温州康寧醫院股份有限公司

Wenzhou Kangning Hospital Co., Ltd.

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

Stock code: 2120

2017 INTERIM REPORT

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
Mr. HUANG Zhi
Mr. GOT Chong Key Clevin

Audit Committee

Mr. HUANG Zhi *(Chairman)*
Mr. GOT Chong Key Clevin
Mr. LIN Lijun

Nomination Committee

Mr. GOT Chong Key Clevin *(Chairman)*
Mr. CHONG Yat Keung
Mr. GUAN Weili

Remuneration Committee

Mr. CHONG Yat Keung *(Chairman)*
Mr. HUANG Zhi
Mr. YANG Yang

Strategy and Risk Management Committee

Mr. GUAN Weili *(Chairman)*
Mr. HUANG Zhi
Mr. YANG Yang

Supervisory Committee

Mr. SUN Fangjun *(Chairman)*
Ms. HUANG Jingou
Mr. XIE Tiefan
Mr. QIAN Chengliang
Mr. MA Jinlong

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

Kirkland & Ellis

Registered Office and Head Office in the PPC

Shengjin Road
Huanglong Residential District
Wenzhou, Zhejiang
PRC

Corporate Information

Principal Place of Business in Hong Kong

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H Share Registrar

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183 Queen's Road East
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Stock Code

2120

Company's Website

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Investment Relations

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Financial Highlights

	For the six months ended June 30,	
	2017	2016
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Revenue	**283,136**	189,680
Profit before income tax	**42,319**	36,818
Income tax expense	**(12,014)**	(10,531)
Net profit	**30,305**	26,287
Net profit attributable to equity holders of the Company	**31,710**	28,208
Non-controlling interests	**(1,405)**	(1,921)

	As of June 30, 2017	As of December 31, 2016
	(RMB'000)	(RMB'000)
	(Unaudited)	(Audited)
Total assets	**1,757,386**	1,603,382
Total liabilities	**689,664**	562,012
Total equity	**1,067,722**	1,041,370
Equity attributable to owners of the Company	**1,022,149**	1,008,384
Non-controlling interests	**45,573**	32,986

Management Discussion and Analysis

Business Review and Outlook

In the first half of 2017, with the deepening of the reform of Chinese healthcare system, while continuously enhancing the operational capacities of the network of healthcare facilities, we have implemented certain medium- and long-term development strategies so as to lay the foundation for the long-term development of the Group. Details of the progress have been made are set out as follows:

In the first half of 2017, the Group's owned hospital business continued to develop steadily. Pingyang Kangning Hospital and Shenzhen Yining Hospital commenced operation in March 2017 in succession and achieved rapid improvement in bed utilization rates. The business of Linhai Kangning Hospital, Geriatric Hospital and Quzhou Yining Hospital, which were newly opened in 2016, entered a phase of rapid growth and in particular, Linhai Kangning Hospital turned loss into profits after 8 months' operation. Qingtian Kangning Hospital and Yueqing Kangning Hospital also increased considerably in service volume comparing to the same period last year, while Wenzhou Kangning Hospital, Cangnan Kangning Hospital and Yongjia Kangning Hospital slowed down in business growth due to limited space for expansion. As of June 30, 2017, the number of the Group's owned hospitals increased to 10 (December 31, 2016: 8) and the number of beds under operation increased to 3,050 (December 31, 2016: 2,577).

In the first half of 2017, the Group's business of managing healthcare facilities achieved better performance than expected. First of all, the Group secured entrustment management of Yiwu Psychiatric Health Center and Wenzhou Cining Hospital Co., Ltd through formal agreement and the number of beds increased by 280. Secondly, Beijing Yining Hospital, which previously endured great losses achieved rapid enhancement in bed utilization rates through introducing the internet operation teams for promotion. The business in Yanjiao Furen Hospital, Pujiang Hospital, Chun'an Hospital and Pingyang Changgeng Ward which were previously under our management, also achieved stable development. Only the business of Chengdu Renyi Ward was not developed due to the change of ownership of the cooperative hospital. As of June 30, 2017, the healthcare facilities managed by the Group increased to 8 (December 31, 2016: 6) and the number of beds under management increased to 1,100 (December 31, 2016: 790).

In the first half of 2017, while steadily developing our existing owned hospitals, the Group continued to accelerate network layout through self-construction, investment as a minority shareholder and other methods. As for the self-construction hospitals, Hangzhou Yining Hospital, Langfang Yining Hospital, Taizhou Luqiao Yining Hospital Co., Ltd. and Sihui Kangning Hospital were under construction. As for investment as a minority shareholder, Chongqing Hechuan Kangning Hosptial has put into operation. Guanxian Yining Hospital Co., Ltd. under Shandong Yining Hospital has obtained the Medical Practice Licence. The Group also newly invested in Heze Yining Hospital Co., Ltd. and Shanxi Shanda Hospital Management Consulting Co., Ltd. (which has been operating Shanyang Shengquan Rehabilitation Hospital and Shangshan Rehabilitation Hospital, and is preparing for Dali Shanda Hospital Co., Ltd.).

Management Discussion and Analysis

Looking into the future, we will leverage on the favourable environment where the PRC government encourages the social capital to establish medical facilities to further implement the medium- and long-term strategic layout of the Group. We will strengthen the operation promotion of Quzhou Yining Hospital, Pingyang Kangning Hospital and Shenzhen Yining Hospital, so as to achieve profitability as soon as possible. While accelerating the network layout of healthcare facilities, we will increase the training of talents and the Group's information construction to enhance the quality of the hospitals' healthcare services under the Group.

Financial Review

The Group achieved revenue of RMB283.1 million for the Reporting Period, after excluding the revenue of RMB44.0 million for property business, the revenue of healthcare business amounted to RMB239.1 million, representing an increase of 26.1% as compared with that of the same period of 2016. The revenue from operating the Group's owned hospitals and the management service fees from managing healthcare facilities both increased. However, because the utilization rate of Quzhou Yining Hospital, Pingyang Kangning Hospital and Shenzhen Yining Hospital, which were newly opened, is still in the developing phase, the gross profit margin of our owned hospitals decreased to 33.1%, and the gross profit margin of healthcare facilities management business was 54.6%. As such, the overall gross profit margin of the Group for the Reporting Period decreased to 34.1% (for the six months ended June 30, 2016: 37.0%). During the Reporting Period, net profit attributable to shareholders of the company amounted to RMB31.7 million, representing an increase of 12.4% as compared with that of the same period of 2016, which is lower than the increase of the revenue, primarily due to the exchange losses after tax of RMB5.8 million, while for the same period of 2016 recorded the exchange gains after tax of RMB7.2 million.

Revenue and Cost of Revenue

The Group generates revenue mainly through the following four ways: (i) revenue from operating its owned hospitals, (ii) management service fees from managing healthcare facilities, (iii) revenue of other healthcare related business, and (iv) 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,	
	2017	2016
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Revenue from operating owned hospitals	**226,529**	178,979
Management service fee income	**11,579**	8,838
Revenue from other healthcare related business	**987**	1,863
Total revenue of healthcare business	**239,095**	189,680
Revenue of the property business	**44,041**	–
Total revenue	**283,136**	189,680

During the Reporting Period, total revenue of the Group amounted to RMB283.1 million, representing an increase of 49.3% as compared with that of the same period of 2016, primarily due to (i) the increase of revenue from operating the Group's owned hospitals by 26.6%, (ii) the increase of management service fee income by 31.0% and (iii) revenue of property sales amounted to RMB41.4 million arising from the delivery of some properties in Phase II Works of Business Center of Wenzhou Higher Education Mega Center developed by Wenzhou Guoda. Revenue from operating the Group's owned hospitals accounted for 94.7% of total healthcare business revenue (for the six months ended June 30, 2016: 94.4%) and management service fee income accounted for 4.8% of total healthcare business revenue (for the six months ended June 30, 2016: 4.7%). The proportion of revenue from operating the owned hospitals and management service fee income to total healthcare business revenue of healthcare business has no significant change.

Revenue and cost of revenue from operating the Group's 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,	
	2017	2016
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Treatment and general healthcare services		
Revenue	**166,226**	129,416
Cost of revenue	**102,118**	73,792
Gross profit	**64,108**	55,624
Pharmaceutical sales		
Revenue	**60,303**	49,563
Cost of revenue	**49,515**	40,834
Gross profit	**10,788**	8,729
Owned hospitals		
Revenue	**226,529**	178,979
Cost of revenue	**151,633**	114,626
Gross profit	**74,896**	64,353

During the Reporting Period, revenue from operating the Group's owned hospitals amounted to RMB226.5 million, representing an increase of RMB47.6 million as compared with that of the same period of 2016, mainly due to the fast business growth of Linhai Kangning Hospital, Geriatric Hospital, Quzhou Yining Hospital and Shenzhen Yining Hospital. Revenue of the aforementioned four hospitals for the Reporting Period amounted to RMB22.8 million (for the six months ended June 30, 2016: RMB0.5 million).

Management Discussion and Analysis

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

	For the six months ended June 30,	
	2017	2016
Inpatients		
Inpatient bed as at period end	**3,050**	2,300
Effective inpatient service bed-day capacity	**552,050**	418,600
Utilization rate (%)	**85.9%**	88.6%
Number of inpatient bed-days	**474,163**	370,702
Treatment and general healthcare services revenue attributable to inpatients (RMB'000)	**158,561**	121,743
Average inpatient spending per bed-day on treatment and general healthcare services (RMB)	**334**	329
Pharmaceutical sales revenue attributable to inpatients (RMB'000)	**28,427**	21,980
Average inpatient spending per bed-day on pharmaceutical sales (RMB)	**60**	59
Total inpatient revenue (RMB'000)	**186,988**	143,723
Total average inpatient spending per bed-day (RMB)	**394**	388
Outpatients		
Number of outpatient visits	**75,872**	68,875
Treatment and general healthcare services revenue attributable to outpatients (RMB'000)	**7,665**	7,673
Average outpatient spending per visit on treatment and general healthcare services (RMB)	**101**	112
Pharmaceutical sales revenue attributable to outpatients (RMB'000)	**31,876**	27,583
Average outpatient spending per visit on pharmaceutical sales (RMB)	**420**	400
Total outpatient revenue (RMB'000)	**39,541**	35,256
Total average outpatient spending per visit (RMB)	**524**	512
Total treatment and general healthcare services revenue (RMB'000)	**166,226**	129,416
Total pharmaceutical sales revenue (RMB'000)	**60,303**	49,563

Management Discussion and Analysis

During the Reporting Period, inpatient revenue amounted to RMB187.0 million, representing an increase of 30.1% as compared with that of the same period of 2016, primarily due to (i) the increase of 27.9% in the number of inpatient bed-days arising from the considerable increase of inpatient beds in Linhai Kangning Hospital, Geriatric Hospital and Quzhou Yining Hospital and (ii) the increase of 1.6% in average inpatient spending per bed-day. Inpatient revenue increased to 82.5% of our revenue from operating our owned hospitals (for the six months ended June 30, 2016: 80.3%).

During the Reporting Period, outpatient revenue amounted to RMB39.5 million, representing an increase of 12.2% as compared with that of the same period of 2016, primarily due to (i) the increase of outpatient visits by 10.2% and (ii) the increase of average outpatient spending per visit by 2.3%. The proportion of outpatient revenue to our revenue from operating our owned hospitals decreased to 17.5% (for the six months ended June 30, 2016: 19.7%), mainly due to revenue of outpatient visits of Geriatric Hospital and Shenzhen Yining Hospital accounted for low proportion of their operating revenue.

During the Reporting Period, due to the increase of both inpatient and outpatient business, revenue from treatment and general healthcare services increased by 28.4% as compared with that of the same period of 2016, accounting for 73.4% of our revenue from operating our owned hospitals (for the six months ended June 30, 2016: 72.3%); and revenue from pharmaceutical sales increased by 21.7% as compared with that of the same period of 2016, accounting for 26.6% of our revenue from operating our owned hospitals (for the six months ended June 30, 2016: 27.7%).

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

	For the six months ended June 30,	
	2017	2016
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Pharmaceuticals and consumables used	**58,173**	48,086
Employee benefits and expenses	**50,903**	39,834
Leasing expenses	**9,857**	4,785
Depreciation and amortization	**13,642**	7,103
Canteen expenses	**8,120**	6,544
Testing fees	**4,182**	2,180
Others	**6,756**	6,094
Cost of revenue for owned hospitals	**151,633**	114,626

During the Reporting Period, the cost of revenue of the Group's owned hospitals increased to RMB151.6 million, representing an increase of 32.3% as compared with that of the same period of 2016, which was higher than the increase of revenue. It was mainly due to: (i) the increase of 21.0% in pharmaceutical expenses relating to increase in revenue from pharmaceutical sales; (ii) the increase of 27.8% in employee benefits and expenses arising from the increase in beds in operation of our owned hospitals; (iii) the increase of leasing expenses and depreciation and amortization of RMB11.6 million of Linhai Kangning Hospital, Geriatric Hospital, Quzhou Yining Hospital and Shenzhen Yining Hospital which were newly put into operation after April 2016, representing an increase of 97.7%.

From the cost structure perspective, pharmaceutical and consumables used is still the main part of cost of revenue of the owned hospitals, accounting for 38.4% (for the six months ended June 30, 2016: 42.0%). The second part is employee benefits and expenses, which accounted for 33.6% of cost of revenue of the owned hospitals (for the six months ended June 30, 2016: 34.8%). Leasing expenses, together with depreciation and amortization, accounted for 15.5% of cost of revenue of owned hospitals (for the six months ended June 30, 2016: 10.4%). During the Reporting Period, the change of the cost structure mainly due to the increase of the fixed costs which do not vary with the business volume, such as leasing expenses and depreciation and amortization, as compared with that of the same period of 2016.

Management service fee income

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

	For the six months ended June 30,	
	2017	2016
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Revenue	**11,579**	8,838
Cost of revenue	**5,252**	4,319
Gross profit	**6,327**	4,519

During the Reporting Period, management service fee income of the Group amounted to RMB11.6 million, representing an increase of 31.0% as compared with that of the same period of 2016, due to the contribution of the management service fee of RMB2.7 million in relation to Yanjiao Furen Hospital entrusted by the Group.

Cost of the Group for rendering management services primarily include benefits and expenses for management staff assigned and amortization of operation rights acquired for obtaining operation rights. During the Reporting Period, cost of revenue of management service fee of the Group increased to RMB5.3 million, representing an increase of 21.6% as compared with that of the same period of 2016, which is lower than the increase of management service fee income, mainly because the operation rights in relation to the cost of revenue of management service fee are amortized on the straight-line basis and the annual amortization amount is fixed. Accordingly, gross profit margin of the management service business increased to 54.6% (for the six months ended June 30, 2016: 51.1%).

Revenue and cost of revenue of the property business

The Group's revenue of the property business includes leasing income and property sales income and others. During the Reporting Period, revenue of the property business amounted to RMB44.0 million (for the six months ended June 30, 2016: nil), mainly due to property sales income of RMB41.4 million and leasing income of RMB2.6 million were recorded by Wenzhou Guoda, which was acquired by the Group in August 2016, during the Reporting Period. While the revenue of the Group did not include the property business of Wenzhou Guoda as of the same period of 2016. The corresponding cost and tax of property sales were RMB37.6 million, therefore the gross profit in property sales business contributed by Wenzhou Guoda during the Reporting Period amounted to RMB6.4 million.

Gross Profit and Gross Profit Margin

During the Reporting Period, total gross profit of the Group amounted to RMB92.0 million, representing an increase of 31.2% as compared with that of the same period of 2016. The gross profit of healthcare business after deducting property business amounted to RMB81.6 million, representing an increase of 16.4% as compared with that of the same period of 2016. 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,	
	2017	2016
	(Unaudited)	(Unaudited)
Treatment and general healthcare services	**38.6%**	43.0%
Pharmaceutical sales	**17.9%**	17.6%
Management services	**54.6%**	51.1%
Property and other businesses	**23.9%**	66.0%
Consolidated gross profit margin	**32.5%**	37.0%

During the Reporting Period, consolidated gross profit margin of the Group decreased to 32.5% (for the six months ended June 30, 2016: 37.0%), mainly due to the relatively low gross profit of property sales business of Wenzhou Guoda, excluding the property business, the gross profit margin of healthcare business amounted to 34.1%, representing a decrease of 2.9 percentage points as compared with that of the same period of 2016, mainly due to the utilization rate of Geriatric Hospital, Quzhou Yining Hospital, Pingyang Kangning Hospital and Shenzhen Yining Hospital, which were newly opened, is still in the increasing phase and therefore the gross profit margin cannot reach the level of mature hospitals.

Tax and Surcharge

During the Reporting Period, the tax and surcharge of the Group amounted to RMB3.9 million (for the six months ended June 30, 2016: RMB34.1 thousand), mainly due to the increase of land value added tax arising from the property sales operated by Wenzhou Guoda.

Selling Expenses

During the Reporting Period, the selling expenses of the Group amounted to RMB0.4 million (for the six months ended June 30, 2016: RMB1.0 million), representing a decrease of 56.3% as compared with that of the same period of 2016 and accounting for 0.2% of the healthcare business revenue of the Group (for the six months ended June 30, 2016: 0.5%), mainly due to the promotion activities during the Reporting Period were reduced as compared with that of the same period of 2016.

Administrative Expenses

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

	For the six months ended June 30,	
	2017	2016
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Employee benefits and expenses	**17,968**	15,247
Leasing expenses of the hospitals under development	**7,956**	8,477
Depreciation and amortization	**3,980**	3,708
Consultancy expenses	**2,667**	1,791
Travelling expenses	**1,615**	1,492
Others	**5,628**	5,644
Total administrative expenses	**39,814**	36,359

During the Reporting Period, the administrative expenses of the Group amounted to RMB39.8 million (for the six months ended June 30, 2016: RMB36.4 million), representing an increase of 9.5% as compared with that of the same period of 2016, mainly due to an increase of RMB2.7 million for our employee benefits and expenses arising from the increase of our management staff. The proportion of the administrative expenses of healthcare business to the healthcare business revenue of the Group decreased to 16.3% (for the six months ended June 30, 2016: 19.2%), mainly due to (i) the management efficiency of the Group headquarter has been improved with the expansion of the Group's business scale; and (ii) after Shenzhen Yining Hospital opened in March 2017, its leasing expenses were recorded in cost of revenue.

Finance (Expense)/Income - Net

Our finance income includes interest income from bank deposits and the gains on foreign exchange, and the finance expenses include the interest expenses on bank loans, the losses on foreign exchange and the amortization of unrecognized financial charge in related 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,	
	2017	2016
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Interest income	**1,907**	3,102
Exchange (loss)/gain	**(7,730)**	9,592
Borrowing interest expense	**(1,691)**	–
The amortization of unrecognized financial charge	**(2,725)**	(2,777)
Others	**(198)**	(131)
Finance (expenses)/income – Net	**(10,437)**	9,786

During the Reporting Period, the net finance expenses of the Group amounted to RMB10.4 million, representing a decrease of RMB20.2 million as compared with that of the same period of 2016, mainly due to (i) the exchange losses of RMB7.7 million arising from the lower exchange rate of HKD against RMB during the Reporting Period, representing a decrease of RMB17.3 million as compared with that of the same period of 2016; (ii) an increase of RMB1.7 million arising from interest expense of bank borrowings.

Investment Income/(Loss)

Our investments income/(loss) consist of share of investments income/(loss) accounted for using the equity method and gains/(loss) arising from disposal of long-term equity investment. The table below sets forth a breakdown of our investments income/(loss) for the periods indicated:

	For the six months ended June 30,	
	2017	2016
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Share of gains/(losses) of investments accounted for using the equity method	**(2,852)**	(2,200)
Gains arising from disposal of long-term equity investment	**5,243**	–
	2,391	(2,200)

During the Reporting Period, the investment gains of the Group amounted to RMB2.4 million (for the six months ended June 30, 2016: losses of RMB2.2 million), mainly because our equity interest in Beijing Yining Hospital has been diluted from 49.0% to 32.7% due to the capital increase of other shareholders. Therefore, while recognizing the gains of RMB5.2 million arising from the deemed disposal of 16.3% equity investment in Beijing Yining Hospital, offsetting the investment losses in Chongqing Hechuan Kangning Hospital and Hangzhou Honglan Information accounted for using the equity method accordingly.

Assets Impairment Losses

During the Reporting Period, the assets impairment losses increased to RMB2.8 million (for the six months ended June 30, 2016: RMB1.2 million), representing an increase of 137.4% as compared with that of the same period of 2016 and accounting for 1.2% of revenue of healthcare business (for the six months ended June 30, 2016: 0.6%), mainly due to the slight increase of account receivables for the Reporting Period as compared with the balance of December 31, 2016, and we increased the provisions for bad debts accordingly. As at June 30, 2017 and December 31, 2016, the provisions for bad debts of the Group's healthcare business amounted to RMB10.4 million and RMB8.1 million respectively and accounted for 5.1% and 5.4% of total receivables at the corresponding time.

Non-Operating Income (Expenses) and Other Income

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

	For the six months ended June 30,	
	2017	2016
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Government grants	**5,246**	143
Other non-operating income	**131**	42
Non-operating income	**5,377**	185
Donation	**(2,247)**	(1,935)
Losses on disposal of non-current assets	**(96)**	(84)
Other non-operating expenses	**(326)**	(435)
Non-operating expenses	**(2,669)**	(2,454)
Other gain	**2,693**	–

During the Reporting Period, the non-operating income of the Group increased to RMB5.4 million, primarily due to the government grants of RMB4.8 million arising from the listing of the Group. The non-operating expenses of the Group increased slightly to RMB2.7 million, primarily due to the slight increase in the donation expenses. Other gain of the Group increased to RMB2.7 million, primarily due to the increase of the government grants in relation to healthcare business.

Income Tax Expense

During the Reporting Period, income tax expense increased to RMB12.0 million (for the six months ended June 30, 2016: RMB10.5 million), representing an increase of 14.1% as compared with that of the same period of 2016, mainly due to the increase of the Group's profits before income tax during the Reporting Period amounted to 14.9% as compared with that of the same period of 2016. For the six months ended June 30, 2017 and 2016, our actual tax rates were 28.4% and 28.6%, respectively. The slight decrease in actual tax rates for the Reporting Period was mainly due to the decrease in the expenses which cannot be pretax deducted.

Total Comprehensive Income

During the Reporting Period, total comprehensive income attributable to owners of the Company amounted to RMB31.7 million, representing an increase of 12.4% as compared with that of the same period of 2016, primarily due to the following incidental factors:

i. an increase of RMB3.4 million in relation to the profit before tax arising from property sales business of Wenzhou Guoda for the Reporting Period; and

ii. the exchange loss of RMB7.7 million arising from the lower exchange rate of HKD against RMB for the Reporting Period.

Because of the above incidental factors, total comprehensive income attributable to owners of the Company decreased by RMB3.9 million during the Reporting Period. Excluding incidental factors above, total comprehensive income attributable to owners of the Company for the Reporting Period amounted to RMB35.6 million, representing an increase of 26.2% as compared with that of the same period of 2016, primarily due to the rapid enhancement in bed utilization rates of Linhai Kangning Hospital, which started to contribute profit during the Reporting Period while it recorded losses as of the same period of 2016.

Management Discussion and Analysis

Financial Position

Inventory

As of June 30, 2017, inventory balances amounted to RMB176.6 million (as of December 31, 2016: RMB162.8 million), mainly includes (i) the medical inventory and turnover materials amounted to RMB14.5 million (as of December 31, 2016: RMB9.3 million); and (ii) completed properties amounted to RMB162.1 million (as of December 31, 2016: properties under development RMB153.5 million), representing 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 properties	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
Lot number	Guo Yong (2012) No. 3-289403
Interests of the Group	75%
Land area (Approx.) (Sq. m.)	6,602.26
Total floor area (Approx.) (m.)	30,557.34
Usage	Commercial, office and hotel
Stage	Completed and accepted
Completion date	June 30, 2017

Trade Receivables

As of June 30, 2017, the balance of trade receivables amounted to RMB195.2 million (as of December 31, 2016: RMB142.9 million), the balance of receivables for healthcare business amounted to RMB189.4 million, representing an increase of 32.5% as compared with that of December 31, 2016, primarily due to as the growth of our healthcare business, our revenue of healthcare business increased during the Reporting Period as compared with that of the same period of 2016.

During the Reporting Period, the receivables turnover days were 125 days (for the six months ended June 30, 2016: 120 days).

Other Receivables and Prepayments

As of June 30, 2017, other receivables and prepayments slightly decreased to RMB75.8 million (as of December 31, 2016: RMB77.0 million).

Investment Properties

As of June 30, 2017, the balance of investment properties amounted to RMB72.2 million (as of December 31, 2016: RMB72.2 million), representing Phase I Works of Business Center of Wenzhou Higher Education Mega Center (3F & 4F) held by Wenzhou Guoda. During the Reporting Period, there was no significant change in the fair value of investment properties. The following table sets out the details of our investment properties during the Reporting Period:

Investment property	Phase I Works of Business Center of Wenzhou Higher Education Mega Center (3F & 4F)
Address	Southeast corner of Wenzhou Higher Education Mega Center, Chashan Street, Wenzhou City Zhejiang Province, the PRC
Lot number	Wen Guoyong (2012) No. 3-290617, Wen Guoyong (2012) No. 3-290604, Wen Guoyong (2012) No. 3-290602, Wen Guoyong (2012) No. 3-290616, Wen Guoyong (2012) No. 3-290595, Wen Guoyong (2012) No. 3-290606, Wen Guoyong (2012) No. 3-290593 and Wen Guoyong (2012) No. 3-290607
Interests of the Group	75%
Land area (Approx.) (Sq. m.)	3,722.29
Total floor area (Approx.) (m.)	12,854.06
Usage	Non-residential
Whether a freehold property	Nature of the land is grant for use rights of state-owned land for 50 years (termination date is January 29, 2053), and the properties are freehold properties

Available-For-Sale Financial Assets

As of June 30, 2017, the balance of available-for-sale financial assets amounted to RMB50.0 million (as of December 31, 2016: RMB50.0 million), primarily due to our contribution to the investment fund. During the Reporting Period, there was no significant change in the fair value of available-for-sale financial assets.

Accounts Payables

As of June 30, 2017, accounts payables increased to RMB80.5 million (as of December 31, 2016: RMB43.3 million), mainly due to the increase of RMB29.4 million as the payables for the property project newly accrued by Wenzhou Guoda.

Advanced from Customers

As of June 30, 2017, advanced from customers decreased to RMB60.7 million (as of December 31, 2016: RMB71.1 million), mainly due to Phase II Works of Business Center of Wenzhou Higher Education Mega Center has been completed and part of the properties has been delivered, advanced from customers of RMB14.9 million was settled.

Other Payables

As of June 30, 2017, other payables increased to RMB87.8 million (as of December 31, 2016: RMB38.9 million), mainly due to the increase of investment payable in the renovation and expansion project of Wenzhou Kangning Hospital and entrustment management of Yiwu Psychiatric Health Center.

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,	
	2017	2016
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	**3,472**	37,984
Net cash used in investing activities	**(134,699)**	(159,031)
Net cash generated from financing activities	**61,809**	22,062
Net (decrease in) cash and cash equivalents	**(76,732)**	(96,088)

Net Cash Generated from Operating Activities

As for the six months ended June 30, 2017, net cash generated from operating activities amounted to RMB3.5 million, primarily consisting of net profit of RMB30.3 million and adjustments for depreciation of property, plant and equipment of RMB20.9 million. Changes in working capital resulted in cash outflow of RMB58.3 million. We had cash outflow of RMB33.6 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 RMB134.7 million, primarily due to the amount of RMB158.1 million for purchasing property, plant and equipment, including the amounts paid for renovation and upgrade of Wenzhou Kangning Hospital, purchasing property of Cangnan Kangning Hospital and renovation projects of Shenzhen Yining Hospital and Hangzhou Yining Hospital; and the amount of RMB37.9 million paid for investment as a minority shareholder.

Net Cash Generated from Financing Activities

During the Reporting Period, net cash generated from financing activities amounted to RMB61.8 million, primarily due to bank borrowings amounted to RMB90.0 million, offsetting the repayment of bank borrowings of RMB37.7 million.

Significant Investment, Acquisition and Disposal

The Group had no significant investment, acquisition or disposal as for the six months ended June 30, 2017.

Indebtedness

Bank Borrowings

As of June 30, 2017, the balance of bank borrowings of the Group amounted to RMB269.0 million (as of December 31, 2016: RMB216.7 million), primarily attributable to the increase of RMB90.0 million short-term bank borrowings, offsetting repayment of the bank borrowings of RMB37.7 million.

Contingent Liabilities

As of June 30, 2017, the Group had no contingent liabilities or guarantees that would have a material impact on the financial position or operation of the Group.

Asset Pledge

Wenzhou Guoda, a subsidiary of our Group, had pledged its completed properties, Phase II of Business Center of Wenzhou Higher Education Mega Center, in favor of the Wenzhou Branch of China Minsheng Bank for bank loan and as of June 30, 2017, the balance of the borrowing amounted to RMB20.0 million. Wenzhou Guoda had pledged its properties, Phase I of Business Center of Wenzhou Higher Education Mega Center, in favor of Zheshang Bank for bank loan and as of June 30, 2017, the balance of the borrowing amounted to RMB40.0 million.

Management Discussion and Analysis

Contractual Obligations

The contractual obligation of the Group primarily consists of operating lease arrangements. As of June 30, 2017, the future aggregate minimum lease payments under non- cancellable lease agreements were RMB332.0 million.

Financial Instruments

Financial instruments of the Group consist of trade receivables, available-for-sale financial assets, amounts due from related parties, other receivables, term deposits, cash and cash equivalents, bank borrowings, trade and other payables. The Company's management manages and monitors these exposures to ensure effective measures are implemented on 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.

As for the six months ended June 30, 2017, 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, 2017, the Group's gearing ratio (total liabilities divided by total assets) was 39.2% (as of December 31, 2016: 35.1%).

Employees and Remuneration Policy

As of June 30, 2017, the Group had a total of 1,589 full-time employees (as of December 31, 2016: 1,348 full-time employees). During the Reporting Period, employees' remuneration (including salaries and other forms of employee benefits) amounted to approximately RMB71.3 million (for the six months ended June 30, 2016: RMB55.7 million). The average employees' remuneration is RMB97.1 thousand per year (including social medical insurance scheme and housing grant scheme bored 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.

The Group had no share option schemes.

Corporate Governance and Other Information

CORPORATE GOVERNANCE

The Board is of 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, 2017 to June 30, 2017. 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 seriousness of the case.

AUDITORS AND ACCOUNTING STANDARDS

The Company has been using the International Financial Reporting Standards during the financial year of 2016, and has complied with the disclosure requirements required in the Companies Ordinance (Chapter 622 of the laws of Hong Kong).

The Company is a Hong Kong listed company incorporated in the PRC, according to the "Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong" published by The Hong Kong Stock Exchange in December 2010 and the related amendments to the Hong Kong Listing Rules, PRC incorporated issuers listed in Hong Kong are allowed to prepare their financial statements in accordance with China Accounting Standards for Business Enterprises, and Mainland audit firms approved by the Ministry of Finance of the PRC and the CSRC are allowed to audit these financial statements in accordance with China Standards on Auditing. In view of such arrangement and in order to improve the efficiency and reduce the cost of disclosure, the Board has decided to abandon the International Financial Reporting Standards and prepare only one set of financial statements for the Company under China Accounting Standards for Business Enterprises for any financial period commencing on or after January 1, 2017.

Due to the change of accounting standards, the Company has decided not to re-appoint its original international auditor, PricewaterhouseCoopers. At the AGM, the Shareholders approved the appointment of PricewaterhouseCoopers Zhong Tian LLP as the independent auditor of the Company, which will hold office until the conclusion of the next annual general meeting of the Company. PricewaterhouseCoopers has confirmed that there were no matters regarding its retirement that need to be brought to the attention of the Shareholders. The Board confirms that there is no matter regarding the retirement of PricewaterhouseCoopers that needs to be brought to the attention of the Shareholders. The Board and the Audit Committee confirm that there is no disagreement between the Company and PricewaterhouseCoopers regarding the retirement of PricewaterhouseCoopers.

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 delegated to the Audit Committee by the Board. The Audit Committee consists of two independent non-executive Directors, Mr. HUANG Zhi (the chairman of the Audit Committee), Mr. GOT Chong Key Clevin, and one non-executive Director, Mr. LIN Lijun. The Audit Committee has reviewed this interim report and the Group's financial information for the six months ended June 30, 2017, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CHANGE IN DIRECTORS

On June 14, 2017, Mr. LIN Lijun was appointed as the non-executive Director and member of the Audit Committee of the second session of the Board of Directors effective from June 14, 2017 at the AGM. Due to the work arrangement, Ms. HE Xin retired as Director and the member of the Audit Committee of the Company on June 14, 2017.

On June 14, 2017, Mr. GUAN Weili, Ms. WANG Lianyue, Ms. WANG Hongyue, Mr. YANG Yang, Mr. CHONG Yat Keung, Mr. HUANG Zhi and Mr. GOT Chong Key Clevin were re-elected as Directors of the second session of the Board at the AGM.

CHANGE IN SUPERVISORS

On June 14, 2017, Mr. QIAN Chengliang and Mr. MA Jinlong were appointed as the independent Supervisors of the second session of Supervisory Committee effective from June 14, 2017 at the AGM.

On June 14, 2017, Ms. HUANG Jingou was re-elected as the Shareholder representative Supervisor of the second session of the Supervisory Committee at the AGM. In addition, Mr. SUN Fangjun and Mr. XIE Tiefan were re-elected as the employee representative Supervisors of the second session of the Supervisory Committee at employee representatives meeting of the Company on June 12, 2017.

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, 2017 to June 30, 2017 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 with other members of the Group and term of office		
Name	**Member of the Group**	**Positions held at members of the Group**	**Term of office**
Ms. WANG Lianyue	Yiwu Kangning Hospital Management Co., Ltd.	executive director, manager	From January 2017 to present

Name	Position held in the Company	Change in biographical details
Ms. WANG Hongyue	Executive Director	Ms. WANG Hongyue graduated from Shanghai University of Finance and Economics (上海財經大學) with a master degree in business administration in June 2017.
Mr. YANG Yang	Non-executive Director	Mr. YANG Yang was appointed as the legal representative, executive director and general manager of Guangzhou Kangxu Equity Investment Company Limited (廣州康旭股權投資有限公司), effective from July 2017.

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.

RELOCATION OF CANGNAN KANGNING HOSPITAL

On July 7, 2016, the Company entered into a letter of intent with Wenzhou Dongjing Packaging Company Limited (as the vendor), pursuant to which the Company intends to acquire the vendor's land and property located in Lingxi Village, Cangnan County. However, the government does not approve the land and property to be used for hospital operation. In September 2016, the letter of intent was terminated by both parties without any further liability. On February 28, 2017, Cangnan Kangning Hospital successfully bidded for land and plants located in Cangnan County at the online judicial auction held by the People's Court of Cangnan County.

On July 13, 2016, the Company has completed the registration of the transfer of such land and property and obtained the real estate title certificate numbered Zhe (2017) Cangnan County Real Estate Title No.0018361. Further disclosure will be made in the Company's annual reports and interim reports as and when appropriate in relation to the developments of the above matter.

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. As of June 30, 2017, the Company's net proceeds from the initial public offering amounted to approximately HK$693.2 million (equivalent to RMB 580.7 million) after deducting underwriting commissions and all related expenses.

As of June 30, 2017, the Group applied the net proceeds in the followings:

- RMB314.4 million for expanding and ramping up our healthcare facilities network and operating capacity;
- RMB37.1 million for renovation and upgrades for Wenzhou Kangning Hospital;
- RMB17.5 million for research, teaching and personnel training purposes;
- RMB5.0 million for developing mobile and online platforms for medical consultation and upgrading IT infrastructure; and
- RMB20.7 million for working capital and other general corporate purposes.

DISCLOSURE OF INTEREST

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

As of June 30, 2017, 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)	41.94%	30.32%
		Interest of spouse	3,794,500(L) [2]			
Ms. WANG Lianyue	Domestic Shares	Beneficial owner	3,794,500(L)	22,144,750 (L)	41.94%	30.32%
		Interest of spouse	18,350,250(L) [2]			
Ms. WANG Hongyue	Domestic Shares	Beneficial owner	3,984,350(L)	5,527,350(L)	10.46%	7.57%
		Interest in a controlled corporation	1,543,000(L) [3]			

Notes:

(L): Long position

(1) The shareholding percentages are calculated on the basis of 52,800,000 Domestic Shares and 20,240,000 H Shares (an aggregate of 73,040,000 Shares) issued by the Company as of June 30, 2017.

(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 17.75% 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.

Save as disclosed above, as of June 30, 2017, 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, 2017, 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**")	Domestic Shares	Beneficial owner	15,384,541 (L)	29.14%	21.06%
Guangzhou GL Capital GP L.P. [2]	Domestic Shares	Interest in a controlled corporation	15,384,541 (L)	29.14%	21.06%
Guangzhou Automobile Group Capital Co., Ltd. [3]	Domestic Shares	Interest in a controlled corporation	15,384,541 (L)	29.14%	21.06%
Mr. XU Yi [4]	Domestic Shares	Interest of spouse	5,527,350 (L)	10.46%	7.57%
Shanghai Tanying Investment L.P.	Domestic Shares	Beneficial owner	3,253,180 (L)	6.16%	4.45%
Shanghai Lejin Investment L.P.[5]	Domestic Shares	Interest in a controlled corporation	3,253,180 (L)	6.16%	4.45%
Shanghai Qiangang Investment Management L.P.	Domestic Shares	Beneficial owner	3,253,179 (L)	6.16%	4.45%
Mr. ZHAO Yongsheng [6]	Domestic Shares	Interest in a controlled corporation	3,253,179 (L)	6.16%	4.45%
Shanghai Shengge Investment Management Co., Ltd.[7]	Domestic Shares	Interest in a controlled corporation	6,506,359 (L)	12.32%	8.90%
Qindao Jinshi Haorui Investment Co., Ltd.	Domestic Shares	Beneficial owner	2,780,000 (L)	5.27%	3.81%

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]
Jinshi Investment Co., Ltd.[8]	Domestic Shares	Interest in a controlled corporation	2,780,000 (L)	5.27%	3.81%
Citigroup Inc.	H Shares	Interest in a controlled corporation/Person having a security interest	2,822,966 (L) 58,266 (S)	13.95% 0.29%	3.86% 0.08%
Baring Asset Management Limited	H Shares	Investment manager	3,052,400 (L)	15.08%	4.18%
Barings LLC (formerly known as Babson Capital Management LLC)	H Shares	Investment manager	3,034,200 (L)	14.99%	4.15%
Northern Trust Fiduciary Services (Ireland) Limited	H Shares	Trustee	2,093,700 (L)	10.34%	2.87%
OrbiMed Advisors LLC	H Shares	Investment manager	1,454,000 (L)	7.18%	2.00%
OrbiMed Capital LLC	H Shares	Investment manager	2,150,900 (L)	10.63%	2.94%
OrbiMed Partners Master Fund Limited	H Shares	Beneficial owner	1,279,900 (L)	6.32%	1.75%
Prime Capital Management Company Limited	H Shares	Investment manager	2,803,800 (L)	13.85%	3.84%
OrbiMed Partners II, LP	H Shares	Beneficial owner	1,052,000 (L)	5.20%	1.44%
Morgan Stanley	H Shares	Interest in a controlled corporation	1,208,534 (L) 1,143,634 (S)	5.97% 5.65%	1.65% 1.57%
UBS Group AG	H Shares	Interest in a controlled corporation	1,343,800 (L)	6.64%	1.84%

Notes:

(L): Long position

(S): Short position

(1) The shareholding percentages are calculated on the basis of 52,800,000 Domestic Shares and 20,240,000 H Shares (an aggregate of 73,040,000 Shares) issued by the Company as of June 30, 2017.

(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.

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

(6) Mr. ZHAO Yongsheng holds 99.90% equity interest in Shanghai Qiangang Investent Management L.P.. 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 Investent Management L.P..

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

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

Save as disclosed above, as of June 30, 2017, to the knowledge of the Directors, no other person (other than a Director, a Supervisor or a chief executive of the Company) had, or were 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.

By order of the Board
Wenzhou Kangning Hospital Co., Ltd.
Guan Weili
Chairman

Zhejiang, the PRC
August 18, 2017

Consolidated Balance Sheet

As at 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

	Note	30 June 2017 (Unaudited)	31 December 2016 (Audited)
ASSETS			
Current assets			
Cash at bank and on hand	4(1)	**360,431,821**	496,614,542
Accounts receivable	4(2)	**195,213,586**	142,938,440
Other receivables	4(3)	**56,099,625**	54,672,733
Advance to suppliers	4(4)	**19,717,584**	22,283,987
Inventories	4(5)	**176,567,409**	162,827,694
Current portion of non-current assets		**12,688,704**	12,688,704
Total current assets		**820,718,729**	892,026,100
Non-current assets			
Available-for-sale financial assets	4(6)	**50,000,000**	50,000,000
Long-term equity investments	4(7)	**60,198,228**	22,429,070
Investment properties	4(8)	**72,191,872**	72,191,872
Fixed assets	4(9)	**188,059,052**	97,666,540
Construction in progress	4(10)	**257,092,404**	198,066,153
Intangible assets	4(11)	**153,162,424**	125,865,371
Goodwill	4(12)	**8,533,389**	8,533,389
Long-term prepaid expenses	4(13)	**109,388,448**	88,855,792
Deferred tax assets	4(14)	**20,707,981**	20,300,383
Other non-current assets	4(16)	**17,333,178**	27,447,253
Total non-current assets		**936,666,976**	711,355,823
TOTAL ASSETS		**1,757,385,705**	1,603,381,923

Consolidated Balance Sheet

As at 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

	Note	**30 June 2017 (Unaudited)**	31 December 2016 (Audited)
LIABILITIES AND OWNERS' EQUITY			
Current liabilities			
Short-term borrowings	4(17)	**120,000,000**	30,000,000
Accounts payable	4(18)	**80,476,871**	43,271,014
Advances from customers	4(19)	**60,655,362**	71,147,900
Employee benefits payable	4(20)	**15,316,095**	19,552,350
Taxes payable	4(21)	**27,168,560**	41,195,655
Other payables	4(22)	**87,816,113**	38,922,694
Dividends payable	4(30)	**18,260,000**	—
Non-current liabilities due within one year	4(23)	**17,480,304**	54,180,304
Total current liabilities		**427,173,305**	298,269,917
Non-current liabilities			
Long-term borrowings	4(24)	**148,950,190**	149,950,190
Long-term payables	4(25)	**89,463,200**	86,738,600
Deferred income	4(26)	**10,632,800**	10,632,800
Deferred tax liabilities	4(14)	**13,444,342**	16,420,433
Total non-current liabilities		**262,490,532**	263,742,023
Total liabilities		**689,663,837**	562,011,940

Consolidated Balance Sheet

As at 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

	Note	**30 June 2017 (Unaudited)**	31 December 2016 (Audited)
Owners' equity			
Share capital	4(27)	**73,040,000**	73,040,000
Capital surplus	4(28)	**795,919,512**	795,604,861
Surplus reserve	4(29)	**18,548,942**	18,548,942
Retained earnings	4(30)	**134,640,863**	121,190,550
Total equity attributable to owners of the parent company		**1,022,149,317**	1,008,384,353
Non-controlling interests		**45,572,551**	32,985,630
Total owners' equity		**1,067,721,868**	1,041,369,983
TOTAL LIABILITIES AND OWNERS' EQUITY		**1,757,385,705**	1,603,381,923

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

Legal representative: Principal in charge of accounting: Head of accounting department:

Company Balance Sheet

As at 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

	Note	30 June 2017 (Unaudited)	31 December 2016 (Audited)
ASSETS			
Current assets			
Cash at bank and on hand		**310,987,232**	445,980,786
Accounts receivable	15(1)	**94,014,286**	82,359,131
Advances to suppliers		**6,425,929**	4,941,566
Other receivables	15(2)	**411,296,181**	263,651,111
Inventories		**7,662,978**	6,115,311
Dividends receivable		**—**	10,000,000
Current portion of non-current assets		**12,688,704**	12,688,704
Total current assets		**843,075,310**	825,736,609
Non-current assets			
Available-for-sale financial assets	4(6)	**50,000,000**	50,000,000
Long-term equity investments	15(3)	**115,241,073**	115,854,920
Long-term receivables		**—**	—
Fixed assets		**61,421,643**	59,318,225
Construction in progress		**245,122,053**	165,085,994
Intangible assets		**103,775,836**	106,549,041
Long-term prepaid expenses		**22,802,514**	25,035,472
Deferred tax assets		**5,398,840**	4,833,044
Other non-current assets		**—**	4,058,271
Total non-current assets		**603,761,959**	530,734,967
TOTAL ASSETS		**1,446,837,269**	1,356,471,576

Company Balance Sheet

As at 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

	Note	30 June 2017 (Unaudited)	31 December 2016 (Audited)
LIABILITIES AND OWNERS' EQUITY			
Current liabilities			
Short-term borrowings		**80,000,000**	30,000,000
Accounts payable		**25,349,824**	21,549,595
Advances from customers		**5,467,815**	2,997,368
Employee benefits payable		**11,546,147**	15,533,171
Taxes payable		**5,381,943**	18,302,075
Other payables		**54,381,886**	22,931,803
Dividends payable		**18,260,000**	—
Non-current liabilities due in one year		**17,480,304**	17,480,304
Total current liabilities		**217,867,919**	128,794,316
Non-current liabilities			
Long-term borrowings		**129,000,000**	130,000,000
Long-term payables		**89,463,200**	86,738,600
Deferred income		**10,632,800**	10,632,800
Total non-current liabilities		**229,096,000**	227,371,400
Total liabilities		**446,963,919**	356,165,716

Company Balance Sheet

As at 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

	Note	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Owners' equity			
Share capital		**73,040,000**	73,040,000
Capital surplus		**800,028,177**	799,821,777
Surplus reserve		**18,548,942**	18,548,942
Retained earnings		**108,256,231**	108,895,141
Total owners' equity		**999,873,350**	1,000,305,860
TOTAL LIABILITIES AND OWNERS' EQUITY		**1,446,837,269**	1,356,471,576

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

Legal representative: Principal in charge of accounting: Head of accounting department:

Consolidated Income Statement

For the six months ended 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

		Six months ended 30 June	
	Note	2017	2016
Item		(Unaudited)	(Unaudited)
1. Revenue	4(31)	**283,136,307**	189,680,305
Less: Cost of sales	4(31)	**(191,153,046)**	(119,578,600)
Taxes and surcharges	4(32)	**(3,937,078)**	(34,107)
Selling and distribution expenses	4(33)	**(445,240)**	(1,017,758)
General and administrative expenses	4(34)	**(39,814,343)**	(36,359,241)
Finance (expenses)/income-net	4(36)	**(10,436,551)**	9,785,791
Asset impairment losses	4(38)	**(2,823,150)**	(1,188,953)
Add: Investment income/(losses)	4(37)	**2,390,872**	(2,199,509)
Including: Share of losses of associates and joint ventures		**(2,852,505)**	(2,199,509)
Other gains	4(41)	**2,692,900**	—
2. Operating profit		**39,610,671**	39,087,928
Add: Non-operating income	4(39)	**5,377,451**	184,815
Less: Non-operating expenses	4(40)	**(2,668,911)**	(2,454,270)
Including: Gains on disposal of non-current assets		**(95,691)**	(84,100)
3. Total profit		**42,319,211**	36,818,473
Less: Income tax expenses	4(42)	**(12,013,726)**	(10,531,210)
4. Net profit		**30,305,485**	26,287,263
Attributable to owners of the parent company		**31,710,313**	28,208,189
Non-controlling gains and losses		**(1,404,828)**	(1,920,926)
5. Total comprehensive income		**30,305,485**	26,287,263
Attributable to shareholders of the Company		**31,710,313**	28,208,189
Attributable to non-controlling shareholders of the Company		**(1,404,828)**	(1,920,926)
6. Earnings per share(expressed in RMB cents per share)			
– Basic	4(43)	**0.43**	0.39
– Diluted	4(43)	**0.43**	0.39

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

Legal representative: Principal in charge of accounting: Head of accounting department:

Company Income Statements

For the six months ended 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

		Six months ended 30 June	
Item	Note	**2017**	2016
1. Revenue	15(4)	**148,646,233**	131,103,331
Less: Cost of sales	15(4)	**(94,337,473)**	(87,595,906)
Taxes and surcharges		**(576,431)**	—
Selling and distribution expenses		**(150,812)**	(546,136)
General and administrative expenses		**(19,463,125)**	(19,166,368)
Finance (expenses)/income-net		**(9,850,566)**	9,756,565
Asset impairment losses		**(1,441,742)**	(420,780)
Add: Investment losses	15(5)	**(613,847)**	(2,199,509)
Other gains		**2,692,900**	—
2. Operating profit		**24,905,137**	30,931,197
Add: Non-operating income		**5,342,360**	169,893
Less: Non-operating expenses		**(1,094,127)**	(1,183,356)
Including: Gains on disposal of non-current assets		**(88,205)**	(78,240)
3. Total profit		**29,153,370**	29,917,734
Less: Income tax expenses		**(7,921,980)**	(8,283,832)
4. Net profit		**21,231,390**	21,633,902
5. Total comprehensive income		**21,231,390**	21,633,902

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

Legal representative: Principal in charge of accounting: Head of accounting department:

Consolidated Statements of Cash Flows

For the six months ended 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

		Six months ended 30 June	
Item	Note	**2017**	2016
1. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		**218,044,330**	185,216,096
Cash received relating to other operating activities	4(44) (a)	**16,104,834**	13,577,071
Sub-total of cash inflows		**234,149,164**	198,793,167
Cash paid for goods and services		**(84,493,508)**	(57,860,296)
Cash paid to and on behalf of employees		**(74,861,390)**	(60,575,485)
Payments of taxes and surcharges		**(33,608,262)**	(14,053,392)
Cash paid relating to other operating activities	4(44) (b)	**(37,714,356)**	(28,319,590)
Sub-total of cash outflows		**(230,677,516)**	(160,808,763)
Net cash flows generated from operating activities		**3,471,648**	37,984,404
2. Cash flows used in investing activities			
Cash received from disposal of investments		**3,225,000**	—
Net cash received from disposal of other long-term assets	4(44) (g)	**—**	2,039,728
Cash received relating to other investing activities	4(44) (c)	**91,007,687**	898,631
Sub-total of cash inflows		**94,232,687**	2,938,359
Cash paid to acquire fixed assets and other long-term assets		**(158,053,650)**	(71,372,976)
Cash paid to acquire investments		**(37,878,286)**	(88,096,114)
Cash paid relating to other investing activities	4(44) (d)	**(33,000,000)**	(2,500,000)
Sub-total of cash outflows		**(228,931,936)**	(161,969,090)
Net cash flows used in investing activities		**(134,699,249)**	(159,030,731)

Consolidated Statements of Cash Flows

For the six months ended 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

		Six months ended 30 June	
Item	Note	**2017**	2016
3. Cash flows from financing activities			
Cash received from capital contributions		**14,100,000**	2,400,000
Including: Cash received from capital contributions by non-controlling shareholders of subsidiaries		**14,100,000**	2,400,000
Cash received from borrowings		**90,000,000**	50,000,000
Cash received relating to other financing activities	4(44) (e)	**300,000**	—
Sub-total of cash inflows		**104,400,000**	52,400,000
Cash repayments of borrowings		**(37,700,000)**	(30,000,000)
Cash payments for interest expenses and distribution of dividends or profits		**(2,133,206)**	—
Cash payments relating to other financing activities	4(44) (f)	**(2,758,166)**	(338,363)
Sub-total of cash outflows		**(42,591,372)**	(30,338,363)
Net cash flows generated from financing activities		**61,808,628**	22,061,637
4. Effect of changes in foreign exchange rate		**(7,312,748)**	2,896,587
5. Net decrease in cash and cash equivalents		**(76,731,721)**	(96,088,103)
Add: Cash and cash equivalents at beginning of the period	4(45) (a)	**407,163,542**	368,457,171
6. Cash and cash equivalents at end of the period	4(45) (b)	**330,431,821**	272,369,068

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

Legal representative: Principal in charge of accounting: Head of accounting department:

Company Statements of Cash Flows

For the six months ended 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

			Six months ended 30 June	
Item		Note	**2017**	2016
1.	**Cash flows from operating activities**			
	Cash received from sales of goods or rendering of services		**138,290,861**	133,520,211
	Cash received relating to other operating activities		**12,987,817**	15,641,017
	Sub-total of cash inflows		**151,278,678**	149,161,228
	Cash paid for goods and services		**(51,345,969)**	(42,855,139)
	Cash paid to and on behalf of employees		**(48,111,926)**	(44,515,564)
	Payments of taxes and surcharges		**(20,784,880)**	(7,441,244)
	Cash paid relating to other operating activities		**(164,067,042)**	(51,366,039)
	Sub-total of cash outflows		**(284,309,817)**	(146,177,986)
	Net cash flows (used in)/generated from operating activities		**(133,031,139)**	2,983,242
2.	**Cash flows used in investing activities**			
	Cash received from disposal of investments		**3,225,000**	10,400,000
	Cash received from returns on investments		**10,000,000**	21,700,000
	Cash received relating to other investing activities		**91,533,764**	852,986
	Sub-total of cash inflows		**104,758,764**	32,952,986
	Cash paid to acquire fixed assets and other long-term assets		**(54,850,765)**	(32,914,353)
	Cash paid to acquire investments		**—**	(131,118,614)
	Cash paid relating to other investing activities		**(30,000,000)**	—
	Sub-total of cash outflows		**(84,850,765)**	(164,032,967)
	Net cash flows (used in)/generated from investing activities		**19,907,999**	(131,079,981)

Company Statements of Cash Flows

For the six months ended 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

Item		Note	Six months ended 30 June 2017	2016
3.	**Cash flows from financing activities**			
	Cash received from borrowings		**50,000,000**	50,000,000
	Sub-total of cash inflows		**50,000,000**	50,000,000
	Cash repayments of borrowings		**(1,000,000)**	(30,000,000)
	Cash payments for interest expenses and distribution of dividends or profits		**(1,348,500)**	—
	Cash payments relating to other financing activities		**(2,758,166)**	—
	Sub-total of cash outflows		**(5,106,666)**	(30,000,000)
	Net cash flows generated from financing activities		**44,893,334**	20,000,000
4.	**Effect of changes in foreign exchange rate**		**(7,312,748)**	2,896,587
5.	**Net decrease in cash and cash equivalents**		**(75,542,554)**	(105,200,152)
	Add: Cash and cash equivalents at beginning of the period		**356,529,786**	339,907,374
6.	**Cash and cash equivalents at end of the period**		**280,987,232**	234,707,222

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

Legal representative: Principal in charge of accounting: Head of accounting department:

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

		Equity attributable to owners of the parent company					
	Note	Share capital	Capital surplus	Surplus reserve	Retained earnings	Non-controlling interests	Total owners' equity
Balance at 1 January 2017		73,040,000	795,604,861	18,548,942	121,190,550	32,985,630	1,041,369,983
Movements for the six months ended 30 June 2017							
Total comprehensive income							
Net profit		—	—	—	31,710,313	(1,404,828)	30,305,485
Capital contribution and withdrawal by owners							
Capital contribution by non-controlling shareholders		—	—	—	—	14,100,000	14,100,000
Share-based payment	9	—	206,400	—	—	—	206,400
Transaction with non-controlling shareholders	4(29), 6(1) (b)	—	108,251	—	—	(108,251)	—
Profit distribution							
Profit distribution to equity owners	4(31)	—	—	—	(18,260,000)	—	(18,260,000)
Balance at 30 June 2017		73,040,000	795,919,512	18,548,942	134,640,863	45,572,551	1,067,721,868

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

		Equity attributable to owners of the parent company					
	Note	Share capital	Capital surplus	Surplus reserve	Retained earnings	Non-controlling interests	Total owners' equity
Balance at 1 January 2016		73,040,000	797,510,642	11,343,566	77,824,436	2,512,383	962,231,027
Movements for the six months ended 30 June 2016							
Total comprehensive income							
Net profit		—	—	—	28,208,189	(1,920,926)	26,287,263
Capital contribution and withdrawal by owners							
Capital contribution by non-controlling shareholders		—	—	—	—	2,400,000	2,400,000
Share-based payment	9	—	1,155,567	—	—	—	1,155,567
Others		—	—	—	—	11,729,151	11,729,151
Profit distribution							
Profit distribution to equity owners	4(31)	—	—	—	(18,260,000)	—	(18,260,000)
Balance at 30 June 2016		73,040,000	798,666,209	11,343,566	87,772,625	14,720,608	985,543,008

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

Legal representative: Principal in charge of accounting: Head of accounting department:

Company Statement of Changes in Equity

For the six months ended 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

	Note	Share capital	Capital surplus	Surplus reserve	Retained earnings	Total owners' equity
Balance at 1 January 2017		73,040,000	799,821,777	18,548,942	108,895,141	1,000,305,860
Movements for the six months ended 30 June 2017						
Total comprehensive income						
Net profit		—	—	—	21,231,390	21,231,390
Capital contribution and withdrawal by owners						
Share-based payment	9	—	206,400	—	—	206,400
Profit distribution						
Profit distribution to equity owners	4(31)	—	—	—	(18,260,000)	(18,260,000)
Balance at 30 June 2017		73,040,000	800,028,177	18,548,942	111,866,531	1,003,483,650
Balance at 1 January 2016		73,040,000	797,510,642	11,343,566	62,306,757	944,200,965
Movements for the six months ended 30 June 2016						
Total comprehensive income						
Net profit		—	—	—	21,633,902	21,633,902
Capital contribution and withdrawal by owners						
Share based payment	9	—	1,155,567	—	—	1,155,567
Profit distribution						
Profit distribution to equity owners	4(31)	—	—	—	(18,260,000)	(18,260,000)
Balance at 30 June 2016		73,040,000	798,666,209	11,343,566	65,680,659	948,730,434

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

Legal representative: Principal in charge of accounting: Head of accounting department:

Notes to the Financial Statements

For the six months ended 30 June 2017

(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 (溫州市康寧精神康復醫院) 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. (溫州康寧醫院股份有限公司).

The Company and its subsidiaries (the "**Group**") are engaged in operating of psychiatric hospitals in the PRC.

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

The financial statements have been approved for issue by the Company's Board of Directors on 18 August 2017. These financial statements are not audited.

2. Summary of significant accounting policies and accounting estimates

The Group decided the specific accounting policies and estimations based on the manufacturing and operation characteristics. They are mainly refected in the provision method for bad debts of accounts receivable (Note 2(10)), the valuation methods of inventories (Note 2(11)), the depreciation of fixed assets and amortization of intangible assets and the recognization timing of the revenue (Note 2(23)).

The key assumptions that the Group used to decide the significant accouting policies are stated as at Note2(28)

(1) Basis of preparation

The financial statements are prepared in accordance with the *Accounting Standard for Business Enterprises – Basic Standard and 38 specific accounting standards* issued by the Ministry of Finance on 15 February 2006 (hereafter collectively referred to as "**the Accounting Standards for Business Enterprises**" or "**CAS**") and *Disclosure regulations for the fifteenth rules for the information disclosure of companies issuing public securities – General Provisions on financial statements* issued by China Securities Regulatory Commission

The financial statements are prepared on a going concern basis.

The new "Companies Ordinance" of Hong Kong has commenced operation in 2015. Some notes in this financial statement have been adjusted according to requirements the ordinance.

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 2017 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and company's financial position of the Company as at 30 June 2017 and their financial performance, cash flows and other information for the six month then ended.

(3) Accounting year

The Company's accounting year starts on 1 January and ends on 31 December.

(4) Recording currency

The recording currency is Renminbi (RMB).

(5) Business combination

Business combination involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

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

(6) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated statement of comprehensive income.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combination involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' shareholders' equity and the portion of subsidiaries' net profits and losses and comprehensive incomes for the period not attributable to the Company are recognised as non-controlling interests, net profit attributed to non-controlling interests and total comprehensive incomes attributed to non-controlling interests and presented separately in the consolidated financial statements under shareholders' equity, net profits and total comprehensive income respectively. Unrealised profits and losses resulting from the sale of assets by the Company to its subsidiaries are fully eliminated against net profit attributable to owners of the parent. Unrealised profits and losses resulting from the sale of assets by a subsidiary to the Company are eliminated and allocated between net profit attributable to owners of the parent and non-controlling interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from the sale of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the parent and non-controlling interests in accordance with the allocation proportion of the parent in the subsidiary. Unrealised profits and losses resulting from the sale of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the parent and non-controlling interests in accordance with the allocation proportion of the parent in the subsidiary.

If the accounting treatment of a transaction which considers the Group as an accounting entity is different from that considers the Company or its subsidiaries as an accounting entity, it is adjusted from the perspective of The Group.

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

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Foreign currency translation

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the statement of cash flows.

(9) Financial instruments

(a) Financial assets

(i) Classification of financial assets

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on The Group's intention and ability to hold the financial assets. During the reporting period, The Group held receivables and available-for-sale financial assets.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are subsequently measured at amortised cost using the effective interest method, with gains and losses from its amortisation or impairment recognised in profit or loss for the current period. Receivables mainly include account receivables and other receivable, etc (Note 2(10)).

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

(9) Financial instruments (continued)

(a) Financial assets (continued)

(i) Classification of financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories at initial recognition. Available-for-sale financial assets are included in other current assets on the statement of financial position if management intends to dispose of them within 12 months after the balance sheet date.

(ii) Recognition and measurement

Financial assets are recognised at fair value on the statement of financial position when The Group becomes a party to the contractual provisions of the financial instrument. In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognised in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initially recognised amounts. A financial asset is derecognised when the contractual right to receive the cash flows form the financial asset expire or the risks and rewards of the ownership of the financial asset has been transferred to the transferee substantially. Accounts receivable is subsequently measured at amortised cost using the effective interest method.

Available-for-sale financial assets are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably. Gains or losses arising from change in fair value of available-for-sale financial assets are recognised directly in equity, except for impairment losses and foreign exchange gains and losses arising from translation of monetary financial assets. When such financial assets are derecognised, the cumulative gains or losses previously recognised directly into equity are recycled into profit or loss for the current period.

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

(9) Financial instruments (continued)

(a) Financial assets (continued)

(iii) Impairment of financial assets

The Group assesses the carrying amounts of financial assets at each balance sheet date. If there is objective evidence that a financial asset is impaired, an impairment loss is provided for.

The objective evidence that a financial asset is impaired refers to events occurred after the initial recognition of the financial assets, which has an effect on the estimated cash flows of the financial assets and the effect can be reliably measured by The Group.

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

When an available-for- sale financial asset is impaired, the cumulative loss arising from decline in fair value that has been recognised directly in equity is reclassified to profit or loss. If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. An impairment loss recognised for an investment in an equity instrument classified as available-for-sale is reversed through equity.

(iv) Derecognition of financial assets

A financial asset is derecognised when any of the below criteria is met: (1) the contractual rights to receive the cash flows from the financial asset expire; (2) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (3) the financial asset has been transferred and The Group has not retained control of the financial asset, although The Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognised directly in owners' equity, is recognised in profit or loss.

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

(9) Financial instruments (continued)

(b) Financial liabilities

Financial liabilities are classified into the following categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities of The Group mainly comprise other financial liabilities, including payables, borrowings, etc.

Payables comprise accounts payable and other payables and long-term payables are recognised at fair value at initial recognition and are subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities of which the period is within one year (inclusive) are classified as the current liabilities; the period is over one year while will be due within one year (inclusive) since the balance sheet date are classified as current portion of non-current liabilities; and the others are classified as non-current liabilities.

A financial liability is derecognised or partly derecognised when the current obligation is discharged or partly discharged. The difference between the carrying amount of the financial liability or the derecognised part of the financial liability and the consideration paid is recognised in profit or loss.

(c) Determination of fair value

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. In the valuation, the Group adopted applicable valuation techniques with adequate available data and other information support in the circumstances, and selected inputs that have consistent characteristics with assets and liabilities in the transactions which are also considered by other market participants, and give priority to the use of relevant observable inputs. When relevant observable inputs cannot be obtained or obtaining the observable inputs is not feasible in the circumstances, unobservable inputs are adopted.

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

(10) Receivables

Receivables includes accounts receivable and other receivables. The receivables of pharmaceuticals sales and providing medial service from the patients, government and social insurance scheme and other institutions and receivables from selling real estate properties are initially recognised at fair value of the contractual or agreed proceeds from the buyers or service recipients and subsequently measured by amortised cost using the effective interest method.

Method of provision for receivables is based on differenct credit risk characteristics listed as below

(a) Receivables from the patients, management fee and other receivables that estimated and provided for bad debt individually

The reason for the provision for bad debt is that there exists objective evidence that the Group can not be able to collect the proceeds under the original terms.

The provision for receivables is calculated as the excess of its carring amount over present value of the estimated future cash flows.

(b) Receivables within the settlement day

For those receivables within the settlement day, the management shall carry out impairment tests on the basis of the recovery of the previous year. When there is objective evidence that the Group will not be able to recover the proceeds on the original terms of the receivable, the provision for bad debt is prepared. Management considers that the receivables are low in risk of recovery based on the previous year's recovery, and no provision for bad debt is required.

(c) Receivables from government social insurance scheme and other institutes

The reason for providing for bad debts is that there is objective evidence that the Group will not be able to recover the proceeds on the original terms of the receivable.

Management considers that the receivables are low in risk of recovery based on the previous year's recovery, and no provision for bad debt is required.

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

(10) Receivables (continued)

(d) Receivables from the charity institutions

For those receivables from the patients that need assistance from the charity institutions, the Group provided the amount of the difference between the proceeds that were expected to receive actually in the year and the total amount that applied to the charity institutions for assistance for bad debts based on the recovery of the previous year.

(e) Receivables from sales of properties that estimated and provided for bad debt individually

The reason for the provision for bad debt is that there exists objective evidence that the Group can not be able to collect the proceeds under the original terms.

The provision for receivables is calculated as the excess of its carring amount over present value of the estimated future cash flows.

After assessing the credit risk of different types of receivables, the provision for bad debts are provide for receivables with aging over three years.

(11) Inventories

(a) Classification

Inventories comprised pharmaceuticals, medical consumables and poperties under development (including the relating land use right) and are stated at the lower of cost and net realisable value

(b) Valuation method for inventory issued

Inventories are accounted using the method of first-in first-out when issued.

Inventories are measured initially at cost. The developing cost of properties under development includes the cost of land, construction cost and other costs. The borrowings costs that meet the capitalized conditons can also be counted into the cost of properties under development.

(c) Basis for determining the net realisable value of inventories and provision for decline in the value of inventories

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

(d) The Group adopts the perpetual inventory system.

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

(12) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, and the Group's long-term equity investments in associates.

Subsidiaries are the investees over which the Company is able to exercise control. An associate is the investee over which the Group has significant influence by participating in the financial and operating policy decisions.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted to the equity method when preparing the consolidated financial statements, and investments in joint ventures and associates are accounted for using the equity method.

(a) Determination of investment costs

For long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid.

(b) Subsequent measurement and recognition methods of gains and losses

For long-term equity investments accounted for using the cost method, cash dividend or profit distribution declared by the investees is recognised as investment income in profit or loss.

For long-term equity investments that are accounted for using the equity method, where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current period and the cost of the long-term equity investment is adjusted upwards accordingly.

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

(12) Long-term equity investments (continued)

(b) Subsequent measurement and recognition methods of gains and losses (continued)

Under the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of the net losses of an investee after the carrying amounts of the long-term equity investment together with any long-term interests that in substance form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, The Group continues recognising the investment losses and the provisions. The changes of The Group's share of the investee's owner's equity other than those arising from the net profit or loss, other comprehensive income and profit distribution, are recognised in The Group's equity and the carrying amounts of the long-term equity investment are adjusted accordingly. The carrying amount of the investment is reduced by The Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the transactions between The Group and its investees are eliminated in proportion to The Group's equity interest in the investees, based on which the investment gain or losses are recognised. Any losses resulting from transactions between The Group and its investees attributable to asset impairment losses are not eliminated.

(c) Basis for determining existence of control and significant influence over investees

Control means having power over an investee, enjoying variable returns through involvement in relevant activities of the investee, and being able to impact the amount of such variable returns by using the power over the investee.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

(d) Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries and associates are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(19)).

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

(13) Investment properties

Investment properties, including land use rights that have already been leased out, buildings that are held for the purpose of leasing and buildings that are being constructed or developed for future use for leasing, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are incurred.

The Group adopts the fair value model to subsequent measurement of investment properties and does not provide depreciation or amortision. The carrying amount of investment properties is adjusted based on their fair value at the balace sheet day and the difference between the fair value and the original carrying amount is recognised in profit or loss for the current period.

When investment properties are transferred to owner-occupied property, they are reclassified to fixed assets or intangible assets with the carrying amount determined at the fair value of the investment properties at the date of transfer and the difference between the fair value and the original carrying amount of the investment properties is recognized in profit or loss for the current period. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed assets or intangible assets are transferred to investment properties with the carrying amount determined at the fair value at the date of transfer. If the fair vaue at the date of transfer is less than the original carrying amount of the fixed asset or the intangible asset, the difference is recognised in profit or loss for the current period, otherwise, it is included in other comprehensive income.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

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

(14) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, medical equitments, motor vehicles, electronic equipments and other equipments, etc.

Fixed assets are recognised when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to The Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

(b) Depreciation method for fixed assets

Depreciation of fixed assets is calculated using the straight-line method to allocate cost of each asset to their residual values over their estimated useful lives. For the fixed assets which have been made for impairment, the amount of depreciation are determined by the book value after deducting the impairment provision over the useful lives in the future.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	35 years	5%	2.7%
Medical equitments	3-10 years	0%-5%	9.5%-33.3%
Motor vehicles	4-10 years	5%	9.5%-23.8%
Electronic and other equipment	3-10 years	0%-5%	9.5%-33.3%

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

(14) Fixed assets (continued)

(b) Depreciation method for fixed assets (continued)

The estimated useful life and the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

The carrying amounts of fixed assets are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(19)).

(c) Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(15) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowings costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below its carrying amount (Note 2(19)).

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

(16) Borrowings costs

The borrowings costs that are directly attributable to the acquisition and construction of a asset that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowings costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowings costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowings costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowings costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For special borrowings for the acquisition and construction of qualifying assets, the capitalised amount of the special borrowings is determined by the interest expenses incurred in the period less interest income of the unused borrowings deposited at bank or investment income from temporary investment.

For general borrowings occupied for the acquisition or construction of qualifying assets, the capitalised amount of the general borrowings is determined by the weighted average of the difference between accumulated capital expenditure and capital expenditure of the special borrowings multiplies by the weighted average effective interest rate of the occupied general borrowings. The effective interest rate is the interest rate used when the future cash flows of the borrowings over the estimated remaining deposit period or a shorter applicable period are discounted into the initial recognised amount of the borrowings.

(17) Intangible assets

Intangible assets include land use rights, software use rights, contractual rights to provide management services and concession intangible assets and are measured at cost.

(a) Land use rights

Land use rights are amortised on the straight-line basis over their approved use period 50 years. If the acquisition costs of the land use rights and the buildings located thereon cannot be reasonably allocated between the land use rights and the buildings, all of the acquisition costs are recognised as fixed assets.

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

(17) Intangible assets (continued)

(b) Software use rights

Software use rights are amortised on the straight-line basis on 5 years.

(c) Contractual rights to provide management services

Contractual rights to provide management services is the right to manage a hospital that are carried at costs less accumulated amortization and any accumulated impairment losses.

Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over the contractual terms as below:

	Contractual terms
Yanjiao Furen Integrated Traditional Chinese and Western Medicine Hospital ("**Yanjiao Furen Hospital**")	19.75 years
Pujiang Huangfeng Psychiatric Hospital ("**Pujiang Hospital**")	30 years
Chunan Huangfeng Kangen Hospital ("**Chunan Hospital**")	30 years
Yiwu Mental Health Center ("**Yiwu Health Center**")	20 years

(d) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

(e) Impairment of intangible assets

The carrying amounts of intangible assets are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note 2(19)).

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

(18) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to fixed assets held under operating leases, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(19) Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, and long-term equity investments in subsidiaries and associates are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset groups or groups of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

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

(20) Employee benefits

Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits provided in various forms of consideration in exchange for service rendered by employees or compensations for the termination of employment relationship.

(a) Short-term employee benefits

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, short-term paid absences. The employee benefit liabilities are recognised in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Employee benefits which are non-monetary benefits are measured at fair value.

(b) Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which The Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, The Group's post-employment benefits mainly include basic pensions and unemployment insurance, both of which belong to the defined contribution plans.

(c) Basic pensions

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to prescribed bases and percentage by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

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

(21) Dividend distribution

Cash dividends distribution is recognised as a liability in the period in which the dividends are approved by the shareholders' meeting.

(22) Share-based payments

(a) The types of share-based payments

Share-based payment transactions include equity-settled share-based payments and cash-settled share-based payments. Where the Group uses shares or other equity instruments as consideration for services received from the employees at the grant date, the share-based payments are classified to equity-settled share-based payments. Where the Group receives services from employees by incurring a liability to deliver cash or other equity intruments, the share-based payments are classified to cash-settled share-based payments. For the six months ended 30 June 2017, the Group did not hold any cash-settled share-based payments.

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments(restricted shares) of the Group. The payment is measured at the fair value of the equity instruments granted to employees at the grant date. The equity instruments granted to employees do not vest until the completion of services for a vesting period, the Group, at each balance sheet date during the vesting period, makes the best estimation according to the latest information of the number of employees who are granted to vest and revises the number of equity instruments expected to vest. Based on the best estimation, the Group recognises the services received for the current period as related costs or expenses, with a corresponding increase in capital reserve, at an amount equal to the fair value of the equity instruments at the grant date.

(b) Method to determine the fair value of equity instruments

The restricted shares are recognized for the difference between the grant price and the fair value of the restricted shares at the grant date.

(c) Basis of the best estimate of the number of equity instruments expected to vest

At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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

(23) Revenue recognition

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's activities. Revenue is shown net of discounts, rebates and returns.

Revenue is recognised when the economic benefits associated with the transaction will flow to the Group, the related revenue can be reliably measured, and the specific revenue recognition criteria have been met for each type of the Group's activities as described below.

(a) Service income - Treatments and general healthcare services and ancillary hospital services

Revenue from service income including medical treatments income, general healthcare services and ancillary hospital services income are recognized when the related services are rendered and when it is probable that the economic benefits from the service rendered will flow to the Group and such benefit could be reliably measured. Transactions are settled by payment of social security card, bank card or cash.

(b) Pharmaceutical sales

Revenue from pharmaceutical sales is recognized at the point that the risks and rewards of the inventory have passed to the customer, which is the point of dispatch. Transactions are settled by payment of social security card, bank card or cash.

(c) Management service fee

Management service fee is recognized when services are rendered and when it is probable that the economic benefits from the service rendered will flow to the Group and such benefit could be reliably measured.

(d) Rental income

Rental income from properties leasing under operating leases is recognised on a straight-line basis over the lease terms.

(e) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position as advanced proceeds received from customers under current liabilities.

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

(24) Government grants

Government grants are transfers of monetary or non-monetary assets from the government to the Group at nil consideration, including refund of taxes and financial subsidies, etc.

A government grant is recognised when the conditions attached to it can be complied with and the government grant can be received. A government grant in monetary asset is recognised at the amount received or to be received. A government grant in non-monetary asset is recognised at its fair value; if the fair value is not reliably measured, the grant is measured at nominal amount.

A government grant related to an asset is a grant that is acquired by an enterprise and used for construction or forming long-term assets in other ways. A government grant related to income is a grant other than those related to assets.

A government grant related to an asset is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. A government grant that is measured at nominal amount is directly recognised in profit or loss for the current period.

For a government grant related to income, when used to compensate related expenses or losses in subsequent periods, it is recognised in profit or loss for the current period as Deferred income over the periods in which related expenses are recognised; when used to compensate related expenses or losses that are already incurred, it is directly recognised in profit or loss for the current period.

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

(25) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and joint ventures, except where The Group is able to control the timing of reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, associates and joint ventures will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset when:

- the deferred taxes are related to the same tax payer within The Group and the same taxation authority; and,
- that tax payer within The Group has a legally enforceable right to offset current tax assets against current tax liabilities.

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

(26) Leases

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. An operating lease is a lease other than a finance lease.

(a) Operating leases

Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period.

Lease income from operating leases are recognized on a straight-line basis over the period of the lease.

(b) Finance leases

The leased asset is recognised at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognised finance charge and is amortised using the effective interest method over the period of the lease. A long-term payable is recorded at the amount equal to the minimum lease payments less the unrecognised finance charge.

(27) Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenue and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to The Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

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

(28) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

(a) Critical accounting estimates and key assumptions

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(i) Estimated impairment of contractual rights to provide management services

At 30 June 2017, the carrying amounts of contractual right to provide management services to Yanjiao Furen Hospital was RMB82,535,100 (as at 31 December 2016: RMB84,839,100). Management performs review for impairment of such assets whenever events or changes in circumstances indicate that the carrying amounts of contractual rights to provide management services may not be recoverable. Yanjiao Furen Hospital did not meet the minimum performance target, so the manangement tested the impairment of the operational rights to provide management service. The recoverable amount of the contractual right to provide management service was recognized baesd on the discounted cash flow method and the calcutions of this method required the use of significant estimates and assumptions on the projections of cash flows from the continuous use of contractual rights to provide management services. The key assumpitons adapted to recognise the recoverable amount of the the contractual right to provide management service include mainly:

Average beds in operation *	419
Average in patient spending per day per bed *	240
Average bed-days per year *	152,894
Gross profit rate*	40.1%
Discount rate	14.0%

* It represents the average number in upcoming five years.

As for the six months ended 30 June 2017, the management did not make any provision for impairment based on the impairment estimating result.

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

(28) Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and key assumptions (continued)

(ii) Provision for impairment of trade and other receivables

Impairment of trade and other receivables is made based on an assessment of the recoverability of trade and other receivables. The identification of doubtful debts requires management's judgment and estimates. Provision is made when there is objective evidence that the Group will not be able to collect the debts. Where the actual outcome or further expectation is different from the original estimate, such differences will impact the carrying value of the receivables and the amount of doubtful debt expenses or write-back of provision for impairment of receivables in the period in which such estimate has been changed.

The Group has certain receivables overdue but considered not impaired. These balances were largely due from local social insurance bureau and other government departments who are responsible for the reimbursement of medical expenses of patients who are covered by government medical insurance schemes. The management consider that based on past payment history those amount can be recovered in reasonable time.

For remaining balance not covered by social insurance scheme, the management assessed the collectability based on historical patterns and data. Based on the Group's assessment on the collectability of trade receivables, impairment provision of approximately RMB10,382,663 (31 December 2016: RMB8,104,505).

Also based on The Group's assessment on the collectability of other receivables, impairment provision of approximately RMB1,477,073 was provided as at 30 June 2017 (31 December 2016: RMB1,210,030).

(iii) Useful lives of property, plant and equipment

The estimate of useful lives of property, plant and equipment was made by the management with reference to the established industry practices, technical assessments made on the durability of the assets, as well as the historical magnitude and trend of repair and maintenance expenses incurred by the Group. It could change significantly as when the actual useful life is different with the one previously estimated or when the related equitpments are disposed or sold, it should be written off. It may lead to the significantly adjustment of the carrying amount of the property, plant and equitment in the balance sheet when the estimated result based on the experience is different from the next accounting period.

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

(28) Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and key assumptions (continued)

(iv) Recognition of investment property and properties under development at fair value

As explained in more details in Note 5(1), The Group acquired 51% of the equity interest in Wenzhou Guoda Investment Company ("**Wenzhou Guoda Investment**"). The net identifiable assets acquired through business combination were initially measured at fair vaule, and the Group subsequently measure the investment property at fair value. For investment property, the fair value was determined by using income approach. For the properties under development, the fair value was determined by using hypothetical development approach. The valuation include significant estimation on future return on rental income and selling price.

The Group engaged Wenzhou Huaxin Assets Evaluation Co.,Ltd to estimate the fair value of the investment properties and the method of estimating adapted is the proft-based. The input value adapted were the increase rate of rental, the return on rental and vacancy rate, etc.

The related information of fair value measurement is as followings:

			Unobservable materially inputs			
	30 June 2017 Fair value	Technical of valudation	Item	Scope/ Weighted Average	Relationship with the fair value	Observable/ Unobservable
Investment properties – completed	72,191,872	Income approach	Return rate/ capitalization rate	4.65%	(a)	Unobservable
			Monthly rental (RMB/ square/month)	32-40.84		
			Vacancy rate	2.74%		

The relationship between the unobservable inputs and the fair value

- The higher of the final return rate/capitalization rate, the lower of the fair value
- The higher of the estimated vacancy rate, the lower of the fair value
- The higher of the monthly rental, the higher of the fair value

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

(28) Critical accounting estimates and judgements (continued)

(b) Critical judgments in applying the Company's accounting policies

(i) Consolidation

The Group entered into agreements with hospitals which Group obtain contractual rights to provide management services of relevant hospitals for certain periods. The Group is entitled to receive performance-based management fees during the periods.

In making their judgment, the management considered the composition of the internal governance bodies and also certain committees which oversee the operations of those hospitals and power attained by those committee and granted to the Group respectively. After assessment, the management concluded that the Group does not obtain the decision making power over these bodies and committees to direct the relevant activities of the hospitals, so the Group does not control and thus does not consolidate those hospitals. Instead, agreements are considered as management contracts to generate management service income.

(ii) Estimation of the lease term in lease contract

The Group leased several properties from third parties as operating premises. The lease contracts usually contain break clause, where the Group is allowed to terminate the lease agreement by paying certain amount of penalties to the lessor, usually ranging from one to three months rentals.

The Group determined the non-cancellable terms of lease by considering the following factors:

- the amount of penalties to be paid;
- the balance of leasehold improvements to be written off;
- the availability of alternative operating premises and the competitiveness of the rentals comparable to existing leasing contracts;

If any of these factors changes in the futures, the non-cancellable lease term will be revised and accordingly impact the Group's accounting for these operating lease.

Notes to the Financial Statements

For the six months ended 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

3. Taxation

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

Category	Tax rate	Tax base
Corporate income tax	25%	Taxable profit
Value-added tax (a)	3%, 5% or 6%	Taxable turnover amount
Business tax (a)	5%	Taxable turnover amount
City maintenance and construction tax	7%	The amount of turnover tax actually paid
Educational surcharge	3%	The amount of turnover tax actually paid
Local educational surcharge	2%	The amount of turnover tax actually paid
Property tax	1.2% or 12%	The 70% of the original value of the property or the rental income
Land use tax (a)	5 per square metre	The square of the land
Land value-added tax	30%-60%	The amount of value-added

(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 Administration of Taxation, since 1 May 2016, the revenue from providing medical service of the Company and its subsidariy, 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) and Wenzhou Yining Geriatric Hospital Co., Ltd (Wenzhou Yining Geriatric Hospital) were free from value-added tax.

Pursuant to the "*Supplementary Notices on Several Policies on Traffic Taxes and Part of Modern Service Business Taxes for Value Added Tax Pilot Taxable Services*" (Cai Shui [2012] No. 86) and *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 Administration of Taxation, the revenue of judicial forensic service from the Company's subsidiary, Wenzhou Kangning Judicial Forensic Center (Judicial Forensic Center) was applied to value-added tax with a tax rate of 3%.

3. Taxation (continued)

(a) (continued)

Pursuant to the "*Provisions on matters related to the pilot project of VAT for business tax reform included in 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 Administration of Taxation and *Announcement of the State Administration of Taxation on Issuing the Interim Measures for the administration of the collection of value-added tax levied by the taxpayer on operating lease services of real estate(Announcement of the State Administration of Taxation[2016]No16)*issued by the State Administration of Taxation, since 1 May 2016, the rental income of the Company's subsidiary,Wenzhou Guoda Investment, arising from the rental of the properties purchased before 30 April 2016 was adapted to the simplie tax calculation method with the rate of 5%. Pursuant to *Provisions on matters related to the pilot project of VAT for business tax reform included in 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 Administration of Taxation and *Announcement of the State Administration of Taxation on Issuing the Interim Measures for the administration of the collection of value-added tax on real estate projects developed by real estate development enterprises(Announcement of the State Administration of Taxation[2016]No18)* issued by the State Administration of Taxation, the sales of the properties obtained before 30 April 2016 was adopted the simplie tax calculation method with the rate of 5%. The advance proceeds from the sales of real estate is subject to payment at 3% rate.

Pursuant to the "*Provisional Regulations of the People's Republic of China on Business Tax"(the State Council Decree No 540)*, the income of providing medical service from the Company, Qingtian Kangning Hospital, Cangnan Kangning Hospital,Yongjia Kangning Hopital and Yueqing Kanging Hospital were free from business tax from 1 January 2013 to 30 April 2016.

Since 1 July 2016, Pingyang Kangning Hospital Limited Liability Company would enjoyed exemption of real-estate tax for 3 years, according to the "*Notice on Taxation Affairs*" (Ping Di Shui Kun Tong [2017] No. 930 and Ping Di Shui Kun Tong [2017] No. 931) issued by Pingyang County Local Tax Bureau Kunyang Branch on 13 April 2017.

Pursuant to the "*Implementation plan on adjustment of urban land use tax policy in Wenzhou city to promote land intensive use and utilization*" issued by Wenzhou Municipal People 's Government Office in 9 May 2016 and the *Notice of tax matters (Wen Dishui Lu You Pi Tong Zi[2016]No173 and Wen Dishui Tong[2017] No45068)* issued by Wenzhou Local Taxation Bureau Lucheng Tax Branch, the Company enjoyed 100% discount on urban land use tax for the year 2015 and 2016.

4. Notes to the consolidated financial statements

(1) Cash at bank and on hand

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Cash on hand	**365,279**	106,398
Cash at bank	**360,066,149**	496,508,144
Other cash balances	**393**	—
	360,431,821	496,614,542
Including: Offshore deposits	**59,287,347**	64,470,655

As at 30 June 2017,the term deposits that over three months was RMB30,000,000 (31 December 2016: HKD100,000,000, amount to RMB89,451,000).

(2) Accounts receivable

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Accounts receivable	**205,596,249**	151,042,945
Less: Provision for bad debts	**(10,382,663)**	(8,104,505)
	195,213,586	142,938,440

4. Notes to the consolidated financial statements (continued)

(2) Accounts receivable (continued)

(a) The aging of accounts receivable is analysed as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within 1 year	**183,388,513**	137,552,824
1 - 2 years	**17,675,862**	10,835,771
2 - 3 years	**3,227,627**	2,211,065
Over 3 years	**1,304,247**	443,285
	205,596,249	151,042,945

According to the Group's terms of business, all bills are payable upon issued.

As at 30 June 2017, the Group's accounts receivable past due but not impaired were RMB143,950,330 (31 December 2016: RMB128,826,301). These were mainly related to the amounts to be claimed from local social insurance bureau and similar government departments who were responsible for the reimbursement of medical expenses for patients who were covered by government medical insurance schemes. Management considered that based on past payment history those amounts could be recovered in reasonable time. The aging analysis of these trade receivables was as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within 1 year	**127,696,129**	119,860,159
1 - 2 years	**16,004,781**	6,900,829
2 - 3 years	**249,420**	2,065,313
	143,950,330	128,826,301

4. Notes to the consolidated financial statements (continued)

(2) Accounts receivable (continued)

(b) Accounts receivable are analysed by categories as follows:

	Unaudited 30 June 2017				Audited 31 December 2016			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance
Bills not presented	44,276,416	22%	–	–	13,109,257	9%	–	–
Receivable from govermment medical insurance schemes and other institutes	62,032,955	30%	–	–	64,937,971	43%	–	–
Receivable from charity institutions	11,540,890	6%	10,382,663	90%	9,052,068	6%	8,104,505	90%
Receivable from patients	62,167,652	29%	–	–	49,472,011	32%	–	–
Management fee receivable	19,749,723	10%	–	–	14,471,638	10%	–	–
Receivable from real estate sales	5,828,613	3%	–	–	–	–	–	–
	205,596,249	100%	10,382,663	/	151,042,945	100%	8,104,505	/

(c) In the six months ended 30 June 2017, the provision for bad debts provided were RMB2,556,107 (six months ended 30 June 2016: RMB1,056,981). No provision for bad debts has been collected or reversed in the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

The Group considered that there was no need for further provision for the impairment of the receivables with no provision for impairment in the aforesaid classification assessment based on the different types of credit risks after assessing it based on aging, historical data and the the Group's estimation on the future recovery.

(d) In the six months ended 30 June 2017, the amount that actually written off was RMB277,949 (six months ended 30 June 2016: RMB311,391) and it was written off because it can not be taken back for a long time.

4. Notes to the consolidated financial statements (continued)

(2) Accounts receivable (continued)

(e) The five largest accounts receivable assembled by debtors

	30 June 2017 (Unaudited)		
	Balance	Provision for bad debts	% of total balance
Total balances due from the five largest accounts receivable assembles	**47,768,634**	**—**	**23%**

(3) Other receivables

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Loans due by third parties (e(i) (ii))	**21,060,711**	20,935,000
Prepayments *	**12,964,299**	9,565,195
Receivable from related parties (Note 8 (5) (a))	**2,554,705**	7,842,858
Deposit and guarantee	**12,103,063**	12,164,863
Others	**8,893,920**	5,374,847
	57,576,698	55,882,763
Less: Provision for bad debts	**(1,477,073)**	(1,210,030)
	56,099,625	54,672,733

* The receivables included the receivables of Yanjiao Furen Hospital,the advance payment on behalf of Chendu Renyi Hospital Co., Ltd (Chendu Renyi Hospital) (Note (e)) and the receivables of Guoxiu Xiong and Honggen Min (Note (b)).

4. Notes to the consolidated financial statements (continued)

(3) Other receivables (continued)

(a) The aging of other receivables is analysed as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within 1 year	**39,563,140**	39,382,666
1 - 2 years	**5,027,989**	14,816,163
2 - 3 years	**11,322,944**	884,508
Over 3 years	**1,662,625**	799,426
	57,576,698	55,882,763

As at 30 June 2017 and 31 December 2016, the Group had no significant other receivable overdue but not impaired except for the other receiable from Chengdu Renyi Hospital amount 3,225,000. The amount due from Chengdu Renyi Hospital is overdue, the management assessed and are of view that no provision is required.

(b) Other receivables separately provided for bad debts is analysed as follows:

30 June 2017 (Unaudited)	**Balance**	**Provision for bad debt**	**% of provision**	**Reason**
Rceivable from Guoxiu Xiong and Honggen Min	**2,156,116**	**1,210,030**	**56%**	**(i)**
Receivable from Wenzhou Mingou Real Estate Development Co., Ltd ("**Wenzhou Mingou Co., Ltd**")	**267,043**	**267,043**	**100%**	**e(iii)**
	2,423,159	**1,477,073**		

(i) As at 30 June 2017 and 31 December 2016, the lawsuit was still in the progress, the management of the Group assessed that there is uncertainty in the recovery of the remaining receivables and provided the provision for bad debts for the remaining balance.

(c) In the six months ended 30 June 2017, the amount of the provision for the bad debt was RMB267,043 (six months ended 30 June 2016: RMB131,972). No provision for bad debts has been collected or reversed in the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

4. Notes to the consolidated financial statements (continued)

(3) Other receivables (continued)

(d) There was no material accounts receivable written off in the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

(e) As at 30 June 2017, the five largest balances of other receivables by debtors are analysed as follow:

		30 June 2017			
	Natrure	Balance	Aging	% of total balance	Provision for bad debts
Chengdu Renyi Hospital (i)	Borrowings and advances	10,983,642	Within 3 years	19%	—
Pujiang Hospital (ii)	Borrowings and interest	8,832,388	Within 2 years	15%	—
Yanjiao Furen Hospital	Deposit and advances	6,652,219	Within 2 years	12%	—
Hu Qifeng	Guarantee	5,000,000	Within 1 years	9%	—
Chunan Hospital	Borrowings and interest	3,628,323	Within 2 years	6%	—
		35,096,572		61%	—

(i) The Company entered into an agreement with Sichuan Hongji Pharmaceutical Company Limited ("**Sichuan Hongji**"), an independent third party in March 2015 and planned to develop certain business with Sichuan Hongji. The Company placed a deposit of RMB12,000,000 to Sichuan Hongji as future capital contribution. Subsequently, the agreement was cancelled and a supplemental agreement was entered into by Sichuan Hongji, Chengdu Jihong Hospital Company Limited ("**Chengdu Jihong**", a wholly owned subsidiary of Sichuan Hongji, which changed its name to Chengdu Renyi Hospital Company Limited. ("**Chengdu Renyi**")) and the Company on 29 June 2015. Pursuant to the supplemental agreement, the three parties agreed to abandon the business plan and the deposit should be repaid by Chengdu Jihong to the Group within 12 months commencing from 29 June 2015, bearing an interest rate of 5% per annum. The amount is guaranteed by the shareholders of Sichuan Hongji.

The Company entered into an instalment payment agreement with Chengdu Renyi on 10 December 2016. Pursuant to the agreement, both parties agreed to expand the repayments period of the principal amounting to RMB12,000,000 and interest amounting to RMB900,000 to 25 November 2017, and the repayments are to be made by 12 instalments, starting from 25 December 2016. The amount was guaranteed by the spouse of the shareholder of Sichuan Hongji. As at 30 June 2016, the Group has received RMB4,300,000 (31 December 2016: RMB1,075,000).

As at 30 June 2017, the Company provided advance payments amounting to RMB2,383,642 to Chengdu Renyi Hospital (31 December 2016: RMB2,280,632).

(ii) As at 30 June 2017, the amount that the Company lent to the Pujiang Hospital and Chunan Hospital accumulatively was RMB8,550,000 and RMB3,560,000 (31 December 2016: RMB7,550,000 and RMB1,560,000) respectively with a 7.2% year interest rate.

As at 30 June 2017, the other receiviables with aging over one year were mainly the depoit and guarantee except the impaired receivables above-mentioned and the loans of RMB12,000,000 to Chengdu Renyi. The management of the Company are of view that no further provision is necessary after the assessment.

4. Notes to the consolidated financial statements (continued)

(3) Other receivables (continued)

(e) As at 30 June 2017, the five largest balances of other receivables by debtors are analysed as follow: (continued)

(iii) The Company entrusted Wenzhou Mingou Company with a real-estate development project. According to the agreement between the company and Wenzhou Mingou, the company offered a loan of RMB1,500,000 to Wenzhou Mingou in November 2009 for 24 months, with interest calculated at bank's 2-year deposit rate. When the loan was due the principal and interest were not paid as contracted, thus the company put it to court in 2013. Under the mediation of Wenzhou Lucheng District People's Court, the agreement was achieved that Wenzhou Mingou should pay principal and interest as well. Up to 30 June 2017, the Company has recovered RMB1,232,957 and the remaining RMB267,043 has stood for 3 years. The management considered the recovery of remaining fund was uncertain, thus 100% provision for bad debts was made.

(4) Advances to suppliers

(a) The aging of advances to suppliers is analysed below:

	30 June 2017 (Unaudited)	
	Amount	**% of total balance**
Within 1 year	**19,293,120**	**98%**
1 - 2 years	**424,464**	**2%**
	19,717,584	**100%**

	31 December 2016 (Audited)	
	Amount	% of total balance
Within 1 year	22,267,736	100%
1 - 2 years	16,251	0%
	22,283,987	100%

As at 30 June 2017, the amount of the advances to suppliers with aging over one year was RMB424,464 (31 December 2016: RMB16,251) and mainly were prepayment for A share IPO expenses.

4. Notes to the consolidated financial statements (continued)

(4) Advances to suppliers (continued)

(b) As at 30 June 2017, the five largest balance of advances to suppliers by debtors are analysed as follows,

	30 June 2017	
	Amount	% of total balance
The total amount of five largest balance of advances to suppliers	**12,991,804**	**66%**

(5) Inventories

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Pharmaceuticals	**10,262,343**	7,564,623
Medical consumables	**4,253,603**	1,740,424
Properties under development	**—**	153,522,647
Properties held for sale (i)	**162,051,463**	—
	176,567,409	162,827,694

As at 30 June 2017 and 31 December 2016, the management assessed and are of view that no provision for the inventories is required.

(i) Finished development product

	Starting day	Completed day	Total amount of investment	Opening balance	Closing balance
The second phase of the High Education campus business center	Novenber 2012	June 2017	173,507,594	—	162,051,463

As at 30 June 2017, the properties held for sale was pledged against the loan of RMB80,000,000 from China Minsheng Bank (Note 4(25)) by the subsidiary, Wenzhou Guoda Investment entered into the maximumpledge contract, the maximum amount of debt secured over the properties in the contract is RMB74,000,000. In addition, the loan is guaranteed by Wenzhou Medical University Asset Management Company with the maximum amount of liability cost to RMB20,000,000. The loan period is from 29 December 2015 to 29 December 2018. As at 30 June 2017, the loan outstanding was RMB19,950,190. The amount of interest capitalized into the properties held for salein the six months ended 30 June 2017 was RMB883,356. (30 June 2016: Nil).

4. Notes to the consolidated financial statements (continued)

(6) Available-for-sale financial assets

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Measured at fair value		
– Others(a)	**50,000,000**	50,000,000

(a) On 22 February 2016, the Company entered into a partnership agreement with Shanghai Jinpu Jianfu Equity Investment Management Co., Ltd ("**Jinpu Jianfu**") in relation to the establishment of a limited liability partnership ("**LLP**") to run an investment fund which focuses on the healthcare industry investments in PRC. The total asset managed by theinvestment fund was RMB1,386,000,000. The Company, being a of the limited partner injected RMB50,000,000 as the subscription to the investment fund. On the same date, with 3.61% equity share, the Company and Jinpu Jianfu, the general partner and the managing partner of the LLP, entered into a strategic cooperation agreement in relation to, among others, certain rights of the Company as a limited partner of the LLP. The Group measured the available-for-sale financial assets at fair value.

(7) Long-term equity investment

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Associates (a)	**60,198,228**	22,429,070
Less: Provision for impairment of long-term equity investments	**—**	—
	60,198,228	22,429,070

The Group did not have significant restrictions on the realization of long-term equity investments.

4. Notes to the consolidated financial statements (continued)

(7) Long-term equity investment (continued)

(a) Associates

	31 December 2016 (Audited)	Initial investment	Share of net profit/(loss) under equity method	Others	**30 June 2017 (Unaudited)**
Shandong Yining Hospital Co., Ltd ("**Shandong Yining**") (i)	14,565,336	—	535,193	—	**15,100,529**
Beijing Yining Hospital (ii)	3,890,715	—	(1,289,536)	5,243,377	**7,844,556**
Hangzhou Honglan Information Technology Co., Ltd ("**Hangzhou Honglan**") (iii)	2,096,698	—	(1,149,040)	—	**947,658**
Chongqing Hechuan Kangning Hospital Co., Ltd ("**Hechuan Kangning**") (iv)	1,876,321	7,804,000	(1,031,752)	—	**8,648,569**
Shanxi Shanda Hospital Management Co., Ltd ("**Shanxi Shanda**") (v)	—	25,714,286	192,555	—	**25,906,841**
Heze Yining Hospital Co., Ltd ("**Heze Yining Hospital**") (vi)	—	1,860,000	(109,925)	—	**1,750,075**
	22,429,070	35,378,286	(2,852,505)	5,243,377	**60,198,228**

(i) Shandong Yining was set up in August 2016 as an associate of the Group. The capital contribution of RMB14,700,000 by the Group was satisfied in cash, representing 49% equity.

(ii) Beijing Yining was set up in August 2015 as an associate of the Group. The capital contribution of RMB14,700,000 by the Group was satisfied in cash, representing 49% equity. In Janurary 2017, the Company entered into a caipital increase agreement with Beijing Yining Hospital, Ningbo Meishan Bonded Port Kuanzhan Investment Management Partnership (Limited Liabilties Partnership) and Chongqing Jinpu Medical&Health Service Industry Equity Investment Fund Partnership (Limited Liabilties Partnership) (hereinafter referred to as "**Chongqing Jinpu**"), to inject capital into Beijing Yining with Chongqing Jinpu Fund subscribing additional registered capital RMB15,000,000, accounted for 33.33% of equity interest, at a price of RMB20,000,000. The transaction dilutioned the Group's equity holding in Beijing Yining from 49% to 32.67%, while retaining significant influence.

4. Notes to the consolidated financial statements (continued)

(7) Long-term equity investment (continued)

(a) Associates (continued)

(iii) On 14 September 2016 the Company sold 30% equity to Ningbo Meishan Bonded Port Area Honglan Investment Management Partnership (Limited Liability Partnership) ("**Ningbo Meishan**") at a cash consideration of RMB1,500,000. On 20 September 2016, Ningbo Meishan injected additional investment of RMB5,000,000 in cash. As a result, The Group's remaining equity interest in Hangzhou Honglan was diluted to 35% and loss the control of Hangzhou Honglan but still has significant imfluence on it.

(iv) In October 2016, the Group acquired 40% equity interest of Hechuan Kangning. As at 30 June 2016, the Group had paid RMB9,812,000 in total.

(v) The Group acquired 30% equity interest of Shanxi Shanda Hospital Management Co., Ltd at a consideration of RMB25,714,286 on 27 March 2017.

(vi) Heze Yining Hospital Co., Ltd was founded in April 2017, the Group acquired 31% equity interest of it at a cash consideration of RMB1,860,000.

(8) Investment properties

	Properties and land use right
Cost	
31 December 2016 and 30 June 2017	**72,191,872**

As at 30 June 2017, the Group's investment property was pledged against the loan of RMB40,000,000 of Zhejiang Kangning Hospital Management Ltd obtained obtained from Zheshang Bank in May 2015 (Note 4(18)) and entered into the maximum pledge contract. The maximum amount of debt secured over the propertyin the contract is RMB106,520,000. The loan period is from 9 May 2017 to 9 May 2018. As at 30 June 2017, the loan outstanding was RMB40,000,000.

As at 31 December 2016, the Group's investment property was pledged against the loan of RMB40,000,000 of Zhejiang Kangning Hospital Management Ltd obtained obtained from Zheshang Bank in December 2012 (Note 4(25)) and entered into the maximum pledge contract. The maximum amount of debt secured over the property in the contract is RMB220,490,000. The loan period is from 17 December 2012 to 7 February 2017. As at 31 December 2016, the loan outstanding was RMB36,700,000.

4. Notes to the consolidated financial statements (continued)

(9) Fixed assets

	Bulidings	Medical equitment	Motor vehicles	electronic and other equitment	Total
Cost					
31 December 2016	81,833,617	41,309,353	3,577,462	23,613,424	150,333,856
Additon					
Purchase	56,571,429	12,394,886	554,920	4,537,462	74,058,697
Translation from construction in process	24,034,569	—	—	—	24,034,569
Decrease					
Disposal or abandon	—	(320,922)		(571,984)	(892,906)
30 June 2017	162,439,615	53,383,317	4,132,382	27,578,902	247,534,216
Accumulated depreciation					
31 December 2016	17,281,554	20,011,884	1,583,698	13,790,180	52,667,316
Addition					
Charge for the period	1,689,888	3,669,726	251,663	1,993,786	7,605,063
Decrease					
Disposal or abandon	—	(301,569)	—	(495,646)	(797,215)
30 June 2017	18,971,442	23,380,041	1,835,361	15,288,320	59,475,164
Net book value					
30 June 2017 (Unaudited)	143,468,173	30,003,276	2,297,021	12,290,582	188,059,052
31 December 2016 (Audited)	64,552,063	21,297,469	1,993,764	9,823,244	97,666,540

4. Notes to the consolidated financial statements (continued)

(9) Fixed assets (continued)

The depreciation that accrued during the six months ended 30 June 2017 was RMB7,605,063 (six months ended 30 June 2016: RMB4,775,340) and the amount of depreciation expenses charged to cost of sales and general and administrative was RMB4,123,194 and RMB3,481,869 respectively (six months ended 30 June 2016: RMB2,741,206 and RMB2,034,134).

During the six months ended 30 June 2017, the cost of fixed assets transferring from construction in progress was RMB24,034,569 (six months ended 30 June 2016: Nill).

As at 30 June 2017 and 31 December 2016, the Group had no fixed assets in mortgage.

Fixed assets with pending certificates of ownership:

30 June 2017	Net book value	Reason
Building	**58,291,056**	**(i) (ii)**

(i) The ownerships of the 24 carpark which are located at No.7 Huanglong Thirdphase Lucheng District Wenzhou with the original value of RMB2,220,000 have not obtained the certificates.

(ii) The use right of the industrial land which are located at Eastside of Park 3rd Road and Northside of Hushan Road Lingxi Town Cangnan County Wenzhou and ownership of the building on it with the original value of RMB56,571,429, had not been registered as of 30 June 2017. The certificates of ownership was subsequently obtained.

4. Notes to the consolidated financial statements (continued)

(10) Construction in progress

	30 June 2017 (Unaudited)		
	Balance	**Provision**	**Net book value**
The expansion project of Wenzhou Kangning Hospital	**244,254,548**	—	**244,254,548**
The decoration project of Hangzhou Yining Hospital Co., Ltd (“**Hangzhou Yining Hospital**”)	**10,240,028**	—	**10,240,028**
The decoration project of Cangnang Kangning Hospital Co., Ltd (“**Cangnan Kangning Hospital**”)	**290,572**	—	**290,572**
The decoration project of Sihui Kangning Hospital Co., Ltd (“**Sihui Kangning Hospital**”)	**400,922**	—	**400,922**
The decoration project of Shenzhen Yining Hospital Co., Ltd (“**Shenzhen Yining Hospital**”)	**144,000**	—	**144,000**
The decoration project of Langfang Yining Hospital management Co., Ltd (“**Langfang Yining Hospital Management**”)	**894,829**	—	**894,829**
Others	**867,505**	—	**867,505**
	257,092,404	—	**257,092,404**

	31 December 2016 (Audited)		
	Balance	Provision	Net book value
The expansion project of Wenzhou Kangning Hospital	164,228,489	—	164,228,489
The decoration project of Pingyang Kangning	16,285,626	—	16,285,626
The decoration project of Shenzhen Yining	10,248,479	—	10,248,479
The decoration project of Wenzhou Yining Geriatric Hospital	668,020	—	668,020
The decoration project of Quzhou Yining	4,878,405	—	4,878,405
Others	1,757,134	—	1,757,134
	198,066,153	—	198,066,153

As at 30 June 2017 and 31 December 2016, the Group had no construction in progress pledged.

During the six months ended 30 June 2017, the capitalized interest included in the construction cost was RMB3,115,208 (31 December 2016: RMB4,169,562).

4. Notes to the consolidated financial statements (continued)

(10) Construction in progress (continued)

(a) The change of significant construction in progress

Project name	The budget	31 December 2016	Increase in the six months ended 30 June 2017	Transfer to fixed assets/ long-term prepaid expenses	30 June 2017	Proportion of project investment to budget	Project schedule	Accumulative amount of capitalised borrowings costs	Including: Borrowings costs capitalised in the six months ended 30 June 2017	Capitalisation rate	The source of the money
The expansion project of Wenzhou Kangning Hospital	289,640,000	164,228,489	80,026,059	–	244,254,548	71%	84%	8,349,520	3,115,208	–	Own fund/ borrowings
The decoration project of Wenzhou Yining Geriatric Hospital	45,000,000	668,020	580,365	(1,248,385)	–	83%	100%	–	–	–	Own fund
The decoration project of Pingyang Kangning	27,000,000	16,285,626	7,748,943	(24,034,569)	–	84%	100%	–	–	–	Own fund
The decoration project of Shenzhen Yining	20,000,000	10,248,479	9,267,485	(19,371,964)	144,000	74%	98%	–	–	–	Own fund
The decoration project of Quzhou Yining	10,000,000	4,878,405	3,611,838	(8,490,243)	–	84%	100%	–	–	–	Own fund
The decoration project of Hangzhou Yining Hospital	15,000,000	458,670	9,781,358	–	10,240,028	51%	68%	–	–	–	
		196,767,689	111,016,048	(53,145,161)	254,638,576			8,349,520	3,115,208	–	

As at 30 June 2017 and 31 December 2016, the management of the Group considered that there did not exitst the objective evidence that indicated the construction in progress was impaired and no provision for impairment was required.

4. Notes to the consolidated financial statements (continued)

(11) Intangible assets

	Land use rights	Software	Contractual right to provide the management service	Total
Cost				
31 December 2016	23,602,729	3,312,145	112,863,219	139,778,093
Addition (a)	—	959,851	30,000,000	30,959,851
30 June 2017	23,602,729	4,271,996	142,863,219	170,737,944
Accumulated amortisation				
31 December 2016	3,336,274	1,830,033	8,746,415	13,912,722
Addition	236,027	365,161	3,061,610	3,662,798
30 June 2017	3,572,301	2,195,194	11,808,025	17,575,520
Net book value				
30 June 2017 (Unaudited)	20,030,428	2,076,802	131,055,194	153,162,424
31 December 2016 (Audited)	20,266,455	1,482,112	104,116,804	125,865,371

The amortisation that accrued during the six months ended 30 June 2017 was RMB3,662,798 (six months ended 30 June 2016: RMB3,005,935) and the amount of amortisation expenses charged to cost of sales and general and administrative was RMB3,224,603 and RMB438,195 respectively (six months ended 30 June 2016: RMB2,669,255 and RMB336,680).

As at 30 June 2017 and 31 December 2016,the Group had no intangible assets pledged.

As at 30 June 2017 and 31 December 2016, the Group had no intangible assets that had no certificates of ownership.

The amount of the research and development expenditure during the six months ended 30 June 2017 was RMB684,207 (six months ended 30 June 2016: RMB1,934,005), including the amount of RMB684,207 charged to the current period profit or loss (six months ended 30 June 2016: RMB1,934,005).

4. Notes to the consolidated financial statements (continued)

(11) Intangible assets (continued)

(a) The Group signed an agreement on mandatory management service with Yiwu Health Center and Yiwu Health and Family Planning Commission in March. The Group agreed to pay RMB30,000,000 as investment to Yiwu Health Center in order to acquire the engagement rights to provide management service to Yiwu Health Center. The service period starts from April 2017 to March 2037, during which the group recognizes revenue generated from the management services according to the agreement. The engagement rights of management during the service period will be transfer to the government of Yiwu without repayment.The Group recognized the engagement rights of management and charging service fee as intangible assets at an initial amount of RMB30,000,000, which would be amortized using the straight-line method over the agreement period.

(12) Goodwill

	31 December 2016 (Audited)	Addition	Decrease	**30 June 2017 (Unaudited)**
Goodwill – Wenzhou Guoda Investment	8,533,389	—	—	**8,533,389**

The management of the Group has performed the impairment test on 30 June 2017 and found no impairment necessary. The key assumpitons adapted to recognise the recoverable amount of the asset portfolio include mainly rental growth rate and discount rate.

(13) Long-term prepaid expense

	31 December 2016 (Audited)	Addition	Amortization	**30 June 2017 (Unaudited)**
Leasehold improvements	88,125,992	30,131,530	(9,484,274)	**108,773,248**
Others	729,800	—	(114,600)	**615,200**
	88,855,792	30,131,530	(9,598,874)	**109,388,448**

4. Notes to the consolidated financial statements (continued)

(14) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets

	30 June 2017 (Unaudited)		31 December 2016 (Audited)	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Advances received from real estate sales	1,428,782	357,195	—	—
Provision for asset impairments	11,859,736	2,964,934	10,190,840	2,547,710
Deductible tax losses	55,767,731	13,941,932	58,113,688	14,528,423
Payroll accrued but not paid	5,115,896	1,278,974	5,115,896	1,278,974
Share-based payment	5,797,360	1,449,340	5,590,960	1,397,740
Amortization of intangible assets	2,862,420	715,605	2,190,144	547,536
	82,831,925	20,707,981	81,201,528	20,300,383
Including:				
Expected to be recovered within one year (inclusive)		3,871,374		8,423,811
Expected to be recovered after one year		16,836,607		11,876,572
		20,707,981		20,300,383

4. Notes to the consolidated financial statements (continued)

(14) Deferred tax assets and deferred tax liabilities (continued)

(b) Deferred tax liabilities

	30 June 2017 (Unaudited)		31 December 2016 (Audited)	
	Taxable temporary differences	**Deferred tax liabilities**	Taxable temporary differences	Deferred tax liabilities
Appreciation of assets appraisal	**53,123,352**	**13,444,342**	65,681,732	16,420,433
Including:				
Expected to be recovered within one year (inclusive)		**2,920,416**		2,351,146
Expected to be recovered after one year		**10,523,926**		14,069,287
		13,444,342		16,420,433

(c) Deductible losses that are not recognised as deferred tax assets are analysed as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Deductible losses	**7,532,393**	5,914,753

(d) Deductible losses that are not recognised as deferred tax assets will be expired as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
2021	**4,982,645**	5,914,753
2022	**2,549,748**	—
	7,532,393	5,914,753

4. Notes to the consolidated financial statements (continued)

(15) Provision for assets impairment

	31 December 2016 (Audited)	Addition	Decrease Recovery	Decrease Written-off	**30 June 2017 (Unaudited)**
Provision for bad debts	9,314,535	2,823,150	—	(277,949)	**11,859,736**
Including: provision for bad debts of accounts receivable	8,104,505	2,556,107	—	(277,949)	**10,382,663**
provision for bad debts of other receivables	1,210,030	267,043	—	—	**1,477,073**
	9,314,535	2,823,150	—	(277,949)	**11,859,736**

(16) Other non-current assets

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Prepaid tax	**1,214,124**	3,864,010
Prepaid rental	**12,526,610**	14,913,078
Prepayments for construction work	**536,694**	8,670,165
Prepayments for fixed assets	**555,750**	—
Investment prepayment (i)	**2,500,000**	—
	17,333,178	27,447,253

(i) The group signed a cooperatve agreement with Luqiao Minimally Invasive Hospital, Hairong Lan and Huashou Xie on 29 March 2017, and planned to acquire the hospital as a whole at an estimate value of RMB4,500,000 according to the due dillgence outcome. The group has paid Hairong Lan RMB1,000,000 and RMB1,500,000 on 29 March 2017 and 6 June 2017 respectively.

4. Notes to the consolidated financial statements (continued)

(17) Short-term borrowings

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Guaranteed borrowings (Note 8(4) (i))	**80,000,000**	30,000,000
Pledged borrowings (i)	**40,000,000**	—
	120,000,000	30,000,000

(i) The mortage loan RMB40,000,000 was secured by the investment property (Note 4(9)) of Wenzhou Guoda, the subsidiary of the Group with RMB72,192,000, and guaranteed by Wenzhou Guoda, Weili Guan and Lianyue Wang, the shareholder of the Company.

As at 30 June 2017, the interest rate of short-term borrowings was 4.35%-6.003% annually (31 December 2016: 4.35%).

(18) Accounts payable

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Payables for pharmaceutical	**27,427,167**	19,318,370
Payables for goods and material	**10,223,558**	10,227,427
Payables to the development cost of real estate	**42,826,146**	13,451,955
Others	—	273,262
	80,476,871	43,271,014

4. Notes to the consolidated financial statements (continued)

(18) Accounts payable (continued)

The aging of advances to suppliers is analysed below:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within 1 year	**79,907,931**	42,823,093
1 - 2 years	**568,940**	447,921
	80,476,871	43,271,014

The amount of accounts payale with aging over one year was mainly payables to goods and material. The payment has not been settled since the suppliers have not yet invoiced.

(19) Advances from customers

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Advances form real estate buyers (i)	**52,473,265**	67,375,827
Advances from patients	**8,182,097**	3,772,073
	60,655,362	71,147,900

(i) It was the advance proceeds to purchase the flats and other properties developed by Wenzhou Guoda Investment.

As at 30 June 2017, the amount that advances from customers with aging over one year was RMB38,340,370 (31 December 2016: RMB29,299,970) and mainly were advance received for purchasing the flats and other properties developed by Wenzhou Guoda Investment.

4. Notes to the consolidated financial statements (continued)

(20) Employee benefits payable

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Short-term employee benefits payable (a)	**9,368,961**	13,537,978
Defined contribution plans payable (b)	**5,947,134**	6,014,372
	15,316,095	19,552,350

(a) Short-term employee benefits payable

	31 December 2016 (Audited)	Increase	Decrease	**30 June 2017 (Unaudited)**
Wages and salaries, bonus, allowances and subsidies	13,286,552	60,486,900	(64,846,518)	**8,926,934**
Staff welfare	—	1,368,435	(1,366,251)	**2,184**
Social security contributions	251,426	2,348,073	(2,159,656)	**439,843**
Including: Medical insurance	210,780	2,077,400	(1,894,395)	**393,785**
Work injury insurance	25,325	105,176	(116,356)	**14,145**
Maternity insurance	15,321	165,497	(148,905)	**31,913**
Housing funds	—	3,052,749	(3,052,749)	**—**
Labour union funds and employee education funds	—	400,000	(400,000)	**—**
	13,537,978	67,656,157	(71,825,174)	**9,368,961**

4. Notes to the consolidated financial statements (continued)

(20) Employee benefits payable (continued)

(b) Defined contribution plans

	31 December 2016 (Audited)	Increase	Decrease	**30 June 2017 (Unaudited)**
Basic pensions	5,998,514	3,445,891	(3,519,791)	**5,924,614**
Unemployment insurance	15,858	175,542	(168,880)	**22,520**
	6,014,372	3,621,433	(3,688,671)	**5,947,134**

(c) Termination benefits payable

During the six months ended at 30 June 2017 and 30 June 2016, The Group had no termination benefits of dissolution of labor relations.

(21) Taxes payable

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Corporate income tax payable	**11,245,354**	27,734,872
Property tax payable	**753,397**	605,565
VAT payable	**424,085**	48,208
Land value-added tax payable	**14,343,585**	12,436,229
Others	**402,139**	370,781
	27,168,560	41,195,655

4. Notes to the consolidated financial statements (continued)

(22) Other payables

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Project funds payable	**52,152,951**	14,573,424
Accrued listing expenses of H share	**—**	1,039,887
Concession rights payable (i)	**15,000,000**	—
Advance received from a non-controlling shareholder (ii)	**3,410,000**	3,110,000
Rental payables	**3,128,507**	2,112,614
Individual borrowings (iii)	**7,000,000**	7,000,000
Guarantee deposits (iv)	**1,153,870**	1,008,870
Deposits for sales of real estate (v)	**2,200,234**	4,467,433
Interest payable	**347,069**	789,686
Paybles to related party (Note 8(5)b)	**60,221**	—
Others	**3,363,261**	4,820,780
	87,816,113	38,922,694

As at 30 June 2017 and 31 December 2016, The Group had no other significant payables with aging over one year except note (ii), (iii), (iv), (v).

(i) It represented the capital investment due to Yiwu Health Center for the concession rights to provide management service.

(ii) It represented the advances received from the non-controlling shareholder of one of Group's subsidiaries.

(iii) It represented the borrowings of Wenzhou Guoda Investment from its employees, aged over one year. The interest rate is 6.16% per year.

(iv) It represented the rental guarantee deposits received by Wenzhou Guoda Investment from the tenants.

(v) It represented the real estate purchase deposit received by Wenzhou Guoda Investment from the customers.

4. Notes to the consolidated financial statements (continued)

(23) Current portion of non-current liabilities

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Current portion of long-term borrowings (Note 4(24))	—	36,700,000
Current portion of long-term payables (Note 4(25))	**17,480,304**	17,480,304
	17,480,304	54,180,304

(24) Long-term borrowings

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Pledged borrowings (i)	**19,950,190**	56,650,190
Guaranteed borrowings (ii)	**129,000,000**	130,000,000
	148,950,190	186,650,190
Less: Current portion of long-term borrowings (Note 4(23))		
Mortgage borrowings (i)	—	(36,700,000)
	148,950,190	149,950,190

4. Notes to the consolidated financial statements (continued)

(24) Long-term borrowings (continued)

(i) In August 2016, The Group acquired Wenzhou Guoda Investment. Wenzhou Guoda Investment previously obtained a fixed assets loan credit line of RMB80,000,000 with an fixed interest rate of 5.7% from China Minsheng Bank in December 2015. The loan period is from 29 December 2015 to 29 December 2018. As at 30 June 2017, the balance of the loan outstanding is RMB19,950,190. The maximum amount of pledge contract has been signed for the borrowings and the loan was secured on the properties under development of Wenzhou Guoda Investment (Note 4 (5)) with a limit of lien of RMB74,000,000. In addition, Wenzhou Meical Univercity Assets Management Co., Ltd provided a guarantee of RMB20,000,000 for the loan.

(ii) In January 2016, the Company obtained the fixed assets loan credit line of RMB130,000,000 with an fixed interest rate of 4.75%. The loan period is from 5 January 2016 to 5 January 2021. As at 30 June 2017, the balance of the loan is RMB129,000,000 (31 December 2016: RMB130,000,000), and was guaranteed jointly by Weili Guan, Lianyue Wang and Hongyue Wang, shareholders of the Company.

As at 30 June 2017, the weighted average interest rate for long-term borrowings was 4.94% (31 December 2016: 5.61%)

(25) Long-term payable

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Guarantee payable (i)	**12,688,704**	12,688,704
Long-term payable to the contractual right to provide management service (Note 4(11))	**94,254,800**	91,530,200
	106,943,504	104,218,904
Less: Current portion of long-term payables	**(17,480,304)**	(17,480,304)
	89,463,200	86,738,600

(i) The amount was provided by the contractor of the new hospital construction work to the Group. The amount will be repaid to the contractor after it discharges all its obligations under the contract, including but not limited to full settlement of construction workers' wages and salaries.

4. Notes to the consolidated financial statements (continued)

(26) Deferred income

	31 December 2016 (Audited)	Increase	Decrease	**30 June 2017 (Unaudited)**
Government grants	10,632,800	—	—	**10,632,800**

Government grants projects	31 December 2016 (Audited)	Increase of grants amount	Amount charged to other operation revenue/ other gains	**30 June 2017 (Unaudited)**	Related to assets/income
The extention project of the inpatient building (i)	10,632,800	—	—	**10,632,800**	Related to assets

(i) The deferred income related to the assets is the government grant of RMB10,632,800 for the extension project of the inpatient building of the Company received from Wenzhou Financial Bureau in 2013. The Company credited it into the deferred income when receiving the grant and allocated it over the useful life of the assets to the profit in the current period after the assets were completed. As at 30 June 2017, the project has not completed and the deferred income have not yet been amortized.

(27) Share capital

	31 December 2016 (Audited)	Increase	**30 June 2017 (Unaudited)**
Share capital	73,040,000	—	**73,040,000**

	31 December 2015 (Audited)	Increase	31 December 2016 (Unaudited)
Share capital	73,040,000	—	73,040,000

4. Notes to the consolidated financial statements (continued)

(28) Capital surplus

	31 December 2016 (Audited)	Increase	Decrease	**30 June 2017 (Unaudited)**
Share premium	760,289,830	—	—	**760,289,830**
Other capital surplus				
– Share-based payment (Note 9)	5,590,960	206,400	—	**5,797,360**
– Others (i)	29,724,071	108,251	—	**29,832,322**
	795,604,861	314,651	—	**795,919,512**

	31 December 2015 (Audited)	Increase	Decrease	30 June 2016 (Unaudited)
Share premium	760,289,830	—	—	760,289,830
Other capital surplus				
– Share-based payment (Note 9)	3,279,825	1,155,567	—	4,435,392
– Others	33,940,987	—	—	33,940,987
	797,510,642	1,155,567	—	798,666,209

(i) The Company signed a capital increase agreement with Hangzhou Yining and Chongqing Jinpu Fund in May 2017, which Chongqing Jinpu agreed to contributed capital to Hangzhou Yining with cash consideration of RMB16,000,000, subscribing registered captital RMB16,000,000 at a price of RMB1 for 1 share. The capital contribution diluted the Group's equity interest from 100% to 60% without losing control. The changes in share of equity attributed to the Group of RMB108,251 was recognized in capital surplus.

4. Notes to the consolidated financial statements (continued)

(29) Surplus reserve

	31 December 2016 (Audited)	Appropriation	Decrease	**30 June 2017 (Unaudited)**
Statutory surplus reserve	18,548,942	—	—	**18,548,942**

	31 December 2015 (Audited)	Appropriation	Decrease	31 December 2016 (Unaudited)
Statutory surplus reserve	11,343,566	7,205,376	—	18,548,942

In accordance with the Company Law and the Articles of Association of the Company, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the losses or transferred to capital upon approval. The Company did not appropriate any surplus reserve for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

4. Notes to the consolidated financial statements (continued)

(30) Retained earning

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Retained earnings at beginning of the period	**121,190,550**	77,824,436
Add: Net profit attributable to shareholders of the parent company	**31,710,313**	28,208,189
Ordinary share dividends payable (a)	**(18,260,000)**	(18,260,000)
Retained earnings at end of the period	**134,640,863**	87,772,625

(a) According to the shareholders' agreement at 14 June 2017, the Company declared a 2016 final cash dividend of RMB18,260,000 being RMB0.25 per share for issued and outstanding shares of 73,040,000. The dividend was not paid yet.

According to the shareholders' agreement at 14 June 2016, the Company declared a 2015 final cash dividend of RMB18,260,000 being RMB0.25 per share for issued and outstanding shares of 73,040,000. The dividend was paid in July 2016.

4. Notes to the consolidated financial statements (continued)

(31) Revenue and cost of sales

	Six months ended 30 June 2017		Six months ended 30 June 2016	
	Revenue	**Cost**	Revenue	Cost
	(Unaudited)	**(Unaudited)**	(Unaudited)	(Unaudited)
Revenue from main businesses	**238,108,930**	**156,885,868**	187,817,343	118,945,305
Revenue from other businesses	**45,027,377**	**34,267,178**	1,862,962	633,295
	283,136,307	**191,153,046**	189,680,305	119,578,600

(a) *Revenue and cost of sale from main businesses*

	Six months ended 30 June 2017		Six months ended 30 June 2016	
	Revenue	**Cost**	Revenue	Cost
	(Unaudited)	**(Unaudited)**	(Unaudited)	(Unaudited)
Pharmaceutical sales	**60,303,304**	**49,515,173**	49,563,165	40,834,453
Treatments and ancillary hospital services	**166,226,213**	**102,118,496**	129,416,332	73,791,802
Management service fee	**11,579,413**	**5,252,199**	8,837,846	4,319,050
	238,108,930	**156,885,868**	187,817,343	118,945,305

(b) *Revenue and cost of sale from other businesses*

	Six months ended 30 June 2017		Six months ended 30 June 2016	
	Revenue	**Cost**	Revenue	Cost
	(Unaudited)	**(Unaudited)**	(Unaudited)	(Unaudited)
Real estate sales	**41,353,888**	**33,683,175**	—	—
Rental income	**2,686,536**	**—**	—	—
Others	**986,953**	**584,003**	1,862,962	633,295
	45,027,377	**34,267,178**	1,862,962	633,295

4. Notes to the consolidated financial statements (continued)

(32) Taxes and surcharges

	Six months ended 30 June		Basis
	2017	2016	
	(Unaudited)	(Unaudited)	
Business tax	—	30,564	Referred to Note3
City maintenance and construction tax	**115,922**	2,139	Referred to Note3
Educational surcharge	**48,397**	842	Referred to Note3
Local educational surcharge	**32,264**	562	Referred to Note3
Property tax (a)	**884,304**	—	Referred to Note3
Land use tax (a)	**41,925**	—	Referred to Note3
Land value-added tax	**2,765,489**	—	Referred to Note3
Others (a)	**48,777**	—	
	3,937,078	34,107	

(a) According to the *Regulations on Value-added Tax (Cai Kuai [2016]No 22)* issued by the Ministry Finance in December 2016, the Company accounted the property tax and other taxes as the taxes and surcharges which were stated as general and administrative expenses previously and the comparative amount were not retroactively adjusted in 2016.

(33) Selling and distribution expenses

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Promotion expenses	**445,240**	1,017,758

4. Notes to the consolidated financial statements (continued)

(34) General and administrative expenses

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Employee and welfare benefits	**17,968,176**	14,822,551
Operating lease expenses	**7,955,709**	8,477,054
Depreciation of fixed assets	**3,481,869**	2,034,134
Consulting expense	**2,667,140**	1,790,618
Amortisation of long-term prepayment	**79,456**	1,337,465
Travel and transportation expenses	**1,614,509**	1,491,713
Consumables	**1,118,455**	1,147,411
Office expenses	**898,289**	969,139
Share-based payment (Note 9)	**82,152**	424,555
Amortisation of intangible assets	**418,194**	336,680
Others	**3,530,394**	3,527,921
	39,814,343	36,359,241

4. Notes to the consolidated financial statements (continued)

(35) Expenses by nature

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Employee benefits	**70,625,136**	55,243,032
The costs of sales of pharmaceutical and medical consumables	**59,291,198**	49,233,787
Cost of sold from real estate	**33,683,175**	—
Depreciation expenses of fixed assets	**7,605,063**	4,775,340
Amortisation expenses of intangible assets	**3,662,798**	3,005,935
Amortisation expenses of long-term prepayment	**9,598,874**	5,712,058
Operating lease expenses	**17,812,635**	13,261,976
Canteen expenditure	**8,120,070**	6,543,945
Utilities expenses	**3,911,618**	3,076,390
Outsourcing expenses	**665,154**	—
Testing fee	**4,181,975**	2,180,389
Consulting expense	**2,758,580**	1,911,718
Promotion expenses	**516,940**	1,017,758
Travelling expenses	**2,065,846**	1,749,510
Office expenses	**1,301,775**	1,342,556
Share-based payment (Note 9)	**206,400**	1,155,567
Others	**5,405,392**	6,745,638
	231,412,629	156,955,599

4. Notes to the consolidated financial statements (continued)

(36) Financial (expenses)/income- net amount

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Net exchange (loss)/gain	**(7,730,248)**	9,592,376
Interest income	**1,907,398**	3,101,872
Interest expense	**(5,689,153)**	(2,257,917)
Less: capitalised interest	**3,998,564**	2,257,917
The amortization of unrecognized financial expenses (i)	**(2,724,600)**	(2,776,747)
Others	**(198,512)**	(131,710)
	(10,436,551)	9,785,791

(i) The expense is the amortization of the interest of long-term payables measured at effective interest rate (Note 4(25)).

(37) Investment losses

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Share of net gains or losses of investees under the equity method (Note4 (7))	**2,852,505**	2,199,509
Net gains or losses arising from disposal of long-term equity investments (i)	**(5,243,377)**	—
	(2,390,872)	2,199,509

(i) The investment gains RMB5,423,377 was from the deemed disposal of 16.33% equity interest of Beijing Yining during the six months ended 30 June 2017.

4. Notes to the consolidated financial statements (continued)

(38) Assets impairment losses

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Bad debts	**2,823,150**	1,188,953

(39) Non-operating income

	Six months ended 30 June 2017 (Unaudited)	**The amount charged to non-recurring profit an loss (Unaudited)**
Government grants (a)	**5,245,868**	**5,245,868**
Others	**131,583**	**131,583**
	5,377,451	**5,377,451**

	Six months ended 30 June 2016 (Unaudited)	The amount charged to non-recurring profit an loss (Unaudited)
Government grants (a)	142,968	142,968
Others	41,847	41,847
	184,815	184,815

4. Notes to the consolidated financial statements (continued)

(39) Non-operating income (continued)

(a) Income from the government grants

	Six months ended 30 June 2017 (Unaudited)	2016 (Unaudited)	Related to assets/income
National key clinic specialist and key specialist project	—	127,968	Related to income
Government grant for public company incorporation and listing (i)	**4,835,868**	—	Related to income
Government grant for atrracting foreign capital (ii)	**400,000**	—	Related to assets
Others	**10,000**	15,000	Related to income
	5,245,868	142,968	

(i) The Company received the rewards of RMB490,000 and RMB4,345,868 for the listed share reform and tutoring acceptance from Wenzhou Lucheng District People's Government Financial Affairs Office in February 2017 and in March 2017 repectively, according to the *Notice on Implementation of Incentive Policy for Capital Market (Wen Cai She[2016]No.573)* issued by Wenzhou Ministry of Finance and People's Government Financial Affairs Office.

(ii) The Company received RMB400,000 as reward of attracting foreign capital for 2015 from Wenzhou Lucheng District Ministry of Business in March 2017, according to the *Notice on the Payment of Wenzhou Foreign Investment Attraction Funds in 2015 (Wen Cai She[2016]No.634)* issued by Wenzhou Ministry of Finance and Business.

4. Notes to the consolidated financial statements (continued)

(40) Non-operating expenses

	Six months ended 30 June 2017 (Unaudited)	The amount charged to non-recurring profit an loss (Unaudited)
Donation (i)	2,247,255	2,247,255
Medical liability compensation cost	260,000	260,000
Loss on disposal of non-current assets	95,691	95,691
Including: Loss on disposal of fixed assets	95,691	95,691
Others	65,965	65,965
	2,668,911	2,668,911

	Six months ended 30 June 2016 (Unaudited)	The amount charged to non-recurring profit an loss (Unaudited)
Donation (i)	1,935,018	1,935,018
Loss on disposal of non-current assets	84,100	84,100
Including: Loss on disposal of fixed assets	84,100	84,100
Others	435,152	435,152
	2,454,270	2,454,270

(i) According the agreement between the Company and the charity institutions including Wenzhou Charity Federation and Wenzhou Red-Cross, the Company and the charity institutions jointly set up Specialized Funds. The Company donated to the Funds and named them and the Funds raised other social funds. The received proceeds were used to compensate to the Group on the special expense for hospitalization for persons who need special assistance.

4. Notes to the consolidated financial statements (continued)

(41) Other gains

	Six months ended 30 June 2017 (Unaudited)	Revalant to assets/income
Subsidy for resident doctors standardized training (i)	**1,020,000**	**Relavant to income**
Private medical institutions award (ii)	**1,672,900**	**Relavant to income**
	2,692,900	

(i) The Company received the government grant of RMB1,020,000 from Wenzhou Finance Bureau in April 2017, according to the *Notes on Payment of General Transfer Subsidy for Health and Family Planning in 2017* issued by Wenzhou Health and Family Planning Commission.

(ii) The Company received the city level subsidy of RMB1,672,900 for private medical institutions awarding in April 2017, according to *Notice on the Issuance of Municipal Grant Subsidy Funds for Private Medical Institutions in 2016* (Wen Cai She[2016]No.600) issued by Wenzhou Finance Bureau and Wenzhou Health and Family Planning Commission.

(42) Income tax expenses

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Current income tax	**14,743,399**	13,915,240
Deferred income tax	**(2,729,673)**	(3,384,030)
	12,013,726	10,531,210

4. Notes to the consolidated financial statements (continued)

(42) Income tax expenses (continued)

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Profit before tax	**42,319,211**	36,818,473
Income tax expenses calculated at the effect tax rate of 25%	**10,579,803**	9,204,618
Expenses not deductible for tax purposes	**1,491,690**	1,163,117
Adjustment of income tax	**579,395**	(320,322)
Income not subject to tax	**(1,170,398)**	(95,992)
Tax effect of unrecognized tax losses	**637,437**	579,789
Tax effect of unrecognized temporary differences	**128,826**	—
Utilization of previous unrecognized tax losses	**(233,027)**	—
Income tax expenses	**12,013,726**	10,531,210

(43) Earning per share

(a) Basic earning per share

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
The profit attributed to the ordinary shareholders of the Company	**31,710,313**	28,208,189
Weighted average number of ordinary shares at the six months ended 30 June	**73,040,000**	73,040,000
Basic earning per share	**0.43**	0.39

4. Notes to the consolidated financial statements (continued)

(43) Earning per share (continued)

(b) Diluted earning per share

Diluted earning per share is calculated by theprofit attributed to the ordinary shareholders of the Company adjusted by the potential shares divided by the adjusted weighted average number of ordinary shares. The Company did not have any potential dilutive shares throughout the six months ended 30 June 2017. Accordingly, diluted earnings per share are the same as the basic earnings per share.

(44) Notes to the statement of cash flows

(a) Cash received relating to other operating activities

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Cash received from the the related party	**7,086,718**	12,960,272
Government grants related to income	**7,938,768**	15,000
Others	**1,079,348**	601,799
	16,104,834	13,577,071

(b) Cash paid relating to other operating activities

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Payments for rental	**9,766,354**	9,372,828
Advance payments to third parties	**3,507,204**	1,999,307
Payment for utilities expenses	**4,379,623**	2,754,145
Advance payments to related parties	**1,798,565**	2,020,542
Payments for outsourcing fee	**531,720**	—
Payments for professional service expenses	**2,758,580**	3,290,618
Grants returned to government	**2,275,200**	—
Payments for travelling expenses	**2,065,846**	1,491,713
Payments for promotion expense	**962,180**	1,017,758
Others	**9,669,084**	6,372,679
	37,714,356	28,319,590

4. Notes to the consolidated financial statements (continued)

(44) Notes to the statement of cash flows (continued)

(c) Cash received relating to other investing activities

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Interest income	1,556,687	898,631
The term deposit with maturity over three months expired	89,451,000	—
	91,007,687	898,631

(d) Cash paid relating to other investing activities

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Loan due to the third party (i)	3,000,000	2,500,000
Term deposit over three months placed (Note 4(1))	30,000,000	—
	33,000,000	2,500,000

(i) For the six months ended 30 June, 2017, RMB3,000,000 included loan lent to Pujiang Hospital of RMB1,000,000 and Chunan Hospital of RMB2,000,000 with a yearly interest of 7.2% by Zhejiang Huangfeng.

(e) Cash received relating to other financing activities

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
The contribution received from the non-controlling shareholders (Note 4(23))	300,000	—

4. Notes to the consolidated financial statements (continued)

(44) Notes to the statement of cash flows (continued)

(f) Cash paid relating to other financing activities

	Six months ended 30 June 2017 (Unaudited)	2016 (Unaudited)
Cash paid for the listing expense of A share	**1,718,279**	338,363
Cash paid for the listing expense of H share	**1,039,887**	—
	2,758,166	338,363

(g) Cash received from disposal of other long-term assets

According to agreement between the Company and Beijing Yining Hospital, Beijing Yining Hospital should pay the prepayment from the construction period of RMB24,773,012, including the costs of RMB10,306,594 purchasing the long-term assets. The Company recovered the long-term assets purchasing costs of RMB8,266,866 and RMB2,039,728 in September 2015 and March 2016 respectively.

(45) Supplementary information to the statement of cash flows

(a) Supplementary information to the statement of cash flows

Reconciliation from net profit to cash flows from operating activities

	Six months ended 30 June 2017 (Unaudited)	2016 (Unaudited)
Net profit	**30,305,485**	26,287,263
Add: Asset impairment losses	**2,823,150**	1,188,953
Depreciation of fixed assets	**7,605,063**	4,775,340
Amortisation of intangible assets	**3,662,798**	3,005,935
Amortisation of long-term prepaid expenses	**9,598,874**	5,712,058
Net losses on disposal of fixed assets,intangible assets and other long-term assets	**95,691**	84,100
Finance expenses/(income)	**9,820,539**	(8,289,294)
Investment (income)/loss	**(2,390,872)**	2,199,509
Decreasein Deferred income	**—**	(127,968)
Increase in deferred tax assets	**(407,598)**	(3,384,030)
Decrease in deferred tax liabilities	**(2,976,091)**	—
Increase in inventories	**(13,739,715)**	(1,805,595)
Share-based payment	**206,401**	1,155,567
(Increase)/decrease in operating receivables	**(47,078,441)**	9,130,173
Increase/(decrease) in operating payables	**5,946,364**	(1,947,607)
Net cash flows generated from operating activities	**3,471,648**	37,984,404

4. Notes to the consolidated financial statements (continued)

(45) Supplementary information to the statement of cash flows (continued)

(a) Supplementary information to the statement of cash flows (continued)

Significant investment and financial non cash transactions

For the six months ended 30 June 2017 and 2016, the Group had no significant investment and financial non cash transaction except the present value of unpaid cash of RMB98,610,800 (In the six months ended 30 June 2016: RMB93,187,500) that paid to Yanjiao Furen Hospital in order to acquire the contractual right to provide the management service and the present value of unpaid cash of RMB15,000,000 (For the six months ended 30 June 2016: Nil) that paid to Yiwu Health Center in order to acquire the contractual right to provide the management service.

The net change of the cash

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Cash at end of the period/year	**330,431,821**	272,369,068
Less: Cash at beginning of the period/year	**(407,163,542)**	(368,457,171)
Net decrease in cash and cash equivalents	**(76,731,721)**	(96,088,103)

(b) Cash and cash equivalents

	30 June 2017	31 December 2016
	(Unaudited)	(Audited)
Cash on hand		
Including: Cash	**365,279**	106,397
Cash at bank that can be readily drawn on demand	**330,066,149**	407,057,145
Other cash balances	**393**	—
Cash at end of the period/year	**330,431,821**	407,163,542

4. Notes to the consolidated financial statements (continued)

(46) Monetary items dominated in foreign currency

	30 June 2017 (Unaudited)		
	Amount in the original currency	**Exchange rate**	**Equivalent to RMB**
Cash at bank and on hand			
– USD	**2,396,175**	**6.7744**	**16,232,648**
– HKD	**255,752,199**	**0.8679**	**221,972,449**

	31 December 2016 (Audited)		
	Amount in the original currency	Exchange rate	Equivalent to RMB
Cash at bank and on hand			
– USD	2,482,702	6.937	17,222,504
– HKD	307,691,469	0.8945	275,233,096

5. Changes in the consolidation scope

Taizhou Luqiao Yining Hospital Co., Ltd (Luqiao Yining Hospital)was set up on 12 December 2016 with a registered capital of RMB10,000,000.

The wholly-owned subsidiaries Yiwu Kangning Hospital Management Limited Liability Company ("**Yiwu Kangning Hospital Management**") was set up on 22 January 2017 with a registered capital of RMB30,000,000.

The paid-in capital of the subsidiaries above-mentioned were stated in Note 15(3).

Notes to the Financial Statements

For the six months ended 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

6. Interests in other entities

(1) Interests in subsidiaries

(a) The Group structure

Name of the subsidiaries	Major business location	Place of registration	Nature of business	Shareholding (%)		Method of acquisition
				Direct	Indirect	
Qingtian Kangning Hospital	Qingtian	Qingtian	Medical service	100%	–	Incorporation
Cangnan Kangning Hospital	Cangnan	Cangnan	Medical service	100%	–	Incorporation
Yongjia Kangning Hospital	Yongjia	Yongjia	Medical service	100%	–	Incorporation
Nanchang Kangning Hospital	Nanchang	Nanchang	Medical service	51%	–	Incorporation
Yueqing Kangning Hospital	Yueqing	Yueqing	Medical service	100%	–	Incorporation
Linhai Kangning Hospital	Linha	Linha	Medical service	80%	–	Incorporation
Langfang Yingning Hospital Management	Langfang	Langfang	Hospital Management	100%	–	Incorporation
Zhejiang Huangfeng	Hangzhou	Hangzhou	Hospital Management	51.22%	–	Asset acquisition
Judicial Forensic Center	Wenzhou	Wenzhou	Forensic psychiatric identification	100%	–	Incorporation
Shenzhen Yining Medical Investment	Shenzhen	Shenzhen	Investment	100%	–	Incorporation
Shenzhen Yining Hospital	Shenzhen	Shenzhen	Medical service	–	52%	Incorporation

Notes to the Financial Statements

For the six months ended 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

6. Interests in other entities (continued)

(1) Interests in subsidiaries (continued)

(a) The Group structure (continued)

Name of the subsidiaries	Major business location	Place of registration	Nature of business	Shareholding (%)		Method of acquisition
				Direct	Indirect	
Sihui Kangning Hospital	Sihui	Sihui	Medical service	—	51%	Incorporation
Zhejiang Kangning	Ningbo	Ningbo	Hospital Management	100%	—	Incorporation
Hangzhou Yining Hospital	Hangzhou	Hangzhou	Medical service	—	60%	Incorporation
Quzhou Yining Hospital	Quzhou	Quzhou	Medical service	—	60%	Incorporation
Wenzhou Yining Geriatric Hospital	Wenzhou	Wenzhou	Medical service	—	100%	Incorporation
Pingyang Kangning Hospital	Pingyang	Pingyang	Medical service	—	100%	Incorporation
Taizhou Kangning Hospital	Taizhou	Taizhou	Medical service	—	51%	Business combinations involving enterprises not under common control
Wenzhou Guoda Investment	Wenzhou	Wenzhou	Real estate	—	75%	Business combinations involving enterprises not under common control
Luqiao Yining Hospital	Taizhou	Taizhou	Medical service	—	100%	Set up by investment
Yiwu Kangning Hospital Management	Yiwu	Yiwu	Hospital Management	—	100%	Incorporation

6. Interests in other entities (continued)

(1) Interests in subsidiaries (continued)

(b) Subsidiaries with significant non-controlling interests

Subsidiaries	Shareholding % of non-controlling shareholders	Net profit or loss attributable to non-controlling shareholders for six month ended 30 June 2017	Dividends paid to non-controlling shareholders for six month ended 30 June 2017	Non-controlling interests as at 30 June 2017
Zhejiang Huangfeng	48.78%	406,787	—	13,406,214
Wenzhou Guoda Investment	25%	978,974	—	13,349,254
		1,385,761	—	26,755,468

The summarised financial information of the above subsidiaries of the Group is listed below:

	30 June 2017					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Zhejiang Huangfeng	24,659,262	18,895,094	43,554,356	3,705,057	—	3,705,057
Wenzhou Guoda Investment	186,171,662	73,922,243	260,093,905	172,648,340	33,394,532	206,042,872
	210,830,924	92,817,337	303,648,261	176,353,397	33,394,532	209,747,929

	Six months ended 30 June 2017			
	Revenue	Net loss	Total comprehensive income	Cash flows from operating activities
Zhejiang Huangfeng	1,706,405	833,921	833,921	(1,679,736)
Wenzhou Guoda Investment	44,040,424	3,915,896	3,915,896	6,961,603
	45,746,829	4,749,817	4,749,817	5,281,867

6. Interests in other entities (continued)

(2) Interests in associates

(a) Summarised information of significant associates

	Principal Place of Business	Registry Place	Bustiness Nature	Is it Strategic to Group Business	Shareholding ratio Direct	Shareholding ratio Indirect
Shanxi Shanda	Xi'an	Xi'an	Hospital management	No	—	30%

(b) Financial information of significant associates

	Six months ended 30 June 2017 (Unaudited)
Current assets	27,571,709
Non-current assets	59,561,064
Total assets	87,132,773
Current liabilities	776,636
Non-current liabilities	—
Total liabilities	776,636
Non-controlling interests	14,980,954
Equtiy attributable to shareholders of company	71,375,183
Net asset proportion calculated by shareholding ratio (i)	21,412,555
Adjustment	
– Goodwill	4,494,286
Carrying amount of equity investment in the associates	25,906,841

	Six months ended 30 June 2017
Revenue	5,051,287
Net Profit and total comprehensive income	711,811

(i) The group calculated asset proportion by shareholding ratio based on the amount attributable to the company in the associates's consolidated financial statements. The amount on the associate's consodidated financial statement takes the fair value of identifiable assets and liabilities when obtaining the investment, and the effects of the uniform accounting policies into consideration.

6. Interests in other entities (continued)

(2) Interests in associates (continued)

(c) Summarised information of insignificant associates

The name of the associates of the Company were stated as in Note4(7) and there were non significant associates in the Group.

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Aggregated carrying amount of investments	**34,291,387**	6,223,428
Aggregated of the following items in proportion:		
Net loss (i)	**(2,659,950)**	(2,199,509)
Other comprehensive income (i)	**—**	—
Total comprehensive income	**(2,659,950)**	(2,199,509)

(i) Net profits or losses and other comprehensive income have taken the adjustment impact of the fair value of the identifying assets and liabilities at the time of acquisition and the accounting policy into consideration.

7. Segment information

The reportable segments of the Group are the business units that provide different services. Different businesses require different technologies and marketing strategies. The Group, therefore, independently manages the productions and operations of reportable segments and evaluates their operating results, in order to make decisions about resources to be allocated to these segments and to assess their performance.

The Group has two operating segments:

– Healthcare service, specialised in providing healthcare and related service; and

– Property investment and development, specialised in providing the property development, leasing and rental service.

The transferring price between the segments are made by the price sales to the third party.

The assets are allocated based on the operations of the segment and the physical location of the asset. The liabilities are allocated based on the operations of the segment. Indirect income attributed to each segment are allocated based on the revenue ratio of the segment.

7. Segment information (continued)

(a) The segment information for the six monthe ended 30 June 2017 is as bellow:

Unaudited	Healthcare and related service	Property investment and development	Total
Revenue from external customers	239,095,883	44,040,424	283,136,307
Cost of revenue	(156,885,868)	(33,683,175)	(190,569,043)
Interest income	1,893,739	13,659	1,907,398
Interest expenses	(1,690,589)	—	(1,690,589)
Investing profit in associates	2,390,872	—	2,390,872
Impairment of assets	(2,823,150)	—	(2,823,150)
Depreciation and amortisation	(20,815,778)	(50,957)	(20,866,735)
Profit before income tax	36,315,270	6,003,941	42,319,211
Income tax expense	(9,925,681)	(2,088,045)	(12,013,726)
Net profit	26,389,589	3,915,896	30,305,485
Total assets	1,497,291,800	260,093,905	1,757,385,705
Total liabilities	(483,620,965)	(206,042,872)	(689,663,837)
Other non-cash charges except Depreciation and amortisation	(2,311,135)	—	(2,311,135)
Investment in associates	60,198,228	—	60,198,228
Additions of non-current assets (i)	184,433,554	(2,700,843)	187,134,397

(i) Non-current assets did not include the financial assets, long-term equity investment and deferren income tax.

For the six months ended 30 June 2016, the Group only had one operating segment, being healthcare and related service.

(b) The Group did not have the revenue generated from other countries and regions.

8. Related parties and related party transactions

(1) General information of the Company

The Company did not have the parent company. In the report period, the equity of the Company held by Guan Weili and his spouse Wang Lianyue collectively account over 30%, therefor they were regard as actual controlling persons.

(2) The information of the subsidiaries

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

(3) The information of other related party

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

	Relationship
Wenzhou Sunshine Shelter Center	Not-for-profit organisation established by the Company
Pingyang Sunshine Shelter Center	Not-for-profit organisation established by the Company
Cangnan Sunshine Shelter Center	Not-for-profit organisation established by the Company
Yongjia Sunshine Shelter Center	Not-for-profit organisation established by the Company
Qingtian Sunshine Shelter Center	Not-for-profit organisation established by the Company
Wenzhou Kangning Medical Health Institute	Not-for-profit organisation established by the Company
Hangzhou Yuhang Yining Disabled Care Center	Not-for-profit organisation established by the Company
Qu Kaisheng	Non controlling shareholder of a subsidiary
Others	Including: the directors, supervisors and their close relatives

(4) Related party transactions

(a) Pricing policies

The price of providing service or rental payment to the related party is determined based on the negotiation price.

8. Related parties and related party transactions (continued)

(4) Related party transactions (continued)

(b) Management service fee

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Beijing Yining Hospital	**—**	1,700,000

(c) Rental expenses

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Others	**14,400**	14,400

(d) Key management compensation

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Salaries and bonus	**2,021,756**	1,737,376
Share-based payment expense	**115,471**	427,243
	2,137,227	2,164,619

8. Related parties and related party transactions (continued)

(4) Related party transactions (continued)

(e) Payments on behalf of related parties

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Not-for-profit organisations established by the Group	**1,405,303**	366,619
Beijing Yining Hospital	**328,964**	1,653,923
	1,734,267	2,020,542

(f) Repayment by the related parties

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Not-for-profit organisations established by the Group	**777,482**	1,353,493
Beijing Yining Hospital	**6,309,236**	15,064,006
	7,086,718	16,417,499

(g) Payments by the related parties on behalf of the Group

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Hangzhou Honglan	**60,221**	—

8. Related parties and related party transactions (continued)

(4) Related party transactions (continued)

(h) Providing medical service to the related-party

	Six months ended 30 June	
	2017	2016
Others	**45,087**	50,219

(i) Accepting the guarantee

The shareholders of the Company, Guan Weili, Wang Lianyue and Wang Hongyue signed the maximum guanrantee contract with Citic Bank Co., Ltd, wenzhou branch on 6 June 2016. According to the contract, Guan Weili, Wang Lianyue and Wang Hongyue provided the joint guarantee for the borrowings of the Company from the Citic Bank Co., Ltd, wenzhou branch and the maximum amount of the guarantee was RMB252,000,000.

The shareholders of the Company, Guan Weili, Wang Lianyue and Wang Hongyue signed the maximum guanrantee contract with Zheshang Bank Co., Ltd, wenzhou branch on 19 April 2017. According to the contract, Guan Weili, Wang Lianyue and Wang Hongyue provided the joint guarantee for the borrowings of a subsidiary of the Company from the Zheshang Bank Co., Ltd, wenzhou branch and the maximum amount of the guarantee was RMB44,000,000.

(j) Equity acquisition from the related-party

Taizhou Kangning Hospital was set up on 30 June 2016 and at that time, the vice-general manager of the Company Yi Xu held 51% equity. As at 28 July 2016, Yi Xu transferred his 51% equity of Taizhou Kangning Hospital to Zhejiang Kangning. The Group did not pay for this transferring equity because Yi Xu did not actually contribute when Taizhou Kangning Hospital was set up.

8. Related parties and related party transactions (continued)

(4) Related party transactions (continued)

(k) Advances received from the related party

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Qu Kaisheng	**300,000**	—

(5) Balances with related parties

(a) Other receivables

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Beijing Yining Hospital	**326,620**	6,306,892
Not-for-profit organisations established by the Group	**2,163,787**	1,535,966
	2,490,407	7,842,858

(b) Other payables

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Qu Kaisheng	**3,410,000**	3,110,000
Hangzhou Honglan	**60,221**	—
	3,470,221	3,110,000

The balance of the accounts were free of interest, mortagage and did not have the certain repayment day.

9. Share-based payment

Following the shareholders' approval on 21 July 2014, the Company has adopted an employee share incentive plan (the "**Restricted Shares Scheme**").

The main terms of the Restricted Shares Scheme are set out below:

(1) Instruments granted under the Scheme: To furnish the Restricted Shares Scheme, 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 controlling persons and the employee of the Company); the general partner of Xinshi Kangning is Ms. Wang Hongyue. The qualified employees participating the Restricted Shares Scheme contributed the capital at the grant price and become the limited partner of the LLP. After the establishment of the LLPs mentioned above, the original shareholder of the Company, Guan Weili and Wang Hongyue, transferred their share capital of RMB1,120,959 (4% of the equity of the Company) to the above three LLPs for a consideration of RMB20,944,000, at price of RMB18.684 per share.

(2) Vesting period: since the day becoming the partners of the LLP, those participating employees who will contributed the capital over RMB150,000 committed to serve the Company for 36 months while those contributed below RMB150,000 for 12 months from the date the Company was listed in a stock exchange. They would not resign during this period.

(3) If any employee resign before the end of the selling restricted period set by CSRC after the shares of the Company listed in the stock exchange, the following rules will be applied:

  (i) The employees with 12 month vesting period resigning before the expiration of the selling restricted period do not have to withdraw from the LLP but their equity is freezed. After the expiration of the selling restricted period, the general partner or the third party designated by the general partner acquire their equity shares.

  (ii) The employees with 36 month vesting period resigning within 12 months after listing, the same rule as above will be applied. If resigning between 12 month and 36 month, the general partner or the third party designated by the general partner acquire the equity share. The purchase price is set at 60% of the average stock price of 20 transaction days preceding the day approval for the resigg.

The Group does not have any repurchase arrangement or commitment with the LLPs or the employees.

The above transaction was considered as equity-settled share-based payment to employees. The fair value of the Company's shares granted to employees on grant date, 21 July 2014, as determined by a professional valuation firm was RMB5,869,000.

Share based payment expense of RMB206,400 was recognized for the six months ended 30 June 2017 (for the six months ended 30 June 2016: RMB2,311,000).

10. Commitments

(1) Capital 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 2017 (Unaudited)	31 December 2016 (Audited)
Buildings, machinery and equipment	**145,259,995**	153,326,228

(2) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts are summarised as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within 1 year	**19,040,349**	27,197,148
1 to 2 years	**25,619,691**	23,537,604
2 to 3 years	**24,518,699**	21,793,250
Over 3 years	**262,837,022**	116,902,176
	332,015,761	189,430,178

11. Events after the balance sheet date

As at the date of the financial statements have been approved for issue, there is no significant subsequent events required to be disclosed.

12. Financial risk

The Group's activities expose it to a variety of financial risks: market risk (primarily interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group's finance department at its headquarter is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies, to reduce foreign exchange risk to the greatest extent.

As at 30 June 2017 and 31 December 2016, the foreign currency financial assets hold by the Group was analysed below (presented in RMB):

	30 June 2017 (Unaudited)		
	HKD	**USD**	**Total**
Financial assets denominated in foreign currency - Cash at bank and on hand	**221,972,449**	**16,232,648**	**238,205,097**

	31 December 2016 (Audited)		
	HKD	USD	Total
Financial assets denominated in foreign currency - Cash at bank and on hand	275,233,096	17,222,504	292,455,600

As at 30 June 2017, if RMB had strengthened/weakened by 3% against the HKD while all other variables had been held constant, the Group's profit after tax for the year would have been approximately RMB4,994,380 (31 December 2016: RMB6,193,000) lower/higher for various financial assets and liabilities denominated in HKD.

12. 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 floating rates expose the Group to cash flow interest rate risk. 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 2017, The Group's long-term interest bearing borrowings were mainly RMB-denominated with fixed rates, amounting to RMB148,950,190 (31 December 2016: RMB179,950,190).

The Group continuously monitors the interest rate position of the Group. Increases in interest rates will increase the cost of new 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 makes adjustments timely with reference to the latest market conditions.

(2) Credit risk

Credit risk is managed on the portfolio basis. Credit risk mainly arises from cash at bank, accounts receivable, other receivables and long-term receivables, etc.

The Group expects that there is no significant credit risk associated with cash at bank 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.

The Group, being a provider of healthcare services to patients, has a highly diversified customer base, without any single customer contributing material revenue. However, the Group has concentrated debtors portfolio, as majority patients will claim their medical bills from governments' social insurance schemes. Certain patients' costs will be reimbursed by other government bodies. The reimbursement from these organisations may take one to six months or not fully reimbursed. The Group has policy in place to ensure the treatments and medicines prescribed and provided to such insured patients are in line with respective organisations' policies and within reimbursement limits, provided fulfilling all ethics and moral responsibilities as healthcare provider. The Group also has controls to closely monitor the patients' billings and claim status to minimum the credit risk. For those balance not covered by social insurance scheme, the management assessed the collectability based on historical patterns and data. Based on the Group's assessment on the collectability of trade receivables, impairment provision of approximately RMB10,382,663 and RMB8,105,000 was provided as at 30 June 2017 and 31 December 2016, respectively (Note 4(2) (b)).

12. Financial risk (continued)

(2) Credit risk (continued)

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-party. The directors of the Company believe that there is no material credit risk inherent in The Group's outstanding balance of other receivables after considering their credit status and the guarantees they provided and so on.

Long-term receivables is the depoist of payment to project contractors and the directors of the Company believe that there is no material credit risk

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of The Group and aggregated by The Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of The Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowings facilities from major financial institutions so that The Group does not breach borrowings limits or covenants on any of its borrowings facilities to meet the short-term and long-term liquidity requirements.

The financial liabilities of The Group at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	30 June 2017 (Unaudited)				
	Within 1 year	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
Accounts payable	**80,476,871**	**—**	**—**	**—**	**80,476,871**
Other payables	**87,816,113**	**—**	**—**	**—**	**87,816,113**
Long-term payables	**17,480,304**	**5,270,800**	**19,190,800**	**65,001,600**	**106,943,504**
Bank borrowings	**131,434,128**	**27,309,431**	**138,429,542**	**—**	**297,173,101**
	317,207,416	**32,580,231**	**157,620,342**	**65,001,600**	**572,409,589**

	31 December 2016 (Audited)				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Accounts payable	43,271,014	—	—	—	43,271,014
Other payables	38,922,694	—	—	—	38,922,694
Long-term payables	17,480,304	5,270,800	19,190,800	62,277,000	104,218,904
Bank borrowings	75,513,491	27,256,120	142,451,507	—	245,221,118
	175,187,503	32,526,920	161,642,307	62,277,000	431,633,730

13. 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.

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

As at 30 June 2017 and 31 December 2016, the assets measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets -				
Available-for-sale financial assets	—	—	50,000,000	50,000,000
Non-financial assets				
Investment properties	—	—	72,191,872	72,191,872
Total assets	—	—	122,191,872	122,191,872

The Group engaged Wenzhou Huaxin Assets Valuation Co.,Ltd to determine the fair value of the investment properties and the method of valuation adopted is the income based method. The input value adopted were the growth rate of rental, the return on rental and vacancy rate. Refer to Note 2(28) (a) (v) for details.

The financial department of the Group is responsible for determining the fair value of the financial assets and liabilities. The financial department of the Group verified and accounted the assesement result mentioned above and prepared the disclosure information relating to the fair value based on the verified value assesement result.

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

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

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

14. 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 structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce debts.

The Group's total capital is calculated as 'owners' equity' as shown in the consolidated statement of financial position. The Group is not subject to external mandatory capital requirements.

As at 30 June 2017 and31 December 2016, the Group's gearing ratio is as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Gearing ratio	**39.24%**	35.05%

15. Notes to the Company's financial statements

(1) Accounts receivable

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Accounts receivable from non-related parties	**100,356,896**	87,584,278
Less: Provision for bad debts	**(6,342,610)**	(5,225,147)
	94,014,286	82,359,131

15. Notes to the Company's financial statements (continued)

(1) Accounts receivable (continued)

(a) The aging of accounts receivable is analysed as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within 1 year	**92,691,944**	82,708,619
1 - 2 years	**6,258,218**	4,057,880
2 - 3 years	**1,028,663**	817,779
Over 3 years	**378,071**	—
	100,356,896	87,584,278

According to the Company's terms of business, all bills are payable.upon issued.

As at 30 June 2017,The Company's accounts receivable past due but not impaired were RMB66,612,420 (31 December 2016: RMB70,435,713). These were mainly related to the amounts to be claimed from local social insurance bureau and similar government departments who were responsible for the reimbursement of medical expenses for patients who were covered by government medical insurance schemes. Management considered that based on past payment history those amounts could be recovered in reasonable time. The aging analysis of these trade receivables was as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within 1 year	**66,612,420**	70,435,713

15. Notes to the Company's financial statements (continued)

(1) Accounts receivable (continued)

(b) Accounts receivable are analysed by categories as follows:

	Unaudited 30 June 2017				Audited 31 December 2016			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance
Receivables berfore settlement ady	25,848,193	26%	–	–	10,567,765	12%	–	–
Receivable of govermment medical insurance schemes and other schemes	31,081,359	31%	–	–	39,872,555	46%	–	–
Receivable of charity institutions	7,896,283	8%	6,342,610	80%	6,580,800	8%	5,225,147	79%
Receivable of patients	21,797,925	22%	–	–	20,485,150	23%	–	–
Receivable of the management fee	13,733,136	13%	–	–	10,078,008	11%	–	–
	100,356,896	100%	6,342,610	/	87,584,278	100%	5,225,147	/

(c) In the six months ended 30 June 2017, the provision for bad debts accrued were RMB 1,174,638(six months ended 30 June 2016: RMB288,808). The withdrawal or the reversal was Nil (six months ended 30 June 2016: nil).

The Company considered that there was no need for further provision for the impairment of the receivables with no provision for impairment in the aforesaid classification assessment based on the different types of credit risks after assessing it based on aging, historical data and the the Group's estimation on the future recovery.

(d) In the six months ended 30 June 2017, the amount that actually written off was RMB57,175 (six months ended 30 June 2016: RMB101,857).

15. Notes to the Company's financial statements (continued)

(1) Accounts receivable (continued)

(e) As at 30 June 2017, according to the balance collected by the debtors, the top five accounts receivable are summarized as follows:

	30 June 2017		
	Balance	The amount of provision	%of the balance of total account receivables
The total amount of top five accounts receivable	33,539,706	—	33%

(2) Other receivables

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Amount due from related parties	388,504,928	242,839,985
Loan due by third parties	8,600,000	11,825,000
Advance payments*	10,854,756	8,543,379
Deposit and guarantee	1,463,043	1,463,843
Others	3,350,527	188,934
	412,773,254	264,861,141
Less: Provision for bad debts	(1,477,073)	(1,210,030)
	411,296,181	263,651,111

* The receivables included the receivables of Yanjiao Furen Hospital,the advance payment on behalf of Chendu Renyi Hospital Co., Ltd (Chendu Renyi Hospital) and the receivables of Guoxiu Xiong and Honggen Min (Note (b)).

15. Notes to the Company's financial statements (continued)

(2) Other receivables (continued)

(a) The aging of other receivables is analysed as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within 1 year	**355,754,644**	217,412,037
1 - 2 years	**36,459,748**	33,513,442
2 - 3 years	**20,113,661**	13,935,662
Over 3 years	**445,200**	—
	412,773,253	264,861,141

As at 30 June 2017 and 31 December 2016, the Company had no significant other receivable overdue but not impaired.

(b) Other receivables separately accrued for bad debts is analysed as follows

30 June 2017	Balance	Provision for bad debt	% of provision	Reason
Receivable From Guoxiu Xiong and Honggen Min	2,156,116	1,210,030	56%	(i)
Receivable from Wenzhou Mingou Real Estate Development Co., Ltd ("**Wenzhou Mingou Co., Ltd**")	267,043	267,043	100%	e(iii)
	2,423,159	1,477,073		

(i) As at 30 June 2017 and 31 December 2016, the lawsuit was still in the progress, the management of the Group assessed that there is uncertainty in the recovery of the remaining receivables and provided the provision for bad debts for the remaining balance.

15. Notes to the Company's financial statements (continued)

(2) Other receivables (continued)

(c) In the six months ended 30 June 2017, the amount of the provision for the bad debt was RMB267,043 (six months ended 30 June 2016: RMB131,972). No provision for bad debts has been collected or reversed in the six months ended 30 June 2017(six months ended 30 June 2016: Nil).

(d) There was no material accounts receivable written off in the six months ended 30 June 2017 (six months ended 30 June 2016: Nil)

(e) As at 30 June 2017, the five largest balances of other receivables by debtors are analysed as follow:

	30 June 2017 (Unaudited)				
	Nature	Balance	aging	% of total amount of other receivable	provision for bad debts
Zhejiang Kangning	Receivable from subsidiaries	95,999,004	Within one year	23%	—
Wenzhou Yining Geriatric Hospital	Receivable from subsidiaries	65,865,097	Within one year	16%	—
Cangnan Kangning Hospital	Receivable from subsidiaries	65,367,853	Within one year	16%	—
Wenzhou Guoda Investment	Receivable from subsidiaries	36,700,000	Within one year	9%	—
Ping yang Kangning Hospital	Receivable from subsidiaries	31,853,982	Within two years	8%	—
		295,785,936		72%	—

(3) Long-term equity investment

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Subsidiaries (a)	**100,782,135**	100,782,135
Associates (b)	**14,458,938**	15,072,785
	115,241,073	115,854,920

The Group did not have significant restrictions on the realization of long-term equity investments

Notes to the Financial Statements

For the six months ended 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

15. Notes to the Company's financial statements (continued)

(3) Long-term equity investment (continued)

(a) Subsidiaries

	31 December 2016	The change in the six months ended 30 June: Increase	Decrease	Accrual for provision for impairment	Others	30 June 2017	Provision for impairment	Cash dividends declared in the current period
Qingtian Kangning Hospital	1,000,000	–	–	–	–	1,000,000	–	–
Yongjia Kangning Hospital	1,000,000	–	–	–	–	1,000,000	–	–
Cangnan Kangning Hospital	1,000,000	–	–	–	–	1,000,000	–	–
Yueqing Kangning Hospital	1,000,000	–	–	–	–	1,000,000	–	–
Judicial Forensic Center	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	–	–	–	–	10,000,000	–	–
Zhejiang Huangfeng Co., ltd	24,682,135	–	–	–	–	24,682,135	–	–
Zhejiang Kangning	50,000,000	–	–	–	–	50,000,000	–	–
	100,782,135	–	–	–	–	100,782,135	–	–

Notes to the Financial Statements

For the six months ended 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

15. Notes to the Company's financial statements (continued)

(3) Long-term equity investment (continued)

(b) Associates

	31 December 2016	Initial investment	Decrease	The change in the six months ended 30 June: Share of net profit/ (loss) under equity method	the adjustment of other comprehensive income	the change of other equity	Cash dividends declared in the current period	Accrual for provision for impairment	Others	30 June 2017	The closing amount of provision for impairment
Hangzhou Honglanf (i)	507,450	–	–	(1,149,040)	–	–	–	–	–	(641,590)	–
Shandong Yining Hospital (ii)	14,565,335	–	–	535,193	–	–	–	–	–	15,100,528	–
	15,072,785	–	–	(613,847)	–	–	–	–	–	14,458,938	–

(i) On 14 September 2016 the Company sold 30% equity to Ningbo Meishan Bonded Port Area Honglan Investment Management Partnership (Limited Liability Partnership) ("**Ningbo Meishan**") at a cash consideration of RMB1,500,000. On 20 September 2016, Ningbo Meishan injected additional investment of RMB5,000,000 in cash. As a result, The Group's remaining equity interest in Hangzhou Honglan was diluted to 35% and loss the control of Hangzhou Honglan but still had significant impact on it.

(ii) Shandong Yining was set up in August 2016 as an associate of the Group. The capital contribution of RMB14,700,000 by the Group was satisfied in cash with the equity of 49%.

(4) Revenue and cost of sales

	Six months ended 30 June 2017		Six months ended 30 June 2016	
	Revenue (Unaudited)	**Cost (Unaudited)**	Revenue (Unaudited)	Cost (Unaudited)
Revenue from main businesses	**148,598,057**	**94,337,473**	131,079,811	87,595,906
Revenue from other businesses	**48,176**	**—**	23,520	—
	148,646,233	**94,337,473**	131,103,331	87,595,906

15. Notes to the Company's financial statements (continued)

(4) Revenue and cost of sales (continued)

(a) Revenue and cost of sale from main operations

	Six months ended 30 June 2017		Six months ended 30 June 2016	
	Revenue	**Cost**	Revenue	Cost
	(Unaudited)	**(Unaudited)**	(Unaudited)	(Unaudited)
Pharmaceutical sales	**42,430,403**	**35,779,303**	39,051,448	30,281,560
Treatments and ancillary hospital services	**97,002,193**	**54,009,581**	84,015,433	53,200,980
Management service fee	**9,165,461**	**4,548,589**	8,012,930	4,113,366
	148,598,057	**94,337,473**	131,079,811	87,595,906

(b) Revenue and cost of sales from other operations

	Six months ended 30 June 2017		Six months ended 30 June 2016	
	Revenue	**Cost**	Revenue	Cost
	(Unaudited)	**(Unaudited)**	(Unaudited)	(Unaudited)
Others	**48,176**	**—**	23,520	—

(5) Investment income

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Share of net gains or losses of investees under the equity method	**(613,847)**	(2,199,509)
	(613,847)	(2,199,509)

There was no significant limitation to the receivable of the investment income of the Company.

Supplementary Information of Financial Statement

For the six months ended 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

1. The non-recurring profit and loss statement

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Net loss of the disposal of non-current assets	**95,691**	84,100
The government grant credited to the current profits and losses	**(7,938,768)**	(142,968)
Loan fee from the non financial enterprise credited to the current profits and losses	**(350,711)**	—
Donation	**2,247,255**	1,935,018
Net non-recurring profits/losses except the above	**194,382**	393,305
Sub-total	**(5,752,151)**	2,269,455
Less: income tax impact	**1,573,716**	(333,609)
Less: non-recurring profit and loss attributed to non-controlling shareholders	**—**	—
Non-recurring profit and loss attributed to the partner company	**(4,178,435)**	1,935,846

Basis of preparation for the non-recurring profit and loss statement

According to the *Public offering of securities company information disclosure explanatory Notice No.1 - non recurring gains and losses [2008]* issued by China Securities Regulatory Commission, non recurring profit and loss refers to the profit and loss arising from the tranctions and matters that have no direct relationship with the normal business or relating to the normal business and has an impact on the correct judgements about the business performance and profitability made by the financial statement users because of the special nature and the occasionailty.

Wenhzou Kangning Hospital Co., Ltd (hereinafter referred to as the Company) prepared the non-recurring profit and loss statement for the initial public offering of RMB ordinary shares according to *Public offering of securities company information disclosure explanatory Notice No.1 - non recurring gains and losses [2008]* and based on the combinational financial statement of the Company.

Supplementary Information of Financial Statement

For the six months ended 30 June 2017

(All amounts in RMB Yuan unless otherwise stated)

2. Return on equity and earning per share

Wenhzou Kangning Hospital Co., Ltd (hereinafter referred to as the Company) prepared the return on equity and earning per share statement for the initial public offering of RMB ordinary shares according to *Public offering of securities disclosure of information disclosure notice No. 9 - return on equity and earning per share [2010]* and based on the combinational financial statement of the Company.

	Weighted average return on equity(%)	
	2017	2016
The net profit contributed to the ordinary shareholders of the Company	**3.12**	6.99
The net profit deducting non-recurring profit and loss contributed to the ordinary shareholders of the Company	**2.71**	6.72

	Earning per share			
	six months ended 30 June 2017		2016	
	Basic earning per share	**Diluted earning per share**	Basic earning per share	Diluted earning per share
The net profit contributed to the ordinary shareholders of the Company	**0.43**	**0.43**	0.94	0.94
The net profit deducting non-recurring profit and loss contributed to the ordinary shareholders of the Company	**0.38**	**0.38**	0.91	0.91

Definitions

"AGM"	the annual general meeting of the Company for the year 2016 convened and held on June 14, 2017
"Audit Committee"	the audit committee of the Board
"Beijing Yining Hospital"	Beijing Yining Hospital Co., Ltd. (北京怡寧醫院有限公司), an associate company established in the PRC with limited liability on August 17, 2015 and is held as to 32.67% by the Group
"Board of Directors" or "Board"	the board of directors of the Company
"Cangnan Kangning Hospital"	Cangnan Kangning Hospital Co., Ltd. (蒼南康寧醫院有限公司), a company established in the PRC with limited liability on June 15, 2012, one of the Company's wholly-owned subsidiaries
"Chengdu Renyi Ward"	the psychiatric healthcare department of Chengdu Renyi Hospital Company Limited (成都仁一醫院有限公司), an independent third party established in the PRC on June 29, 2010 as Chengdu Jihong Hospital Company Limited (成都濟宏醫院有限公司) and changed to its current name on July 28, 2015
"Chongqing Hechuan Kangning Hospital"	Chongqing Hechuan Kangning Hospital Co., Ltd. (重慶合川康寧醫院有限公司), an associate company established in the PRC with limited liability on June 5, 2015 and is held as to 40% by the Group
"Chun'an Hospital"	Chun'an Huangfeng Kang'en Hospital (淳安黃鋒康恩醫院)
"Company" or "Wenzhou Kangning Hospital"	Wenzhou Kangning Hospital Co., Ltd., a joint stock limited liability company established under the laws of the PRC, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 2120)
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Hong Kong Listing Rules
"CSRC"	the China Securities Regulatory Commission
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and are unlisted Shares which are currently not listed or traded on any stock exchange
"Geriatric Hospital"	Wenzhou Yining Geriatric Hospital Co., Ltd. (溫州怡寧老年醫院有限公司), a wholly-owned subsidiary indirectly held by the Company which was referred to as the "Louqiao Medical Area" in the Prospectus and whose principal business is to provide medical services for the geriatric, including geriatric psychiatric and psychological treatment

Definitions

"Group" or "we" or "our"	the Company and its subsidiaries
"H Share(s)"	overseas listed foreign invested ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, listed on the Main Board of the Hong Kong Stock Exchange
"Hangzhou Honglan Information"	Hangzhou Honglan Information Technology Co., Ltd. (杭州宏瀾信息科技有限公司), an associate company established in the PRC with limited liability on November 20, 2015 and is held as to 35% by the Group
"Hangzhou Yining Hospital"	Hangzhou Yining Hospital Co., Ltd. (杭州怡寧醫院有限公司), a company established in the PRC with limited liability on August 25, 2016, one of the Company's indirect non-wholly owned subsidiaries
"HK$" or "HKD" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Langfang Yining Hospital"	Langfang Yining Hospital Management Co., Ltd. (廊坊市怡寧醫院管理有限公司), a company established in the PRC with limited liability on December 2, 2015, one of the Company's wholly-owned subsidiaries
"Linhai Kangning Hospital"	Linhai Kangning Hospital Co., Ltd. (臨海康寧醫院有限公司), a company established in the PRC with limited liability on February 2, 2015, one of the Company's non-wholly owned subsidiaries
"Macau"	the Macau Special Administrative Region of the PRC
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
"Nomination Committee"	the nomination committee of the Board
"Pingyang Kangning Hospital"	Pingyang Kangning Hospital Co., Ltd. (平陽康寧醫院有限公司), a company established in the PRC with limited liability on November 2, 2015, one of the Cofmpany's indirect wholly-owned subsidiaries
"Pingyang Changgeng Ward"	the psychiatric healthcare department of Pingyang Changgeng Hospital Co., Ltd (平陽縣長庚醫院有限責任公司)

Definitions

"PRC" or "China"	the People's Republic of China which, for the purpose of this interim report, excludes Hong Kong, Macau and Taiwan
"PRC Company Law"	the Company Law of the People's Republic of China (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Twelfth National People's Congress on December 28, 2013 and effective on March 1, 2014 (as amended, supplemented or otherwise modified from time to time)
"Prospectus"	the prospectus of the Company dated November 10, 2015
"Pujiang Hospital"	Pujiang Huangfeng Psychiatric Specialty Hospital (浦江黃鋒精神專科醫院)
"Qingtian Kangning Hospital"	Qingtian Kangning Hospital Co., Ltd. (青田康寧醫院有限公司), a company established in the PRC with limited liability on April 1, 2011, one of the Company's wholly owned subsidiaries
"Quzhou Yining Hospital"	Quzhou Yining Hospital Co., Ltd. (衢州怡寧醫院有限公司), a company established in the PRC with limited liability on November 20, 2015, one of the Company's indirect non-wholly owned subsidiaries
"Reporting Period"	the six months ended June 30, 2017
"Remuneration Committee"	the remuneration committee of the Board
"RMB"	the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, including the Domestic Share(s) and the H Share(s)
"Shareholder(s)"	holder(s) of the Share(s)
"Shandong Yining Hospital"	Shandong Yining Hospital Management Co., Ltd. (山東怡寧醫院管理有限公司), an associate company established in the PRC with limited liability on August 16, 2016 and is held as to 49% by the Group
"Shenzhen Yining Hospital"	Shenzhen Yining Hospital Co., Ltd. (深圳怡寧醫院有限公司, previously known as 深圳市怡寧醫院有限公司), a company established in the PRC with limited liability on September 22, 2014, one of the Company's indirect non-wholly owned subsidiaries

Definitions

"Sihui Kangning Hospital"	Sihui Kangning Hospital Co., Ltd. (四會康寧醫院有限公司), a company established in the PRC with limited liability on August 19, 2016, one of the Company's indirect non-wholly owned subsidiaries
"Strategy and Risk Management Committee"	the strategy and risk management committee of the Board
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto in the Companies Ordinance (Chapter 622 of the laws of Hong Kong)
"substantial shareholder(s)"	has the meaning ascribed thereto in the Hong Kong Listing Rules
"Supervisor(s)"	the members of the Supervisory Committee
"Supervisory Committee"	the Company's Supervisory Committee established pursuant to the PRC Company Law
"US$" or "USD"	the lawful currency of the United States
"Wenzhou Guoda"	Wenzhou Guoda Investment Co., Ltd. (溫州國大投資有限公司), a company established in the PRC with limited liability on February 9, 2002, one of the Company's indirect non-wholly owned subsidiaries
"Yanjiao Furen Hospital"	Yanjiao Furen Hospital of Traditional Chinese and Western Medicine (燕郊輔仁中西醫結合醫院) under the Company's operation and management in accordance with an entrustment management agreement dated March 26, 2015 entered into between Yanjiao Furen Hospital of Traditional Chinese and Western Medicine and the Company
"Yongjia Kangning Hospital"	Yongjia Kangning Hospital Co., Ltd. (永嘉康寧醫院有限公司), a company established in the PRC with limited liability on December 12, 2012, one of the Company's wholly-owned subsidiaries
"Yueqing Kangning Hospital"	Yueqing Kangning Hospital Co., Ltd. (樂清康寧醫院有限公司), a company established in the PRC with limited liability on September 3, 2013, one of the Company's wholly-owned subsidiaries
"%"	percentage ratio

溫州康寧醫院股份有限公司
Wenzhou Kangning Hospital Co., Ltd.