,875), representing a period-on-period increase of 11.2%.

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

		For the six months ended 30 June	
	Change	**2019**	2018
Inpatient healthcare services			
Inpatient visits	+18.1%	**36,025**	30,507
Average length of stay *(days)*	-0.3	**7.3**	7.6
Average spending per visit *(RMB)*	+6.5%	**14,883.7**	13,969.5
Outpatient healthcare services			
Outpatient visits	+12.6%	**861,872**	765,370
Average spending per visit *(RMB)*	+2.8%	**347.6**	338.1
Physical examination services			
Physical examination visits	+15.7%	**76,307**	65,960
Average spending per visit *(RMB)*	-3.5%	**441.2**	457.3

Kanghua Hospital

In the first half of 2019, Kanghua Hospital continued to respond to the initiatives of the government for the establishment of the Medical Association (醫聯體) by actively participating in the establishment of the Medical Association with lower-level medical institutions such as town and street hospitals and community health service centres in Dongguan (東莞鎮街醫院和社區衛生服務中心), and taking the lead in formulating relevant work implementation plans. During this period, Kanghua Hospital established new medical alliances in the fields of first aid, rehabilitation medicine and endocrine and metabolic medicine.

In terms of specialist development and construction of medical centres, Kanghua Hospital also attained remarkable achievements, including:

(i) Oncology disciplines: The number of patients admitted into the disciplines and the number of outpatient visits increased significantly as compared to the same period last year. This was accomplished through utilising brand new equipment to carry out various kinds of radiotherapy techniques, strengthening multidisciplinary joint therapy within the hospital and cooperating with authoritative oncology hospitals;

(ii) Hematology Disease Centre: The centre carried out new technologies and new projects for stem cell transplantation in relation to recurrent leukemia and lymphoma. In addition, the multi-site consultation mode has been adopted for complex diseases so that well-known experts from all over the country are invited to come to the hospital for consultation and teaching, so as to improve the treatment level and rate of recovery from diseases in the centre; and

(iii) Chest Pain Centre: In April 2019, the centre successfully passed the re-certification review by the China Chest Pain Centre (中國胸痛中心) and maintained the qualifications of a National Chest Pain Centre (國家級胸痛中心).

With the continuous improvement of its quality of medical services, Kanghua Hospital's industry influence continues to expand. In March 2019, the "Top 100 Competitive Non-Public Hospitals in China in 2018 (2018中國競爭力•非公立醫院100強)" list, published by Asclepius, an independent third-party hospital evaluation institute, again ranked Kanghua Hospital third place nationwide with excellent results.

Renkang Hospital

In the first half of 2019, Renkang Hospital continued to optimize its operation management system as well as strengthen its management of medical technology and control of medical quality, treatment schemes and medical insurance expenses. This has contributed to the steady growth of the number of patients and revenue and the effective reduction of its operating costs.

Furthermore, Renkang Hospital continues to promote the development of special and exceptional specialities, including the disciplines of gynecology and obstetrics, paediatrics, stomatology, health examination, geriatrics and traditional Chinese medicine. Indeed, through the induction of talented individuals, investing in equipment, expanding inpatient wards and strengthening marketing efforts, the comprehensive strength and influence of these specialities are constantly enhanced. In the first half of 2019, Renkang Hospital became a member of the Southern Geriatric Disease Prevention and Control Alliance (南方中西醫結合老年病防治聯盟單位), the Dongguan Geriatric Medical Specialist Alliance (東莞市老年醫學專科聯盟合作單位) and the Guangdong Province's Commission on Occupational Health (廣東省職業健康協會理事單位).

Zhonglian Cardiovascular Hospital

In 2019, the Zhonglian Cardiovascular Hospital entered its third year of operation. With the rapid development of the hospital, it attracted cardiovascular specialists to join and well-known domestic experts to give diagnosis. Furthermore, the disciplines of Radiology and Clinical Laboratory obtained a number of patents and certifications and carried out a series of academic study. As a result, the number of patients in the first half of 2019 increased substantially, with over 7,500 outpatient visits, an increase of more than 70% compared to the same period last year, and around 900 inpatient visits an increase of over 100% compared to the same period last year. In addition, on the premise of guaranteeing medical quality and safety, the volume of surgeries in the hospital steadily increased. During the first half of

2019, 63 cases of cardiac surgery were performed, an increase of 26.0% compared to the same period last year, and 279 cases of interventional cardiac surgery were performed, an increase of 65.1% compared to the same period last year.

At present, the hospital is striving to build the discipline centres with Kanghua's characteristics, which would include the establishment of a hypertension centre (高血壓中心) and CCU-based heart failure wards (心衰病房), and to bolster the construction of the Chest Pain Centre. The Group believes that the Zhonglian Cardiovascular Hospital will continue to strengthen its influence and reputation in the field of cardiovascular specialty in Southwest China and deliver predictable returns in the future.

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

		For the six months ended 30 June			
Healthcare disciplines(*note*)	**Change**	**2019** *RMB'000*	**% of revenue of the Group's owned hospitals**	2018 *RMB'000*	% of revenue of the Group's owned hospitals
O&G related disciplines (婦產科有關科室)	+7.6%	**151,917**	**17.5**	141,145	19.7
Cardiovascular related disciplines (心血管有關科室)	+36.5%	**122,340**	**14.1**	89,618	12.5
Internal medicine related disciplines (內科有關科室)	+20.9%	**103,437**	**11.9**	85,539	12.0
General surgery related disciplines (普通外科有關科室)	+10.5%	**69,676**	**8.0**	63,051	8.8
Neurology related disciplines (神經醫學有關科室)	+24.0%	**59,624**	**6.9**	48,077	6.7
Emergency medicine related disciplines (急診有關科室)	+55.7%	**58,320**	**6.7**	37,449	5.3
Orthopaedics related disciplines (骨科有關科室)	+6.2%	**53,176**	**6.1**	50,065	7.0
Paediatrics related disciplines (兒童醫學有關科室)	+31.7%	**31,533**	**3.6**	23,934	3.4
Oncology related disciplines (腫瘤有關科室)	+80.3%	**25,121**	**2.9**	13,930	1.9
Nephrology related disciplines (腎臟科有關科室)	+26.1%	**20,365**	**2.3**	16,154	2.3
Medical aesthetic related disciplines (醫學美容有關科室)	+18.7%	**18,779**	**2.1**	15,817	2.2
Physical examination (體檢科)	+11.6%	**33,668**	**3.9**	30,163	4.2
Other disciplines (其他臨床科室)	+21.3%	**121,478**	**14.0**	100,151	14.0
Total		**869,434**	**100.0**	715,093	100.0

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

In the first half of 2019, the Group performed 8,380 surgeries with level 3 or level 4 complexities (six months ended 30 June 2018: 5,619), representing a period-on-period increase of 49.1%. Obstetrics and gynaecology ("**O&G**") disciplines, internal medicine disciplines, cardiovascular disciplines, general surgery disciplines and neurology disciplines (six months ended 30 June 2018: O&G disciplines, internal medicine disciplines, cardiovascular disciplines, general surgery disciplines and orthopaedics disciplines) were the top five revenue generating disciplines of the Group for the first half of 2019, accounting for approximately 58.4% of the Group's total revenue in the same period (six months ended 30 June 2018: 60.1%).

During the six months ended 30 June 2019, the revenue from all disciplines of our owned hospitals recorded considerable growth, which was mainly driven by the demand of our services offerings. In particular, (a) O&G related disciplines still remained our strongest discipline and revenue from O&G related disciplines recorded a period-on-period increase of 7.6%. Our O&G related disciplines continue to be a stable revenue driver of the Group, and the increase is primarily attributable to the expansion of O&G related workforce and medical facilities and the growth of our O&G service offerings at our VIP centre; (b) revenue from cardiovascular related disciplines recorded a strong period-on-period increase of 36.5%, primarily attributable to the revenue contribution of our newly acquired Zhonglian Cardiovascular Hospital in August 2018 and the continual growth in reputation of our treatments in cardiovascular diseases within Guangdong Province; (c) revenue from internal medicine related disciplines also recorded a considerable period-on-period increase of 20.9%, primarily attributable to the recruitment of more reputable healthcare experts and professionals to improve the service quality and treatment results; (d) revenue from neurology related disciplines recorded a period-on-period increase of 24.0%, primarily attributable to a recruitment of new neurology specialists which increases our medical capabilities; and (e) oncology related disciplines recorded a significant period-on-period increase of 80.3%, primarily a result of recruitment of oncology specialists in 2017 which has increased the attraction of patients to Kanghua Hospital ever since. The Group will continue to recruit medical experts and talents, accelerate the installation and implementation of the medical equipment and promote the development of these disciplines comprehensively, as well as increase the capability to receive and treat critical tumor patients.

In 2019, the Group's main revenue driving strategies of our hospital services segment are:

(i) Cardiovascular disciplines: The Group is cooperating with Provincial People's Hospital (省人民醫院) in all aspects, attracting well-known experts, improving the level of interventional treatment of complex CTO pathological changes in the Cardiac Centre and further expanding the influence of specialty practices;

(ii) Neurology disciplines: The Group is establishing the Neuroscience NCU (神經醫學NCU), expanding wards, developing further facilities in the Stroke Centre (卒中中心) and cooperating with lower-level hospitals;

(iii) Oncology disciplines: The Group is using new radiotherapy equipment to consolidate and improve its advantages in the treatment of and technology used for nasopharyngeal cancer, breast cancer and cervical cancer, compared to others in the industry. The Group is further cooperating with the Cancer Centre of the University of Hong Kong-Shenzhen Hospital; and

(iv) Emergency medicine related disciplines: The Group is establishing emergency wards (急診科病房), KICU wards (KICU病房), and Trauma Treatment Centres (創傷救治中心). The Group is also excelling in the treatment of trauma patients, strengthening the development of ECMO technology, conducting emergency applications of ECMO technology and building a training base for cardiopulmonary cerebral resuscitation. Moreover, the Group is establishing additional ICU wards and increasing the number of beds in its hospitals. The Group is additionally developing treatment for certain diseases (severe pancreatitis and sepsis) and expanding its superior projects (CRRT and ECMO technologies).

The Group's special services are high-end healthcare services that extend beyond basic medical services and are specifically catered for the more affluent patients who are willing to pay a premium for higher quality and customised services 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 first half of 2019, the total revenue derived from special services amounted to RMB90.6 million (six months ended 30 June 2018: RMB72.7 million), representing a period-on-period increase of 24.6%. In the first half of 2019, the average spending per inpatient visit of VIP healthcare services amounted to RMB29,830.5 (six months ended 30 June 2018: RMB23,785.9), representing a period-on-period increase of 25.4%, primarily attributable to our quality service offerings from Huaxin Building (華心樓) (a complex in Kanghua Hospital dedicated to VIP healthcare services), including comprehensive O&G services dedicated to VIP patients and our ability to increase the pricing as our services mature. Our revenue from VIP inpatient services recorded RMB35.6 million (six months ended 30 June 2018: RMB21.6 million), representing a period-on-period increase of 64.8%, primarily driven by the increase in average spending as our O&G service offerings at our VIP inpatient centre continues to gain reputation and market demand. Furthermore, our revenue from VIP outpatient service amounted to RMB19.3 million (six months ended 30 June 2018: RMB15.0 million), representing a period-on-period increase of 28.7%.

However, our revenue from reproductive medicine has dropped to RMB27.7 million (six months ended 30 June 2018: RMB29.5 million) with a period-on-period decrease of 6.1%. The drop of reproductive medicine is mainly caused by the retirement of a reproductive medicine specialist at Kanghua Hospital and the gradually stabilising demand due to the two-child policy in the Guangdong Province since its launch in year 2016.

The table below sets forth some key operating data and revenue for the Group's special services:

Special Services	**Change**	**For the six months ended 30 June** **2019**	2018
VIP healthcare services			
Inpatient visits	+31.6%	**1,192**	906
Outpatient visits	+18.9%	**32,488**	27,330
Revenue *(RMB'000)*	+50.1%	**54,820**	36,529
Reproductive medicine			
Number of outpatient visits	-8.3%	**26,602**	29,019
Revenue *(RMB'000)*	-6.0%	**27,720**	29,488
Plastic and aesthetic surgery			
Revenue *(RMB'000)*	+20.7%	**2,725**	2,258
Laser treatment			
Revenue *(RMB'000)*	+20.9%	**5,303**	4,387
Total revenue from special services *(RMB'000)*	+24.6%	**90,568**	72,662

Rehabilitation and other Healthcare Services

During the first half of 2018, the Group have successfully acquired 57% equity interest in Anhui Hualin. Anhui Hualin directly and indirectly (through its wholly-owned subsidiary) holds sponsor interests in the managed and controlled entities, all of which are private non-enterprise entities in the PRC. At the date of this announcement, our rehabilitation and other healthcare services segment has two rehabilitation hospitals, one rehabilitation clinic, one Class I general hospital, nine rehabilitation centres for the disabled, one vocational training school and one pharmacy store company in Anhui Province, the PRC (collectively referred to as the "**Anhui Hualin Group**"). The Anhui Hualin Group has generated significant synergistic value to the Group and expanded our presence in the rehabilitation healthcare sector in the PRC.

Anhui Hualin Group currently employs more than 500 staff and has served more than 50,000 patients in 2018. The Anhui Hualin Group 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 home-based care services for the elderly and training services for the disabled. The Anhui Hualin Group is also a major organisation offering children rehabilitation services in Auhui Province, the PRC.

As at 30 June 2019, the three hospitals operated by Anhui Hualin Group have a total of 220 registered beds. During the Reporting Period, Anhui Hualin Group had 12,562 (from 1 April 2018 to 30 June 2018: 7,361) outpatient visits, 890 (from 1 April 2018 to 30 June 2018: 567) inpatient visits and served 29,212 (from 1 April 2018 to 30 June 2018: 3,718) rehabilitation patients. Revenue from rehabilitation and other healthcare services amounts to RMB35.6 million (from 1 April 2018 to 30 June 2018: RMB14.7 million), representing a period-on-period increase of 142.8%.

Since the completion of the acquisition, with the support of the Group's resources, capital and development strategy, Anhui Hualin Group has developed steadily, with its network of medical institutions constantly expanding. Following the successful opening of the Hefei Kanghua Rehabilitation Hospital (合肥康華康復醫院) in 2018, in the first half of 2019, after participating in the government's public bidding, Anhui Hualin Group successfully won the bids of two rehabilitation centre projects: the Changfeng County Beicheng Rehabilitation Centre (長豐縣北城康復中心) and the Feixi County Kanghua Children's Rehabilitation Centre (肥西縣康華兒童康復中心), which are scheduled to start operations in October this year.

In the first half of 2019, Anhui Hualin Group actively developed its network of institutions, while also focusing on the development and operation of existing medical institutions and rehabilitation centres. In this period, the newly established Hefei Kanghua Rehabilitation Hospital also entered into the formal operation stage from the trial operation stage. By creating a customisable management method, actively exploring and maintaining referral channels, as well as constructing rehabilitation specialties, the Group's brand image has been successfully established in the local area. In the first half of 2019, the hospital also signed out-patient and in-patient medical insurance agreements with Hefei Medical Insurance Centre, thus obtaining the qualifications of a locally designated medical insurance institution. In addition, the Group's chain rehabilitation centres actively increased its business volume with the help of resources, venues, scale, experience and other advantages, enhancing overall brand influence in Anhui Province's rehabilitation market.

In the future, Anhui Hualin Group will continue to accrue talents through various channels and training, constantly enhance its medical software and hardware configuration, comprehensively improve the level of its medical services, further increase its business revenue, and continue to make beneficial contributions to the Group.

Hospital Management Services

In 2016, the Group entered into a management agreement with Zhonglian Cardiovascular Hospital. It was the Group's first managed hospital and represented its first step of extending the Group's presence to outside of Guangdong Province. Zhonglian Cardiovascular Hospital commenced operations in March 2017 and has developed at a promising pace.

In August 2018, the Group completed the acquisition of 60% equity interest of Zhonglian Cardiovascular Hospital, which has since become a non-wholly-owned subsidiary of the Company. The Board considers that full integration and consolidation of Zhonglian Cardiovascular Hospital into the Group's operations will enable the Group to benefit from the operating prospects of Zhonglian Cardiovascular Hospital to a greater extent in the long term. Since the acquisition of Zhonglian Cardiovascular Hospital and up to the date of this announcement, the Group has had no other management arrangement with third party hospitals. The Company will continue to search for appropriate opportunities to undertake hospital management operations.

Sale of Pharmaceutical Products

The Group's sale of pharmaceutical products segment includes a pharmaceuticals and medical consumables trading company established for the purpose of streamlining pharmaceuticals and medical consumables sales directly to the patients at the Group's hospitals and walk-in customers who may not be patients of the Group's hospitals. The operation of this pharmacy company has in general lowered our overall cost of revenue through centralizing of purchase function and thereby increasing the overall margin of the Group. Revenue from sales of pharmaceutical products for the Reporting Period amounted to RMB8.8 million (six months ended 2018: RMB6.9 million), representing a period-on-period increase of 27.5%.

Industry Outlook and Strategy

Entering 2019, the One Belt One Road Initiative had been promoted in all aspects and the strategy of Healthy China 2030 had been fully implemented. The demand for an international healthcare market had also increased, and the healthcare consumption upgrade of domestic had quickened. In the first half of 2019, new policies in the field of medicine and healthcare were frequently instituted in China and the pace of medical reform was further accelerated. Among these policies, those which are important for the direction of the medical services industry include:

(1) Promoting social capital to run medical services: policies are encouraging and supporting social capital to provide medical services, including simplifying the process of assessment and obtaining approval, promoting the division of labor between public medical institutions and social medical service providers, improving medical insurance support policies and improving the consolidated regulatory system.

(2) Implementing DRG (疾病診斷相關分組) payment: policies are promoting the change of medical insurance payment methods from "payment by project" to "payment by disease". That is, setting a fixed reimbursement standard for each disease and reimbursing the expenses to medical institutions by medical insurance institutions in accordance with a unified standard. This new method of payment will effectively solve the problem of excessive drug use in hospitals, unreasonable inspections and treatment plans and improve the quality of medical services.

(3) Supporting the inheritance and innovation of Traditional Chinese Medicine ("**TCM**"): policies are strengthening the training of talents in TCM, including through promoting the combination of college education and doctor-accepted education and improving the evaluation system of professional titles of TCM doctors. Simultaneously, the state will be supporting the construction of scientific research and innovation arrangements such as TCM laboratories, as well as increasing pilot clinical collaborations between TCM and Western medicine for major and difficult diseases.

(4) Encouraging the construction of elderly care services system with the combination of medical care and nursing care: policies are strengthening market mechanisms, improving the training of nursing professionals for the elderly and encouraging social forces to participate in the elderly care services market. This will continuously improve the elderly care services system which is predicated on home care and relies on the social community, effectively meeting the diversified and multi-level needs of medical care and elderly services of the elderly.

(5) Continuing to promote the construction of medical association: policies are further integrating and medical resources are being shared within the regions. Additionally, policies are accelerating the establishment of a graded diagnosis and treatment model that consists of a first diagnosis in primary hospitals, a two-way referral system between higher and lower hospitals and the division of treatment for acute and chronic diseases.

In the first half of 2019, closely following the trend of medical reform policies, the Group actively promoted the establishment of the Medical Association (醫聯體) and deepened the layout strategy of its medical network through constantly consolidating the quality of its own medical services. In the future, it is believed that under the relevant support policies, the Group will further optimize its medical management system, focus on the development of key and characteristic specialties, develop a comprehensive layout in the One Health industry and expand its industry influence.

Future Plans for Material Investments and Capital Assets

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

FINANCIAL REVIEW

Segment Revenue

The Group generates revenue primarily from: (i) hospital services – providing healthcare services through its owned hospitals, namely Kanghua Hospital, Renkang Hospital and Zhonglian Cardiovascular Hospital (since August 2018), comprising inpatient healthcare services, outpatient healthcare services and physical examination services; (ii) rehabilitation and other healthcare services – providing rehabilitation services to patients with physical or mental disabilities and other healthcare related services including elderly care and training service for the disabled; (iii) providing hospital management services to a hospital owned by an independent third party; (iv) sale of pharmaceutical products and medical consumables to patients of the Group's hospitals and walk-in customers who may not be patients of the Group's hospitals; and (v) others.

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

For the six months ended 30 June 2019 (unaudited)

	Hospital services *RMB'000*	**Rehabilitation and other healthcare services** *RMB'000* *(Note)*	**Sale of pharmaceutical products** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Revenue	**869,434**	**35,569**	**8,839**	**522**	**914,364**
Cost of revenue	**(694,153)**	**(27,385)**	**(6,786)**	**(94)**	**(728,418)**
Gross profit	**175,281**	**8,184**	**2,053**	**428**	**185,946**
Gross profit margin	**20.2%**	**23.0%**	**23.2%**	**82.0%**	**20.3%**

For the six months ended 30 June 2018 (unaudited)

	Hospital services *RMB'000*	Rehabilitation and other healthcare services *RMB'000* *(Note)*	Hospital management services *RMB'000*	Sale of pharmaceutical products *RMB'000*	Total *RMB'000*
Revenue	715,093	14,651	1,922	6,923	738,589
Cost of revenue	(557,289)	(6,832)	(941)	(5,479)	(570,541)
Gross profit	157,804	7,819	981	1,444	168,048
Gross profit margin	22.1%	53.4%	51.0%	20.9%	22.8%

Note: The operation of rehabilitation and other healthcare services was acquired in April 2018.

Revenue from the Group's hospital services amounted to RMB869.4 million (six months ended 30 June 2018: RMB715.1 million), representing a period-on-period increase of 21.6%, accounting for 95.1% (six months ended 30 June 2018: 96.8%) of the total revenue of the Group.

Revenue from hospital services comprised of (i) revenue from inpatient healthcare services amounting to RMB536.2 million (six months ended 30 June 2018: RMB426.2 million), representing a period-on-period increase of 25.8%, accounting for 58.6% (six months ended 30 June 2018: 57.7%) of the total revenue of the Group; (ii) revenue from outpatient healthcare services amounting to RMB299.6 million (six months ended 30 June 2018: RMB258.8 million), representing a period-on-period increase of 15.8%, accounting for 32.8% (six months ended 30 June 2018: 35.0%) of the total revenue of the Group; and (iii) revenue from physical examination services amounting to RMB33.7 million (six months ended 30 June 2018: RMB30.2 million), representing a period-on-period increase of 11.6%, accounting for 3.7% (six months ended 30 June 2018: 4.1%) of the total revenue of the Group. The increase in revenue from hospital services is mainly due to (i) an increase in the number of inpatient, outpatient and physical examination visits during the period and an increase in overall average spending during the period; (ii) the continuing strong growth in revenue across all of our major disciplines and our VIP special services; and (iii) the consolidation of revenue from Zhonglian Cardiovascular Hospital (acquired since August 2018). During the first half of 2019, the revenue from our VIP special services accounts for approximately 9.9% of the Group's total revenue (six months ended 30 June 2018: 9.8%) and 10.4% of the Group's revenue from our hospital services segment (six months ended 30 June 2018: 10.2%). The solid growth in revenue from our hospital services has demonstrated that the demand of our service continues to remain strong and the reputation of the Kanghua brand has further strengthened especially in the Guangdong region.

Revenue from rehabilitation and other healthcare services amounted to RMB35.6 million (six months ended 30 June 2018: RMB14.7 million), representing a period-on-period increase of 142.2%, accounting for 3.9% (six months ended 30 June 2018: 2.0%) of the total revenue of the Group. In April 2018, the Group acquired Anhui Hualin which is principally engaged in provision of rehabilitation services to the patients with physical or mental disabilities and other healthcare related services including care services for elderly and training service for the disabled. The increase in revenue is mainly attributable to the establishment of Hefei Kanghua Rehabilitation Hospital in November 2018 (a rehabilitation specialty hospital aiming to be rated as a class III rehabilitation hospital) and the transformation of other rehabilitation hospitals and centres within Anhui Hualin Group, which has drawn patient visits in the Anhui region.

During the Reporting Period, the Group did not have any revenue from the hospital management services segment (six months ended 30 June 2018: RMB1.9 million). Our hospital management agreement with Zhonglian Cardiovascular Hospital ceased when the Group acquired the controlling interest in Zhonglian Cardiovascular Hospital in August 2018.

Revenue from sale of pharmaceutical products and medical consumables amounted to RMB8.8 million (six months ended 30 June 2018: RMB6.9 million), representing a period-on-period increase of 27.7%, accounting for 1.0% (six months ended 30 June 2018: 0.9%) of the total revenue of the Group. The increase in revenue is mainly attributable to the increase in the number of outpatient visits in both Kanghua Hospital and Renkang Hospital which drove pharmaceutical and medical consumable sales within both hospitals.

Cost of Revenue

Cost of revenue of the Group's hospital services segment (consisting of inpatient healthcare services, outpatient healthcare services and physical examination services) primarily consisted of pharmaceuticals, medical consumables, staff cost, depreciation, service expenses, utilities expenses, rental expenses and other costs. Cost of revenue of the Group's hospital services segment increased to RMB694.2 million (six months ended 30 June 2018: RMB557.3 million), representing a period-on-period increase of 24.6%. The significant increase in cost of revenue of our hospital services segment is mainly attributable to full consolidation of the cost incurred at Zhonglian Cardiovascular Hospital, which has caused the increase in cost of revenue more rapidly than revenue. As Zhonglian Cardiovascular Hospital is still at its initial stage of ramping up its operation, during the Reporting Period, it is running at negative gross margin.

Cost of revenue of the Group's rehabilitation and other healthcare services segment amounted to RMB27.4 million (six months ended 30 June 2018: RMB6.8 million), representing a period-on-period increase of 302.9%, and primarily consisted of staff costs, medical consumables, depreciation, utilities and rental expenses. The significant increase in cost of revenue of our rehabilitation and other healthcare services segment is mainly attributable to the full consolidation of the Anhui Hualin Group's result for the Reporting Period as compared to only three months last year since its acquisition in April 2018 and the rise in operating cost relating to the new Hefei Kanghua Rehabilitation Hospital which was established in November 2018.

During the Reporting Period, the Group did not have any cost of revenue from our hospital management services segment (six months ended 30 June 2018: RMB0.94 million). Our hospital management agreement with Zhonglian Cardiovascular Hospital ceased when the Group acquired the controlling interest in Zhonglian Cardiovascular Hospital in August 2018.

Cost of revenue of the Group's sales of pharmaceutical products segment amounted to RMB6.8 million (six months ended 30 June 2018: RMB5.5 million), representing a period-on-period increase of 23.6%, mainly representing cost of purchase of pharmaceutical and medical consumable products, which is in line with the increase in revenue.

For the six months ended 30 June 2019, pharmaceuticals, medical consumables and staff cost accounted for approximately 32.0% (six months ended 30 June 2018: 33.8%), 27.3% (six months ended 30 June 2018: 27.0%) and 27.5% (six months ended 30 June 2018: 27.3%), respectively, of the total cost of revenue of the Group. Our total staff related costs including salary, bonus and other benefits had increased by 21.1% as compared with the prior period, mainly attributable to an increase in general salary level and bonus and impact of full consolidation of Anhui Hulin Group and Zhonglian Cardiovascular Hospital in the current period.

Gross Profit and Gross Profit Margin

Total gross profit of the Group amounted to RMB185.9 million (six months ended 30 June 2018: RMB168.0 million), representing a period-on-period increase of 10.7%. The overall gross profit margin decreased to 20.3% (six months ended 30 June 2018: 22.8%), primarily due to:

(i) our significant growth in cardiovascular related disciplines, neurology related disciplines, emergence medicine related disciplines and oncology related disciplines during the current period. These medical disciplines usually require treatments typically involve more delicate, precise and advanced surgeries and diagnostics support and command a higher margin than basic medical services;

(ii) the growth in our VIP centres that are targeted towards high-end patients and typically command higher margin than basic healthcare services (VIP services related revenue recorded a period-on-period growth of 50.1%);

(iii) the increase in the average spending of patients and the ability to increase healthcare consultation prices leveraging the reputation of the “Kanghua” brand that is gaining wider recognition in the Guangdong region; and

(iv) however, the above impact has been considerably offset by (i) the consolidation of Zhonglian Cardiovascular Hospital which is currently running at negative gross margin and the impact of such losses accounted for the full six months period in the current Reporting Period since its acquisition in August 2018; (ii) Zhonglian Cardiovascular Hospital has incurred significant amount of fixed staff costs and other fixed costs at its initial stage of operation; (iii) an increase in overall depreciation and amortisation expenses of 322.3% caused by the impact of purchase of various new medical equipment and new leasehold improvement incurred in Kanghua Hospital, as well as the impact of application of new accounting standard (IFRS 16) relating to leases; and (iv) the rise in operating cost relating to the new Hefei Kanghua Rehabilitation Hospital which was established in November 2018.

Key Operational Information of our Owned Hospitals

The follow table sets forth certain key operational information of each of the hospitals owned by the Group for the periods indicated:

		For the six months ended 30 June	
	Change	2019	2018
Inpatient healthcare services			
Inpatient visits:			
Kanghua Hospital	+17.5%	**28,224**	24,023
Renkang Hospital	+6.5%	**6,903**	6,484
Zhonglian Cardiovascular Hospital	N/A	**898**	N/A
Total inpatient visits	+18.1%	**36,025**	30,507
Average spending per visit *(RMB)*			
Kanghua Hospital	+5.3%	**15,945.3**	15,137.1
Renkang Hospital	-4.1%	**9,251.9**	9,643.7
Zhonglian Cardiovascular Hospital	N/A	**24,808.5**	N/A
Outpatient healthcare services			
Outpatient visits:			
Kanghua Hospital	+13.4%	**662,145**	584,055
Renkang Hospital	+6.0%	**192,140**	181,315
Zhonglian Cardiovascular Hospital	N/A	**7,587**	N/A
Total outpatient visits	+12.6%	**861,872**	765,370
Average spending per visit *(RMB)*			
Kanghua Hospital	+1.7%	**373.1**	367.0
Renkang Hospital	+4.9%	**256.8**	244.9
Zhonglian Cardiovascular Hospital	N/A	**420.3**	N/A
Physical examination services			
Physical examination visits:			
Kanghua Hospital	+29.8%	**48,928**	37,700
Renkang Hospital	-4.1%	**27,109**	28,260
Zhonglian Cardiovascular Hospital	N/A	**270**	N/A
Total physical examination visits	+15.7%	**76,307**	65,960

Other Income

The other income of the Group primarily consisted of bank and other interest income, fair value gain and investment income from financial assets at FVTPL, government subsidies, rental income and others. In the first half of 2019, other income amounted to RMB19.6 million (six months ended 30 June 2018: RMB28.5 million), representing a period-on-period decrease of approximately 31.2%, primarily due to (i) the decrease in fair value gain on financial assets at FVTPL to RMB5.8 million (six months ended 30 June 2018: RMB6.3 million) due to slightly worse performance of our portfolio investment fund as compared to same period last year; (ii) the decrease in investment income from financial assets at FVTPL to RMB7.2 million (six months ended 30 June 2018: RMB9.9 million) primarily due to certain principal-protected structured deposits having not yet matured during the Reporting Period; and (iii) a decrease in bank and other interest income to RMB0.6 million (six months ended 30 June 2018: RMB5.6 million) mainly due to a decrease in average bank balance and the cease of interest income from loan to Zhonglian Cardiovascular Hospital since acquisition in August 2018.

As part of the Group's cash management to maximise return on idle cash, the Group invested in certain principal-protected structured deposit products issued by a PRC commercial bank, unlisted fund and portfolio investment fund (all classified as financial assets at FVTPL) to achieve higher interest income and return without interfering with business operations or capital expenditures to earn better return on our excess cash balance.

Other Expenses, Gains and Losses

The other expenses, gains and losses of the Group primarily consisted of net exchange gain, loss on disposal of property, plant and equipment, allowance for credit loss with respect to accounts receivables and donations. In the first half of 2019, other expenses, gains and losses amounted to a net loss of RMB1.0 million (six months ended 30 June 2018: net gain of RMB0.2 million), primarily due to (i) a recorded net exchange gain of RMB1.0 million (six months ended 30 June 2018: net exchange gain of RMB1.1 million) mainly arising from our Hong Kong dollar denominated financial assets; (ii) a decrease in allowance for credit loss with respect to accounts receivables to RMB0.2 million (six months ended 30 June 2018: RMB0.8 million); and (iii) donations made during the Reporting Period of RMB1.7 million (six months ended 30 June 2018: nil).

Administrative Expenses

The administrative expenses of the Group primarily consisted of staff costs, repairs and maintenance expenses, office expenses, depreciation and amortisation, rental expenses, utilities expenses, entertainment and travelling expenses and other expenses. In the first half of 2019, administrative expenses amounted to RMB113.0 million (six months ended 30 June 2018: RMB80.6 million), representing a period-on-period increase of approximately 40.2%, primarily due to (i) an increase in administrative staff related costs to RMB45.6 million (six months ended 30 June 2018: RMB32.4 million) as a result of increase in number of administrative staff headcounts; (ii) an increase in deprecation and amortisation to RMB16.6 million (six months ended 30 June 2018: RMB5.6 million) due to expansion of our operations as well as the impact of application of new accounting standard (IFRS 16) relating to leases; and (iii) an increase in overall expenses from acquisitions of Anhui Hualin and Zhonglian Cardiovascular Hospital last year.

Finance Costs

Finance costs for Reporting Period amounted to RMB6.9 million (six months ended 30 June 2018: nil). The finance costs represent the interest element relating to lease liabilities charged to profit or loss during the current period. The Group had no bank borrowing throughout both periods.

Income Tax Expenses

The income tax expenses of the Group primarily consisted of PRC enterprise income tax. In the first half of 2019 income tax expenses amounted to RMB29.1 million (six months ended 30 June 2018: RMB26.8 million), representing a period-on-period increase of approximately 8.6%. The subsidiaries of the Group are generally subject to income tax rate of 25% on their respective taxable income. Our effective tax rate for the Reporting Period is 34.4% (six months ended 30 June 2018: 23.1%), the increase is primarily due to the tax effect of tax losses for losses incurred in Anhui Hualin Group and Zhonglian Cardiovascular Hospital not being recognised.

Profit for the Period

In the first half of 2019, profit for the Reporting Period amounted to RMB55.5 million (six months ended 30 June 2018: 89.4 million), representing a period-on-period decrease of 37.9% and profit attributable to the shareholders amounted to RMB67.6 million (six months ended 30 June 2018: RMB85.6 million), representing a period-on-period decrease of approximately 21.0%.

FINANCIAL POSITION

Property, Plant and Equipment, Right-of-Use Assets and Deposits Paid for Acquisition of Property, Plant and Equipment

During the Reporting Period, the Group acquired property, plant and equipment and incurred expenditure on construction in progress of RMB36.7 million (six months ended 30 June 2018: RMB34.1 million) and RMB32.4 million (six months ended 30 June 2018: RMB10.2 million), respectively, mainly for the purpose of upgrading and expanding the service capacity of our hospital operations.

During the Reporting Period, the Group entered into new lease agreements for the use of properties in the PRC for 2 to 3 years. The Group is required to make fixed monthly payments. On lease commencement, the Group recognised right-of-use assets and lease liabilities of RMB1.0 million each relating to those new leases. As at 30 June 2019, the Group has right-of-use assets of RMB331.5 million which includes leasehold lands of RMB152.0 million (classified as prepaid lease payments as at 31 December 2018) and leasehold land and buildings relating to leases of RMB179.5 million recognised in accordance with IFRS 16.

In addition, as at 30 June 2019, the Group has deposits paid for acquisition of property, plant and equipment amounting to RMB101.6 million (31 December 2018: RMB81.1 million). The deposits mainly represent amount paid for acquisition of new medical equipment and other new facilities as the Group continues to upgrade its medical facilities and expand its operation capacity.

Accounts and Other Receivables

The account receivables of the Group primarily consisted of balances due to social insurance funds, certain corporate customers and individual patients. As at 30 June 2019, accounts receivables increased to RMB227.0 million (31 December 2018: RMB176.5 million), of which 76.2% (31 December 2018: 77.7%) were aged within 90 days. Average accounts receivables turnover days for the Reporting Period is 39.9 days (six months ended 30 June 2018: 29.0 days). The increase in accounts receivables and accounts receivable turnover days is primarily due to (i) expansion of the Group's hospitals operations; (ii) the temporary delay in accounts settlement from Dongguan social insurance funds due to social insurance scheme reform; and (iii) settlement of accounts from Anhui Disabled Persons Federation (安徽省殘疾人聯合會) and certain corporate accounts are usually made towards the second half of the year.

The other receivables of the Group primarily consisted of prepayments to suppliers, interest receivables and others. As at 30 June 2019, other receivables increased to RMB32.7 million (31 December 2018: RMB30.5 million) primarily due to (i) a decrease in prepayments to suppliers to RMB9.1 million (31 December 2018: RMB11.7 million); and (ii) an increase in other receivables mainly due to expansion of the Group's operations in general.

Accounts and Other Payables

The accounts and other payables 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 and others. As at 30 June 2019, accounts and other payables increased to RMB497.0 million (31 December 2018: RMB481.8 million) primarily due to (i) increase in accounts payable to RMB312.3 million (31 December 2018: RMB263.9 million) due to expansion of the Group's operations; (ii) decrease of accrued expenses to RMB53.5 million (31 December 2018: RMB77.5 million) mainly due to decrease in accrued staff salary and other operational and administrative charges at the interim date as compared with the year-end date; and (iii) decrease in payable for acquisition of property, plant and equipment to RMB46.7 million (31 December 2018: RMB54.5 million) due to settlement of certain payables for medical equipment purchases and improvement works made to our owned-hospitals during the period.

Net Current Assets and Net Assets

As at 30 June 2019, the Group has net current assets of RMB204.2 million (31 December 2018: RMB286.0 million) and net assets position of RMB1,464.4 million (31 December 2018: RMB1,509.5 million).

LIQUIDITY AND CAPITAL RESOURCES

Financial Resources

The Group continued to maintain a strong financial position with cash and cash equivalents of RMB208.5 million as at 30 June 2019 (31 December 2018: RMB203.3 million). 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 from the end of the reporting period.

As at 30 June 2019, the Group had investments (classified as financial assets at FVTPL) in aggregate of RMB496.3 million (31 December 2018: RMB479.1 million) primarily consisting of (i) portfolio investment fund of RMB73.8 million (31 December 2018: RMB54.0 million), representing an investment fund deposited with a discretionary fund manager in Hong Kong mandate to achieve appropriate return consistent with the Group's cash management policy. The portfolio included a mixture of cash and shares that are primarily listed in Hong Kong; and (ii) structured bank deposits of RMB422.5 million (31 December 2018: RMB402.0 million), representing principal-protected products issued by a PRC commercial bank. At 31 December 2018, the Group had an unlisted fund measured at fair value of US$3.4 million (equivalent to approximately RMB23.2 million) representing an investment in equity securities of a private company in the PRC for the purpose of capital gain, strategic long-term investment and potential cooperation in healthcare. During the Reporting Period, the Group disposed of the unlisted fund and the relevant gain was recognised in profit or loss during the year ended 31 December 2018.

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 securitizing any decision of the Group to purchase investment products. The investment products should generally satisfy the following criteria, (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 with which the Group has a long-term relationship, preferably exceeding five years; and (iv) the underlying investment portfolio should generally be low risk.

Cash Flow Analysis

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

		For the six months ended 30 June	
	Change	**2019**	2018
		RMB'000	*RMB'000*
Net cash generated from operating activities	+85.9%	65,696	35,341
Net cash used in investing activities	-16.8%	(103,762)	(124,716)
Net cash generated from (used in) financing activities	+179.1x	43,281	(243)
Net increase (decrease) in cash and cash equivalents	+105.8%	5,215	(89,618)

Net cash generated from operating activities

During the Reporting Period, the net cash generated from operating activities amounted to RMB65.7 million (six months ended 30 June 2018: RMB35.3 million), representing a period-on-period increase of 85.9%, which is primarily due to (i) our improved adjusted EBITDA for the Reporting Period; and (ii) changes in working capital including increase in accounts payables.

Net cash used in investing activities

During the Reporting Period, the net cash used in investing activities amounted to RMB103.8 million (six months ended 30 June 2018: RMB124.7 million), representing a period-on-period decrease of 16.8%, which is primarily due to (i) no significant acquisition being made during the current period; (ii) a decrease in investment income received, financial assets at FVTPL and interest received as compared with the same period last year; and (iii) an increase in purchase of and deposits paid for acquisition of property, plant and equipment as compared with the same period last year.

Net cash generated from (used in) financing activities

During the Reporting Period, the net cash generated from financing activities amounted to RMB43.3 million (six months ended 30 June 2018: net cash used in financing activities of RMB0.2 million), representing a period-on-period increase of 179.1 times, which is primarily due to (i) the Group made net advances from the non-controlling shareholders of Anhui Hualin and Zhonglian Cardiovascular Hospital of RMB60.8 million (six months ended 30 June 2018: nil); and (ii) repayment of lease liabilities of RMB10.7 million (six months ended 30 June 2018: nil).

Significant Investment, Acquisition and Disposal

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

Cash Management Activities

As part of the Group's cash management, the Group has from time to time invested into investment products issued by a reputable PRC commercial bank with terms ranging from 92 days to 93 days and portfolio investment funds to achieve higher interest income without interfering with business operations or capital expenditures. The investment products are not rated by any credit agency but are classified as low-risk by the issuing bank and listed securities with low risk profile. 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 securitizing any decision of the Group to purchase investment products.

Capital Expenditure

The Group regularly makes capital expenditures to expand its operations, maintain its medical facilities and improve its operating efficiency. Capital expenditure primarily consists of purchases of property, plant and equipment. The capital expenditure of the Group in the first half of 2019 was RMB57.2 million (six months ended 30 June 2018: RMB34.8 million). The Group financed its capital expenditure through cash flows generated from operating activities.

USE OF PROCEED FROM THE INITIAL PUBLIC OFFERING

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

Up to 30 June 2019, of the net proceeds from the initial public offering, (i) RMB54.5 million, representing approximately 7.0% of the net proceeds, has been utilised as general working capital; (ii) RMB105.0 million, representing approximately 13.4% of the net proceeds, has been utilised on expansion of the Group's current operations and upgrading of hospital's facilities; and (iii) RMB157.4 million, representing approximately 20.1% of the net proceeds, has been utilised for acquisition and potential acquisition of businesses. As at 30 June 2019, the balance of unutilised net proceeds amounts to RMB465.7 million, part of which has been used to purchase certain financial products (classified as financial assets at FVTPL) to achieve higher interest income and capital return without interfering with business operations or capital expenditures to earn better return on our excess cash balance, which is consistent with the Group's defined cash management policy, and the remaining balance has been kept at the bank accounts of the Group (included in bank balances and cash). As at the date of this announcement, the Company does not anticipate any material change to its plan on the use of proceeds as stated in the Prospectus.

INDEBTEDNESS

Bank Loans

As at 30 June 2019, the Group had no bank borrowings (31 December 2018: nil). As at 30 June 2019, the Group had no banking facilities (31 December 2018: nil).

Contingent Liabilities

The Group is subject to legal proceedings and claims in the ordinary course of business, primarily arising from medical disputes brought on by patients. Provision for medical disputes is made based on the status of potential and active claims outstanding as at the end of the relevant period, and primarily taking into account any judicial appraisal or court determination against the Group. As at 30 June 2019, the total stated claim amount of the Group's on-going medical disputes was approximately RMB6.8 million (31 December 2018: RMB9.8 million) and there were certain medical disputes without claim amount stated. Based on the Group's assessment, during the Reporting Period, approximately RMB0.2 million (six months ended 30 June 2018: RMB0.8 million) had been provided and included in accounts and other payables of the Group.

As at 30 June 2019, the Group had no contingent liabilities or guarantees that would have a material impact on the financial position or operation of the Group.

Pledge of Assets

As at 30 June 2019, none of the Group's assets had been pledged (31 December 2018: none).

Capital Commitments

The capital commitments of the Group were primarily attributable to construction costs relating to the expansion and renovation of the Group's medical facilities. As at 30 June 2019, the capital commitments in respect of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements were RMB112.9 million (31 December 2018: RMB116.0 million).

Financial Instruments

The Group's financial instruments primarily consisted of accounts and other receivables, amount due from a non-controlling shareholder of a subsidiary, financial assets at FVTPL, bank balances and cash, restricted bank balances, accounts and other payable, dividend payable, amount due to a shareholder and amounts due to non-controlling shareholders of subsidiaries. The management of the Company manages and monitors these exposures to ensure appropriate measures are implemented in 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 a certain amount 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 it 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 a need arise.

Gearing Ratio

As at 30 June 2019, the Group's gearing ratio (total interest-bearing bank loans divided by total equity and multiplied by 100%) was zero (31 December 2018: zero).

INTERIM DIVIDEND

The Board has determined that no dividend will be paid in respect of the current interim period (six months ended 30 June 2018: nil).

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Hong Kong Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code during the Reporting Period.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company complied with all code provisions in the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange during the Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

There was no significant event after the Reporting Period.

REVIEW OF INTERIM RESULTS

The Company's audit committee has reviewed the Group's interim results for the six months ended 30 June 2019 and has opined that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made by the Company.

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

The auditor of the Company has also reviewed the Group's interim results for the six months ended 30 June 2019 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF THE 2019 CONDENSED CONSOLIDATED INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kanghuagp.com). The 2019 interim report of the Company containing all the information required by the Hong Kong Listing Rules will be dispatched to the shareholders of the Company and made available on the above websites in due course.

APPRECIATION

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

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

Hong Kong
30 August 2019

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

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

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

Non-executive Director:
Mr. Lv Yubo

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

* *English translated name for identification purpose only.*