Contents

Corporate Information

Board of Directors

Executive Directors

Mr. GUAN Weili *(Chairman)*
Ms. WANG Lianyue
Ms. WANG Hongyue

Non-executive Directors

Mr. YANG Yang
Mr. LIN Lijun

Independent Non-executive Directors

Mr. CHONG Yat Keung[Note] (retired on June 18, 2020)
Mr. HUANG Zhi[Note] (retired on June 18, 2020)
Mr. GOT Chong Key Clevin[Note] (retired on June 18, 2020)
Mr. ZHAO Xudong (appointed on June 18, 2020)
Ms. ZHONG Wentang (appointed on June 18, 2020)
Mr. LIU Ning (appointed on June 18, 2020)

Audit Committee

Ms. ZHONG Wentang *(Chairman)*
Mr. LIU Ning
Mr. YANG Yang

Nomination Committee

Mr. LIU Ning *(Chairman)*
Mr. ZHAO Xudong
Mr. GUAN Weili

Remuneration Committee

Mr. ZHAO Xudong *(Chairman)*
Ms. ZHONG Wentang
Mr. LIU Ning

Strategy and Risk Management Committee

Mr. GUAN Weili *(Chairman)*
Ms. ZHONG Wentang
Mr. LIN Lijun

Supervisory Committee

Mr. SUN Fangjun *(Chairman)*
Ms. HUANG Jing'ou
Mr. XIE Tiefan
Mr. QIAN Chengliang
Mr. CHEN Jian

Joint Company Secretaries

Mr. WANG Jian
Ms. NG Wing Shan

Authorized Representatives

Ms. WANG Hongyue
Ms. NG Wing Shan

Auditor

PricewaterhouseCoopers Zhong Tian LLP

Legal Advisors as to Hong Kong Laws

Clifford Chance

Registered Office and Head Office in the PRC

Shengjin Road
Huanglong Residential District
Wenzhou, Zhejiang
PRC

Note:

On June 18, 2020, Mr. CHONG Yat Keung retired as an independent non-executive Director, the chairman of the remuneration committee and the member of the nomination committee of the Company; Mr. HUANG Zhi retired as an independent non-executive Director, the chairman of the audit committee, the member of the remuneration committee and the member of the strategy and risk management committee of the Company; and Mr. GOT Chong Key Clevin retired as an independent non-executive Director, the chairman of the nomination committee and the member of the audit committee of the Company.

Corporate Information

Principal Place of Business in Hong Kong

40/F, Sunlight Tower
248 Queen's Road East
Wanchai
Hong Kong

H Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Stock Code

2120

Company's Website

www.knhosp.cn

Investor Relations

Telephone:	(86) 577 8877 1689
Fax:	(86) 577 8878 9117
Email:	ir@knhosp.cn

Financial Highlights

Principal Financial Data and Indicators

	For the six months ended June 30, 2020 (RMB' 000) (Unaudited)	2019 (RMB' 000) (Unaudited)
Revenue	465,150	378,910
Profit before income tax	39,404	52,661
Income tax expenses	(10,503)	(7,120)
Net profit	28,901	45,541
Net profit attributable to shareholders of the Company	36,410	52,064
Non-controlling interests	(7,509)	(6,523)

	As at June 30, 2020 (RMB' 000) (Unaudited)	As at December 31, 2019 (RMB' 000) (Audited)
Total assets	2,274,908	2,117,352
Total liabilities	960,485	855,843
Total equity	1,314,423	1,261,509
Equity attributable to shareholders of the Company	1,186,459	1,164,484
Non-controlling interests	127,964	97,025

Management Discussion and Analysis

Looking into the future, with the further implementation of the strategy of a healthy China, the reform of medical insurance payment method will overall accelerate, and the efficiency of medical insurance management will also continue to improve. The Group will succeed to focus on the health of patients with mental illness, strengthen the construction of medical personnel, and improve the quality of medical services. At the same time, the Group will rely on years of accumulation in hospital information technology and advantages in the field of mental health, develop with comprehensive strategy of "Internet + health services", increase investment in medical informatization construction, "extend service range and optimize the existing services", thus gradually improving the Group's operating efficiency, and striving to achieve stable and sustainable development of the Group.

Financial Review

The Group recorded revenue of RMB465.2 million during the Reporting Period, representing an increase of 22.8% as compared with that of the same period of 2019. Among them, the revenue from operating its owned hospitals amounted to RMB438.9 million, representing an increase of 21.8% as compared with that of the same period of 2019. During the Reporting Period, the average inpatient spending per bed-day of the Group's owned hospitals has increased, thus the gross profit margin of its owned hospitals increased to 26.3% (for the six months ended June 30, 2019: 22.3%). As such, the overall gross profit of the Group increased to RMB128.3 million, representing an increase of 39.4% as compared with that of the same period of 2019. During the Reporting Period, net profit attributable to shareholders of the Company amounted to RMB36.4 million, representing a decrease of 30.1% as compared with that of the same period of 2019, primarily due to the gain of RMB26.2 million on disposal of equity interests arising from the additional investment in the same period of 2019, the gain of RMB13.3 million from the derecognition of contractual rights of managing Yanjiao Furen Hospital and the loss of RMB4.8 million arising from the renovation work rejection of Langfang Yining Hospital and Sihui Kangning Hospital. If the comparison basis for 2019 does not include the above one-off effects, the net profit attributable to shareholders of the Company during the Reporting Period increased by 109.9%.

Management Discussion and Analysis

Revenue and Cost of Revenue

The Group generates revenue mainly through the following three ways: (i) revenue from operating its owned hospitals; (ii) revenue of other healthcare related business; and (iii) revenue of the property business.

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

	For the six months ended June 30,	
	2020	2019
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Revenue from operating owned hospitals	**438,886**	360,210
Revenue from other healthcare related business	**19,116**	15,281
Revenue of the property business	**7,148**	3,419
Total revenue	**465,150**	378,910

Management Discussion and Analysis

Revenue and cost of revenue from operating the owned hospitals

Revenue from operating the owned hospitals consists of fees charged for the outpatient visits and the inpatient services at the Group's various hospitals, including treatment and general healthcare services and pharmaceutical sales. The table below sets forth a breakdown of our revenue, cost of revenue and gross profit for the owned hospitals for the periods indicated:

	For the six months ended June 30,	
	2020	2019
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Treatment and general healthcare services		
Revenue	337,751	263,580
Cost of revenue	237,419	197,304
Gross profit	100,332	66,276
Pharmaceutical sales		
Revenue	101,135	96,630
Cost of revenue	86,044	82,629
Gross profit	15,091	14,001
Owned hospitals		
Revenue	438,886	360,210
Cost of revenue	323,463	279,933
Gross profit	115,423	80,277

During the Reporting Period, revenue from operating the Group's owned hospitals amounted to RMB438.9 million, representing an increase of RMB78.7 million as compared with that of the same period of 2019, mainly due to the increase in revenue from operating Wenzhou Kangning Hospital, Cangnan Kangning Hospital, Yueqing Kangning Hospital and Geriatric Hospital and the addition of three owned hospitals, namely, Huainan Kangning Hospital, Changchun Kanglin Psychological Hospital and Wenzhou Cining Hospital as compared with the same period of 2019. During the Reporting Period, the gross profit of the Group's owned hospitals increased by 43.8% as compared with that of the same period of 2019, mainly due to the increase in inpatient bed-days and average inpatient spending per bed-day.

Management Discussion and Analysis

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

	For the six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
Inpatients		
Inpatient bed as at period end	6,853	5,593
Effective inpatient service bed-day capacity	1,240,393	1,012,333
Utilization rate *(%)*	83.1	84.9
Number of inpatient bed-days	1,030,392	859,061
Treatment and general healthcare services revenue attributable to inpatients *(RMB'000)*	324,990	251,945
Average inpatient spending per bed-day on treatment and general healthcare services *(RMB)*	315	293
Pharmaceutical sales revenue attributable to inpatients *(RMB'000)*	53,841	50,926
Average inpatient spending per bed-day on pharmaceutical sales *(RMB)*	52	59
Total inpatient revenue *(RMB'000)*	378,831	302,871
Total average inpatient spending per bed-day *(RMB)*	368	353
Outpatients		
Number of outpatient visits	125,852	105,986
Treatment and general healthcare services revenue attributable to outpatients *(RMB'000)*	12,761	11,635
Average outpatient spending per visit on treatment and general healthcare services *(RMB)*	101	110
Pharmaceutical sales revenue attributable to outpatients *(RMB'000)*	47,294	45,704
Average outpatient spending per visit on pharmaceutical sales *(RMB)*	376	431
Total outpatient revenue *(RMB'000)*	60,055	57,339
Total average outpatient spending per visit *(RMB)*	477	541
Total treatment and general healthcare services revenue *(RMB'000)*	337,751	263,580
Total pharmaceutical sales revenue *(RMB'000)*	101,135	96,630

Management Discussion and Analysis

Management Discussion and Analysis

Cost of revenue of the Group's owned hospitals primarily consisted of pharmaceuticals and consumables used, employee benefits and expenses, depreciation of right-of-use assets, depreciation and amortization, canteen expenses

Management Discussion and Analysis

Revenue from other healthcare related business

The revenue from other healthcare related business of the Group includes revenue from management and consulting business, revenue from sales of pharmaceuticals and medical devices and revenue from information technology business, etc. During the Reporting Period, revenue from the other healthcare related business of the Group amounted to RMB19.1 million, of which management and consulting business revenue was RMB11.3 million (for the six months ended June 30, 2019: RMB12.8 million); revenue from sales of pharmaceuticals and medical devices was RMB5.8 million (for the six months ended June 30, 2019: nil).

Revenue from the property business

The Group's revenue of the property business includes property leasing income, property sales income, etc. During the Reporting Period, revenue from the property business increased to RMB7.1 million (for the six months ended June 30, 2019: RMB3.4 million), mainly due to the sales revenue from the disposal of investment property of RMB3.9 million was recorded by Wenzhou Guoda during the Reporting Period.

Gross Profit and Gross Profit Margin

During the Reporting Period, total gross profit of the Group amounted to RMB128.3 million, representing an increase of 39.4% as compared with that of the same period of 2019. The gross profit of the owned hospitals businesses amounted to RMB115.4 million, representing an increase of 43.8% as compared with that of the same period of 2019. The table below sets forth a breakdown of the gross profit margin of different businesses for the periods indicated:

	For the six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
Treatment and general healthcare services	29.7%	25.1%
Pharmaceutical sales	14.9%	14.5%
Owned hospitals businesses	26.3%	22.3%
Property and other businesses	47.1%	62.8%
Consolidated gross profit margin	27.6%	24.3%

During the Reporting Period, consolidated gross profit margin of the Group increased to 27.6% (for the six months ended June 30, 2019: 24.3%), of which the gross profit margin of treatment and general healthcare services increased by 4.6 percentage points as compared with that of the same period of 2019, mainly due to the increase in the utilization rate of beds in the new hospitals and the increase in the average inpatient spending per bed-day.

Management Discussion and Analysis

Tax and Surcharge

During the Reporting Period, the tax and surcharge of the Group amounted to RMB2.0 million (for the six months ended June 30, 2019: RMB0.8 million).

Selling Expenses

During the Reporting Period, the selling expenses of the Group amounted to RMB3.7 million (for the six months ended June 30, 2019: RMB4.5 million), which decreased by RMB0.8 million as compared with that of the same period of 2019. The selling expenses accounted for 0.8% of the Group's revenue from operating the owned hospitals (for the six months ended June 30, 2019: 1.2%).

Administrative Expenses

During the Reporting Period, administrative expenses of the Group primarily consist of benefits and expenses for the management and administrative staff, 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:

	For the six months ended June 30,	
	2020	2019
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Employee benefits and expenses	**35,136**	33,962
Depreciation and amortization	**5,970**	5,709
Consultancy expenses	**2,406**	3,976
Travelling expenses	**1,468**	2,188
Others	**9,659**	7,055
Total administrative expenses	**54,639**	52,890

During the Reporting Period, the administrative expenses of the Group amounted to RMB54.6 million, representing an increase of 3.3% as compared with that of the same period of 2019, mainly due to the increase of 3.5% of our employee benefits and expenses arising from a slight increase of our management staff. During the Reporting Period, the proportion of the administrative expenses to the revenue from operating owned hospitals of the Group decreased to 12.4% (for the six months ended June 30, 2019: 14.7%).

Management Discussion and Analysis

Research and Development Expenses

During the Reporting Period, the Group's research and development expenses amounted to RMB2.6 million (for the six months ended June 30, 2019: RMB2.3 million), representing an increase of 14.5% as compared with that of the same period of 2019. The proportion of research and development expenses to the revenue from operating owned hospitals of the Group was 0.6% (for the six months ended June 30, 2019: 0.6%).

Finance Expenses – Net

Our finance income includes interest income from bank deposits and foreign exchange gains, and the finance expenses include the losses on foreign exchange, the borrowing interest expenses, the interest expense on lease liabilities 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:

	For the six months ended June 30,	
	2020	2019
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Interest income	2,454	1,925
Foreign exchange gains/(losses)	125	(759)
Borrowing interest expenses	(9,165)	(3,520)
Interest expense on lease liabilities	(4,921)	(5,706)
The amortization of unrecognized financial charge	–	(1,841)
Others	(339)	(298)
Finance expenses – Net	(11,846)	(10,199)

During the Reporting Period, the net finance expenses of the Group amounted to RMB11.8 million, representing an increase of RMB1.6 million as compared with that of the same period of 2019.

Management Discussion and Analysis

Investment (Losses)/Income

Our investment (losses)/income consist of share of net loss of investees under the equity method, gains arising from disposal of long-term equity investment and interest from structured deposit. The table below sets forth a breakdown of our investment (losses)/income for the periods indicated:

	For the six months ended June 30,	
	2020	2019
	(RMB'	

Management Discussion and Analysis

Non-Operating Income (Expenses) and Other Gains

Our non-operating income mainly consists of government grants and non-operating expenses mainly consist of donation and losses on scrapping of non-current assets. The table below sets forth a breakdown of our non-operating income, non-operating expenses and other gains for the periods indicated:

	For the six months ended June 30,	
	2020	2019
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Derecognition of contractual rights of managing Yanjiao Furen Hospital	–	25,666
Government grants	30	50
Other non-operating income	535	723
Non-operating income	565	26,439
Losses on scrapping of non-current assets	–	(13,240)
Donation expenses	(2,627)	(990)
Other non-operating expenses	(408)	(241)
Non-operating expenses	(3,035)	(14,471)

During the Reporting Period, the non-operating income of the Group decreased to RMB0.6 million, primarily due to the one-off income generated from the derecognition of the management contract rights of Yanjiao Furen Hospital during the same period of 2019; the non-operating expenses of the Group decreased to RMB3.0 million.

Income Tax Expense

During the Reporting Period, income tax expense increased to RMB10.5 million (for the six months ended June 30, 2019: RMB7.1 million), representing an increase of 47.5% as compared with that of the same period of 2019. For the Reporting Period and the six months ended June 30, 2019, our actual tax rates were 26.7% and 13.5%, respectively. The increase in actual tax rates during the Reporting Period was mainly due to the additional investment in Beijing Yining Hospital and Huainan Kangning Hospital in the same period of 2019, resulting in unrecognised deferred income tax liability for investment income, while no such events occurred during the current period.

Management Discussion and Analysis

Financial Position

Inventory

As of June 30, 2020, inventory balances amounted to RMB33.9 million (as of December 31, 2019: RMB23.6 million), mainly include: (i) the medical inventory and turnover materials amounted to RMB31.3 million (as of December 31, 2019: RMB21.0 million); and (ii) completed properties amounted to RMB2.6 million (as of December 31, 2019: RMB2.6 million), representing Room 2701, Room 2806, Room 2807 and Room 2808 of Phase II Works of Business Center of Wenzhou Higher Education Mega Center developed by Wenzhou Guoda. The table below sets forth the details of completed properties held by us during the Reporting Period:

Completed property	Room 2701, Room 2806, Room 2807 and Room 2808 of Phase II Works of Business Center of Wenzhou Higher Education Mega Center
Address	Southeast corner of Wenzhou Higher Education Mega Center, Chashan Street, Wenzhou City, Zhejiang Province, the PRC
Interests of the Group	75%
Land area (Approx.) (Sq. m.)	19.3
Total floor area (Approx.) (Sq. m.)	325.73
Usage	Commercial, financial and office land
Stage	Completed and accepted
Completion date	June 30, 2017

Accounts Receivables

As of June 30, 2020, the balance of accounts receivables amounted to RMB352.6 million (as of December 31, 2019: RMB310.5 million), among which the balance of accounts receivables for owned hospitals businesses amounted to RMB322.5 million, representing an increase of 14.5% as compared with that of December 31, 2019, mainly due to the increase of our revenue from operating its owned hospitals during the Reporting Period as compared with that of the same period of 2019, which was in line with the increase of business volume of our healthcare facilities.

During the Reporting Period, the accounts receivables turnover days of the Group's owned hospitals business were 133 days (for the six months ended June 30, 2019: 146 days).

Management Discussion and Analysis

Other Receivables and Prepayments

As of June 30, 2020, other receivables and prepayments increased to RMB88.4 million (as of December 31, 2019: RMB68.7 million).

Investment Properties

As of June 30, 2020, the balance of investment properties amounted to RMB107.1 million (as of December 31, 2019: RMB110.9 million), representing Phase I Works of Business Center of Wenzhou Higher Education Mega Center (Room 302, Room 303 and Room 304) and Phase II Works of Business Center of Wenzhou Higher Education Mega Center (2/F to 11/F) held by Wenzhou Guoda. During the Reporting Period, there was no significant change in the fair value of the investment properties. The table below sets forth the details of investment properties held by us during the Reporting Period:

Investment property	Phase I Works of Business Center of Wenzhou Higher Education Mega Center (Room 302, Room 303 and Room 304)
Address	Southeast corner of Wenzhou Higher Education Mega Center, Chashan Street, Wenzhou City, Zhejiang Province, the PRC
Interests of the Group	75%
Land area (Approx.) (Sq. m.)	1,959.41
Total floor area (Approx.) (Sq. m.)	6,766,36
Usage	Non-residential
Whether a freehold property	Nature of the land is state-owned land, the expiry date of the land use right is January 29, 2043, and the related properties are freehold properties
Investment property	Phase II Works of Business Center of Wenzhou Higher Education Mega Center (2/F to 11/F)

Management Discussion and Analysis

Address	Southeast corner of Wenzhou Higher Education Mega Center,

Management Discussion and Analysis

Liquidity and Capital Resources

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

	For the six months ended June 30,	
	2020 (RMB'000) (Unaudited)	2019 (RMB'000) (Unaudited)
Net cash generated from operating activities	17,799	4,157
Net cash used in investing activities	(76,436)	(75,880)
Net cash generated from/(used in) financing activities	94,945	(25,941)
Net increase/(decrease) in cash and cash equivalents	36,424	(98,423)

Net Cash Generated from Operating Activities

During the Reporting Period, net cash generated from operating activities amounted to RMB17.8 million, primarily consisting of net profit of RMB28.9 million, adjustments of RMB16.1 million for credit impairment losses and adjustments of RMB60.0 million for depreciation and amortisation of various assets, changes in working capital resulted in cash outflow of RMB90.9 million. We had cash outflow of RMB14.5 million attributable to our various taxes paid.

Net Cash Used in Investing Activities

During the Reporting Period, net cash used in investing activities amounted to RMB76.4 million, primarily due to the amount of RMB67.1 million for purchasing property, plant and equipment, including the amounts paid for the relocation projects of Qingtian Kangning Hospital and Yongjia Kangning Hospital, and prepayments for purchase of land use rights of Lucheng Qidu International Health & Pension Center Project.

Net Cash Generated from Financing Activities

During the Reporting Period, net cash generated from financing activities amounted to RMB94.9 million, mainly due to a net inflow of RMB163.5 million in bank borrowings and an outflow of approximately RMB39.1 million caused by repayment of leasing liability.

Significant Investment, Acquisition and Disposal

The Group had no significant investment, acquisition and disposal during the six months ended June 30, 2020.

Management Discussion and Analysis

Indebtedness

Bank Borrowings

As of June 30, 2020, the balance of bank borrowings of the Group amounted to RMB473.5 million (as of December 31, 2019: RMB310.0 million), primarily attributable to repayment of borrowings of RMB201.0 million and an increase in borrowings of RMB364.5 million during the Reporting Period.

Contingent Liability

As of June 30, 2020, the Group had no contingent liability or guarantees that would have a material impact on the financial position or operation of the Group.

Asset Pledge

Wenzhou Guoda, a subsidiary of the Group, had pledged its completed properties, Phase II of Business Center of Wenzhou Higher Education Mega Center, to the China Zheshang Bank as pledge for providing corresponding credit facilities to the Company. As of June 30, 2020, no loan has been applied to the China Zheshang Bank.

Lease Liabilities

The lease liabilities of the Group primarily consist of operating lease arrangements. As of June 30, 2020, the present values of unsettled lease payments under non-cancellable lease agreements, after deducting an amount of RMB24.2 million which is due within one year, were RMB186.0 million.

Financial Instruments

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

Exposure to Fluctuation in Exchange Rates

The Group deposits certain of its financial assets in foreign currencies, which mainly involve risks of fluctuations in the exchange rate of HKD against RMB. The Group is exposed to foreign exchange risks accordingly.

For the six months ended June 30, 2020, the Group has not used any derivative financial instruments to hedge against its exposure to currency risks. The management of the Company manages the currency risks by closely monitoring the movement of the foreign currency rates, and will consider hedging against significant foreign currency exposures should such need arise.

Gearing Ratio

As of June 30, 2020, the Group's gearing ratio (total liabilities divided by total assets) was 42.2% (as of December 31, 2019: 40.4%).

Management Discussion and Analysis

Employees and Remuneration Policy

As of June 30, 2020, the Group had a total of 3,136 full-time employees (as of December 31, 2019: 2,845 full-time employees). During the Reporting Period, employees' remuneration (including salaries and other forms of employee benefits) amounted to approximately RMB149.5 million (for the six months ended June 30, 2019: RMB128.1 million). The average employees' remuneration is RMB98.2 thousand per year (including social insurance scheme and housing grant scheme borne by the Group). The remuneration is determined with reference to the salary level in the same industry and the qualifications, experience and performance of an employee.

In order to fully mobilize the enthusiasm of senior management and core technical personnel of the Group, the Company drafted the Equity Incentive Scheme for the Year 2018 of Wenzhou Kangning Hospital Co., Ltd., which was considered and approved at the annual general meeting of the Company for the year 2017 which has been convened on June 13, 2018 (the "**2017 AGM**"). Unless otherwise specified, capitalized terms used below shall have the same meanings as those defined in the announcement of the Company dated May 29, 2018 and the supplementing circular of the Company dated May 30, 2018.

After the consideration and approval at the 2017 AGM, and confirmation at the 8th meeting of the second session of the Board of the Company held on August 20, 2018, the actual first grant comprised of 165 persons, the actual aggregate number of Shares first granted was 1,818,529 Shares.

After the consideration and approval at the 15th meeting of the second session of the Board of the Company convened on August 26, 2019, incentive Shares were granted to the second phase participants. The second phase participants include core technical personnel of the Company and other persons who, in the opinion of the Board, shall be incentivized. The grant of the second phase grant scheme comprised of 37 persons, and the total number of Shares granted was 273,161 Shares. As 14 persons voluntarily abstained to subscribe, the actual grant comprised of 23 persons, and the actual aggregate number of Shares granted was 180,516 Shares, representing 0.2391% of total issued share capital of the Company at the grant date. The details are shown as the following table. The Participants shall pay the subscription amounts calculated by the amount of grants multiplied by the grant price (RMB10.47 per Share).

Category of personnel	Number of persons granted (person)	Number of Shares granted (Share)	Number of grant representing total issued share capital of the Company
Core technical personnel	17	142,311	0.1885%
Other persons who, in the opinion of the Board, shall be incentivized	6	38,204	0.0506%
Total	23	180,516	0.2391%

Management Discussion and Analysis

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

The incentive Shares under this grant comprise reserved Shares of Wenzhou Zhenyan Kangning Investment Management L.P.([illegible])) built with incentive Shares under the first grant. Participants shall subscribe for and contribute capital at the Grant Price and become a limited partner of the Partnership.

The locked-up period of the incentive Shares granted to the participants is 48 months, calculated from the date the participants are granted the incentive Shares.

Incentive Shares under the grant shall be unlocked in one go after 48 months from the date of the grant.

Corporate Governance and Other Information

CORPORATE GOVERNANCE

The Board is of the opinion that the Company has complied with all code provisions in the CG Code during the Reporting Period.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as a code of conduct of the Company for its Directors' and Supervisors' securities transactions. Based on specific enquiries to all Directors and Supervisors, the Directors and the Supervisors have complied with the required standard set out in the Model Code during the period from January 1, 2020 to June 30, 2020. The Company minimizes the scope of insiders before publication of such inside information. Employees who are, or likely to be, in possession of unpublished inside information in relation to the Company or the Shares are prohibited from dealing in the Shares during the black-out period. The Company will file relevant information of such employees, including but not limited to the inside information, personal identity, securities account, the department such employees serve and their responsibilities, for Company's internal check and relevant regulatory authorities' inquiries. If such employees violate relevant laws and regulations, the Company will make the punishment decisions or transfer them to the judicial organs for handling in accordance with the law, in accordance with the seriousness of the case.

ACCOUNTING STANDARDS

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 Companies Ordinance (Chapter llrkn)322.1( )]TJ0 Tc 0 T

Corporate Governance and Other Information

AUDIT COMMITTEE AND REVIEW OF THE INTERIM REPORT AND THE INTERIM RESULTS

The Company established the Audit Committee in compliance with Rule 3.21 and Rule 3.22 of the Hong Kong Listing Rules and with written terms of reference in compliance with the CG Code and the roles and the responsibilities

Corporate Governance and Other Information

CHANGES IN DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S BIOGRAPHICAL DETAILS

Set out below are the changes in the Directors', the Supervisors' and the chief executives' biographical details between the period of January 1, 2020 to June 30, 2020 and up to the date of this interim report, which are required to be disclosed pursuant to Rule 13.51B of the Hong Kong Listing Rules:

		Position held at other members of the Group and term of office	
Name	Members of the Group	Positions held at members of the Group	Term of office
Ms. WANG Hongyue	Zhejiang Yining Health Technology Co.,Ltd.	General manager	From April 2019 to March 2020
Mr. WANG Jian	Zhejiang Yining Health Technology Co.,Ltd.	Manager	From March 2020 to present
Mr. JIN Weiguang	Nanjing Yining Hospital Co., Ltd.	Chairman	From July 2018 to March 2020
Mr. WANG Jian	Heze Yining Hospital Psychiatric Co., Ltd.	Chairman	From July 2019 to March 2020
Mr. WANG Jian	Heze Yining Hospital Psychiatric Co., Ltd.	Director	From March 2020 to present
Mr. WANG Jian	Yining Psychological Internet Hospital (Wenzhou) Co. Ltd.	Executive Director, General manager	From March 2020 to present
Mr. GUAN Weili	Wenzhou Lucheng Yining Hospital Co., Ltd.	Chairman, General manager	From April 2020 to present
Mr. XU Yi	Wenzhou Lucheng Yining Hospital Co., Ltd.	Director	From April 2020 to present
Mr. WANG Jian	Wenzhou Lucheng Yining Hospital Co., Ltd.	Director	From April 2020 to present
Ms. WANG Hongyue	Wenzhou Lucheng Yining Hospital Co., Ltd.	Supervisor	From April 2020 to present
Ms. WANG Hongyue	Beijing Yining Hospital Co., Ltd.	Director, Manager	From May 2020 to present
Ms. WANG Hongyue	Wenzhou Cining Hospital Co., Ltd.	Chairman	From June 2020 to present

Save as disclosed above, the Company is not aware of other changes in the Directors', the Supervisors' or the chief executives' biographical details which are required to be disclosed pursuant to Rule 13.51B of the Hong Kong Listing Rules.

Corporate Governance and Other Information

Use of Proceeds from Initial Public Offering

The H Shares were listed on the Main Board of the Hong Kong Stock Exchange on November 20, 2015. The Company's net proceeds from the initial public offering amounted to approximately HK$693.2 million (equivalent to RMB580.7 million) after deducting underwriting commissions and all related expenses. On March 30, 2017 and March 23, 2018, the Board considered and approved the resolutions regarding the change in the use of the net proceeds, respectively. The Company used all the proceeds according to the use of the proceeds disclosed in the prospectus dated November 10, 2015 and considered and approved by the Board.

Corporate Governance and Other Information

DISCLOSURE OF INTERESTS

Directors', Supervisors' and Chief Executives' Interests in Securities

As of June 30, 2020, the interests and short positions of the Directors, the Supervisors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or as recorded in the register maintained by the Company under Section 352 of the SFO, or as notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

Name of Directors	Class of Shares	Nature of Interest	Number of Shares	Total Number of Shares	Approximate Percentage in Shares of the Same Class (1)	Approximate Percentage of the Company's Total Issued Share Capital (1)
Mr. GUAN Weili	Domestic Shares	Beneficial owner	18,350,250(L)	22,144,750(L)	40.07%	29.33%
		Interest of spouse	3,794,500(L) (2)			
Ms. WANG Lianyue	Domestic Shares	Beneficial owner	3,794,500(L)	22,144,750(L)	40.07%	29.33%
		Interest of spouse	18,350,250(L) (2)			
Ms. WANG Hongyue	Domestic Shares	Beneficial owner	3,984,350(L)	5,527,350(L)	10.00%	7.32%
		Interest in a controlled corporation	1,543,000(L) (3)			
	H Shares	Beneficial owner	309,000(L)	309,000(L)	1.52%	0.40%

Notes:

(L): Long position

(1) The shareholding percentages are calculated on the basis of 55,260,000 Domestic Shares and 20,240,000 H Shares (an aggregate of 75,500,000 Shares) issued by the Company as of June 30, 2020.

(2) Mr. GUAN Weili is the spouse of Ms. WANG Lianyue and therefore, Mr. GUAN Weili is deemed to be interested in the Domestic Shares held by Ms. WANG Lianyue, and Ms. WANG Lianyue is deemed to be interested in the Domestic Shares held by Mr. GUAN Weili by virtue of Part XV of the SFO.

(3) Ms. WANG Hongyue is the general partner of Ningbo Xinshi Kangning Investment Management L.P. ("**Xinshi Kangning**"), which is a limited partnership, and holds approximately 34.57% in Xinshi Kangning. Therefore, by virtue of Part XV of the SFO, Ms. WANG Hongyue is deemed to be interested in all the Domestic Shares held by Xinshi Kangning in the Company.

Corporate Governance and Other Information

Save as disclosed above, as of June 30, 2020, to the knowledge of the Board, none of the Directors, the Supervisors or the chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors, the Supervisors and the chief executives of the Company were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Interests of Substantial Shareholders

As of June 30, 2020, according to the register kept by the Company pursuant to Section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following person/entity (other than the Directors, the Supervisors or the chief executives of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or be directly and indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of the Company:

Name	Class of Shares	Nature of Interest	Number of Shares	Approximate Percentage in Shares of the Same Class (1)	Approximate Percentage of the Company's Total Issued Share Capital (1)
Guangzhou GL Capital Investment Fund L.P. ("**Defu Fund**") (州 股 業 ( )(「德福基金」))	Domestic Shares	Beneficial owner	15,384,541(L)	27.84%	20.38%
Guangzhou GL Capital GP L.P. (2) (州 業 ( ))	Domestic Shares	Interest in a controlled corporation	15,384,541(L)	27.84%	20.38%
Guangzhou Automobile Group Capital Co., Ltd. (3) (本 公司)	Domestic Shares	Interest in a controlled corporation	15,384,541(L)	27.84%	20.38%
Mr. XU Yi (4)	Domestic Shares	Interest of spouse	5,527,350(L)	10.00%	7.32%
Shanghai Tanying Investment L.P. (上 英 業 ( ))	Domestic Shares	Beneficial owner	3,253,180(L)	5.89%	4.31%

Corporate Governance and Other Information

Name	Class of Shares	Nature of Interest	Number of Shares	Approximate Percentage in Shares of the Same Class [1]	Approximate Percentage of the Company's Total Issued Share Capital [1]
Shanghai Lejin Investment L.P. (上 業 ( ))[5]	Domestic Shares	Interest in a controlled corporation	3,253,180(L)	5.89%	4.31%
Shanghai Qiangang Investment Management L.P. (上 業 ( ))	Domestic Shares	Beneficial owner	3,253,179(L)	5.89%	4.31%
Mr. ZHAO Yongsheng [6]	Domestic Shares	Interest in a controlled corporation	3,253,179(L)	5.89%	4.31%
Shanghai Shengge Investment Management Co., Ltd. (上 公司)[7]	Domestic Shares	Interest in a controlled corporation	6,506,359(L)	11.77%	8.62%
Qingdao Jinshi Haorui Investment Co., Ltd. (嶋 石 公司)	Domestic Shares	Beneficial owner	2,780,000(L)	5.03%	3.68%
Jinshi Investment Co., Ltd. (石 公司)[8]	Domestic Shares	Interest in a controlled corporation	2,780,000(L)	5.03%	3.68%
Citigroup Inc.	H Shares	Person having a security interest	1,817,968(L)	8.98%	2.41%
Baring Asset Management Limited	H Shares	Investment manager	3,052,400(L)	15.08%	4.04%
Barings LLC (formerly known as Babson Capital Management LLC)	H Shares	Investment manager	2,019,900(L)	9.98%	2.68%
Northern Trust Fiduciary Services (Ireland) Limited	H Shares	Trustee	1,588,620(L)	7.85%	2.10%

Corporate Governance and Other Information

Name	Class of Shares	Nature of Interest	Number of Shares	Approximate Percentage in Shares of the Same Class [(1)]	Approximate Percentage of the Company's Total Issued Share Capital [(1)]
OrbiMed Advisors LLC	H Shares	Investment manager	1,454,000(L)	7.18%	1.93%
OrbiMed Capital LLC	H Shares	Investment manager	2,150,900(L)	10.63%	2.85%
OrbiMed Partners Master Fund Limited	H Shares	Beneficial owner	1,279,900(L)	6.32%	1.70%
Prime Capital Management Company Limited	H Shares	Investment manager	2,420,019(L)	11.96%	3.21%
OrbiMed Partners II, L.P.	H Shares	Beneficial owner	1,052,000(L)	5.20%	1.39%
Morgan Stanley	H Shares	Interest in a controlled corporation	1,208,534(L)	5.97%	1.60%
			1,143,634(S)*	5.65%	1.51%
UBS Group AG	H Shares	Interest in a controlled corporation	3,880,900(L)	19.17%	5.14%

Notes:

(L): Long position

(S): Short position

* Cash settled unlisted derivatives

(1) The shareholding percentages are calculated on the basis of 55,260,000 Domestic Shares and 20,240,000 H Shares (an aggregate of 75,500,000 Shares) issued by the Company as of June 30, 2020.

(2) Guangzhou GL Capital GP L.P. is the general partner of Defu Fund, which is a limited partnership. Therefore, by virtue of Part XV of the SFO, Guangzhou GL Capital GP L.P. is deemed to be interested in all the Domestic Shares held by Defu Fund in the Company.

(3) Guangzhou Automobile Group Capital Co., Ltd. is a limited partner of Defu Fund, which holds approximately 52.45% interest in Defu Fund. Therefore, by virtue of Part XV of the SFO, Guangzhou Automobile Group Capital Co., Ltd. is deemed to be interested in all the Domestic Shares held by Defu Fund in the Company.

Corporate Governance and Other Information

(4) Mr. XU Yi is the spouse of Ms. WANG Hongyue, an executive Director, and therefore, Mr. XU Yi is deemed to be interested in the Domestic Shares held by Ms. WANG Hongyue by virtue of Part XV of the SFO.

(5) Shanghai Lejin Investment L.P. (上 業)) holds 99.99% equity interest in Shanghai Tanying Investment L.P. (上 業)). Therefore, by virtue of Part XV of the SFO, Shanghai Lejin Investment L.P. (上 業)) is deemed to be interested in all the Domestic Shares held by Shanghai Tanying Investment L.P. (上 業)) in the Company.

(6) Mr. ZHAO Yongsheng holds 99.90% equity interest in Shanghai Qiangang Investment Management L.P. (上 業)). Therefore, by virtue of Part VX of the SFO, Mr. ZHAO Yongsheng is deemed to be interested in all the Domestic Shares held by Shanghai Qiangang Investment Management L.P. (上 業)) in the Company.

(7) Shanghai Shengge Investment Management Co., Ltd. (上 公司) is the general partner of Shanghai Qiangang Investment Management L.P. (上 業)) and Shanghai Tanying Investment L.P. (上 業 ( )). Therefore, by virtue of Part XV of the SFO, Shanghai Shengge Investment Management Co., Ltd. (上 公司) is deemed to be interested in all the Domestic Shares held by Shanghai Qiangang Investment Management L.P. (上 業)) and Shanghai Tanying Investment L.P. (上 業)) in the Company.

(8) Qingdao Jinshi Haorui Investment Co., Ltd. (石 內 公司) is wholly held by Jinshi Investment Co., Ltd. (石 公司). Therefore, Jinshi Investment Co., Ltd. (石 公司) is deemed to be interested in the Domestic Shares held by Qingdao Jinshi Haorui Investment Co., Ltd. (石 內 公司) in the Company by virtue of Part XV of the SFO.

Save as disclosed above, as of June 30, 2020, to the knowledge of the Directors, no other person (other than a Director, a Supervisor or a chief executive of the Company) had, or was deemed or taken to have interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.ShaHospitpar. (

Consolidated Balance Sheet

As at 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Current assets			
Cash at bank and on hand	4(1)	216,156,858	176,030,550
		–	30,000,000
	4(2)	352,645,140	310,520,612
	4(3)	76,843,282	63,317,366
		11,516,259	5,366,020
Inventories		33,858,107	23,568,236
		–	12,688,704
Total current assets		691,019,646	621,491,488
Non-current assets			
		51,281,869	51,281,869
	4(4)	94,068,266	89,943,193
	4(5)	107,128,300	110,856,100
	4(6)	521,884,770	552,490,802
	4(7)	105,255,073	72,180,620
	4(8)	253,365,561	235,312,149
	4(9)	158,643,796	130,298,128
Goodwill	4(10)	63,334,626	54,346,633
	4(11)	140,586,989	151,083,314
		55,987,494	46,275,930
	4(12)	32,351,523	1,791,629
Total non-current assets		1,583,888,267	1,495,860,367
TOTAL ASSETS		2,274,907,913	2,117,351,855

Consolidated Balance Sheet

As at 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Current liabilities			
Short-term borrowings	4(14)	332,500,000	250,000,000
Notes payable		576,686	–
Accounts payable	4(15)	63,565,539	75,554,960
Contract liabilities		10,772,528	8,562,126
Employee benefits payable		23,923,352	36,063,277
Taxes payable		44,736,621	33,430,060
Other payables		93,516,092	133,348,712
Current portion of non-current liabilities	4(16)	66,053,557	79,741,922
Total current liabilities		635,644,375	616,701,057
Non-current liabilities			
Long-term borrowings	4(17)	100,500,000	20,000,000
Lease liabilities	4(18)	186,013,332	183,808,151
Long-term payables	4(19)	580,000	2,260,000
Provisions		2,000,000	2,000,000
Deferred income		9,797,371	9,949,267
Deferred tax liabilities		25,949,596	21,124,118
Total non-current liabilities		324,840,299	239,141,536
Total liabilities		960,484,674	855,842,593
Shareholders' equity			
Share capital	4(20)	75,500,000	75,500,000
Capital surplus	4(21)	826,376,743	824,715,445
Less: Treasury stock	9(b)(4)	(37,817,508)	(21,721,144)
Surplus reserve		33,189,321	33,189,321
Retained earnings	4(22)	289,210,662	252,800,715
Total equity attributable to shareholders of the parent company		1,186,459,218	1,164,484,337
Non-controlling interests	6	127,964,021	97,024,925
Total shareholders' equity		1,314,423,239	1,261,509,262
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,274,907,913	2,117,351,855

The accompanying notes form an integral part of these financial statements.

Legal representative:	Principal in charge of accounting:	Head of accounting department:
GUAN Weili	WANG Hongyue	XU Qunyan

Company Balance Sheet

As at 30 June 2020

(All amountsMinRMB Yuan unless otherwise stated)T

ASSETS	Note	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Current assets			
Cash at bank and on hand		108,315,642	101,280,806
Financial assets held for trading		–	30,000,000
Accounts receivable	16(1)	108,291,093	99,205,315
Advances to suppliers		5,483,359	750,172
Other receivables	16(2)	584,415,944	564,146,603
Inventories		11,806,010	8,901,212

Company Balance Sheet

As at 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Current liabilities			
Short-term borrowings		330,000,000	250,000,000
Accounts payable		31,384,107	38,432,798
Contract liabilities		3,249,175	2,806,872
Employee benefits payable		8,961,219	15,571,352
Taxes payable		7,948,185	5,976,133
Other payables		43,444,879	64,891,712
Current portion of non-current liabilities		39,000,000	52,688,704
Total current liabilities		463,987,565	430,367,571
Non-current liabilities			
Long-term borrowings		38,000,000	–
Lease liabilities		697,641	766,159
Long-term payables		–	–
Provisions		2,000,000	2,000,000
Deferred income		9,797,371	9,949,267
Deferred tax liabilities		76,887	76,887
Total non-current liabilities		50,571,899	12,792,313
Total liabilities		514,559,464	443,159,884
Shareholders' equity			
Share capital		75,500,000	75,500,000
Capital surplus		838,578,410	834,663,559
Less: Treasury stock		(37,817,508)	(21,721,144)
Surplus reserve		33,189,321	33,189,321
Retained earnings		222,299,408	200,462,672
Total shareholders' equity		1,131,749,631	1,122,094,408
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,646,309,095	1,565,254,292

The accompanying notes form an integral part of these financial statements.

Legal representative:
GUAN Weili

Principal in charge of accounting:
WANG Hongyue

Head of accounting department:
XU Qunyan

Consolidated Income Statement

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
1. Revenue	4(23)	465,150,452	378,910,291
Less: Cost of sales	4(23), 4(24)	(336,864,754)	(286,882,183)
Taxes and surcharges		(1,999,246)	(831,972)
Selling and distribution expenses	4(24)	(3,697,157)	(4,476,806)
General and administrative expenses	4(24)	(54,639,015)	(52,890,346)
Research and development expenses	4(24)	(2,637,407)	(2,304,024)
Finance expenses – net	4(25)	(11,846,196)	(10,198,874)
Including: Interest expenses		(14,086,629)	(11,068,131)
Interest income		2,454,371	1,925,426
Add: Other gains		5,443,616	6,567,461
Investment (losses)/gains	4(26)	(923,557)	23,549,073
Including: Share of losses of associates		(1,019,927)	(2,525,317)
Credit impairment losses	4(27)	(16,112,650)	(10,730,916)
Losses on disposal of assets		–	(18,587)
2. Operating profit		41,874,086	40,693,117
Add: Non-operating income	4(28)	564,961	26,438,682
Less: Non-operating expenses	4(29)	(3,035,064)	(14,470,650)
3. Total profit		39,403,983	52,661,149
Less: Income tax expenses	4(30)	(10,502,748)	(7,119,918)
4. Net profit		28,901,235	45,541,231
Classified by continuity of operations			
Net profit from continuing operations		28,901,235	45,541,231
Net profit from discontinued operations		–	–
Classified by ownership of the equity			
Net profit attributable to shareholders of the parent company		36,409,947	52,064,124
Non-controlling interests		(7,508,712)	(6,522,893)
5. Total comprehensive income		28,901,235	45,541,231
Attributable to shareholders of the parent company		36,409,947	52,064,124
Attributable to non-controlling interests		(7,508,712)	(6,522,893)
6. Earnings per share			
Basic (RMB per share)	4(31)	0.50	0.71
Diluted (RMB per share)	4(31)	0.50	0.70

The accompanying notes form an integral part of these financial statements.

Legal representative:	Principal in charge of accounting:	Head of accounting department:
GUAN Weili	WANG Hongyue	XU Qunyan

Company Income Statement

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
1. Revenue	16(4)	193,700,484	175,199,966
Less: Cost of sales	16(4)	(128,713,539)	(123,423,751)
Taxes and surcharges		(1,494,969)	(44,146)
Selling and distribution expenses		(1,162,605)	(899,171)
General and administrative expenses		(26,524,061)	(26,435,922)
Research and development expenses		(780,493)	(2,286,834)
Finance expenses – net		(5,751,653)	(2,658,066)
Including: Interest expenses		(7,510,983)	(6,705,575)
Interest income		2,934,052	4,978,222
Add: Other gains		2,957,512	5,609,404
Investment losses	16(5)	(168,461)	(772,149)
Including: Share of losses of associates		(264,831)	(634,056)
Credit impairment losses		(3,160,065)	(4,778,638)
Losses on disposal of assets		–	(16,694)
2. Operating profit		28,902,150	19,493,999
Add: Non-operating income		503,210	25,940,864
Less: Non-operating expenses		(971,105)	(8,420,553)
3. Total profit		28,434,255	37,014,310
Less: Income tax expenses		(6,597,519)	(8,986,319)
4. Net profit		21,836,736	28,027,991
Classified by continuity of operations			
Net profit from continuing operations		21,836,736	28,027,991
Net profit from discontinued operations		–	–
5. Total comprehensive income		21,836,736	28,027,991

The accompanying notes form an integral part of these financial statements.

Legal representative: GUAN Weili

Principal in charge of accounting: WANG Hongyue

Head of accounting department: XU Qunyan

Item	Note	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
1. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		411,405,749	337,771,543
Cash received relating to other operating activities		8,311,056	7,188,089
Sub-total of cash inflows		419,716,805	344,959,632
Cash paid for goods and services		(174,912,876)	(153,687,796)
Cash paid to and on behalf of employees		(162,022,960)	(137,201,128)
Payments of taxes and surcharges		(14,474,391)	(20,832,826)
Cash paid relating to other operating activities		(50,507,831)	(29,080,692)
Sub-total of cash outflows		(401,918,058)	(340,802,442)
Net cash flows from operating activities	4(32)(a)	17,798,747	4,157,190
2. Cash flows from investing activities			
Cash received from disposal of investments		30,010,000	447,095
Cash received from returns on investments		96,370	–
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		3,870,905	–
Net cash received from disposal of subsidiaries and other business units		–	1,833,758
Cash received relating to other investing activities		–	2,555,426
Sub-total of cash inflows		33,977,275	4,836,279
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(67,075,009)	(63,099,075)
Cash paid to acquire investments		(15,145,000)	(13,020,000)
Net cash paid to acquire subsidiaries and other business units		(25,593,510)	(1,246,349)
Cash paid relating to other investing activities		(2,600,000)	(3,351,048)
Sub-total of cash outflows		(110,413,519)	(80,716,472)
Net cash flows used in investing activities		(76,436,244)	(75,880,193)

Company Cash Flow Statement

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
1. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		182,347,818	167,659,842
Cash received relating to other operating activities		5,622,960	5,775,414
Sub-total of cash inflows		187,970,778	173,435,256
Cash paid for goods and services		(83,758,805)	(72,720,063)
Cash paid to and on behalf of employees		(67,550,942)	(59,764,383)
Payments of taxes and surcharges		(7,296,491)	(8,544,702)
Cash paid relating to other operating activities		(35,959,606)	(63,035,546)

Company Cash Flow Statement

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
3. Cash flows from financing activities			
Cash received from capital contributions		1,590,000	–
Cash received from borrowings		318,000,000	170,000,000
Cash received relating to other financing activities		–	–
Sub-total of cash inflows		319,590,000	170,000,000
Cash repayments of borrowings		(201,000,000)	(106,000,000)
Cash payments for distribution of dividends or interest expenses		(7,409,931)	(5,007,825)
Cash paid relating to other financing activities		(18,851,105)	(130,000)
Sub-total of cash outflows		(227,261,036)	(111,137,825)
Net cash flows from financing activities		92,328,964	58,862,175
4. Effect of foreign exchange rate changes on cash		116,743	(758,597)
5. Net increase/(decrease) in cash and cash equivalents		3,322,870	(87,864,386)
Add: Cash and cash equivalents at the beginning of the period		90,212,206	147,680,587
6. Cash and cash equivalents at the end of the period		93,535,076	59,816,201

The accompanying notes form an integral part of these financial statements.

Legal representative:	Principal in charge of accounting:	Head of accounting department:
GUAN Weili	WANG Hongyue	XU Qunyan

Consolidated Statement of Changes in Shareholders' Equity

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

	Note	Equity attributable to shareholders of the parent company						
		Share capital	Capital surplus	Less: Treasury stock	Surplus reserve	Retained earnings	Non-controlling interests	Total shareholders' equity
Balance at 1 January 2020		75,500,000	824,715,445	(21,721,144)	33,189,321	252,800,715	97,024,925	1,261,509,262
Movements for the six months ended 30 June 2020								
Total comprehensive income								
Net profit		–	–	–	–	36,409,947	(7,508,712)	28,901,235
Capital contribution and withdrawal by shareholders								
Capital contribution by shareholders		–	–	–	–	–	21,771,500	21,771,500
Share-based payment included in shareholders' equity	9	–	3,914,851	(1,590,000)	–	–	–	2,324,851
Transactions with non-controlling shareholders		–	(2,253,553)	–	–	–	(1,709,223)	(3,962,776)
Others		–	–	(14,506,364)	–	–	–	(14,506,364)
Business combination involving enterprises not under common control	5(1)	–	–	–	–	–	18,385,531	18,385,531
Balance at 30 June 2020 (Unaudited)		75,500,000	826,376,743	(37,817,508)	33,189,321	289,210,662	127,964,021	1,314,423,239

The accompanying notes form an integral part of these financial statements.

Legal representative:
GUAN Weili

Principal in charge of accounting:
WANG Hongyue

Head of accounting department:
XU Qunyan

Consolidated Statement of Changes in Shareholders' Equity

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

		Equity attributable to shareholders of the parent company						
	Note	Share capital	Capital surplus	Less: Treasury stock	Surplus reserve	Retained earnings	Non-controlling interests	Total shareholders' equity
Balance at 1 January 2019		75,500,000	827,379,886	(21,910,000)	29,981,034	210,044,608	84,277,828	1,205,273,356
Movements for the six months ended 30 June 2019								
Total comprehensive income								
Net profit		–	–	–	–	52,064,124	(6,522,893)	45,541,231
Capital contribution and withdrawal by shareholders								
Capital contribution by shareholders		–	–	–	–	–	4,245,000	4,245,000
Share-based payment included in shareholders' equity	9	–	2,688,937	–	–	–	–	2,688,937
Transactions with non-controlling shareholders		–	(12,255)	–	–	(1,452,916)	245,168	(1,220,003)
Capital withdrawal by shareholders		–	(130,000)	130,000	–	–	(2,040,163)	(2,040,163)
Others		–	(4,705,722)	–	–	–	–	(4,705,722)
Business combination involving enterprises not under common control		–	–	–	–	–	20,417,809	20,417,809
Profit distribution								
Profit distribution to shareholders	4(22)	–	–	–	–	(11,325,000)	–	(11,325,000)
Balance at 30 June 2019 (Unaudited)		75,500,000	825,220,846	(21,780,000)	29,981,034	249,330,816	100,622,749	1,258,875,445

The accompanying notes form an integral part of these financial statements.

Legal representative: GUAN Weili

Principal in charge of accounting: WANG Hongyue

Head of accounting department: XU Qunyan

Company Statement of Changes in Shareholders' Equity

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

	Note	Share capital	Capital surplus	Less: Treasury stock	Surplus reserve	Retained earnings	Total shareholders' equity
Balance at 1 January 2020		75,500,000	834,663,559	(21,721,144)	33,189,321	200,462,672	1,122,094,408
Movements for the six months ended 30 June 2020							
Total comprehensive income							
Net profit		–	–	–	–	21,836,736	21,836,736
Capital contribution and withdrawal by shareholders							
Share-based payment included in shareholders' equity	9	–	3,914,851	(1,590,000)	–	–	2,324,851
Others		–	–	(14,506,364)	–	–	(14,506,364)
Balance at 30 June 2020 (Unaudited)		75,500,000	838,578,410	(37,817,508)	33,189,321	222,299,408	1,131,749,631

The accompanying notes form an integral part of these financial statements.

Legal representative: GUAN Weili

Principal in charge of accounting: WANG Hongyue

Head of accounting department: XU Qunyan

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

1 General information

The Company was established as a joint stock cooperative enterprise under the name of Wenzhou City Kangning Psychiatric Rehabilitation Hospital (州 市 醫) in the PRC on 7 February 1996. The address of the Company's registered office is at Shengjin Road, Huanglong Residential District, Wenzhou, Zhejiang, PRC.

On 15 October 2014, the Company was converted into a joint stock limited liability company and renamed as Wenzhou Kangning Hospital Co., Ltd. (州 醫 股 公司).

The principle activities of the Company and its subsidiaries (the "Group") are operating psychiatric hospitals and providing management services to hospitals in the PRC. The Group is also engaged in property business and sales of pharmaceuticals and medical equipment.

The Company has its primary listing on the Stock Exchange of Hong Kong Limited on 20 November 2015.

Many affiliated hospitals of the Group (Note 5) entered the stage of full operation and invested in associates (Note 4(4)) and providing management services to other hospitals (Note 4(9)) to expand its medical network.

The financial statements have been approved for issue by the Company's Board of Directors-u Augustber20. (

2 Summary of significant accounting policies and accounting estimates *(continued)*

(2) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the six months ended 30 June 2020 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and company financial position of the Company as at 30 June 2020 and their financial performance, cash flows and other information for the six months ended 30 June 2020.

3 Taxation

The main categories and rates of taxes applicable to the Group are set out below:

Category	Tax rate	Tax base
Enterprise income tax	25%	Taxable income
Value added tax ("VAT") (a)	3%, 5%, 6% or 13%	Revenue
City maintenance and construction tax	7%	The amount of VAT actually paid
Educational surcharge	3%	The amount of VAT actually paid
Local educational surcharge	2%	The amount of VAT actually paid
Property tax (b)	1.2% or 12%	70% of the original value of the property or the rental income
Land use tax (c)	RMB5/m^2	

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

3 Taxation *(continued)*

(a) Pursuant to the *Circular on the Overall Promotion of Pilot Program of Levying VAT in Place of Business Tax* (Cai Shui [2016] No. 36) jointly issued by the Ministry of Finance and the State Taxation Administration, the revenue from providing medical services of the Company and its subsidiaries, Qingtian Kangning Hospital Co., Ltd. ("Qingtian Kangning Hospital"), Cangnan Kangning Hospital Co., Ltd. ("Cangnan Kangning Hospital"),Yongjia Kangning Hospital Co., Ltd. ("Yongjia Kangning Hospital"), Yueqing Kangning Hospital Co., Ltd. ("Yueqing Kangning Hospital"), Linhai Kangning Hospital Co., Ltd. ("Linhai Kangning Hospital"), Wenzhou Yining Geriatric Hospital Co., Ltd. ("Wenzhou Yining Geriatric Hospital"), Shenzhen Yining Hospital Co., Ltd. ("Shenzhen Yining Hospital"), Pingyang Kangning Hospital Co., Ltd. ("Pingyang Kangning Hospital"), Quzhou Yining Hospital Co., Ltd. ("Quzhou Yining Hospital"), Taizhou Luqiao Cining Hospital Co., Ltd. ("Luqiao Cining Hospital"), Taizhou Kangning Hospital Co., Ltd. ("Taizhou Kangning Hospital"), Wenzhou Tianzhentang Chinese Medicine Clinic Co., Ltd. ("Wenzhou Tianzhentang"), Nanjing Yining Hospital Co., Ltd. ("Nanjing Yining Hospital)", Wenling Nanfang Psychiatric Specialty Hospital Co., Ltd. ("Wenling Nanfang Hospital"), Heze Yining Psychiatric Hospital Co., Ltd. ("Heze Yining Hospital"), Guanxian Yining Hospital Co., Ltd. ("Guanxian Yining Hospital"), Hangzhou Yining Hospital Co., Ltd. ("Hangzhou Yining Hospital"), Hangzhou Cining Hospital Co., Ltd. ("Hangzhou Cining Hospital"), Beijing Yining Hospital Co., Ltd. ("Beijing Yining Hospital"), Huainan Kangning Hospital Co., Ltd. ("Huainan Kangning Hospital"), Changchun Kanglin Mental Hospital Co., Ltd. ("Changchun Kanglin Hospital"), Yining Psychology Internet Hospital (Wenzhou) Co., Ltd. ("Yining Psychology Internet Hospital") and Wenzhou Cining Hospital Co., Ltd. ("Wenzhou Cining Hospital") were exempted from VAT.

Pursuant to the relevant tax regulations, during the reporting period, revenue from judicial forensic services of the Company's subsidiary, Wenzhou Kangning Judicial Forensic Centre ("Judicial Forensic Centre") was subject to VAT with a tax rate of 3%.

Pursuant to the relevant tax regulations, since 1 May 2016, the rental income of the Company's subsidiary, Wenzhou Guoda Investment Co., Ltd. ("Wenzhou Guoda Investment"), arising from the rental of the

3 Taxation *(continued)*

(b) Pursuant to Article 10 of the *Circular of the Ministry of Finance and the State Taxation Administration on Issuing the 'Interpretations and Interim Provisions on Some Specific Issues Concerning Real Estate Tax' and the 'Interpretations and Interim Provisions on Some Specific Issues Concerning Vehicle and Vessel Use Tax'* (Cai Shui Di Zi [1986] No. 8), with regard to owner-occupied properties of various hospitals operated by enterprises, property tax may be exempted with reference to owner-occupied properties financed by the Ministry of Finance. The Company's subsidiary, Cangnan Kangning Hospital, is exempted from property tax.

(C) Pursuant to Article 7 of the *Decision of the State Council on Amending the 'Interim Regulations of the People's Republic of China on City and Town Land Use Tax*' (Order of the State Council No. 483) and the *Notice of the Ministry of Finance and the State Taxation Administration on Taxation Policies Concerning* (Cai Shui [2000] No. 42), the Company and its subsidiaries, Cangnan Kangning Hospital, Qingtian Kangning Hospital and Yongjia Kangning Hospital, enjoyed 100% exemption on urban land use tax for the year of 2020.

4 Notes to the consolidated financial statements

(1) Cash at bank and on hand

	30 June Unaudited)Audited)
Cash on hand	
	216,156,858

As at 30 June 2020, among cash at bank, there were no term deposits over three months (31 December

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements *(continued)*

(2) Accounts receivable

30 June

4 Notes to the consolidated financial statements *(continued)*

(2) Accounts receivable *(continued)*

(b) Provision for bad debts (continued)

(i) Accounts receivable for which the related provision for bad debts was provided on the grouping basis are analysed as follows:

	30 June 2020 (Unaudited)			31 December 2019 (Audited)		
	Book value	Provision for bad debts		Book value	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount	Amount	Lifetime ECL rate	Amount
Not overdue – unbilled	47,491,036	1%	474,910	23,914,808	1%	239,148
Overdue – Within 3 months	156,592,071	5%	7,829,604	151,536,144	5%	7,576,807
Within 1 year	103,173,011	6%	6,190,381	91,092,664	6%	5,465,560
1 – 2 years	53,938,972	11%	5,933,287	57,614,783	11%	6,337,626
6,337,626						

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements *(continued)*

(3) Other receivables

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Loans to third parties (i)	**21,283,500**	21,283,500
Prepayments	**16,986,493**	15,572,012
Due from related parties (Note 8(5)(a))	**23,134,182**	17,519,719
Deposits and guarantees (ii)	**13,239,459**	7,535,390
Others	**14,912,494**	13,555,160
	89,556,128	75,465,781
Less: Provision for bad debts	**(12,712,846)**	(12,148,415)
	76,843,282	63,317,366

(i) As at 30 June 2020, the amounts that the Company lent to the Pujiang Hospital and Chun'an Hospital were RMB14,023,500 and RMB7,260,000 respectively (31 December 2019: RMB14,023,500 and RMB7,260,000), with an interest rate of 7.2% per annum.

(ii) Deposits and guarantees mainly include the earnest money of RMB5,000,000 (31 December 2019: Nil) paid by the Group to acquire the land use rights for the construction of hospitals, and the rest are housing lease deposits.

4 Notes to the consolidated financial statements *(continued)*

(3) Other receivables *(continued)*

Provision for losses and changes in balance statement

	Stage 1		Stage 3		
	12-month ECL (on the grouping basis)		Lifetime ECL (Credit-impaired)		Total
	Book value	Provision for bad debts	Book value	Provision for bad debts	Provision for bad debts
31 December 2019 (Audited)	65,490,496	3,119,215	9,975,285	9,029,200	12,148,415
Increase in the current period	14,090,347	564,431	–	–	564,431
30 June 2020 (Unaudited)	79,580,843	3,683,646	9,975,285	9,029,200	12,712,846

(i) As at 30 June 2020, for other receivables at Stage 1, the related provision for bad debts was analysed below:

	Book value	12-month ECL rate	Provision for bad debts
Provided on the grouping basis:			
Loans to third parties	21,283,500	7%	1,489,845
Prepayments	7,011,208	7%	490,785
Due from related parties	23,134,182	5%	1,156,708
Deposit and guarantee	13,239,459	3%	397,183
Others	14,912,494	1%	149,125
	79,580,843		3,683,646

(ii) As at 30 June 2020, the Group did not have any other receivables at Stage 2.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements *(continued)*

(3) Other receivables *(continued)*

Provision for losses and changes in balance statement (continued)

(iii) As at 30 June 2020, for other receivables at Stage 3, the related provision for bad debts was analysed below:

	Book value	Lifetime ECL rate	Provision for bad debts
Provided on the individual basis:			
Yanjiao Furen Hospital i)	7,819,170	100%	7,819,170
Xiong Guoxiu and Min Honggen ii)	2,156,115	56%	1,210,030
Total	9,975,285		9,029,200

i) The amount was prepayments made by the Group on behalf of Yanjiao Furen Hospital in prior years. The organiser of Yanjiao Furen Hospital requested in May 2019 to unilaterally terminate the management service agreement between the Group and Yanjiao Furen Hospital, and filed a lawsuit against the Group in June 2019. As at 30 June 2020, the lawsuit was still in the trial process in the court. Management of the Group believed that such receivable was in Stage 3, and provision for bad debts was made for the receivable on individual basis.

ii) The amount was house rental paid by the Group in the prior years. The Group then requested to terminate the contract and asked the other party to refund the rental paid. As at 30 June 2020, the lawsuit was still in the trial process in the court. Management of the Group believed that such receivable was in Stage 3, and provision for bad debts was made for the receivable on individual basis.

4 Notes to the consolidated financial statements *(continued)*

(4) Long-term equity investments

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Associates	**94,068,266**	89,943,193
Less: Provision for impairment of long-term equity investments	**–**	–
	94,068,266	89,943,193

There is no significant restriction on sales of long-term equity investments held by the Group.

Associates

	31 December 2019 (Audited)	Increase in investment	Share of net profit/(loss) under equity method	30 June 2020 (Unaudited)
Hangzhou Anken Information Technology Co., Ltd. ("Hangzhou Anken Information Technology")	6,957,455	5,000,000	(83,715)	**11,873,740**
Chongqing Hechuan Kangning Hospital Co., Ltd. ("Hechuan Kangning")	16,834,840	–	114,422	**16,949,262**
Shaanxi Shanda Hospital Management Co., Ltd. ("Shaanxi Shanda")	25,127,410	–	165,571	**25,292,981**
Chengdu Yining Hospital Co., Ltd. ("Chengdu Yining")	14,082,805	–	(973,594)	**13,109,211**
Hangzhou Anken Medical Management Consulting Co., Ltd. ("Hangzhou Anken Consulting")	26,791,021	–	(181,116)	**26,609,905**
Hangzhou Yining Mental Health Management Co., Ltd. ("Hangzhou Yining")	149,662	45,000	(61,495)	**133,167**
Wenzhou Longwan Yining Hospital Co., Ltd.	–	100,000	–	**100,000**
	89,943,193	5,145,000	(1,019,927)	**94,068,266**

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements *(continued)*

4 Notes to the consolidated financial statements *(continued)*

(6) Fixed assets

	Buildings	Medical equipment	Motor vehicles	Electronic equipment and other equipment	Total
Cost					
31 December 2019 (Audited)	523,768,640	99,785,667	7,020,156	51,692,525	682,266,988
Increase in the current period					
Business combination involving enterprises not under common control (Note 5(1)(c))	–	2,403,772	185,398	1,562,453	4,151,623
Purchase	1,744,682	5,674,864	592,315	1,859,014	9,870,875
Decrease in the current period					
Disposal and retirement	–	(109,790)	(310,484)	(2,074,990)	(2,495,264)
Others (i)	(20,916,903)	–	–	–	(20,916,903)
30 June 2020 (Unaudited)	**504,596,419**	**107,754,513**	**7,487,385**	**53,039,002**	**672,877,319**
Accumulated depreciation					
31 December 2019 (Audited)	44,009,439	51,332,068	3,355,758	31,078,921	129,776,186
Increase in the current period					
Business combination involving enterprises not under common control (Note 5(1)(c))	–	881,641	69,524	948,391	1,899,556
Provision	8,938,620	8,204,393	421,905	4,102,598	21,667,516
Decrease in the current period					
Disposal and retirement	–	(104,301)	(294,960)	(1,951,448)	(2,350,709)
30 June 2020 (Unaudited)	**52,948,059**	**60,313,801**	**3,552,227**	**34,178,462**	**150,992,549**
Carrying amount					
30 June 2020 (Unaudited)	**451,648,360**	**47,440,712**	**3,935,158**	**18,860,540**	**521,884,770**
31 December 2019 (Audited)	479,759,201	48,453,599	3,664,398	20,613,604	552,490,802

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements *(continued)*

(6) Fixed assets *(continued)*

(i) The Company's reconstruction and expansion project that was ready for its intended use but had not yet gone through the final settlement in September 2017, the cost of fixed assets was recognised based on the provisional estimate value of RMB260,937,175 in the *Auditing and consulting report of renovation and expansion project* issued by China Construction Bank Co., Ltd. Wenzhou Branch, and the depreciation was made accordingly. The Company had a dispute over the settlement amount with the main contractor of the project, and filed a lawsuit against the company in September, 2018.In May 2020, According to the judgment of the People's Court in Wenzhou Lucheng District on the settlement amount of project payment between our company and the main contractor of the project and the settlement result of the completion of the renovation and expansion project,the final settlement amount was RMB240,020,272, and the difference of RMB20,916,903 was deducted from the cost of fixed assets.

For the six months ended 30 June 2020, the depreciation of fixed assets amounted to RMB21,667,516 (for the six months ended 30 June 2019: RMB16,566,550), of which the amounts charged to cost of sales, general and administrative expenses, research and development expenses and selling and distribution expenses were RMB18,248,544, RMB3,199,936, RMB151,988 and RMB67,048 (for the six months ended 30 June 2019: RMB12,432,359, RMB3,798,539, RMB314,045 and RMB21,607) respectively.

As at 30 June 2020, the Group's buildings with a carrying amount of RMB27,078,664 (a cost of RMB29,174,349) (31 December 2019: a carrying amount of RMB27,459,436 and a cost of RMB29,174,349) were pledged as collateral for short-term borrowings of RMB0 (31 December 2019: RMB0) (Note 4(14)).

4 Notes to the consolidated financial statements *(continued)*

(7) Construction in progress

(i) Movements in construction in progress

	31 December 2019 (Audited)	Increase in the current period	Transfer to long-term prepaid expenses in the current period (Note 4(11))	30 June 2020 (Unaudited)	Accumulative amount of capitalised borrowing costs	Including: Borrowing costs capitalised in the current period	Capitalisation rate
The decoration and renovation project of Cangnan Kangning Hospital Qiaodun Branch	1,207,000	2,852,974	(546,906)	3,513,068	–	–	–
The project of Wenzhou Kangning Hospital training center	–	1,636,042	(432,568)	1,203,474	–	–	–
The decoration project of Wenzhou Yining Geriatric Hospital	–	3,778,380	(914,954)	2,863,426	–	–	–
The decoration project of Qingtian Kangning Hospital	30,249,345	11,081,586	–	41,330,931	1,157,232	619,664	4.65%
The project of Yongjia Kangning Hospital	29,233,177	11,669,426	–	40,902,603	1,532,297	990,257	5.00%
The decoration project of Huainan Kangning Hospital	2,266,242	459,239	–	2,725,481	–	–	–
The decoration project of Wenling Nanfang Hospital	4,549,027	1,639,181	–	6,188,208	–	–	–
The decoration project of Taizhou Luqiao Cining Hospital	435,955	53,293	–	489,248	–	–	–
The decoration project of Nanjing Yining Hospital	2,959,502	1,565,610	–	4,525,112	–	–	–
Others	1,280,372	1,486,262	(1,253,112)	1,513,522	–	–	–
	72,180,620	36,221,993	(3,147,540)	105,255,073	2,689,529	1,609,921	–

As at 30 June 2020 and 31 December 2019, management of the Group considered that there did not exist the objective evidence that indicated the construction in progress was impaired and no provision for impairment was required.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

(8) Right-of-use assets

	Buildings

4 Notes to the consolidated financial statements *(continued)*

(9) Intangible assets

	Land use rights	Software	Contractual right to provide management services	Licences	Total
Cost					
31 December 2019 (Audited)	36,459,940	9,570,719	51,907,413	55,837,000	153,775,072
Increase in the current period	–	450,000	–	–	450,000
Business combination involving enterprises not under common control (Note 5(1)(c))	–	762,950	–	33,560,000	34,322,950
30 June 2020 (Unaudited)	**36,459,940**	**10,783,669**	**51,907,413**	**89,397,000**	**188,548,022**
Accumulated amortisation					
31 December 2019 (Audited)	5,097,997	5,476,949	6,744,678	6,157,320	23,476,944
Provision in the current period	364,718	787,906	1,117,384	3,909,243	6,179,251
Business combination involving enterprises not under common control (Note 5(1)(c))	–	248,031	–	–	248,031
30 June 2020 (Unaudited)	**5,462,715**	**6,512,886**	**7,862,062**	**10,066,563**	**29,904,226**
Carrying amount					
30 June 2020 (Unaudited)	**30,997,225**	**4,270,783**	**44,045,351**	**79,330,437**	**158,643,796**
31 December 2019 (Audited)	31,361,943	4,093,770	45,162,735	49,679,680	130,298,128

For the six months ended 30 June 2020, the amortisation of intangible assets amounted to RMB6,179,251 (for the six months ended 30 June 2019: RMB5,695,740), of which the amounts of amortisation expenses charged to cost of sales and general and administrative expenses were RMB5,223,160 and RMB956,091 (for the six months ended 30 June 2019: RMB4,816,318 and RMB879,422) respectively.

As at 30 June 2020 and 31 December 2019, the Group had no intangible assets pledged.

As at 30 June 2020 and 31 December 2019, management of the Group assessed that no impairment loss should be recognised for intangible assets.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements *(continued)*

(10) Goodwill

	31 December 2019 (Audited)	Increase in the current period (Note 5)	30 June 2020 (Unaudited)
Goodwill -			
Wenzhou Guoda Investment	8,533,389	–	**8,533,389**
Wenling Nanfang Hospital	7,784,850	–	**7,784,850**
Nanjing Yining Hospital	9,271,800	–	**9,271,800**
Beijing Yining Hospital	22,987,331	–	**22,987,331**
Huainan Kangning Hospital	5,068,960	–	**5,068,960**
Changchun Kanglin Mental Hospital Co., Ltd. (“Changchun Kanglin Hospital”)	6,843,289	–	**6,843,289**
Wenzhou Cining Hospital	–	8,987,993	**8,987,993**
Others	2,390,403	–	**2,390,403**
Sub-total	62,880,022	8,987,993	**71,868,015**
Less: Provision for impairment	(8,533,389)	–	**(8,533,389)**
	54,346,633	8,987,993	**63,334,626**

All goodwill of the Group has been allocated to the related asset groups or groups of asset groups on the day of purchase, which is summarised by operating segments as follows:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Healthcare service segment		
Nanjing Yining Hospital	**9,271,800**	9,271,800
Wenling Nanfang Hospital	**7,784,850**	7,784,850
Beijing Yining Hospital	**22,987,331**	22,987,331
Huainan Kangning Hospital	**5,068,960**	5,068,960
Changchun Kanglin Hospital	**6,843,289**	6,843,289
Wenzhou Cining Hospital	**8,987,993**	–
Others	**2,390,403**	2,390,403
	63,334,626	54,346,633

4 Notes to the consolidated financial statements *(continued)*

(10) Goodwill *(continued)*

In conducting the impairment test of goodwill, the Group compares the carrying amount of the related asset groups or groups of asset groups (including goodwill) with the recoverable amount. If the recoverable amount is lower than the carrying amount, the difference shall be recognised in profit or loss for the current year. The Group's goodwill allocation remained unchanged for the six months ended 30 June 2020.

(11) Long-term prepaid expenses

	31 December 2019 (Audited)	Business combination involving enterprises not under common control (Note 5(1)(c))	Increase in the current period – Transfer from construction in progress (Note 4(7))	Amortisation in the current period	30 June 2020 (Unaudited)
Leasehold improvements	150,666,114	3,106,867	3,147,540	(16,711,132)	140,209,389
Others	417,200	–	–	(39,600)	377,600
	151,083,314	3,106,867	3,147,540	(16,750,732)	140,586,989

(12) Other non-current assets

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Prepayments for fixed assets and projects	2,671,523	1,791,629
Prepayments for investments (i)	16,230,000	–
Prepayments for land (ii)	13,450,000	–
	32,351,523	1,791,629

(i) Prepayments for investments included RMB6.23 million of equity transfer consideration prepaid by the Group to the natural person of Wenling Nanfang Hospital, and RMB10 million of equity transfer consideration prepaid to Wenzhou Jiufu Investment Co., Ltd., a shareholder of Pingyang Changgeng Hospital Co., Ltd.

(ii) Prepayments for land were the prepayments paid by the Group to acquire the land use rights for the construction of hospitals. As at 30 June 2020, the Group has not obtained any land use right certificate.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements *(continued)*

(13) Provision for assets impairment

	31 December 2019 (Audited)	Business combination involving enterprises not under common control	Increase in the current period	Decrease in the current period		30 June 2020 (Unaudited)
				Recovery	Written-off	
Provision for bad debts in accounts receivable	27,903,603	554,025	15,548,219	–	(5,121,931)	**38,883,916**
Other provision for bad debts in accounts receivable	12,148,415	–	564,431	–	–	**12,712,846**
Provision for goodwill impairment	8,533,389	–	–	–	–	**8,533,389**
	48,585,407	554,025	16,112,650	–	(5,121,931)	**60,130,151**

(14) Short-term borrowings

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Guaranteed borrowings (Note 8(4)(f)) (i)	**332,500,000**	250,000,000
Pledged borrowings (ii)	**–**	–
	332,500,000	250,000,000

4 Notes to the consolidated financial statements *(continued)*

(14) Short-term borrowings *(continued)*

(i) As at 30 June 2020, the guaranteed borrowing amou474 43]TJyMB280,000,000 (3 Doecember16()]TJ10Tc

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements *(continued)*

(15) Accounts payable

The ageing of accounts payable by recording date is analysed as follows:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Within 3 months	54,973,453	65,881,555
3 – 6 months	5,224,098	7,479,995
6 – 12 months	2,277,029	1,381,101
1 – 2 years	578,371	506,880
2 – 3 years	276,874	94,816
Over 3 years	235,714	210,613
	63,565,539	75,554,960

(16) Current portion of non-current liabilities

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Current portion of long-term borrowings (Note 4(17))	40,500,000	40,000,000
Current portion of lease liabilities (Note 4(18))	24,173,557	27,053,218
Current portion of long-term payables (Note 4(19))	1,380,000	12,688,704
	66,053,557	79,741,922

4 Notes to the consolidated financial statements *(continued)*

(17) Long-term borrowings

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Guaranteed borrowings (i)	**123,000,000**	60,000,000
Pledged borrowings (ii)	**18,000,000**	–
Less: Current portion of long-term borrowings (Note 4(16))		
Guaranteed borrowings	**(40,500,000)**	(40,000,000)
	100,500,000	20,000,000

(i) As at 30 June 2020, the guaranteed borrowing amounting to RMB39,000,000 (31 December 2019: RMB40,000,000) was guaranteed by Guan Weili, Wang Lianyue and Wang Hongyue, the shareholders of the Company (Note 8(4)(f)). The loan term was from 5 January 2016 to 5 January 2021, and the principal will be repaid in 2021.

As at 30 June 2020, the guaranteed borrowing amounting to RMB34,000,000 (31 December 2019: RMB20,000,000) was guaranteed by the Company, Guan Weili, Wang Lianyue and Wang Hongyue, the shareholders of the Company, and Xu Yi, a related individual (Note 8(4)(f)). The loan term was from 20 August 2019 to 20 August 2029, and the principal will be repaid starting from 2021.

As at 30 June 2020, the guaranteed borrowing amounting to RMB20,000,000 (31 December 2019: Nil) was guaranteed by the Company and its shareholders Guan Weili, Wang Lianyue and Wang Hongyue (Note 8(4)(f)). The loan term was from 16 April 2020 to 15 April 2023.

As at 30 June 2020, the guaranteed borrowing amounting to RMB30,000,000 (31 December 2019: Nil) was guaranteed by the Company, its shareholders Guan Weili, Wang Lianyue and Wang Hongyue, and Xu Yi, a related individual (Note 8(4)(f)). The loan term was from 31 December 2019 to 31 December 2024, and the principal will be repaid starting from 2022.

(ii) As at 30 June 2020, the pledged borrowing amounting to RMB18,000,000 (31 December 2019: Nil) was pledged by 53.33% equity of Wenzhou Cining Hospital with a total value of RMB30,000,000 (Note 8(4)(f)). The loan term was from 30 June 2020 to 20 June 2027, and the principal will be repaid starting from 2022.

As at 30 June 2020, the weighted average interest rate for long-term borrowings was 5.01% (31 December 2019: 4.95%).

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements *(continued)*

(18) Lease liabilities

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Lease liabilities	**210,186,889**	210,861,369
Less: Current portion of lease liabilities (Note 4(16))	**(24,173,557)**	(27,053,218)
	186,013,332	183,808,151

As at 30 June 2020, the Group had no items that were not included in lease liabilities but would lead to potential cash outflows in the future.

As at 30 June 2020, the Group had no lease payments of lease contracts that had been signed but had not yet been performed.

(19) Long-term payables

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Guarantee payable (i)	**–**	12,688,704
Payables to related party (Note 8(5)(b))	**1,960,000**	2,260,000
	1,960,000	14,948,704
Less: Current portion of long-term payables	**(1,380,000)**	(12,688,704)
	580,000	2,260,000

4 Notes to the consolidated financial statements *(continued)*

(20) Share capital

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Share capital	**75,500,000**	75,500,000

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements *(continued)*

(22) Retained earnings

	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
Retained earnings at the beginning of the period	**252,800,715**	210,044,608
Add: Net profit attributable to shareholders of the parent company for the current period	**36,409,947**	52,064,124
Ordinary share dividends payable (i)	**–**	(11,325,000)
Transactions with non-controlling shareholders	**–**	(1,452,916)
Retained earnings at the end of the period	**289,210,662**	249,330,816

(i) Pursuant to the resolution of the shareholders' meeting dated 18 June 2020, the Company did not declare cash dividends of 2019.

(23) Revenue and cost of sales

	For the six months ended 30 June 2020 (Unaudited)		For the six months ended 30 June 2019 (Unaudited)
	Revenue	**Cost**	Revenue

4 Notes to the consolidated financial statements *(continued)*

(23) Revenue and cost of sales *(continued)*

(a) Revenue and cost of sales from main businesses

	For the six months ended 30 June 2020 (Unaudited)		For the six months ended 30 June 2019 (Unaudited)	
	Revenue	Cost	Revenue	Cost
Pharmaceutical sales	101,134,489	86,044,257	96,629,883	82,628,810
Treatments and general healthcare services	337,751,259	237,418,788	263,579,519	197,304,478
	438,885,748	323,463,045	360,209,402	279,933,288

(b) Revenue and cost of sale from other businesses

	For the six months ended 30 June 2020 (Unaudited)		For the six months ended 30 June 2019 (Unaudited)	
	Revenue	Cost	Revenue	Cost
Property sales	3,870,905	3,727,800	–	–
Management service	11,263,399	3,529,618	12,800,139	6,073,089
Rental income	3,277,376	–	3,419,745	–
Pharmaceuticals and medical equipment sales	5,814,571	5,317,089	–	–
Others	2,038,453	827,202	2,481,005	875,806
	26,264,704	13,401,709	18,700,889	6,948,895

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements *(continued)*

(24) Expenses by nature

The cost of sales, selling and distribution expenses, general and administrative expenses and research and development expenses in the income statement are listed as follows by nature:

	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
Employee benefits	149,480,704	128,148,366
Pharmaceuticals and turnover materials consumed	116,661,313	102,806,511
Property sale cost	3,727,800	–
Depreciation of fixed assets	21,667,516	16,566,550
Depreciation of right-of-use assets	15,427,246	14,119,451
Amortisation of intangible assets	6,179,251	5,695,740
Amortisation of long-term prepaid expenses	16,750,732	16,951,842
Housing lease and property management expenses	2,313,594	136,523
Canteen expenditure	19,946,526	16,576,520
Utilities	8,289,961	8,792,923
Outsourcing expenses	6,887,683	3,989,592
Testing fee	11,646,744	7,806,657
Consulting expense	2,844,300	4,358,631
Promotion expenses	1,478,600	2,553,335
Travelling expenses	1,827,856	3,058,517
Office expenses	2,709,492	3,633,190
Share-based payment (Note 9)	2,324,851	2,688,937
Others	7,674,164	8,670,074
	397,838,333	346,553,359

4 Notes to the consolidated financial statements *(continued)*

(25) Finance expenses – net

	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
Borrowing interest expense	10,775,637	6,178,854
Less: Capitalised interest (Note 4(7))	(1,609,921)	(2,658,449)
Add: Interest expenses on lease liabilities	4,920,913	5,706,426
Amortisation of unrecognised financial charge	–	1,841,300
Interest expenses	14,086,629	11,068,131
Less: Interest income	(2,454,371)	(1,925,426)
Exchange losses/(gains)	(125,084)	758,597
Others	339,022	297,572
	11,846,196	10,198,874

(26) Investment losses/(gains)

	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
Share of net profit or loss of investees under the equity method (Note 4(4))	1,019,927	2,525,317
Investment income from disposal of long-term equity investment	–	(26,074,390)
Interest from structured deposit	(96,370)	–
	923,557	(23,549,073)

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements *(continued)*

(27) Credit impairment losses

	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
Credit impairment losses for accounts receivable	15,548,219	5,767,900
Credit impairment losses for other receivables	564,431	4,963,016
Total	16,112,650	10,730,916

(28) Non-operating income

	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
Government grants	30,000	50,000
Gains from derecognition of contractual rights of management service provision for Yanjiao Furen Hospital	–	25,666,158
Others	534,961	722,524
	564,961	26,438,682

4 Notes to the consolidated financial statements *(continued)*

(29) Non-operating expenses

	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
Donation to charities	2,626,606	989,531
Medical liability compensation	157,912	52,290
Disposal of long-term prepaid expenses	–	8,418,374
Disposal of construction in progress	–	4,822,119
Others	250,546	188,336
	3,035,064	14,470,650

(30) Income tax expenses

	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
Current income tax calculated based on tax regulations and relevant regulations	23,778,834	14,824,769
Deferred income tax	(13,276,086)	(7,704,851)
	10,502,748	7,119,918

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements *(continued)*

(30) Income tax expenses *(continued)*

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated income statement to the income tax expenses is listed below:

	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
Total profit	**39,403,983**	52,661,149
Income tax expenses calculated at the effect tax rate of 25%	**9,850,996**	13,165,287
Expenses not deductible for income tax purposes	**579,650**	1,158,271
Filing difference for the previous period	**121,674**	119,184
Additional deduction of research and development expenses	**(490,212)**	(431,227)
Income not subject to tax	**–**	(318,561)
Deductible losses of unrecognised deferred tax asset	**440,640**	51,944
Temporary difference of current unrecognised deferred tax liability and related to investment of subsidiary	**–**	(6,624,980)
Income tax expenses	**10,502,748**	7,119,918

(31) Earnings per share

(a) Basic earnings per share

	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
Consolidated net profit attributed to the ordinary shareholders of the parent company (RMB Yuan) (i)	**36,409,947**	52,064,124
Weighted average number of outstanding ordinary shares of the Company (number of shares) (i)	**72,769,749**	73,040,000
Basic earnings per share (RMB per share)	**0.50**	0.71

4 Notes to the consolidated financial statements *(continued)*

(31) Earnings per share *(continued)*

(a) Basic earnings per share (continued)

(i) As stated in Note 9, following the approval by the shareholders at the general meeting on 13 June 2018, the Company issued 2,460,000 ordinary shares for a share incentive plan. As these stocks are regarded as treasury stocks, according to *Interpretation of Accounting Standard for Business Enterprises No. 7*, 2,460,000 restricted shares were deducted from the outstanding ordinary shares of the Company when calculate the basic earnings per share for the six months ended 30 June 2020.

For the six months ended June 30, 2020, the Company has repurchased a total of 899,700 shares from the trading market, with ordinary shares held as treasury stocks for the above repurchasing purpose deducted from the outstanding ordinary shares of the Company.

(b) Diluted earnings per share

Diluted earnings per share were calculated by the consolidated net profit attributed to the ordinary shareholders of the parent company adjusted by the dilutive potential ordinary shares divided by the adjusted weighted average number of outstanding ordinary shares. For the six months ended 30 June 2020, the consolidated net profit attributed to the ordinary shareholders of the parent company adjusted by the dilutive potential ordinary shares was RMB36,409,947, the adjusted weighted average number of outstanding ordinary shares was 73,034,363. The diluted earnings per share amounted to RMB0.50. For the six months ended 30 June 2019, the consolidated net profit attributed to the ordinary shareholders of the parent company adjusted by the dilutive potential ordinary shares was RMB52,064,124, the adjusted weighted average number of outstanding ordinary shares was 73,915,743. The diluted earnings per share amounted to RMB0.70.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements *(continued)*

(32) Supplementary information to the cash flow statements

(a) Supplementary information to the cash flow statements

Reconciliation from net profit to cash flows from operating activities

	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
Net profit	28,901,235	45,541,231
Credit impairment losses	16,112,650	10,730,916
Depreciation of fixed assets	21,667,516	16,566,550
Depreciation of right-of-use assets	15,427,246	14,119,451
Interest expenses on lease liabilities	4,920,913	5,706,426
Amortisation of intangible assets	6,179,251	5,695,740
Amortisation of long-term prepaid expenses	16,750,732	16,951,842
(Gains)/Losses on disposal of fixed assets, intangible assets and other long-term assets	(143,105)	18,587
Gains from derecognition of contractual rights of management service provision for Yanjiao Furen Hospital	–	(25,666,158)
Losses on disposal of long-term prepaid expense and construction in progress	–	13,240,493
Financial expenses	9,048,973	4,194,874
Investment losses/(gains)	923,557	(23,549,073)
Share-based payment expenses	2,324,851	2,688,937
Decrease in deferred income	(151,896)	(151,896)
Increase in deferred tax assets	(9,711,564)	(7,271,877)
Decrease in deferred tax liabilities	(3,564,522)	(432,974)
Increase in inventories	(9,447,276)	(2,043,890)
Increase in operating receivables	(63,233,008)	(39,451,211)
Decrease in operating payables	(18,206,806)	(32,730,778)
Net cash flows from operating activities	17,798,747	4,157,190

4 Notes to the consolidated financial statements *(continued)*

(32) Supplementary information to the cash flow statements *(continued)*

(a) Supplementary information to the cash flow statements (continued)

Significant non-cash transactions in relation to investing and financing activities

For the six months ended 30 June 2020, significant non-cash transactions in relation to investing and financing activities are listed as follows:

	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
Right-of-use assets increased in the current period (Note 4(8))	33,480,658	234,963,917

Net movement in cash

	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
Cash balance at the end of the period	201,376,292	88,643,935
Less: Cash balance at the beginning of the period	(164,951,950)	(187,066,694)
Net increase/(decrease) in cash	36,424,342	(98,422,759)

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 Notes to the consolidated financial statements *(continued)*

(32) Supplementary information to the cash flow statements *(continued)*

(b) Acquisition of subsidiaries

	For the six months ended 30 June 2020 (Unaudited)
Cash and cash equivalents paid for business combination in the current period	30,000,000
Less: Cash and cash equivalents held by subsidiaries on the date of purchase	(4,406,490)
Net cash paid for acquisition of subsidiaries	25,593,510

(c) Net assets on the date of purchase of subsidiaries for the six months ended 30 June 2020

Current assets	11,605,639
Non-current assets	40,433,854
Current liabilities	(4,251,955)
Non-current liabilities	(8,390,000)

(d) Cash and cash equivalents

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Cash		
Including: Cash on hand	280,998	459,334
Bank deposits that can be readily drawn on demand	200,782,938	164,299,394
Other cash balances that can be readily drawn on demand	312,356	193,222
Cash at the end of the period/year	201,376,292	164,951,950

4 Notes to the consolidated financial statements *(continued)*

(32) Supplementary information to the cash flow statements *(continued)*

(d) Cash and cash equivalents (continued)

As at 30 June 2020, there were no term deposits over three months in the bank deposits (31 December 2019: RMB10,000), and the restricted cash in the bank deposits was RMB11,068,600 (31 December 2019: RMB11,068,600), which was property preservation applied by Yanjiao Furen Hospital. As at 30 June 2020, the restricted cash in the other cash balances was RMB3,711,966 (31 December 2019: Nil), which represented the amount excursively for share repurchase.

5. Changes in the consolidation scope

The wholly-owned subsidiary Yining Psychology Internet Hospital (Wenzhou) Co., Ltd. was set up on 10 March 2020 by Zhejiang Yining Health Technology Co., Ltd. ("Zhejiang Yining Health") (a subsidiary of the Group) with a registered capital of RMB5 million.

The wholly-owned subsidiary Wenzhou Yining Pharmacy was set up on 22 January 2020 by Zhejiang Yining Health (a subsidiary of the Group) with a registered capital of RMB0.5 million.

The Company and Wenzhou Rongsheng Business Management Co., Ltd. ("Wenzhou Rongsheng") jointly established Wenzhou Lucheng Yining Hospital Co., Ltd. on 2 April 2020. The registered capital was RMB50 million, of which RMB30 million and RMB20 million were contributed by the Company and Wenzhou Rongsheng respectively.

On 23 March 2020, the subsidiary of the Group Zhejiang Kangning entered into an equity transfer agreement with the natural person of Huainan Kangning Hospital to purchase 30% of the shares of Huainan Kangning Hospital at a consideration of RMB3.7 million. The Group held 95% of the shares of Huainan Kangning Hospital upon the completion of the transaction.

On 25 May 2020, the Company entered into an equity transfer agreement with institutional shareholder Ningbo Meishan Bonded Area Kuanzhan Investment Management Partnership (Limited Partnership) ("Kuanzhan Investment") and Ningbo Meishan Bonded Area Kuansheng Management Co., Ltd. ("Kuansheng Investment") to purchase 52.95% of the shares of Kuanzhan Investment and 0.38% of the shares of Kuansheng Investment at the considerations of RMB29.78 million and RMB0.22 million respectively. The total equity transfer consideration amounted to RMB30 million. The Group held 53.33% of the shares of Wenzhou Cining Hospital in total upon the completion of the transaction.

The paid-in capital of the subsidiaries is detailed in Note 16(3).

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

5. Changes in the consolidation scope *(continued)*

(1) Business combinations involving enterprises not under common control

(a) Business combinations involving enterprises not under common control in the current period

Acquiree	Date of acquisition	Purchase consideration	% of equity interest	Date of purchase	Basis for determination of date of acquisition	Revenue of the acquiree from the date of purchase to the end of the period	Net profit of the acquiree from the date of purchase to the end of the period	Cash flows from operating activities of the acquiree from the date of purchase to the end of the period	Net cash flows of the acquiree from the date of purchase to the end of the period
Wenzhou Cining Hospital	31 May 2020	30,000,000	53.33%	31 May 2020	Transaction was completed	2,910,675	272,600	(17,450,787)	(2((17,450,787))Tj [illegible]

5. Changes in the consolidation scope *(continued)*

(1) Business combinations involving enterprises not under common control *(continued)*

(c) The assets and liabilities of the acquiree at the date of purchase are listed as below:

(i) Wenzhou Cining Hospital

	Fair value at the date of purchase	Carrying amount at the date of purchase	Carrying amount as at 31 December 2019
Cash at bank and on hand	4,406,490	4,406,490	7,850,995
Receivables	6,031,047	6,031,047	4,080,244
Inventories	842,596	842,595	1,190,038
Prepayment	–	–	31,483
Fixed assets	2,252,067	2,252,068	2,356,833
Intangible assets	34,074,919	514,919	576,469
Long-term prepaid expenses	3,106,867	3,106,867	3,403,757
Other receivables	1,d(.-35.es)Tj20.119 0 he 11.5 3abl2ueceivable g7.8receivab		

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

6. Interests in other entities

(1) Interests in subsidiaries

(a) Structure of the Group

Name of the subsidiaries/units	Type of entity	Major business location	Place of registration	Nature of business	Shareholding (%)		Method of acquisition
					Direct	Indirect	
Qingtian Kangning Hospital	LLC	Qingtian	Qingtian	Medical service	100.00%	–	Incorporation
Cangnan Kangning Hospital	LLC	Cangnan	Cangnan	Medical service	100.00%	–	Incorporation
Yongjia Kangning Hospital	LLC	Yongjia	Yongjia	Medical service	100.00%	–	Incorporation
Yueqing Kangning Hospital	LLC	Yueqing	Yueqing	Medical service	100.00%	–	Incorporation
Linhai Kangning Hospital	Other LLC	Linhai	Linhai	Medical service	80.00%	–	Incorporation
Langfang Yining Hospital ("Langfang Yining")	LLC	Langfang	Langfang	Hospital management	100.00%	–	Incorporation
Zhejiang Huangfeng Co., Ltd.	LLC	Hangzhou	Hangzhou	Hospital management	66.00%	–	Asset acquisition
Judicial Forensic Centre		Wenzhou	Wenzhou	Forensic authentication	100.00%	–	Incorporation
Shenzhen Yining Medical Investment ("Shenzhen Yining Investment")	LLC	Shenzhen	Shenzhen	Investment	100.00%	–	Incorporation
Shenzhen Yining Hospital	LLC	Shenzhen	Shenzhen	Medical service	–	55.00%	Incorporation
Zhejiang Kangning	LLC	Ningbo	Ningbo	Hospital management	100.00%	–	Incorporation
Hangzhou Yining Hospital	LLC	Hangzhou	Hangzhou	Medical service	–	60.00%	Incorporation
Quzhou Yining Hospital	LLC	Quzhou	Quzhou	Medical service	–	60.00%	Incorporation
Wenzhou Yining Geriatric Hospital	LLC	Wenzhou	Wenzhou	Medical service	–	100.00%	Incorporation
Pingyang Kangning Hospital	LLC	Pingyang	Pingyang	Medical service	–	100.00%	Incorporation
Taizhou Kangning Hospital	LLC	Taizhou	Taizhou	Medical service	–	51.00%	Incorporation
Wenzhou Guoda Investment	LLC	Wenzhou	Wenzhou	Properties	–	75.00%	Asset acquisition
Luqiao Cining Hospital	Other LLC	Taizhou	Taizhou	Medical service	–	51.00%	Incorporation
Yiwu Kangning Hospital Management	LLC	Yiwu	Yiwu	Hospital management	–	100.00%	Incorporation
Hangzhou Cining Hospital	LLC	Hangzhou	Hangzhou	Medical service	–	100.00%	Incorporation
Wenzhou Tianzhentang	One-person LLC	Wenzhou	Wenzhou	Medical service	–	100.00%	Incorporation

6. Interests in other entities *(continued)*

(1) Interests in subsidiaries *(continued)*

(a) Structure of the Group (continued)

Name of the subsidiaries/units	Type of entity	Major business location	Place of registration	Nature of business	Shareholding (%)		Method of acquisition
					Direct	Indirect	
Beijing Yining Hospital	Other LLC	Beijing	Beijing	Medical service	–	51.00%	Asset acquisition
Wenzhou Yixin Health Technology Co., Ltd.	LLC	Wenzhou	Wenzhou	Health technology service	–	100.00%	Asset acquisition
Huainan Kangning Hospital Co., Ltd.	Other LLC	Huainan	Huainan	Medical service	–	95.00%	Asset acquisition
Hangzhou Yining Mental Health Management Co., Ltd.	LLC	Hangzhou	Hangzhou	Medical service	–	30.00%	Asset acquisition
Hangzhou Yelimi Information Technology Co., Ltd.	LLC	Hangzhou	Hangzhou	Software and information technology service	–	100.00%	Incorporation
Pujiang Yining Huangfeng Hospital	LLC	Jinhua	Jinhua	Medical service	–	66.00%	Incorporation
Wenling Nanfang Hospital	Other LLC	Taizhou	Taizhou	Medical service	–	51.00%	Equity acquisition
Nanjing Yining Hospital	LLC	Nanjing	Nanjing	Medical service	–	65.38%	Equity acquisition
Heze Yining Hospital	LLC	Heze	Heze	Medical service	–	51.00%	Equity acquisition
Guanxian Yining Hospital	Other LLC	Liaocheng	Liaocheng	Medical service	–	90.00%	Equity acquisition
Changchun Kanglin Hospital	Other LLC	Changchun	Changchun	Medical service	–	64.55%	Asset acquisition
Zhejiang Dening Medical Co., Ltd.	Other LLC	Wenzhou	Wenzhou	Medical company	–	65.00%	Incorporation
Wenzhou Lucheng Yining Hospital Co., Ltd.	LLC	Wenzhou	Wenzhou	Medical service	60.00%	–	Incorporation

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For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

Name of the subsidiaries/units	Type of entity	Major business location	Place of registration	Nature of business	Shareholding (%)		Method of acquisition
					Direct	Indirect	
Wenzhou Cining Hospital	LLC	Wenzhou	Wenzhou	Medical service	53.33%	–	Equity acquisition
Zhejiang Yining Health Technology Co., Ltd.	LLC	Hangzhou	Hangzhou	Health technology service	–	100.00%	Incorporation
Wenzhou Yining Pharmacy Co., Ltd.	LLC	Wenzhou	Wenzhou	Retail of medicine	–	100.00%	Incorporation
Yining Psychology Internet Hospital (Wenzhou) Co., Ltd.	LLC	Wenzhou	Wenzhou	Internet hospital	–	100.00%	Incorporation

6. Interests in other entities *(continued)*

(1) Interests in subsidiaries *(continued)*

(c) Subsidiaries with significant non-controlling interests

Name of subsidiaries	Shareholding of non-controlling shareholders (%)	Profit or loss attributed to non-controlling shareholders as at 30 June 2020	Dividends distributed to non-controlling shareholders as at 30 June 2020	Non-controlling interests as at 30 June 2020
Wenzhou Guoda Investment	25%	537,500	–	14,761,760
Shenzhen Yining Hospital	45%	(3,180,820)	–	8,468,186
Zhejiang Huangfeng Co., Ltd.	34%	1,019,552	–	11,999,890
Heze Yining Hospital	49%	(1,277,411)	–	11,388,653
Beijing Yining Hospital	49%	(3,125,887)	–	12,929,591
Hangzhou Yining Hospital	40%	(2,644,374)	–	898,965
		(8,671,440)	–	60,447,045

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

6. Interests in other entities *(continued)*

(1) Interests in subsidiaries *(continued)*

(c) Subsidiaries with significant non-controlling interests (continued)

The summarised financial information of the above significant non-wholly-owned subsidiaries of the Group is listed below:

	30 June 2020 (Unaudited)					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Wenzhou Guoda Investment	10,946,585	133,741,824	144,688,409	74,739,037	9,710,646	84,449,683
Shenzhen Yining Hospital	7,964,565	53,943,858	61,908,423	13,849,539	31,753,586	45,603,125
Zhejiang Huangfeng Co., Ltd.	41,620,992	31,603,709	73,224,701	17,674,216	–	17,674,216
Heze Yining Hospital	13,310,110	37,374,273	50,684,383	17,379,724	10,062,507	27,442,231
Beijing Yining Hospital	12,423,232	34,372,756	46,795,988	1,085,179	19,323,890	20,409,069
Hangzhou Yining Hospital	6,881,371	82,772,329	89,653,700	24,077,133	63,329,151	87,406,284
	93,146,855	373,808,749	466,955,604	148,804,828	134,179,780	282,984,608

	For the six months ended 30 June 2020 (Unaudited)			
	Revenue	Net profit/(loss)	Total comprehensive income	Cash flows from operating activities
Wenzhou Guoda Investment	7,148,281	2,150,000	2,150,000	(197,641)
Shenzhen Yining Hospital	5,534,590	(8,825,545)	(8,825,545)	756,714
Zhejiang Huangfeng Co., Ltd.	2,183,893	71,050	71,050	(47,536)
Heze Yining Hospital	6,055,428	(2,606,961)	(2,606,961)	(437,264)
Beijing Yining Hospital	2,166,474	(6,379,360)	(6,379,360)	1,829,592
Hangzhou Yining Hospital	9,445,817	(6,610,938)	(6,610,938)	108,648
	32,534,483	(22,201,754)	(22,201,754)	2,012,513

6. Interests in other entities *(continued)*

(1) Interests in subsidiaries *(continued)*

(c) Subsidiaries with significant non-controlling interests (continued)

The major financial information of the significant non-wholly-owned subsidiaries of the Group is listed below *(continued)*:

	30 June 2019 (Unaudited)					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Wenzhou Guoda Investment	9,017,603	165,401,806	174,419,409	109,918,231	9,308,167	119,226,398
Shenzhen Yining Hospital	12,750,394	66,451,205	79,201,599	6,091,426	39,631,750	45,723,176
Zhejiang Huangfeng Co., Ltd.	44,081,667	29,835,438	73,917,105	18,378,280	–	18,378,280
Heze Yining Hospital	8,863,711	42,783,079	51,646,790	13,519,241	10,022,133	23,541,374
Beijing Yining Hospital	21,838,906	43,154,610	64,993,516	4,674,231	23,851,644	28,525,875
	96,552,281	347,626,138	444,178,419	152,581,409	82,813,694	235,395,103 Shenzhen Yining HospitalHeze Yining Ho

	For the six months ended 30 June 2019 (Unaudited)			
	Revenue	Net profit/(loss)	Total comprehensive income	Cash flows from opTd(Khe six months8nctiv1 w q 1 0 0 1

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

6. Interests in other entities *(continued)*

(2) Interests in associates

(a) Summarised information of significant associates

	Major business location	Place of registration	Nature of business	Whether strategic to the Group activities	Shareholding (%)	
					Direct	Indirect
Chengdu Yining Hospital	Chengdu	Chengdu	Medical service	No	–	24%
Shanxi Shanda	Xi'an	Xi'an	Hospital management	No	–	30%

The Group adopted the equity method to account for the above equity investments.

(b) Major financial information of significant associates

	30 June 2020	30 June 2020
	Chengdu Yining Hospital (Unaudited)	Shanxi Shanda (Unaudited)
Current assets	24,920,553	13,016,780
Non-current assets	44,318,496	75,935,016
Total assets	69,239,049	88,951,796
Total liabilities	35,967,232	19,622,813
Equity attributable to shareholders of the parent company	33,271,817	69,328,983
Share of net assets calculated by shareholding ratio (i)	7,985,236	20,798,695
Adjustment	–	–
– Goodwill	5,024,000	4,494,286
– Others	99,975	–
Carrying amount of equity investment in the associates	13,109,211	25,292,981

6. Interests in other entities *(continued)*

(2) Interests in associates *(continued)*

(b) Major financial information of significant associates (continued)

	For the six months ended 30 June 2020 Chengdu Yining Hospital (Unaudited)	For the six months ended 30 June 2020 Shanxi Shanda (Unaudited)
Revenue	4,138,202	482,202
Net profit and total comprehensive income	(4,056,642)	551,903

(i) The Group calculated share of assets by shareholding ratio based on the amount attributable to the parent company in the associates' consolidated financial statements. The amounts of associates on the consolidated financial statements take into account the fair value of net identifiable assets and liabilities of the associate when acquiring the investment and the effect of unifying accounting policies.

(c) Summarised information of insignificant associates

The names of the associates of the Group are stated as in Note 4(4).

	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
Aggregated carrying amount of investments	55,666,074	44,889,520
Aggregated amount of the following items in proportion		
Net loss (i)	(211,904)	(1,288,375)
Total comprehensive income	(211,904)	(1,288,375)

(i) The net loss has taken into the account the fair value of net identifiable assets and liabilities of the associate when acquiring the investment and the effect of unifying accounting policies.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

7. Segment information

According to definition of operating segment stipulated in the Accounting Standards for Business Enterprises, the Group only has one operating segment during the reporting period.

8. Related parties and related party transactions

(1) General information of the parent company

The Company does not have a parent company. During the reporting period, the equity of the Company held by Guan Weili and his spouse Wang Lianyue were over 30%, and therefore they were regarded as actual controlling persons of the Company.

(2) The information of the subsidiaries

The basic information of the subsidiaries is stated as in Note 6(1).

(3) The information of other related parties

The related parties of the Company except those disclosed in other place of the financial statement are as follows:

	Relationship
Yiwu Health Centre	Non-profit organisation invested by the Group with council members assigned
Wenzhou Wanfu Nursing Centre for the Aged	Non-profit organisation invested by the Group with council members assigned
Zhejiang Tianqu Environment Construction Co., Ltd. ("Zhejiang Tianqu")	Non-controlling shareholders of subsidiaries of the Group
Shandong Furen Hospital Management Co., Ltd. ("Shandong Furen")	Non-controlling shareholders of subsidiaries of the Group
Jilin Nuoyazhizhou Investment Co., Ltd. ("Nuoyazhizhou Investment")	Non-controlling shareholders of subsidiaries of the Group
Qu Kaisheng	Non-controlling shareholders of subsidiaries of the Group
Huang Chen	Non-controlling shareholders of subsidiaries of the Group
Jia Chun	Non-controlling shareholders of subsidiaries of the Group
Wu Lianxi	Non-controlling shareholders of subsidiaries of the Group
Ding Min	Non-controlling shareholders of subsidiaries of the Group
Xu Yi	Spouse of the main shareholder of the Group
Other individuals	Immediate relatives of directors, supervisors and senior management
Yanjiao Furen Hospital	Non-profit organisation invested by the Group with council members assigned, no longer a related party since 30 April 2019.

8. Related parties and related party transactions *(continued)*

(4) Related party transactions

(a) Pricing policies

The prices of provision of services and payment of rental to related parties are determined based on negotiations.

(b) Provision of medical management service

	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
Yiwu Health Centre	1,485,149	1,456,311
Yanjiao Furen Hospital	–	389,337
Related individuals	525,263	303,286
	2,010,412	2,148,934

(c) Leases

The lease liability interest expenses that are taken by the Group as a lessee

	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
Zhejiang Tianqu	1,044,983	–

8. Related parties and related party transactions *(continued)*

(4) Related party transactions *(continued)*

(f) Acceptance of guarantee by the Group

	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
Guan Weili/Wang Lianyue/Wang Hongyue	339,000,000	249,000,000
Guan Weili/Wang Lianyue	20,500,000	–
Guan Weili/Wang Lianyue/Wang Hongyue/Xu Yi	64,000,000	–
	423,500,000	249,000,000

(g) Borrowings from related parties

	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
Wu Lianxi	2,726,131	–
Shandong Furen	–	1,260,000
	2,726,131	1,260,000

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

8. Related parties and related party transactions *(continued)*

(5) Receivables from and payables to related parties

(a) Receivables from related parties

		30 June 2020 (Unaudited)		31 December 2019 (Audited)	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Accounts receivable	Yiwu Health Centre	6,750,000	(2,430,000)	8,250,000	(1,605,000)
	Yanjiao Furen Hospital	–	–	–	–
		6,750,000	(2,430,000)	8,250,000	(1,605,000)
Other receivables	Chengdu Yining Hospital	16,451,741	(822,587)	13,075,355	(653,768)
	Ding Min	1,000,000	(50,000)	–	–
	Non-for-profit organisation established by the Group	5,438,700	(271,935)	4,441,736	(222,087)
	Others	243,741	(12,187)	2,628	(132)
		23,134,182	(1,156,709)	17,519,719	(875,987)

8. Related parties and related party transactions *(continued)*

(5) Receivables from and payables to related parties *(continued)*

(b) Payables to related parties

		30 June 2020 (Unaudited)	31 December 2019 (Audited)
Long-term payables	Shandong Furen	**1,960,000**	1,960,000
	Zhejiang Tianqu	**–**	300,000

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

8. Related parties and related party transactions *(continued)*

(6) The five individuals whose emoluments were the highest

The five individuals whose emoluments were the highest in the Group for the six months ended 30 June 2020 included 0 director (For the six months ended 30 June 2019: 0). The total emoluments of the remaining five individuals (For the six months ended 30 June 2019: five) are as follows:

	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
Basic salaries, bonus, housing subsidies and others	**2,196,879**	1,763,119
Equity incentive plan	**152,744**	455,260
	2,349,623	2,218,379

	Headcount	
	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
Range:		
RMB0 – RMB500,000	**3**	–
RMB500,000 – RMB1,000,000	**2**	5

9 Share-based payment

(a) The restricted share incentive plan I

As at 31 December 2019, the Company had implemented the following share incentive plan for employees: following the deliberations of the 3rd Board of Directors of the Company on 4 July 2014 and the first shareholders' meeting in the year of 2014 on 21 July 2014, the Company approved *Equity Incentive Plan of Wenzhou Kangning Hospital Co., Ltd*.

The main terms of the restricted share incentive plan I are set out below:

(1) Equity incentive method: To furnish the restricted share incentive plan, three limited liability partnerships ("LLP") were established, namely Ningbo Renai Kangning Investment Management Partnership (Limited Partnership) ("Renai Kangning"), Ningbo Enci Kangning Investment Management Partnership (Limited Partnership) ("Enci Kangning") and Ningbo Xinshi Kangning Investment Management Partnership (Limited Partnership) ("Xinshi Kangning"). The general partner of Renai Kangning and Enci Kangning is Ms. Wang Biyu (the relative of the actual

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9 Share-based payment *(continued)*

(b) The restricted share incentive plan II *(continued)*

The main terms of the restricted share incentive plan II are set out below:

(1) Equity incentive method: Wenzhou Kangning Hospital prepared to establish five employee share ownership platforms, including Wenzhou Zhenyan Kangning Investment Management Partnership (Limited Liabilities Partnership), Wenzhou Jiamei Kangning Investment Management Partnership (Limited Liabilities Partnership), Wenzhou Enquan Kangning Investment Management Partnership (Limited Liabilities Partnership), Wenzhou Jiate Kangning Investment Management Partnership (Limited Liabilities Partnership) and Wenzhou Shouwang Kangning Investment Management Partnership (Limited Liabilities Partnership) to issue 2,460,000 domestic shares (accounted for 3.37% of the total equity before issuance and 3.26% of the total equity after issuance) at issue price of RMB10.47 per share. As at 30 June 2020, employees contributed RMB23,311,144, of which RMB2,460,000 was recognised in equity and RMB20,851,144 in capital surplus-share premium.

(2) Vesting period: The lock-in period of the incentive share awarded by the incentive plan is 48 months. From the date when the incentive share is awarded to the incentive employees, the incentive stock first awarded will be unlocked completely at one time after 48 months from the date of the first award, the reserved part of the incentive share will be unlocked at the same time as the incentive stock first awarded; the share of incentive stock awarded by the incentive plan through the employee share ownership platform indirectly owns incentive stock after paying subscription price. The share of incentive stock granted by the incentive object shall not be transferred, pledged or otherwise disposed of during the lock-in period. The share of incentive stock granted by the incentive object shall not be transferred, pledged or otherwise disposed of during the lock-in period.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

9 Share-based payment *(continued)*

(b) The restricted share incentive plan II *(continued)*

(3) The approach of revenue realisation

(i) If the shares involved in the incentive plan fail to realise the listing during the validity period, the company undertakes to assist the owners in transferring the shares of the company corresponding to its share of equity held through the partnership to an independent third party of the company. If the transfer price is less than RMB32 per share at that time, the owner may require the actual controller of the company to pay for the difference between the actual transfer price and RMB32 per share.

(ii) If the shares involved in this incentive plan are listed within the validity period, the owner may require the partnership to sell the shares of the company corresponding to its property share, in order to gradually realise the income of the property share on the premise of abiding by relevant laws and regulations, the requirements of relevant regulatory bodies and the relevant provisions of the articles of association.

(4) Repurchase clauses

Unlocked share of incentive stock is repurchased by the general partner of the partnership at the price of payment of contribution. The cash dividend received by the motivator during the lock-in period will be deducted from the repurchase price. The Company will repurchase and cancel the unregistered or unlocked incentive stock from the partnership at RMB10.47 per share 12 months after the expiration of incentive plan lock-in period.

10 Commitments

(1) Capital expenditure commitments

Capital expenditures contracted for by the Group at the balance sheet date but are not yet necessary to be recognised on the statement of financial position are as follows:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Buildings, machinery and equipment	77,177,267	91,136,989
Intangible assets	1,046,400	577,900
	78,223,667	91,714,889

(2) External investment commitments

As at 30 June 2020, there were no external investment commitments for the Group.

11 Operating leasing collection after the balance sheet date

As the lessor, the undiscounted lease proceeds receivable after the balance sheet date are as follows:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Within 1 year	6,459,906	4,624,743
1 – 2 years	4,761,612	5,568,766
2 – 3 years	4,020,068	4,244,756
3 – 4 years	3,945,172	3,945,172
4 – 5 years	4,098,316	3,945,172
Over 5 years	7,344,428	10,121,020
	30,629,502	32,449,629

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

12 Events after the balance sheet date

From 30 June 2020 to the date of this report, the Group did not have any significant subsequent events.

13 Financial risk

The Group's activities expose it to a var2 ,1 60 14,1 60 14,1 60 14,a.5

13 Financial risk *(continued)*

(1) Market risk *(continued)*

(b) Interest rate risk

The Group's interest rate risk arises from long-term interest bearing borrowings including long-term borrowings from banks. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 30 June 2020, the Group's long-term interest bearing borrowings were mainly RMB-denominated with fixed rates, amounting to RMB87,000,000 (31 December 2019: RMB40,000,000). As at 30 June 2020, the Group had RMB54,000,000 of long-term borrowings measured at floating rate (Note 4(17)) (31 December 2019: RMB20,000,000).

The Group's finance department at the headquarter continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new interest bearing borrowings and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial position. The Group's management makes adjustments timely with reference to the latest market conditions.

(2) Credit risk

Credit risk is managed on the grouping basis. Credit risk mainly arises from bank deposits, accounts receivable and other receivables.

The Group expects that there is no significant credit risk associated with bank deposits since they are deposited at state-owned banks and other medium or large size listed banks. Management expects that there will be low risk of significant losses from non-performance by these counterparties.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

13 Financial risk *(continued)*

(2) Credit risk *(continued)*

The accounts receivable of the Group is mainly from sale of medicines to patients, the provision of medical services, and management service. According to the social insurance policies of each hospital's location, the medical expenses of the patients are usually borne by the patients themselves and the social insurance. The Company usually collects part of the advances when the patient goes through the hospitalisation procedures, and settle part of the patient's personal debt when he leaves the hospital. For the patients with outstanding payment after leaving the hospital, the Company will recover the debt by collecting on a regular basis. For the medical expense that borne by the social insurance, the Company will apply for reimbursement to the social insurance institutions after issuing invoices to patients. The reimbursement is usually collected 2 – 9 months after application for reimbursement. The Company believed that there was no material credit risk in this part of payment. There was part of medical expenses of the Group that was paid by government departments such as Civil Affairs and Disabled Persons' Federation where the hospitals are located. The Group would adopt different collection monitoring mechanisms for different payment methods.

Other receivables include the guarantee and deposit of the lease contract, employees deposit, prepayment for the employees social insurance, the loan to third party and receivables from the related parties. The Company believed that there was no material credit risk inherent in the Group's outstanding balance of other receivables after considering their credit status and the guarantees they provided.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

13 Financial risk *(continued)*

(3) Liquidity risk *(continued)*

Bank and other borrowings are analysed by repayment terms as follows:

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Within 1 year	373,000,000	18,820,000	290,000,000	17,440,000
1 – 2 years	14,000,000	580,000	3,000,000	2,260,000
2 – 5 years	58,500,000	–	17,000,000	–
Over 5 years	28,000,000	–	–	–
	473,500,000	19,400,000	310,000,000	19,700,000

14 Fair value estimates

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

14 Fair value estimates *(continued)*

(1) Assets measured at fair value on a recurring basis

As at 30 June 2020 and 31 December 2019, the financial assets measured at fair value on a recurring basis by the above three levels are analysed below:

	30 June 2020 (Unaudited)		
	Level 1	Level 2	Level 3
Financial assets -			
Financial assets held for trading	–	–	–
Other non-current financial assets	–	–	51,281,869
Non-financial assets			
Investment properties	–	–	107,128,300
Total assets	–	–	158,410,169

	31 December 2019 (Audited)		
	Level 1	Level 2	Level 3
Financial assets -			
Financial assets held for trading	–	30,000,000	–
Other non-current financial assets	–	–	51,281,869
Non-financial assets			
Investment properties	–	–	110,856,100
Total assets	–	30,000,000	162,137,969

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

14 Fair value estimates *(continued)*

(1) Assets measured at fair value on a recurring basis *(continued)*

The Group engaged Wenzhou Huaxin Assets Valuation Co., Ltd. to determine the fair value of the investment properties. The method of valuation adopted is the income method. The input values adopted were the rental, ultimate return rate/capitalisation rate and vacancy rate, with no significant change from 31 December 2019.

The financial department of the Group is responsible for determining the value of the financial assets and liabilities. Meanwhile, external independent valuers are entrusted to evaluate the fair value of the Group's investment properties. The financial department of the Group verified and accounted the assessment result mentioned above and prepared the disclosure information relating to the fair value based on the verified value assessment result.

(2) Assets and liabilities not measured at fair value but disclosed

The financial assets and liabilities that measured at amortised cost of the Group include receivables, payables, long-term payables and borrowings, etc.

The difference between the carrying amount of such financial assets and liabilities and their fair value is not material.

15 Capital management

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital
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Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

16 Notes to the company's financial statements

(1) Accounts receivable

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Accounts receivable	121,050,461	109,378,543
Less: Provision for bad debts	(12,759,368)	(10,173,228)
	108,291,093	99,205,315

According to the Group's credit policy, all bills are payable upon issued.

(a) The ageing analysis of accounts receivable based on the recording date is as follows:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Within 1 year	91,414,085	81,048,913
1 – 2 years	19,795,718	23,570,087
2 – 3 years	9,432,380	4,748,652
Over 3 years	408,278	10,891
	121,050,461	109,378,543

(b) Provision for bad debts

The Group measures the loss allowance of accounts receivable at an amount equal to the lifetime expected credit losses, regardless of whether they contain any significant financing component.

As at 30 June 2020, management service fee receivable from Yanjiao Furen Hospital was RMB1,889,254. As the Group and the Company were involved in a lawsuit, the Group believed that it would be difficult to recover such receivables, so the provision for bad debt was fully made.

16 Notes to the company's financial statements *(continued)*

(1) Accounts receivable *(continued)*

(b) Provision for bad debts (continued)

(i) Accounts receivable for which the related provision for bad debts was provided on the grouping basis are analysed as follows:

	30 June 2020 (Unaudited)		
	Book value	Provision for bad debts	
	Amount	Lifetime ECL rate	Amount
Not overdue – unbilled	16,268,618	1%	162,686
Overdue – Within 3 months	47,569,154	5%	2,378,458
Within 1 year	27,186,977	6%	1,631,219
1 – 2 years	19,422,094	11%	2,136,430
2 – 3 years	8,306,087	50%	4,153,044
Over 3 years	408,277	100%	408,277
Total	119,161,207		10,870,114

(ii) The amount of provision for bad debts during the current period was RMB2,709,191 with no provision for bad debts reserved.

(c) The balance of accounts receivable that were written off in the current period was RMB123,050, and the provision for bad debts was RMB123,050, mainly including medical insurance deduction.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

16 Notes to the company's financial statements *(continued)*

(2) Other receivables

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Due from related parties	575,204,902	560,614,238
Prepayments	13,373,608	11,524,615
Deposit and guarantee	6,019,956	954,836
Others	312,842	1,097,403
	594,911,308	574,191,092
Less: Provision for bad debts	(10,495,364)	(10,044,489)
	584,415,944	564,146,603

(a) Provision for losses and changes in book value

	Stage 1		Stage 3		
	12-month ECL (grouping)		Lifetime ECL (credit-impaired)		Total
	Book value	Provision for bad debts	Book value	Provision for bad debts	Provision for bad debts
31 December 2019 (Audited)	564,215,807	1,015,289	9,975,285	9,029,200	10,044,489
Increase in the current period	20,720,216	450,875	–	–	450,875
30 June 2020 (Unaudited)	584,936,023	1,466,164	9,975,285	9,029,200	10,495,364

16 Notes to the company's financial statements *(continued)*

(2) Other receivables *(continued)*

(a) Provision for losses and changes in book value (continued)

(i) As at 30 June 2020, for other receivables at Stage 1, the related provision for bad debts was analysed below:

	Book value	12-month ECL rate	Provision for bad debts
Provided on the grouping basis:			
Prepayments	3,398,323	7%	237,883
Due from related parties-outside of the Group	20,891,074	5%	1,044,554
Due from related parties-inside of the Group	554,313,827	0%	–
Deposit and guarantee	6,019,956	3%	180,599
Others	312,843	1%	3,128
	584,936,023		1,466,164

(ii) As at 30 June 2020, thew Group did not have any other receivables at Stage 2.

(iii) As at 30 June 2020, for other receivables at Stage 3, the related provision for bad debts was analysed below:

	Book value	Lifetime ECL rate	Provision for bad debts
Provided on the individual basis:			
Yanjiao Furen Hospital (Note 4 (3)(iii))	7,819,170	100%	7,819,170
Xiong Guoxiu and Min Honggen (Note 4 (3)(iii))	2,156,115	56%	1,210,030
	9,975,285		9,029,200

(b) The amount of provision for bad debts during the current period was RMB450,875 with no provision for bad debts recovered or reserved.

(c) There was no other receivables actually written off in the current period.

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

16 Notes to the company's financial statements *(continued)*

(3) Long-term equity investments

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Subsidiaries (a)	**405,725,040**	305,477,432
Associates (b)	**36,894,396**	32,159,227
	442,619,436	337,636,659

There was no significant restriction on sales of long-term equity investments held by the Company.

(a) Subsidiaries

	31 December 2019 (Audited)	Additional investment for the current period	30 June 2020 (Unaudited)
Qingtian Kangning Hospital	32,000,000	–	**32,000,000**
Yongjia Kangning Hospital	20,000,000	–	**20,000,000**
Cangnan Kangning Hospital	27,450,000	7,700,000	**35,150,000**
Yueqing Kangning Hospital	1,000,000	–	**1,000,000**
Judicial Forensic Centre	500,000	–	**500,000**
Shenzhen Yining Medical Investment Co., Ltd.	10,000,000	–	**10,000,000**
Linhai Kangning Hospital	1,600,000	–	**1,600,000**
Langfang Yining Hospital Management Co., Ltd.	10,000,000	847,608	**10,847,608**
Zhejiang Huangfeng Co., Ltd.	34,627,432	–	**34,627,432**
Zhejiang Kangning	168,300,000	31,700,000	**200,000,000**
Wenzhou Lucheng Yining Hospital Co., Ltd.	–	30,000,000	**30,000,000**
Wenzhou Cining Hospital	–	30,000,000	**30,000,000**
	305,477,432	100,247,608	**405,725,040**

16 Notes to the company's financial statements *(continued)*

(3) Long-term equity investments *(continued)*

(b) Associate

	31 December 2019 (Audited)	Additional investment	Share of net profit/(loss) under equity method	30 June 2020 (Unaudited)
Hangzhou Anken Information Technology	5,368,206	5,000,000	(83,715)	**10,284,491**
Hangzhou Anken Consulting	26,791,021	–	(181,116)	**26,609,905**
	32,159,227	5,000,000	(264,831)	**36,894,396**

(4) Revenue and cost of sales

	For the six months ended 30 June 2020 (Unaudited)		For the six months ended 30 June 2019 (Unaudited)	
	Revenue	**Cost**	Revenue	Cost
Main businesses	**187,312,349**	**124,850,475**	168,189,763	118,736,540
Other businesses	**6,388,135**	**3,863,064**	7,010,203	4,687,211
	193,700,484	**128,713,539**	175,199,966	123,423,751

(a) Revenue and cost of sales from main businesses

	For the six months ended 30 June 2020 (Unaudited)		For the six months ended 30 June 2019 (Unaudited)	
	Revenue	**Cost**	Revenue	Cost
Pharmaceutical sales	**51,445,371**	**43,977,536**	52,599,193	45,343,114
Treatments and general healthcare services	**135,866,978**	**80,872,939**	115,590,570	73,393,426
	187,312,349	**124,850,475**	168,189,763	118,736,540

Notes to the Financial Statements

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

16 Notes to the company's financial statements *(continued)*

(4) Revenue and cost of sales *(continued)*

(b) Revenue and cost of sale from other businesses

	For the six months ended 30 June 2020 (Unaudited)		For the six months ended 30 June 2019 (Unaudited)	
	Revenue	Cost	Revenue	Cost
Management service	4,488,756	2,412,232	6,439,315	4,687,211
Others	1,899,379	1,450,832	570,888	–
	6,388,135	3,863,064	7,010,203	4,687,211

(5) Investment losses

	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
Losses of long-term equity investment under the equity method	264,831	634,056
Investment losses from disposal of long-term equity investment	–	138,093
Interest from structured deposit	(96,370)	–
	168,461	772,149

There was no significant restriction on investment income reserved by the Company.

Definitions

"Audit Committee"	the audit committee of the Board
"Beijing Yining Hospital"	Beijing Yining Hospital Co., Ltd. (北 醫 公司), a company established in the PRC with limited liability on August 17, 2015, one of the Company's indirect non-wholly owned subsidiaries
"Board of Directors"	

Definitions

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Definitions

"Supervisor(s)"	the members of the Supervisory Committee
"Supervisory Committee"	the Company's Supervisory Committee established pursuant to the PRC Company Law
"Taizhou Kangning Hospital"	Taizhou Kangning Hospital Co., Ltd. (州 醫 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
"Wenling Nanfang Hospital"	Wenling Nanfang Psychiatric Specialty Hospital Co., Ltd. (嶺 方 醫 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 Cining Hospital"	Wenzhou Cining Hospital Co., Ltd. (州 醫 公司), a company established in the PRC with limited liability on January 25, 2006, one of the Company's non-wholly owned subsidiaries
"Wenzhou Guoda"	Wenzhou Guoda Investment Co., Ltd. (州 國大 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 (郊 仁 醫 醫) under the Company's operation and management in accordance with an entrustment management agreement dated March 26, 2015 entered into between Langfang Sanhe Yanjiao Furen Hospital (廊 三 郊 仁醫 , previously known as Yanjiao Furen Hospital of Traditional Chinese and Western Medicine (郊 仁 醫 醫)) and the Company, the management and consultancy business under which has been suspended as of the end of the Reporting Period
"Yongjia Kangning Hospital"	Yongjia Kangning Hospital Co., Ltd. (永 醫 公司), a company established in the PRC with limited liability on December 12, 2012, one of the Company's wholly-owned subsidiaries
"%"	percentage ratio