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温州康寧[illegible]公司

Wenzhou Kangning Hospit[illegible]

(A joint stock limited liability com[illegible]eo

## 2 FINANCIAL NMMA

### 2.1 INCI AL FINANCIAL DA A AND INDICA O

| | F m J 30, | |
|---|---|---|
| | **2018** | 2017 |
| | ***MB'000*** | *RMB'000* |
| | *( )* | *(Unaudited)* |
| Revenue | **356,778** | 283,136 |
| Profit before income tax | **59,108** | 37,076 |
| Income tax expense | **(18,256)** | (12,014) |
| Net profit | **40,852** | 25,062 |
| Net profit attributable to equity holders of the Company | **41,987** | 26,467 |
| Non-controlling interests | **(1,135)** | (1,405) |

A 50 A J 30, De A 5

## 3 B INE E IE AND O T LOOK

In the first half of 2018, with further deepened reform of China's medical and health system, the Group fine-tuned several development strategies based on the latest policy guidance which mainly include the concentration of strengths on the development of owned hospital business while controlling and gradually reducing the scale of hospital management business. Specific progress has been made as follows:

In the first half of 2018, the Group's owned hospital business developed rapidly. Three new hospitals, namely Hangzhou Cining Hospital, Hangzhou Yining Hospital and Luqiao Cining Hospital, have been put into operation in succession. Those existing hospitals, such as Linhai Kangning Hospital, Geriatric Hospital, Quzhou Yining Hospital, Pingyang Kangning Hospital and Shenzhen Yining Hospital, which were opened after 2016, entered into a phase of rapid growth. Except for Shenzhen Yining Hospital, all other four hospitals have realized profits in the first half of 2018. After the new building of Wenzhou Kangning Hospital was put in use, the proportion of mid-to-high-end patients gradually increased, driving the growth in the Group's average inpatient spending per bed-day. The service volume of Qingtian Kangning Hospital and Yueqing Kangning Hospital has also increased steadily as compared with the same period of last year. However,0.516 6Qj0.519 0 T0.741 0YTm(H)Tj0.741 0 Td(o)Tj0.519 0nTd(o)Tj0.519 0gTd(o)Tj0.519 0

interest in Nanjing Yining Hospital in July 2018. As for the self-construction hospitals, Taizhou Kangning Hospital self-built by the Group has completed its construction and commenced trial operation in July 2018. As for investment as a minority shareholder, Huainan Kangning Hospital and Heze Yining Hospital invested by the Group have completed construction and were put into operation in April 2018 and July 2018 respectively.

While developing the healthcare business, the Group understands that medical safety and service quality are of vital importance to our reputation and business. Therefore, the Board has positioned 2018 as a "year of solid foundation", focusing on the improvement of human resources quality, the promotion of standardization in Group's business, corporate brand building and informationization construction. Looking into the future, we will leverage on the favorable environment brought by the PRC government which encourages the social capital to establish medical facilities to further implement the Group's medium- and long-term strategic layouts, strengthen medical safety supervision, talent training and informatization construction of the Group, with a view to improving its service level of medical institutions.

## 4 MANAGEMENT DISCUSSION AND ANALYSIS

### 4.1 Financial Review

The Group recorded revenue of RMB356.8 million for the Reporting Period. If excluding the revenue of RMB13.5 million for property

The table below sets forth a breakdown of total revenue for the periods indicated:

| | F [illegible] m [illegible] |
|---|---|
| | J 30, |
| | **2018** 2017 |
| | ***( MB*** |

The table below sets forth a breakdown of revenue of the Group's owned hospital by inpatients and outpatients for the periods indicated, with relevant operating data:

| | F m J 30, | |
|---|---|---|
| | **2018** | 2017 |
| Inpatients | | |
| Inpatient bed as at period end | **4,180** | 3,050 |
| Effective inpatient service bed-day capacity | **756,580** | 552,050 |
| Utilization rate (%) | **89.5%** | 85.9% |
| Number of inpatient bed-days | **676,929** | 474,163 |
| Treatment and general healthcare services revenue attributable to inpatients (RMB'000) | **243,876** | 158,561 |
| Average inpatient spending per bed-day on treatment and general healthcare services (RMB) | **360** | 334 |
| Pharmaceutical sales revenue attributable to inpatients (RMB'000) | **40,556** | 28,427 |
| Average inpatient spending per bed-day on pharmaceutical sales (RMB) | **60** | 60 |
| T ( MB'000) | **284,432** | 186,988 |
| T - ( MB) | **420** | 394 |
| Outpatients | | |
| Number of outpatient visits | **91,613** | 75,872 |
| Treatment and general healthcare services revenue attributable to outpatients (RMB'000) | **9,082** | 7,665 |
| Average outpatient spending per visit on treatment and general healthcare services (RMB) | **99** | 101 |
| Pharmaceutical sales revenue attributable to outpatients (RMB'000) | **37,697** | 31,876 |
| Average outpatient spending per visit on pharmaceutical sales (RMB) | **412** | 420 |
| T ( MB'000) | **46,779** | 39,541 |

| | For the six months ended June 30, | |
|---|---|---|
| | **2018** | 2017 |
| **T** | | |
| **MB)** | **511** | 521 |
| **T** | | |
| **( MB'000)** | **252,958** | 166,226 |
| **T** **m** | | |
| **( MB'000)** | **78,253** | 60,303 |

During the Reporting Period, inpatient revenue amounted to RMB284.4 million, representing an increase of 52.1% as compared with that of the same period of 2017, primarily due to: (i) the increase of 42.8% in the number of the Group's inpatient bed-days arising from the considerable increase of inpatient beds in Linhai Kangning Hospital, Geriatric Hospital, Quzhou Yining Hospital, Pingyang Kangning Hospital and Shenzhen Yining Hospital, and (ii) the increase of 6.6% in average inpatient spending per bed-day. The proportion of inpatient revenue to our revenue from operating owned hospitals increased to 85.9% (for the six months ended June 30, 2017: 82.5%).

During the Reporting Period, outpatient revenue amounted to RMB46.8 million, representing an increase of 18.3% as compared with that of the same period of 2017, primarily due to: (i) the increase of outpatient visits by 20.7% and (ii) the average outpatient spending per visit decreased by 1.9% due to the government's pharmaceutical price reduction policy. The proportion of outpatient revenue to our revenue from operating owned hospitals decreased to 14.1% (for the six months ended June 30, 2017: 17.5%), mainly due to revenue of outpatient visits of Geriatric Hospital and Shenzhen Yining Hospital accounted for low proportion of their operating revenue.

During the Reporting Period, due to the increase of both inpatient and outpatient business, revenue from treatment and general healthcare services increased by 52.2% as compared with that of the same period of 2017, accounting for 76.4% of our revenue from operating our owned hospitals (for the six months ended June 30, 2017: 73.4%); and revenue from ( )Tj0.344 0 T4j0.516 0 Td

Cost of revenue of the Group's owned hospitals primarily consisted of pharmaceuticals and consumables used, employee benefits and expenses, leasing expenses, depreciation and amortization, canteen expenses and testing fees. The table below sets forth a breakdown of cost of revenue for operating the Group's owned hospitals for the periods indicated:

*Management service fee income*

The Group's management service fee income is primarily derived from rendering management services to other healthcare facilities. The table below sets forth the breakdown of our management service fee income, cost of revenue and gross profit for the periods indicated:

| | **For the six months ended June 30,** | |
|---|---|---|
| | **2018** | 2017 |
| | ***(RMB'000)*** | *(RMB'000)* |
| | ***(Unaudited)*** | *(Unaudited)* |
| Revenue | **12,107** | 11,579 |
| Cost of revenue | **6,361** | 5,252 |
| Gross profit | **5,746** | 6,327 |

During the Reporting Period, management service fee income of the Group amounted to RMB12.1 million, representing an increase of 4.6% as compared with that of the same period of 2017. The slower growth of management service fee income was mainly attributable to the Group's adjustment of its business dev505 Tm(d)Tj0.508 0 Td(e)Tj0.4412C33 0 Td(p)Tj

*4.1.2G [illegible] G [illegible]M*

During the Reporting Period, total gross profit of the Group amounted to RMB129.4 million, representing an increase of 40.7% as compared with that of the s[t]

***4.1.4 E***

During the Reporting Period, the selling expenses of the Group amounted to RMB2.6 million (for the six months ended June 30, 2017: RMB0.4 million), which increased a lot as compared with that of the same period of 2017, mainly because in order to better sever the patients, the Group's headquarters has established a customer relationship department to improve communication between its hospitals and patients. The selling expenses accounted for only 0.7% of the Group's revenue of healthcare business (for six months ended June 30, 2017: 0.2%), demonstrating that the Group's business development does not rely on market promotion.

***4.1.5A m E***

During the Reporting Period, administrative expenses of the Group primarily consist of benefits and expenses for the management and administrative staff, leasing expenses of the hospitals under development, depreciation and amortization, consultancy expenses, travelling expenses and other expenses. The table below sets forth a breakdown of administrative expenses of the Group for the periods indicated:

| | **F m J 30,** | |
|---|---|---|
| | **2018** | 2017 |
| | ***( MB'000)*** | *(RMB'000)* |
| | ***( )*** | *(Unaudited)* |
| Employee benefits and expenses | **26,332** | 17,968 |
| Leasing expenses of the hospitals under development | **6,584** | 7,956 |
| Depreciation and amortization | **3,932** | 3,980 |
| Consultancy expenses | **4,398** | 2,667 |
| Travelling expenses | **1,623** | 1,615 |
| Others | **8,081** | 5,628 |
| **T m** | **50,950** | 39,814 |

During the Reporting Period, the administrative expenses of the Group amounted to RMB51.0 million, representing an increase of 28.0% as compared with that of the same period of 2017, mainly due to: (i) an increase of 46.5% for our employee benefits and expenses arising from the increase of our management staff; and (ii) professional service fees such as audit and compliance advisor increased by 64.9%. During the Reporting Period, the leasing expenses of hospitals under development decreased by 17.2% as compared with that of the same period of 2017, mainly due to the leasing expenses related to Hangzhou Yining Hospital were recorded in cost of revenue after its operation in March 2018. During the Reporting Period, the proportion of the administrative expenses to the healthcare business revenue of the Group decreased to 14.8% (for the six months ended June 30, 2017: 16.7%), demonstrating that the management efficiency of the Group's headquarter has been improved with the expansion of the Group's business scale.

***4.1.6F E N***

Our finance income includes interest income from bank deposits, and the finance expenses include the interest expenses on bank loans, the losses on foreign exchange and the amortization of unrecognized financial charge in relation to long-term payables. The table below sets forth a breakdown of our financial income and expense for the periods indicated:

| | **F m J 30,** | |
|---|---|---|
| | **2018** | 2017 |
| | ***( MB'000)*** | *(RMB'000)* |
| | *( )* | *(Unaudited)* |
| Interest income | **1,963** | 1,907 |
| Exchange loss | **(355)** | (7,730) |
| Borrowing interest expense | **(4,135)** | (1,691) |
| The amortization of unrecognized financial charge | **(2,750)** | (2,725) |
| Others | **(253)** | (198) |
| **F N** | **(5,530)** | (10,437) |

During the Reporting Period, the net finance expenses of the Group amounted to RMB5.5 million, representing a decrease of RMB4.9 million as compared with that of the same period of 2017, mainly due to: (i) the exchange losses decreased by RMB7.4 million during the Reporting Period, as compared with that of the same period of 2017; (ii) an increase of RMB2.4 million arising from interest expense of bank bor

*4.1.7I*

During the Reporting Period, our investment loss amounted to RMB4.3 million, representing an increase of approximately RMB1.5 million as compared with that of the same period of 2017, mainly due to the opening of the Group's investment as a minority shareholder in Chengdu Yining Hospital, Huainan Kangning Hospital and Heze Yining Hospital during the Reporting Period, resulting in an increase in inco

During the Reporting Period, the non-operating income of the Group decrease

Excluding the impact of the above non-recurring items, the total comprehensive income attributable to the shareholders of the Company during the Reporting Period was approximately RMB42.4 million, representing an increase of 62.5% as compared with that of the same period of 2017 (after excluding the above non-recurring items), mainly due to the increase in the bed occupancy rate of newly opened Linhai Kangning

*4.2.2A*

As of June 30, 2018, the balance of accounts receivables amounted to RMB274.7 million (as of December 31, 2017: RMB232.2 million), the balance of accounts receivables for healthcare business amounted to RMB269.9 million, representing an increase of 22.6% as compared with that of December 31, 2017, as the growth of our healthcare business, our revenue of healthcare business increased during the Reporting Period as compared with that of the same period of 2017.

During the Reporting Period, the Group's receivables turnover days for healthcare business were 129 days (for the six months ended June 30, 2017: 125 days).

*4.2.3O*

As of June 30, 2018, other receivables and prepayments slightly increased to RMB59.3 million (as of December 31, 2017: RMB54.6 million).

*4.2.4I*

As of June 30, 2018, the balance of investment properties amounted to RMB128.6 million (as of December 31, 2017: RMB128.6 million), representing Phase I Works of Business Center of Wenzhou Higher Education Mega Center (3F & 4F) and Phase II Works of Business Center of Wenzhou Higher Education Mega Center (2F to 11F) held by Wenzhou Guoda. During the Reporting Period, there was no significant change in the fair value of investment properties. The following table sets out the details of our investment properties during the Reporting Period:

| | |
|---|---|
| Investment property | Phase I Works of Business Center of Wenzhou Higher Education Mega Center (3F & 4F) |
| Address | Southeast corner of Wenzhou Higher Education Mega Center, Chashan Street, Wenzhou City, Zhejiang Province, the PRC |
| Lot number | Wen Guoyong (2012) No. 3-290602, Wen Guoyong (2012) No. 3-290604, Wen Guoyong (2012) No. 3-290616, Wen Guoyong (2012) No. 3-290617, Zhe (2017) Wenzhou property rights No. 0136790, Zhe (2017) Wenzhou property rights No. 0136791, Zhe (2017) Wenzhou property rights No. 0136792, Zhe (2017) Wenzhou property rights No. 0136793 |
| Interests of the Group | 75% |
| Land area (Approx.) (Sq. m.) | 3,722.29 |

*4.2.7C [illegible] L [illegible]*

As of June 30, 2018, contract liability slightly decreased to RMB7.0 million (as of December 31, 2017: advances from customers RMB7.5 million).

*4.2.8O [illegible]*

As of June 30, 2018, other payables decreased to RMB75.9 million (as of December 31, 2017: RMB99.8 million), mainly due to the decrease of payable in the expansion project of Wenzhou Kangning Hospital.

**4.3 L [illegible] C [illegible]**

The table below sets forth the information as extracted from the consolidated cash flow statements of the Group for the periods indicated:

| | **F [illegible] m [illegible] J 30,** | |
|---|---|---|
| | **2018** | 2017 |
| | ***( MB'000)*** | *(RMB'000)* |
| | ***( [illegible] )*** | *(Unaudited)* |
| Net cash generated from operating activities | **25,390** | 3,472 |
| Net cash used in investing activities | **(132,285)** | (134,699) |
| Net cash generated from financing activities | **25,735** | 61,809 |
| Net decrease in cash and cash equivalents | **(81,439)** | (76,732) |

*4.3.1N [illegible] G [illegible] m O [illegible] A [illegible]*

During the Reporting Period, net cash generated from operating ctivities cmounted to RMB25.0(o)Tj Td(c)T.c

*4.3.3N C G m F A*

During the Reporting Period, net cash generated from financing activities amounted to RMB25.7 million, primarily due to bank borrowings amounted to RMB170.0 million, offsetting the repayment of bank borrowings of RMB135.0 million.

*4.3.4 I m A D*

The Group had no significant investment, acquisition or disposal as for the six months ended June 30, 2018.

**4.4 I**

*4.4.1B B*

As of June 30, 2018, the balance of bank borrowings of the Group amounted to RMB235.0 million (as of December 31, 2017: RMB200.0 million), primarily attributable to repayment of borrowings of RMB135.0 million and increase in borrowings of RMB170.0 million.

*4.4.2C L*

As of June 30, 2018, the Group had no contingent liabilities or guarantees that would have a material impact on the financial position or operation of the Group.

*4.4.3A*

Wenzhou Guoda, a subsidiary of the Group, had pledged its completed properties, Phase II of Business Center of Wenzhou Higher Education Mega Center, in favor of the China Zheshang Bank for bank loan and as of June 30, 2018, the balance of the borrowing amounted to RMB40.0 million.

*4.4.4C O*

The contractual obligation of the Group primarily consists of operating lease arrangements. As of June 30, 2018, the future aggregate minimum lease payments under non-cancellable lease agreements were RMB300.3 million.

*4.4.5F I m*

Financial instruments of the Group consist of accounts receivables, other non-current financial assets, other receivables, cash and cash equivalents, bank borrowings, accounts and other payables. The Company's management manages and monitors these exposures to ensure effective measures are implemented on a timely manner.

After the consideration and approval at the AGM, first grant of the grant scheme comprises of 179 persons, the aggregate number of shares first granted was 1,934,097 shares. After the confirmation at the eighth meeting of the second session of Board of the Company convened at August 20, 2018, the actual first grant comprised of 165 persons, as 13 persons voluntarily abstained to subscribe, 1 person was no longer qualified for grant. The actual aggregate number of shares first granted was 1,818,529 shares, represented 2.4898% of total issued share capital of the Company as at the date of this announcement and the details were shown as the following table. The participants shall pay the subscription amounts calculated by the amount of grants multiplied by the grant price (RMB 10.47 per share).

| | N m | N m | |
|---|---|---|---|
| | ( ) | ( ) | C m |
| Senior management | 4 | 133,715 | 0.1831% |
| Core technical personnel | 161 | 1,684,814 | 2.3067% |
| Total | 165 | 1,818,529 | 2.4898% |

The shares granted to the participants are restricted shares of the Company.

The Company set up the Employees' Shareholding Platform through the formation of a limited partnership, and the Employees' Shareholding Platform will hold the incentive shares for an

## 5 CHA E, ALE AND EDEM T ION OF LI T ED EC T IE

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

## 6 E IE OF IN T E IM E IT

The Audit Committee has reviewed the Group's unaudited interim results for the six months ended June 30, 2018 and has opined that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made by the Company.

The Audit Committee consists of two independent non-executive directors of the Company, Mr. HUANG Zhi (the chairman of the Audit Committee) and Mr. GOT Chong Key Clevin, and one non-executive director of the Company, Mr. LIN Lijun. Among them, Mr. HUANG Zhi has the appropriate professional qualifications (a certified public accountant accredited by the Chinese Institute of Certified Public Accountants).

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2018 (for the six months ended June 30, 2017: nil).

## 7 COM LIANCE T H CG CODE

The Company has complied with all code provisions in the CG Code during the Reporting Period.

## 8 ACCO N T ING T ANDA D

The Company has been applying the China Accounting Standards for Business Enterprises since the financial year of 2017, and has complied with the disclosure requirements required in the new Companies Ordinance (Chapter 622 of the laws of Hong Kong (the "Companies Ordinance").

## 9 FINANCIAL E O T

### 9.1 A [illegible]

#### *9.1.1A [illegible]*

The financial statements are prepared in accordance with the Accounting Standard for Business Enterprises - Basic Standard and specific accounting standards and relevant rules issued by the Ministry of Finance of the PRC on February 15, 2006.

The financial statements are prepared on a going concern basis.

The Companies Ordinance has commenced operation in 2016. Some notes in financial statements have been reflected the new requirements of the Companies Ordinance.

***9.1.2A [illegible] N A [illegible]***

The Ministry of Finance of the PRC issued 'Accounting Standard for Business Enterprises No. 14 - Revenue', 'Accounting Standard for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments', 'Accounting Standard for Business Enterprises No. 23 - Transfer of Financial Assets', 'Accounting Standard for Business Enterprises No. 24 - Hedging' and'Accounting Standard for Business Enterprises No. 37 - Presentation of Financial Instruments' in 2017. The Group has adopted standards above to prepare the financial statements for the year 2018.

During the Reporting Period, the Group adopted the Accounting Standard for Business Enterprises No.22-Recongnisition and Measurement of Financial Instruments to reclassify equity investments classified as available-for-sale financial assets in previous years into financial assets at fair value through profit or loss, resulting in increase in retained earnings at the beginning of the year of RMB730,742 based on the fair value of relevant equity investments at the effective date of such standard.

During the Reporting Period, due to adoption of the Accounting Standard for Business Enterprises No.22-Recongnisition and Measurement of Financial Instruments, the Group adjusted original provision on impairment of receivables to provision on loss as required by the new standard on financial instruments, resulting in decrease in retained earnings at the beginning of the year of RMB895,043.

Apart from the above, other impacts of implementation of new accounting standards are reclassification among items of the financial statements.

***9.1.3Im [illegible] C [illegible] F m [illegible] F [illegible] m [illegible]***

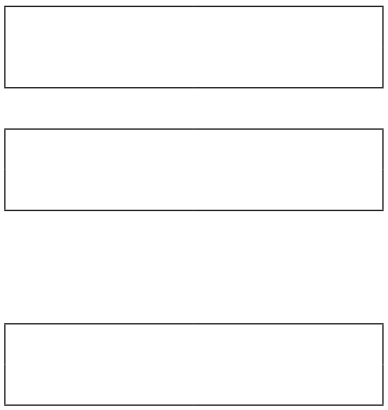
Pursuant to the Notice on Revising and Circulating the Format of Financial Statements of General Enterprises for the year 2018 (Cai Kuai [2018] No.15) promulgated by the Ministry of Finance on June 15, 2018, the Company is required to prepare its financial statements in the format as required by Appendix 2 of such notice due to its implementation of such new revenue standard and new financial instrument standard. The implementation of such new format of financial statements has impact primarily on the reclassification of certain items of assets and liabilities in the financial statements of the Group and has no impact on the net asset and net profit attributable to shareholders of the Company.

## 9.2 C [illegible] I [illegible] m F [illegible] I [illegible] m [illegible]

The Consolidated Interim Financial Information of the Group prepared in accordance with the China Accounting Standard for Business Enterprises is set out as follows:

### *9.2.1 I [illegible] m C [illegible] [illegible] m [illegible] C m [illegible] I [illegible] m*

| | | m [illegible] 2018 *MB* ( [illegible] ) | J 30, 2017 *RMB* *(Unaudited)* |
|---|---|---|---|
| **1.** | | **356,778,081** | 283,136,307 |
| | Less: Cost of revenue | **(227,375,436)** | (191,153,046) |
| | Taxes and surcharges | **(3,375,006)** | (3,937,078) |
| | Selling and distribution expenses | **(2,570,269)** | (445,240) |
| | General and administrative expenses | **(50,950,061)** | (39,814,343) |
| | Financial expenses | **(5,530,111)** | (10,436,551) |
| | Asset impairment losses | **(1,160,929)** | (2,823,150) |
| | Credit impairment losses | **(5,742,669)** | — |
| | Add: Investment losses | **(4,318,848)** | (2,852,505) |
| | Including: Investment losses from associate | | |



### 9.2.2 I[illegible]m C[illegible] F[illegible]

| A[illegible] | J[illegible] 30, 2018 *MB* ([illegible]) | December 31, 2017 *RMB* *(Audited)* |
|---|---|---|
| **C[illegible]** | | |
| Cash at bank and on hand | **229,254,617** | 279,334,159 |
| Accounts receivable | **274,738,114** | 232,179,323 |
| Other receivables | **44,979,280** | 43,447,939 |
| Advances to suppliers | **14,270,587** | 11,132,676 |
| Inventories | **20,389,497** | 23,532,469 |
| Non-current assets due within one year | **12,688,704** | 12,688,704 |
| **T[illegible]** | **596,320,799** | 602,315,270 |
| **N[illegible]** | | |
| Available-for-sale financial assets | | 50,000,000 |
| Other non-current financial assets | **50,974,323** | — |
| Long-term equity investments | **99,065,613** | 89,683,865 |
| Investment properties | **128,568,963** | 128,568,963 |
| Fixed assets | **438,341,684** | 502,649,528 |
| Construction in progress | **94,3** | |

| LIABILITIES AND OWNERS' EQUITY | June 30, 2018 RMB (Unaudited) | December 31, 2017 RMB (Audited) |
|---|---|---|
| **Current liabilities** | | |
| Short-term borrowings | **130,000,000** | 90,000,000 |
| Accounts payable | **75,904,091** | 83,787,338 |
| Advances | | 7,511,284 |
| Contract liability | **6,983,899** | — |
| Employee benefits payable | **16,498,460** | 23,714,318 |
| Taxes payable | **35,659,445** | 34,912,381 |
| Other payables | **75,942,440** | 99,796,754 |
| Non-current liabilities due in one year | **17,959,504** | 22,751,104 |
| Total current liabilities | **358,947,839** | 362,473,179 |
| **Non-current liabilities** | | |
| Long-term borrowings | **105,000,000** | 110,000,000 |
| Long-term payables | **89,682,400** | 86,932,300 |
| Deferred revenue | **10,404,955** | 10,556,851 |
| Deferred tax liabilities | **9,602,236** | 9,941,379 |
| Total non-current liabilities | **214,689,591** | 217,430,530 |
| Total liabilities | **573,637,430** | 579,903,709 |
| **Owners' equity** | | |
| Share capital | **73,040,000** | 73,040,000 |
| Capital surplus | **809,361,182** | 808,244,186 |
| Surplus reserve | **23,710,012** | 23,710,012 |
| Retained earnings | **177,706,807** | 146,840,254 |
| Total equity attributable to shareholders of the Company | **1,083,818,001** | 1,051,834,452 |
| Non-controlling interests | **62,257,049** | 58,662,363 |
| Total owners' equity | **1,146,075,050** | 1,110,496,815 |
| **TOTAL LIABILITIES AND OWNERS' EQUITY** | **1,719,712,480** | 1,690,400,524 |

*9.2.3 I [illegible] m C [illegible] C [illegible] F [illegible]*

| | F [illegible] m [illegible] J 30, | |
|---|---|---|
| | **2018** | 2017 |
| | ***MB*** | *RMB* |
| | *( [illegible] )* | *(Unaudited)* |
| **1. C [illegible] m [illegible]** | | |
| Cash received from sales of goods or rendering of services | **305,515,384** | 218,044,330 |
| Cash received relating to other operating activities | **31,297,616** | 16,104,834 |
| -[illegible] | **336,813,000** | 234,149,164 |
| Cash paid for goods and services | **(116,359,237)** | (84,493,508) |
| Cash paid to and on behalf of employees | **(103,723,092)** | (74,861,390) |
| Payments of taxes and surcharges | **(24,181,735)** | (33,608,262) |
| Cash paid relating to other operating activities | **(67,158,842)** | (37,714,356) |
| -[illegible] | **(311,422,906)** | (230,677,516) |
| N [illegible] m [illegible] | **25,390,094** | 3,471,648 |
| **2. C [illegible] m [illegible]** | | |
| Cash received from disposal of investments | | 3,225,000 |
| Cash received relating to other investing activities | **230,042,378** | 91,007,687 |
| -[illegible] | **230,042,378** | 94,232,687 |
| Cash paid to acquire fixed assets and other long-term assets | **(83,978,177)** | (158,053,650) |
| Cash paid to acquire investments | **(16,790,000)** | (37,878,286) |
| Cash paid relating to other investing activities | **(261,559,650)** | (33,000,000) |
| -[illegible] | **(362,327,827)** | (228,931,936) |
| N [illegible] | **(132,285,449)** | (134,699,249) |

*9.2.4 I [illegible] m C [illegible] [illegible] am [illegible] C [illegible] I E [illegible]*

*(All amounts in RMB Yuan unless iotherwise stated)*

| | E [illegible] m [illegible] | C [illegible] | [illegible] | N [illegible] | T [illegible] |
|---|---|---|---|---|---|
| **B [illegible] D m 31, 2017** | **73,040,000** | **808,244,186** | **23,710,012** | **146,840,254** | **58,662,363** | **1,110,496,815** |
| Add:Change in accounting policies | | | | **(164,301)** | | **(164,301)** |
| Balance at January 1, 2018 | **73,040,000** | **808,244,186** | **23,710,012** | **146,675,953** | **58,662,363** | **1,110,332,514** |
| Net profit | | | | **41,986,854** | **(1,135,314)** | **40,851,540** |
| Capital contribution by owners | | | | | **4,730,000** | **4,730,000** |
| Share-based payment | | **206,400** | | | | **206,400** |
| Dilution gain on equity shares | | **910,596** | | | | |

**9.3 N [illegible] C [illegible] I [illegible] m F [illegible] I [illegible] m [illegible]**
**[illegible] C [illegible] A [illegible] [illegible] B [illegible] E [illegible]**

***9.3.1 A [illegible]***

| | **J 30, 2018** *MB* *( [illegible] )* | December 31, 2017 *RMB* *(Audited)* |
|---|---|---|
| Accounts receivable from related parties | **3,750,000** | 2,250,000 |
| Accounts receivable from non-related parties | **291,498,883** | 245,277,585 |
| Subtotal | **295,248,883** | 247,527,585 |
| Less: Provision for bad debts | **(20,510,769)** | (15,348,262) |
| | **274,738,114** | 232,179,323 |

The ageing of accounts receivable as of December 31, 2017 and June 30, 2018 is analysed as follows:

| | **J 30, 2018** *MB* *( [illegible] )* | December 31, 2017 *RMB* *(Audited)* |
|---|---|---|
| Not overdue - Unbilled | **29,554,769** | 20,954,840 |
| Within 3 months | **119,363,595** | 125,675,094 |
| Within 1 year | **110,565,857** | 68,749,939 |
| 1 - 2 years | **30,090,256** | 29,274,942 |
| 2 - 3 years | **4,680,533** | 2,441,995 |
| Over 3 years | **993,873** | 430,775 |
| | **295,248,883** | 247,527,585 |

According to the credit policy of the Group, the customer should pay when the bill is delivered.

*9.3.2 A*

The ageing of accounts payable as of June 30, 2018 and December 31, 2017 is analysed as follows:

| | **J 30, 2018** | December 31, 2017 |
|---|---|---|
| | ***MB*** | ***RMB*** |
| | ***( )*** | ***(Audited)*** |
| Within 3 months | **39,523,345** | 42,078,771 |
| 3 - 6 months | **4,184,991** | 7,390,442 |
| 6 months - 1 year | **3,267,814** | 20,557,648 |
| 1 - 2 years | **28,579,812** | 13,579,346 |
| 2 - 3 years | **202,122** | 27,315 |
| Over 3 years | **146,007** | 153,816 |
| | **75,904,091** | 83,787,338 |

*9.3.3*

| | **F m J 30, 2018** | 2017 |
|---|---|---|
| | ***MB*** | ***RMB*** |
| | ***( )*** | ***(Unaudited)*** |
| Revenue from main operations | **343,318,252** | 238,108,930 |
| Revenue from other operations | **13,459,829** | 45,027,377 |
| | **356,778,081** | 283,136,307 |
| Cost of revenue from main operations | **220,865,063** | 156,885,868 |
| Cost of revenue from other operations | **6,510,373** | 34,267,178 |
| | **227,375,436** | 191,153,046 |

[illegible]

| | F[illegible] J[illegible] 30, 2018 | |
|---|---|---|
| | *MB* | *MB* |
| | *([illegible])* | *([illegible])* |
| | | C[illegible] |
| | [illegible] | [illegible] |
| Pharmaceutical sales | **78,253,106** | **65,087,164** |
| Treatments and general healthcare services | **252,958,034** | **149,416,996** |
| Management service fee | **12,107,112** | **6,360,903** |
| | **343,318,252** | **220,865,063** |

***9.3.4 E***

*(a) Basic earning per share*

| | F m J 30, | |
|---|---|---|
| | **2018** | 2017 |
| | ***MB*** | *RMB* |
| | *( )* | *(Unaudited)* |
| The consolidated net profit attributed to the ordinary shareholders of the parent company | **41,986,854** | 26,466,936 |
| Weighted average number of ordinary outstanding shares | **73,040,000** | 73,040,000 |
| Basic earning per share | **0.57** | 0.36 |

*(b) Diluted earning per share*

Diluted earning per share is calculated by the consolidated net profit attributed to the ordinary shareholders of the parent company adjusted by the potential shares divided by the adjusted weighted average number of ordinary shares. The Company did not have any potential dilutive shares throughout the six months ended June 30, 2018. Accordingly, diluted earnings per share are the same as the basic earnings per share.

***9.3.5 I m***

| | F m J 30, | |
|---|---|---|
| | **2018** | 2017 |
| | ***MB*** | *RMB* |
| | *( )* | *(Unaudited)* |
| Current income tax | **20,483,722** | 14,743,399 |
| Deferred income tax | **(2,227,317)** | (2,729,673) |
| | **18,256,405** | 12,013,726 |

| | |
|---|---|
| "AGM" | the annual general meeting of the Company for the year 2017 convened and held on June 13, 2018 |
| "Audit Committee" | the audit committee of the Board |
| "Beijing Yining Hospital" | Beijing Yining Hospital Co., Ltd. (北京怡寧醫院有限公司), an associate company established in the PRC with limited liability on August 17, 2015 and is held as to 40% by the Group |
| "Board of Directors" or "Board" | the board of directors of the Company |
| "Cangnan Kangning Hospital" | Cangnan Kangning Hospital Co., Ltd. (蒼南康寧醫院有限公司), a company established in the PRC with limited liability on June 15, 2012, one of the Company's wholly-owned subsidiaries |
| "Chengdu Yining Hospital" | Chengdu Yining Hospital Co., Ltd. (成都怡寧醫院有限公司, previously known as Chengdu Renyi Hospital Company Limited (成都仁一醫院有限公司)), an associate company established in the PRC with limited liability on June 29, 2010 and is held as to 24% by the Group |
| "Chengdu Yining Ward" | the psychiatric healthcare department of Chengdu Yining Hospital Co., Ltd. (成都怡寧醫院有限公司) |
| "Chun'an Hospital" | Chun'an Huangfeng Kang'en Hospital (淳安黃鋒康恩醫院) |
| "Company" or "Wenzhou Kangning Hospital" | Wenzhou Kangning Hospital Co., Ltd., a joint stock limited liability company established under the laws of the PRC, the H shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 2120) |
| "CG Code" | the Corporate Governance Code contained in Appendix 14 to the Hong Kong Listing Rules |
| "Geriatric Hospital" | Wenzhou Yining Geriatric Hospital Co., Ltd. (溫州怡寧老年醫院有限公司), a wholly-owned subsidiary indirectly held by the Company, whose principal business is to provide medical services for the geriatric, including geriatric psychiatric and psychological treatment |
| "Group" or "we"or "our" | the Company and its subsidiaries |

| | |
|---|---|
| "Hangzhou Anken" | Hangzhou Anken Medical Technology Co., Ltd. (杭州安肯醫療科技有限公司, previously known as Hangzhou Honglan Information Technology Co., Ltd. (杭州 宏瀾 信息 科技 有限 公司)), an associate company established s336 0 Td(C)Tj0 |

| | |
|---|---|
| "Luqiao Cining Hospital" | Taizhou Luqiao Cining Hospital Co., Ltd. (台州市路橋慈寧醫院有限公司, Þ Ð |

| | |
|---|---|
| "the Reporting Period" | For the six months ended June 30, 2018 |
| "Taizhou Kangning Hospital" | Taizhou Kangning Hospital Co., Ltd. (台州康寧醫院有限公司), a company established in the PRC with limited liability on June 30, 2016, one of the Company's indirect non-wholly owned subsidiaries |
| "Wenzhou Cining Hospital" | Wenzhou Cining Hospital Co., Ltd. (溫州慈寧醫院有限公司), an independent third party established in the PRC with limited liability on January 25, 2006 |
| "Wenling Nanfang Hospital" | Nanfang Specialized Psychiatric Hospital of Wenling (溫嶺南方精神疾病專科醫院有限公司), a company established in the PRC with limited liability on June 20, 2018, one of the Company's indirect non-wholly owned subsidiaries |
| "Wenzhou Guoda" | Wenzhou Guoda Investment Co., Ltd. (溫州國大投資有限公司), a company established in the PRC with limited liability on February 9, 2002, one of the Company's indirect non-wholly owned subsidiaries |
| "Yanjiao Furen Hospital" | Yanjiao Furen Hospital of Traditional Chinese and Western Medicine (燕郊輔仁中西醫結合醫院) under the Company's operation and management in accordance with an entrustment management agreement dated March 26, 2015 entered into between Yanjiao Furen Hospital of Traditional Chinese and Western Medicine and the Company |
| "Yongjia Kangning Hospital" | Yongjia Kangning Hospital Co., Ltd. (永嘉康寧醫院有限公司), a company established in the PRC with limited liability on December 12, 2012, one of the Company's wholly-owned subsidiaries |
| "Yueqing Kangning Hospital" | Yueqing Kangning Hospital Co., Ltd. (樂清康寧醫院有限公司), a company established in the PRC with limited liability on September 3, 2013, one of the Company's wholly-owned subsidiaries |
| "%" | percentage ratio |

By order of the Board
**K H C., L.**
**G AN**
*Chairman*

Zhejiang, the PRC
August 20, 2018

*As of the date of this announcement, the Company's executive directors are Mr. GUAN Weili, Ms. WANG Lianyue and Ms. WANG Hongyue; the non-executive directors are Mr. YANG Yang and Mr. LIN Lijun; and the independent non-executive directors are Mr. CHONG Yat Keung, Mr. HUANG Zhi and Mr. GOT Chong Key Clevin.*