ple's Republic of China)

Stock code: 2120

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

	F	J 30,
	2018	2017
	(B'000)	(RMB'000)
	( )	(Unaudited)
Revenue from operating the owned hospitals	**331,211**	226,529
Management service fee income	**12,107**	11,579
Total revenue of healthcare business	**343,318**	238,108
Revenue from other healthcare related business	**1,123**	987
Revenue of the property business	**12,337**	44,041
	356,778	283,136

During the Reporting Period, total revenue of the Group amounted to RMB356.8 million, representing an increase of 26.0% as compared with that of the same period of 2017, which had a contribution to revenue was RMB343.3 million.

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

	F t h t h J 30,	
	2018	2017
Inpatients		
Inpatient bed as at period end	**4,180**	3,050
Effective inpatient service bed-day capacity	**756,580**	552,050
Utilization rate (%)	**89.5%**	85.9%
Number of inpatient bed-days	**676,929**	474,163
Treatment and general healthcare services revenue attributable to inpatients (RMB'000)	**243,876**	158,561
Average inpatient spending per bed-day on treatment and general healthcare services (RMB)	**360**	334
Pharmaceutical sales revenue attributable to inpatients (RMB'000)	**40,556**	28,427
Average inpatient spending per bed-day on pharmaceutical sales (RMB)	**60**	60
t t t (B'000)	**284,432**	186,988
t t t -(B)	**420**	394
Outpatients		
Number of outpatient visits	**91,613**	75,872
Treatment and general healthcare services revenue attributable to outpatients (RMB'000)	**9,082**	
Average outpatient spending per visit on tf9 0 0 9 505.3914 316.9157 Tm(7)Tj(5)Tj(,)Thra		

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Cost of the Group for rendering management services primarily includes 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 by 21.1% as compared with that of the same period of 2017, which is higher than the increase of management service fee income. Accordingly, gross profit margin of the management service business decreased to 47.5% (for the six months ended June 30, 2017: 54.6%).

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 decreased to RMB12.3 million (for the six months ended June 30, 2017: RMB44.0 million), mainly due to property sales income of only RMB8.5 million were recorded by Wenzhou Guoda during the Reporting Period. The corresponding cost and expense of property business were RMB9.6 million, therefore the profit before tax in property business contributed by Wenzhou Guoda during the Reporting Period only amounted to RMB2.7 million.

G t (G t

During the Reporting Period, total gross profit of the Group amounted to RMB129.4 million, representing an increase of 40.7% as compared with that of the same period of 2017. The gross profit of healthcare business after deducting property and other business amounted to RMB122.5( )Tj4.6m(t)Tj(h)Tj(e)Tj( )Tj1.651 0 Td(s)TTd(b)Tj(u)Tj(sR)Tj(M)Tj(8)Tj(h)3 .8Tj( )Tj0.558 0

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During the Reporting Period, the tax and surcharge of the Group amounted to RMB3.4 million (for the six months ended June 30, 2017: RMB3.9 million), mainly included property tax related to the new building of Wenzhou Kangning Hospital and the property of Cangnan Kangning Hospital as well as taxes related to Wenzhou Guoda property business.

E

During the Reporting Period, the selling expenses of the Group amounted to RMB2.6 million (for the six months ended June 30, 2017: RMB0.4 million), which increased a lot as compared with that of the same period of 2017, mainly because in order to better serve the patients, the Group8 m8 872 BD572 0 Td(a)Tj0.5(r)Tj0.405 0 Tdi.Gcli.Gcli.Gcli.Gcli.Gcli.Gc

During the Reporting Period, the administrative expenses of the Group amounted to RMB51.0 million, representing an increase of 28.0% as compared with that of the same period of 2017, mai 0 Td(s)Tj0.398 0 Td(e)Tj0.453 1565 0 Td( )Tj0.379 0l1(d)Tj

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During the Reporting Period, assets impairment losses and credit impairment losses increased to RMB6.9 million in total (for the six months ended June 30, 2017: RMB2.8 million), of which credit impairment losses amounted to RMB5.7 million, and increased to 1.7% of revenue of healthcare business of the Group (for the six months ended June 30, 2017: 1.2%), mainly due to considerable increase

I t t t

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

Investment property	Phase I Works of Business Center of Wenzhou Higher Education Mega Center (3F & 4F)
Address	Southeast corner of Wenzhou Higher Education Mega Center, Chashan Street, Wenzhou City, Zhejiang Province, the PRC
Lot number	Wen Guoyong (2012) No. 3-290602, Wen Guoyong (2012) No. 3-290604, Wen Guoyong (2012) No. 3-290616, Wen Guoyong (2012) No. 3-290617, Zhe (2017) Wenzhou property rights No. 0136790, Zhe (2017) Wenzhou property rights No. 0136791, Zhe (2017) Wenzhou property rights No. 0136792, Zhe (2017) Wenzhou property rights No. 0136793
Interests of the Group	75%
Land area (Approx.) (Sq. m.)	3,722.29
Total floor area (Approx.) (Sq. m.)	12,854.06
Usage	Non-residential
Whether a freehold property	Nature of the land is state-owned land, the expiry date of the land use right is January 29, 2043, and the properties are freehold properties
Investment property	Phase Ⅱ Works of Business Center of Wenzhou Higher Education Mega Center (2F to 11F)
Address	Southeast corner of Wenzhou Higher Education Mega Center, Chashan Street, Wenzhou City Zhejiang Province, the PRC
Lot number	Wen Guoyong (2012) No. 3-289403
Interests of the Group	75%
Land area (Approx.) (Sq. m.)	6,602.26
Total floor area (Approx.) (Sq. m.)	11,850.34
Usage	Commercial, office and hotel
Whether a freehold property	Nature of the land is state-owned land, the expiry date of the land use right is January 29, 2043, and the properties are freehold properties

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As of June 30, 2018, the other non-current financial assets amounted to RMB51.0 million (as of December 31, 2017: available-for-sale financial assets RMB50.0 million), primarily due to our contribution to the investment fund. During the Reporting Period, the fair value of the other non-current financial assets increased by RMB1.0 million.

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As of June 30, 2018, accounts payables slightly decreased to RMB75.9 million (as of December 31, 2017: RMB83.8 million), mainly due to the decrease in payables for the property project accrued by Wenzhou Guoda.

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As of June 30, 2018, contract li7 0 Td(a)Tj0.5040 Td(,)Tj0.286 0 Td( )Tj0.3780.3780.3780.37880.3780.3780.37(,)Tj0.286 0 Td.5

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

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

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

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

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, 2018, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

INTERIM DIVIDEND

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

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.

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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, 2018 to June 30, 2018 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:

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Mr. GUAN Weili	Wenzhou Yining Geriatric Hospital Co., Ltd.	General manager	From November 2015 to January 2018
Mr. GUAN Weili	Linhai Kangning Hospital Co., Ltd.	Executive director	From February 2015 to January 2018
Mr. WANG Qian	Wenzhou Yining Geriatric Hospital Co., Ltd.	General manager	From January 2018 to present
Ms. ZHANG Feixue	Linhai Kangning Hospital Co., Ltd.	Executive director	From January 2018 to present
Mr. XU Yi	Wenzhou Tianzhentang Traditional Chinese Medicine Clinic Co., Ltd.	Executive director, General manager	From January 2018 to present
Ms. WANG Hongyue	Wenzhou Yining Pension Service Co., Ltd.	Executive director	From May 2018 to present
Mr. WANG Qian	Wenzhou Yining Pension Service Co., Ltd.	Manager	From May 2018 to present
Mr. WANG Jian	Wenzhou Yining Pension Service Co., Ltd.	Supervisor	From May 2018 to present

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Mr. YANG Yang	Non-executive Director	Mr. YANG Yang was appointed as the director of Bontec Investment Limited (邦達投資有限公司), effective from January 2018

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

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, 2018.

(2) Guangzhou [illegible]

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As at 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

A E	Note	30 J 2018 ((t ( )	31 December 2017 (Audited)
C t t			
Cash at bank and on hand	4(1)	229,254,617	279,334,159
Accounts receivable	4(2)	274,738,114	232,179,323
Other receivables	4(3)	44,979,280	43,447,939
Advance to suppliers	4(4)	14,270,587	11,132,676
Inventories	4(5)	20,389,497	23,532,469
Current portion of non-current assets	4(6)	12,688,704	12,688,704
t t t		596,320,799	602,315,270
- t t			
Available-for-sale financial assets	4(7)		50,000,000
Other non-current financial assets	4(7)	50,974,323	—
Long-term equity investments	4(8)	99,065,613	89,683,865
Investment properties	4(9)	128,568,963	128,568,963
Fixed assets	4(10)	438,341,684	502,649,528
Construction in progress	4(11)	94,365,404	22,290,670
Intangible assets	4(12)	159,971,854	151,842,863
Goodwill	4(13)	3,662,628	4,823,557
Long-term prepaid expenses	4(14)	109,488,329	96,335,653
Deferred tax assets	4(15)	24,368,465	9636

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LIABILI IE A D E 'E I	Note	30 J 2018 ((t ( )	31 December 2017 (Audited)
C t t			
Short-term borrowings	4(18)	130,000,000	90,000,000
Accounts payable	4(19)	75,904,091	83,787,338
Advances from customers	4(20)		7,511,284
Contract liability	4(20)	6,983,899	—
Employee benefits payable	4(21)	16,498,460	23,714,318
Taxes payable	4(22)	35,659,445	34,912,381
Other payables	4(23)	75,942,440	99,796,754
Non-current liabilities due within one year	4(24)	17,959,504	22,751,104
t t t		358,947,839	362,473,179
- t t			
Long-term borrowings	4(25)	105,000,000	110,000,000
Long-term payables	4(26)	89,682,400	86,932,300
Deferred income	4(27)	10,404,955	10,556,851
Deferred tax liabilities	4(15)	9,602,236	9,941,379
t - t t		214, 4 3	

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As at 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

LIABILI IE A D E ’E I	Note	30 J 2018 ((t ( )	31 December 2017 (Audited)
’ t			
Share capital	4(28)	73,040,000	73,040,000
Capital surplus	4(29)	809,361,182	808,244,186
Surplus reserve	4(30)	23,710,012	23,710,012
Retained earnings	4(31)	177,706,807	146,840,254
t t tt t t t h t		1,083,818,001	1,051,834,452
- t t t		62,257,049	58,662,363
t ’ t		1,146,075,050	1,110,496,815
AL LIABILI IE A D E ’E I		1,719,712,480	1,690,400,524

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

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

B h t

As at 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

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B h t

As at 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

LIABILI IE A D E ’E I	Note	30 J 2018	31 December 2017
		(t)	(Audited)
’ t			
0403 are capital		73,040,000	73,040,000
Capital surplus	15(.(p)Tj(l)Tj5 1 0 0 1 461 0 1 Tf9 0ur76 526.0958 Tmr04		

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For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

Item	Note	t h ((30 J 2018 ((t ( )	 2017 (Unaudited)
1.	4(32)	**356,778,081**	283,136,307
Less: Cost of sales	4(32) 、4(34)	**(227,375,436)**	(191,153,046)
Taxes and surcharges	4(33)	**(3,375,006)**	(3,937,078)
Selling and distribution expenses	4(34)	**(2,570,269)**	(445,240)
General and administrative expenses	4(34)	**(50,950,061)**	(39,814,343)
Finance (expenses)/income-net	4(35)	**(5,530,111)**	(10,436,551)
Asset impairment losses	4(36)	**(1,160,929)**	(2,823,150)
Credit impairment losses	4(37)	**(5,742,669)**	—
Add: Investment losses	4(38)	**(4,318,848)**	(2,852,505)
Including: Share of losses of associates	4(38)	**(4,318,848)**	(2,852,505)
Losses on disposal of assets		**(6,378)**	(95,691)
Other gains	4(39)	**4,253,548**	2,692,900
2. t t		**60,001,922**	34,271,603
Add: Non-operating income	4(40)	**1,197,342**	5,377,451
Less: Non-operating expenses	4(41)	**(2,091,319)**	(2,573,220)
3. t t		**59,107,945**	37,075,834
Less: Income tax expenses	4(42)	**(18,256,405)**	(12,013,726)
4. t t		**40,851,540**	25,062,108
Net profit generated from			
Continuing operation		**40,851,540**	25,062,108
Discontinued operation			

I t t t

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

It	Note	t h ((30 J 2018 (t)	2017 (Unaudited)
1.	15(10)	171,643,917	148,646,233
Less: Cost of sales	15(10)、15(12)	(110,483,484)	(99,151,206)
Taxes and surcharges		(1,378,772)	(576,431)
Selling and distribution expenses	15(12)	(1,263,237)	(150,812)
General and administrative expenses	15(12)	(24,574,489)	(19,463,125)
Finance (expenses)/income-net	15(11)	(6,228,634)	(9,850,566)
Asset impairment losses			(1,441,742)
Credit impairment losses	15(13)	(1,966,117)	—
Add: Investment loss	15(14)	(1,756,764)	(613,847)
Losses on disposal of assets		(123)	(88,205)
Other gains		2,185,000	2,692,900
2. t t		26,177,297	20,003,199
Add: Non-operating income		1,387,597	5,342,360
Less: Non-operating expenses		(1,176,588)	(1,005,922)
3. t t		26,388,306	24,339,637
Less: Income tax expenses	15(15)	(7,040,048)	(6,718,547)
4. t t			

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For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

It	Note	th ((30 J 2018 ((t ( )	2017 (Unaudited)

C t C F t t t

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

It	Note	2018	2017
		(t)	(Unaudited)
3. C h t t t			
Cash received from capital contributions		4,430,000	14,100,000
Including: Cash received from capital contributions by non-controlling shareholders of subsidiaries		4,430,000	14,100,000
Cash received from borrowings		170,000,000	90,000,000
Cash received relating to other financing activities			300,000
-t t h		174,430,000	104,400,000
Cash repayments of borrowings		(139,791,600)	(37,700,000)
Cash payments for interest expenses and distribution of dividends or profits		(5,934,843)	(2,133,206)
Cash payments relating to other financing activities		(2,968,171)	(2,758,166)
-t t h t		(148,694,614)	(42,591,372)
t h t t t		25,735,386	61,808,628
4. E t h h t		(279,073)	(7,312,748)
5. t h h t		(81,439,042)	(76,731,721)
Add: Cash and cash equivalents at beginning of the period	4(44) (a)	237,538,659	407,163,542
6. C h h t t t h	4(44) (a) (b)	156,099,617	330,431,821

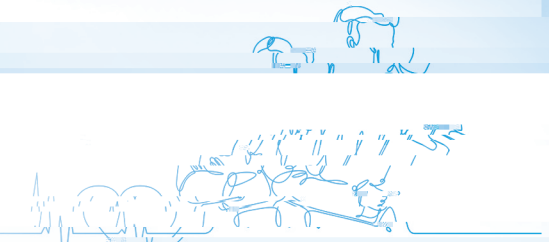
The accompanying notes form an integral part of these financial statements.

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

It	Note	2018	2017
		( )	(Unaudited)
3. C			
Cash received from borrowings		130,000,000	50,000,000
Cash repayments of borrowings		(99,791,600)	(1,000,000)
Cash payments for interest expenses and distribution of dividends or profits		(3,980,179)	(1,348,500)
Cash payments relating to other financing activities		(2,968,171)	(2,758,166)
-t		(106,739,950)	(5,106,666)
		23,260,050	44,893,334
4. E		(279,073)	(7,312,748)
5.		(74,131,634)	(75,542,554)
Add: Cash and cash equivalents at beginning of the period		184,906,446	356,529,786
6. C		110,774,812	280,987,232

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

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



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For the six months ended 30 June 2018

(All amounts in RMBYuan unless otherwise stated)

	Equity attributable to owners of the parent company

t t t C h h ’ E t

For the six months ended 30 June 2018

(All amounts in RMBYuan unless otherwise stated)

	Note	h t	C t		t	t , t
B t 1 J 2017		73,040,000	799,821,777	18,548,942	108,895,141	1,000,305,860
t t h h 30 J 2017						
Total comprehensive income						
Net profit		—	—	—	17,621,090	17,621,090
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)
B t 30 J 2017		73,040,000	800,028,177	18,548,942	108,256,231	999,873,350

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

(2) t t t t h t h A t t ((B E t

The financial statements of the Company for six months ended 30 June 2018 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 2018 and their financial performance and cash flows for the six months then ended.

(3) A t

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

(4) (

The recording currency is Renminbi (RMB).

(5) B t

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 includnis

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

(6) t ⁄ t ⁄ t t t

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 i0 Td()Tj0.3sBDC BT/T10 185 0 Td(o)T/(o)Tj0.563 0 Td

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 transactions

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

Financial instruments are the contracts that form one party's financial assets and the other party's financial liabilities or equity. When the Group becomes a party to the contractual provisions of the financial instruments, it recognizes the relevant financial assets or financial liabilities.

(a) Financial assets

(i) Classification of financial assets

According to on the entity's business model for managing the financial assets and the contractual terms of the cash flows, the Group classifies its financial assets in (1) those to be measured at amortized cost., (2) those to be measured subsequently at fair value through profit or loss.

At initial recognition, the Group measures a financial asset at its fair value. In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognized in profit or loss for the current period. For other financial assets, transaction costs that attributable to the acquisition of the financial assets are included in their initially recognized amounts. For the accounts and notes receivable which result from product sales or service rendering, which do not contain nor are expected a significant financial component, the Group initially measured the amount at their transaction price that the Group are entitled to collect.

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

(9) F t t (t)

(a) Financial assets (continued)

(i) Classification of financial assets (continued)

Debt instruments

The debt instruments held by the Group refer to instruments that conform to the definition of financial liabilities from the perspective of issuers. There are two measurement categories into which the Group classifies its debt instruments:

Measured at amortized cost:

The financial assets will fall within this category when the Group's business model is to collect contractual cash flow. The characteristics of the contractual cash flow in such financial assets are consistent with the basic loan arrangements. Therefore, the cash flow incurred on the specific date represents solely the payment of principal and interest. The Group recognizes interest income for such financial assets using the effective interest method. Such financial assets mainly include cash at bank and on hand, notes receivable and accounts receivable, other receivables, and long-term receivables. The Group presents long-term receivables maturing within one year (inclusive) from the balance sheet date as non-current assets maturing within one year, and those with the original mature period within one year (inclusive) as other current assets.

Measured at fair value through profit or loss:

For the debt instruments held by the Group which do not meet the criteria for measured at amortized cost or fair value through comprehensive income, they are measured at fair value through profit or loss and presented as financial assets held for trading. However, the financial assets maturing over one year and expected to be held over one year are classified as other non-current assets.

Equity instrument

The investment in equity instruments which are not controlled, or jointly controlled by the Group or have significant influence for the Group are measured by fair value through profit or loss and are classified as transactional financial assets. The financial assets maturing over one year and expected to be held over one year are classified as other non-current assets.

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

(10)

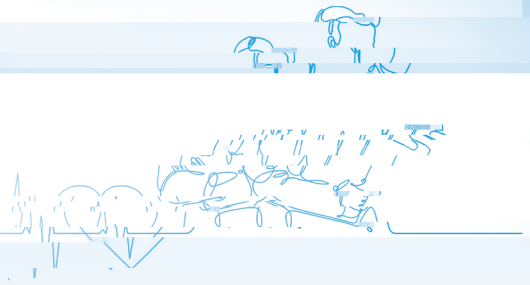
Receivables comprise accounts receivable and other receivables. Accounts receivables are amounts due from patients, governments' social insurance schemes and others for pharmaceutical sales and services rendered in the ordinary course of business, along with amounts due from the buyers for real estate properties sales.

(a) Accounts receivables

Trade and other receivable are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

For the six-month period ended 30 June 2018, the expected credit losses rate for the accounts receivables is as follows:

E t ∅ ∅ t t t^h t ∅ t
Not overdue – unbilled 1%
Within 3 months 5%
Within 1 year 6%
1 – 2 years 11%
2 – 3 years 50%
Over 3 years 100%



t t t^h F t t t

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

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

(12) L -t t t t

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 investments acquired through a business combination: for long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the acquirer's share of the carrying amount of owners' equity of the acquiree at the combination date; for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

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

(12) L -t . t t t (t . ⁄)

(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.

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, to arrive the amount 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.

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

(12) L -t t t t (t ⁄)

(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)).

(13) I t t t

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 for subsequent measurement of investment properties and does not provide depreciation or amortision. The carrying amount of investment properties is adjusted to their fair value at the balace sheet date 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) F (t

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, medical equitments, motor vehicles, electronic equip tor q 4r0 To

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

(14) F ( )

(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) C

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

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

(17) I t t (t .)

(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:

	C t t t
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) Licences

The licences acquired are recognized by fair value at the date of asset acquisition. These licences have limited useful life and are measured by cost and accumulated amortization. Amortization of licences is calculated using the straight-line method to allocate cost of each asset to their residual values over their estimated useful lives.

(e) 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.

(f) 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 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)

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 loTj86stg-0j( )Tj1.64 0 Td(c)Tj(u)Tjd(t)T

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

(20) E t

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) D ∅ ∅∅ t t

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

(22) h - ∅ t

(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 2018, 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 such 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) t

The group recognised the revenue according to the price of consideration which expected to recover, when the customers obtain the control power of the relevant goods or services.

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

Revenue from service income including medical treatments income, general h
ancillary hospital services income. For the revenue recognized according to the m
rendered, the portion that the group has obtained the unconditional rights to consid

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

(24) G t t

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 recognised as a deduction ((

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

(26) L

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.

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

(28) C t t t t ((t

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

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

(28) C t t t t (t)

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

(iii) Measurement of investment property at fair value

For investment property, the fair value was determined by using income approach. The Group engaged Wenzhou Huaxin Assets Evaluation Co.,Ltd to estimate the fair value of the investment properties and the method of estimating adopted is the income modal. The input value adopted were the growth rate of rental, the return on rental and vacancy rate, etc.

The related information of fair value measurement is as followings:

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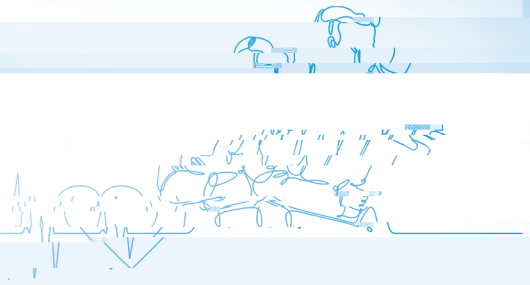

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For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

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

(28) C t t t t (t)

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

(ii) Control over the hospitals with which the Group has management contracts

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 co

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

(29) C h t

(a) Format of General Enterprise Financial Statements

The Ministry of Finance issued'Circular of the Ministry of Finance on Revising and Issuing the Format of General Enterprise Financial Statements '(Cai Kuai [2018] No. 15) in 2018. The Group has prepared financial statements for the six-month period ended 30 June 2018 in accordance with the above notification. Comparative financial statements have been adjusted accordingly. Influence of the Group's financial statements is as follows:

h t t (	I t (	A t t	
h t	t t t t	30 J 2018	31 December 2017
The Group combined dividends payable and other payables to other payables.	Dividends payable	(10,956,000)	—
	Other payables	10,956,000	—

(b) Revenue

The Group adopts the revised 'Accounting Standard for Business Enterprises No. 14 - Revenue'(The following is referred to as the "new revenue standards") issued by the Ministry of Finance in 2017 to prepare the financial statements for the year 2018. The impacts on the Group's are as follows:

According to relevant regulations in new revenue standards, the Group evaluate the influence of the 2018 opening retained earnings and other accounts in financial statements with first first adopt those standards. No significant influence founded.

h t t (	I t (	A t
h t	t t t t	t
As a result of the application of the new revenue standard, the Group reclassify the receivables related to medical services, which do not meet the unconditional collection right, to the contract assets, and reclassify the advances from customers related to medical services to the contract liabilities.	Contract liability	7,511,284
	Advances from customers	(7,511,284)

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

(29) C^h t (t)

(c) Financial instruments

The Ministry of Finance issued 'Accounting Standard for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments', 'Accounting Standard for Business Enterprises No. 23 - Transfer of Financial Assets' and 'Accounting Standard for Business Enterprises No. 37 - Presentation of Financial Instruments' (The following is referred to as the "new financial instrument standards") in 2017 and issued 'Circular of the Ministry of Finance on Revising and Issuing the Format of General Enterprise Financial Statements' (Cai Kuai [2018] No. 15) in 2018. The Group has adopted standards above to prepare the financial statements for the year 2018 and influence of the Group's financial statements is as follows:

(i) The following is the comparison form of results of classification and calculation of financial assets in accordance with the original Financial Instruments Standards and the new Financial Instruments Standards on 1 January, 2018:

t	t t	B	t	t t	B
Available-for-sale financial assets	Measured at fair value through other comprehensive income (debt instruments)	50,974,323	Debt investment Other debt investment	Amortized costs Measured at fair value through other comprehensive income	— —
	Measured at fair value through other comprehensive income (equity instruments)	—	Other non-current financial assets	Measured at fair through profit and loss	50,974,323

As at 31 December 2017 and 1 January 2018, the Group did not have financial assets designated at fair value through profit and loss.

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

(29) C^h t (t)

(c) Financial instruments (continued)

(ii) As at 1 January 2018, the reconciliation sheet of balance of original financial assets adjusted to new financial instruments according to measurement category in new financial instrument standards.

Financial assets measured at fair value through other comprehensive income

	t	B
Available-for-sale financial assets		
31 December 2017		50,974,323
Less: Financial assets transferred to fair value through profits or losses	i)	50,974,323
1 January 2018		—

(a) Investment fund

As at 31 December 2017, the investment fund owned by the group was valued at book value of RMB50,000,000. After the new financial instrument standards is adopted, as the characteristics of contractual terms of the cash flow of the investment fund does not conform to the basic loan arrangements, the Group reclassified the investment fund as financial instruments measured at fair value through profit or loss under other non-current financial assets rather than available-for-sale financial assets. Accordingly, the Group recognizes the difference of RMB974,323 between fair value and original book value as adjustment to the retained earnings at beginning of period.

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

(29) Ch t (t ( )

(c) Financial instruments (continued)

(ii) As at 1 January 2018, the reconciliation sheet of balance of original financial assets adjusted to new financial instruments according to measurement category in new financial instrument standards. (continued)

(b) As at 1 January 2018, the reconciliation sheet of impairment provision of original financial assets adjusted to loss provision of new financial instruments according to new financial instrument standards:

	I t (	L	
t t	t	t	t t
Financial instruments measured at amortized cost-			
Impairment provision of accounts receivable	15,348,262	1,193,391	16,541,653

(c) Due to the impact of applying new financial instrument standards, the Group adjusted deferred income tax assets and deferred income tax liabilities amounting to RMB298,348 and RMB243,581 respectively, which had a impact of RMB164,301 on equity attributable to owners of the parent company, including c

3. Taxation

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

C t	t	
Corporate income tax	25%	Taxable profit
Value-added tax (a)	3%,5% or 6%	Taxable turnover amount
Business tax (b)	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% or12%	The 70% of the original value of the property or the rental income
Land use tax(c)	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

3. Taxation (continued)

(a) (continued)

Pursuant to the relevant tax regulations, 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 subject to [illegible]

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

4. Notes to the consolidated financial statements

(1) C h t (h)

	30 J 2018 ((t))	31 December 2017 (Audited)
Cash on hand	717,966	466,947
Cash at bank	228,353,033	278,829,862
Other cash balances	183,618	37,350
	229,254,617	279,334,159

As at 30 June 2018,the term deposits that over three months was RMB31,000,000 and HKD50,000,000, equivalent to RMB73,155,000 (30 June 2017: HKD50,000,000, equivalent to RMB41,795,500).

(2) A t

	30 J 2018 ((t))	31 December 2017 (Audited)
Due from related parties(Note8(5) (a))	3,750,000	2,250,000
Due from third parties	291,498,883	245,277,585
Subtotal	295,248,883	247,527,585
Less: Provision for bad debts	(20,510,769)	(15,348,262)
	274,738,114	232,179,323

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

4. Notes to the consolidated financial statements (con

4. Notes to the consolidated financial statements (continued)

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4. Notes to the consolidated financial statements (continued)

(3) t^h (t)

(a) Movement of balance and provision for bad debt (continued)

(iii) As at 30 June 2018, the analyse of other receivables classified in "stage 3" was as follow:

B t ( ) ( ) E C / 50 CI235300 BDCL ( ) (

4. Notes to the consolidated financial statements (continued)

(5) I

(a) Inventories are summarised by category as follows:

	30 J 2018 ( )	31 December 2017 (Audited)
Pharmaceuticals	**13,372,287**	11,272,632
Medical consumables	**3,540,968**	2,865,031
Properties held for sale (i)	**3,476,242**	9,394,806
	20,389,497	23,532,469

As at 30 June 2018 and 31 December 2017, the management assessed and are of view that no provision for the inventories is required.

During the six months ended 30 June 2018, there was no capitalized interest included in the properties held for sale (during the six months ended 30 June 2017: RMB 883,356).

(i) Properties held for sale

4. Notes to the consolidated financial statements (continued)

(5) I t (t 0) 881

(b) Analysis of book balance movement of inventory for the year is as follows:

	31 December 2017 (Audited)	Increase	Decrease	30 J 2018 ( )
edrelaenelas h t				

4. Notes to the consolidated financial statements (continued)

(7) th - t t

	30 J 2018 ( )	31 December 2017 (Audited)
Measured at fair value		
– Others(a)	**50,974,323**	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. As at 30 June 2018, the total asset managed by the investment fund was RMB1,406,000,000. The Company, being a limited partner of the LLP, injected RMB50,000,000 as the subscription to the investment fund, owning 3.56% interest of LLP.

(8) L -t t t t

	30 J 2018 ( )	31 December 2017 (Audited)
Associates (a)	**99,065,613**	89,683,865
Less: Provision for impairment of long-term equity investments		—
	99,065,613	89,683,865

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

4. Notes to the consolidated financial statements (continued)

(8) L -t . t t t (t . (')

(a) Associates

	31 December 2017 (Audited)	Initial investment	Share of net profit/(loss) under equity method	Other equity movement	30 J 2018 (Unaudited)
Shandong Yining Hospital Co., Ltd ("Shandong Yining")udite					

4. Notes to the consolidated financial statements (continued)

(9) I t t t

t

	Fair value
	31 December 2017 and 30

4. Notes to the consolidated financial statements (continued)

(10) F (t

	B (	(t	t h	E t (th t t	t
Cost					
31 December 2017(Audited)	470,189,549	63,161,125	4,139,482	34,668,410	572,158,566
Addition					
Purchase	887,926	7,354,066	617,463	2,705,064	11,564,519
Transferred from construction in progress	332,312	—	—	—	332,312
Decrease					
Disposal	—	—	(98,946)	(30,750)	(129,696)
Other(i)	(63,543,235)	—	—	—	(63,543,235)
30 June 2018(Unaudited)	407,866,552	70,515,191	4,657,999	37,342,724	520,382,466
Accumulated depreciation					
31 December 2017(Audited)	23,134,171	27,322,772	2,135,095	16,917,000	69,509,038
Addition					
Charge for the year	6,729,839	4,794,128	246,825	2,888,151	14,658,943
Decrease					
Disposal	—	—	(93,998)	(29,320)	(123,318)
Other(i)	(2,003,881)	—	—	—	(2,003,881)
30 June 2018(Unaudited)	27,860,129	32,116,900	2,287,922	19,775,831	82,040,782
Net book value					
30 June 2018(Unaudited)	380,006,423	38,398,291	2,370,077	17,566,893	438,341,684
31 December 2017(Audited)	447,055,378	35,838,353	2,004,387	17,751,410	502,649,528

4. Notes to the consolidated financial statements (continued)

(10) F (t ( )

The depreciation charged during the six months ended 30 June 2018 was RMB 14,658,943 (six months ended 30 June 2017: RMB 7,605,063) and the amount charged to cost of sales and general and administrative was RMB 11,566,254 and RMB 3,092,689, respectively (six months ended 30 June 2017: RMB 4,123,194 and RMB 3,481,869).

As at 30 June 2018, buildings of Wenzhou Guoda Investment with amount of RMB 28,041,170, alongside with certain investment property(Note 4(9)), was pledged against the loan of RMB 40,000,000. As at 31 December 2017, buildings of Wenzhou Guoda Investment with amount of RMB9,645,719, alongside with certain investment property(Note 4(9)), was pledged against the loan of RMB40,000,000.

During the six months ended 30 June 2018, the cost of fixed assets transferring from construction in progress was RMB 332,312(the six months ended 30 June 2017: RMB 24,034,569).

(i) Cangnan Kangning Hospital started expansion project of the purchased building in 2018. It is estimated to highly improve the quality of the building. Therefore, the related building was transferred into the construction in progress by meeting the requirements for the improvement of the fixed asset.

4. Notes to the consolidated financial statements (continued)

(11) C

(a) The movement of construction in progress

Project name	31 December 2017 (Audited)	Increase in the six months ended 30 June 2018	Transfer to fixed assets/ long-term prepaid expenses	30 J 2018 ( )	A	B 30 J 2018	C
The expansion project of Cangnan Kangning Hospital	295,662	74,492,913	—	74,788,575	1,487,399	1,487,399	4.83%
The decoration project of Wenzhou Kangning Hospital	2,313,767	3,629,017	(3,364,969)	2,577,815			
The decoration project of Shenzhen Yining Hospital	144,000	—	(144,000)				
The decoration project of Langfang Yining Hospital Management	3,236,627	445,379	—	3,682,006			
The decoration project of Taizhou Kangning Hospital	2,022,773	5,972,605	—	7,995,378			
The decoration project of Hangzhou Yining Hospital	12,841,349	1,695,510	(14,500,859)	36,000			
Others	1,436,492	3,849,138	—	5,285,630			
	22,290,670	90,084,562	(18,009,828)	94,365,404	1,487,399	1,487,399	4.83%

As at 30 June 2018 and 31 December 2017, the management of the Group considered that there did not exist the objective evidence of

4. Notes to the consolidated financial statements (continued)

(12) I t t

	Land use rights	Software	Contractual right to provide management service	Licences	Total
Cost					
31 December 2017	23,602,729	4,794,565	145,054,013	—	173,451,307
Addition	5,560,000	1,713,333	—	5,200,000	12,473,333
30 June 2018	29,162,729	6,507,898	145,054,013	5,200,000	185,924,640
Accumulated amortisation					
31 December 2017	3,808,329	2,555,478	15,244,637	—	21,608,444
Addition	236,027	546,264	3,480,385	81,666	4,344,342
30 June 2018	4,044,356	3,101,742	18,725,022	81,666	25,952,786
Net book value					
30 June 2018 (Unaudited)	25,118,373	3,406,156	126,328,991	5,118,334	159,971,854
31 December 2017 (Audited)	19,794,400	2,239,087	129,809,376	—	151,842,863

The amortisation charge during the six months ended 30 June 2018 was RMB 4,344,342(six months ended 30 June 2017: RMB 3,662,798) and the amount charges to cost of sales and general and administrative RMB 3,823,531 and RMB 520,811 respectively (six months ended 30 June 2017: RMB 3,224,603 and RMB 438,195).

As at 30 June 2018 and 31 December 2017, the Group had no intangible assets pledged.

4. Notes to the consolidated financial statements (continued)

(13) G

	31 December 2017 (Audited)	Addition	30 J 2018 ( )
Goodwill — Wenzhou Guoda Investment	8,533,389	—	**8,533,389**
Less:impairment provision	(3,709,832)	(1,160,929)	**(4,870,761)**
	4,823,557	(1,160,929)	**3,662,628**

The management has performed the impairment test on 30 June 2018 and recognised an impairment loss of RMB 1,160,929. The key assumpitons adopted to determine the recoverable amount of the asset portfolio include mainly rental growth rate and discount rate.

(14) L -

	31 December 2017 (Audited)	Addition	Amortization	30 J 2018 ( )
Leasehold improvements	95,760,053	24,285,632	(11,093,356)	**108,952,329**
Others	575,600	—	(39,600)	**536,000**
	96,335,653	24,285,632	(11,132,956)	**109,488,329**

4. Notes to the consolidated financial statements (continued)

(15) D

(a) Deferred tax assets

	30 J 2018 ( )		31 December 2017 (Audited)	
	D	D	Deductible temporary differences	Deferred tax assets
Deductible tax losses		15,524,384	58,340,142	14,585,036
Provision for asset impairments		6,158,179	19,413,884	4,853,471
Payroll accrual expenses	2,151,612	537,903	3,151,612	787,903
Share-based payment	5,927,213	1,481,803	5,720,813	1,430,203
Amortization of intangible assets	4,224,782	1,056,196	3,534,669	883,667
Advances received from real estate sales			126,654	31,664
	99,033,860	24,758,465	90,287,774	22,571,944
Including:				
Expected to be recovered within one year (inclusive)		6,189,841		9,630,231
Expected to be recovered after one year		18,568,624		12,941,713
		24,758,465		22,571,944

4. Notes to the consolidated financial statements (continued)

(15) D ( )

(b) Deferred tax liabilities

	30 J 2018 ( )		31 December 2017 (Audited)	
	D		Taxable temporary differences	Deferred tax liabilities
Appreciation of assets revalued	38,408,944	9,602,236	39,765,516	9,941,379

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

4. Notes to the consolidated financial statements (continued)

(15) D (t)

(d) Deductible losses for which no deferred tax assets are recognized will be expired as follows:

	30 J 2018	31 December 2017
	((t))	(Audited)
2021	,	11,973
2022	**1,672,966**	1,660,993
2023	**345,368**	—
	2,018,334	1,672,966

(16) t h - t t

	30 J 2018	31 December 2017
	((t))	(Audited)
Prepaid tax	,	300,773
Prepaid rental	**6,733,568**	9,550,288
Prepayments for construction and fixed assets	**1,460,850**	2,267,150
Prepayments for investment(i)	**6,000,000**	7,200,000
	14,194,418	19,318,211

(i) The Group signed a cooperative agreement with Wenling Southern Psychiatric Specialist Hospital on 4 Feb 2018, to agree the subscription of 51% equity of Wenling Southern Psychiatric Specialist Hospital at a price of RMB13,530,000. As at 30 Jun 2018, the Group had paid RMB 6,000,000.and the trade was completed in August, 2018.

4. Notes to the consolidated financial statements (continued)

(17) t t

	31 December 2017 (Audited)	Change in accounting policy	1 January 2018	Addition	D Recovery	tt -	30 J 2018 ((f t (f)
Provision for accounts receivable	15,348,262	1,193,391	16,541,653	5,712,142		(1,743,026)	20,510,769
Provision for other receivables	4,091,422	—	4,091,422	30,527			4,121,949
Goodwill impairment	3,709,832	—	3,709,832	1,160,929			4,870,761
	23,149,516	1,193,391	24,342,907	6,903,598		(1,743,026)	29,503,479

(18) h t-t

	30 J 2018 ((f t (f)	31 December 2017 (Audited)

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4. Notes to the consolidakl

4. Notes to the consolidated financial statements (continued)

(21) E t

	30 J 2018 (₹ t ₹)	31 December 2017 (Audited)
Short-term employee benefits payable (a)	**13,439,878**	19,679,161
Defined contribution plans payable (b)	**3,058,582**	4,035,157
	16,498,460	23,714,318

(a) Short-term employee benefits payable

	31 December 2017 (Audited)	Increase	Decrease	30 J 2018 (₹ t ₹)
Wages and salaries, bonus, allowances and subsidies	19,182,501	83,757,946	(90,020,174)	**12,920,273**
Staff welfare	600	1,761,016	(1,761,616)	
Social security contributions	495,748	3,271,219	(3,247,962)	**519,005**
Including: Medical insurance	444,812	2,915,112	(2,892,157)	**467,767**
Work injury insurance	16,218	128,925	(130,283)	**14,860**
Maternity insurance	34,718	227,182	(225,522)	**36,378**
Housing funds	312	3,991,420	(3,991,132)	**600**
	19,679,161	92,781,601	(99,020,884)	**13,439,878**

4. Notes to the consolidated financial statements (continued)

(21) E t (t)

(b) Defined contribution plans

	31 December 2017 (Audited)	Increase	Decrease	30 J 2018 ( )
Basic pensions	4,012,938	3,573,990	(4,551,326)	**3,035,602**
Unemployment insurance	22,219	151,643	(150,882)	**22,980**
	4,035,157	3,725,633	(4,702,208)	**3,058,582**

(c) Termination benefits payable

During the six months ended 30 June 2018 and 2017, the Group had no termination benefits incurred for termination of employment contracts.

(22)

	30 J 2018 ( )	31 December 2017 (Audited)
Corporate income tax payable	**13,346,797**	13,480,775
Property tax payable	**2,298,697**	1,373,863
Valued-added tax payable	**741,816**	1,518,242
Land value-added tax payable	**18,350,551**	17,937,693
Others	**921,584**	601,808

roe

4. Notes to the consolidated financial statements (continued)

(23) t h

	30 J 2018 ((t ( )	31 December 2017 (Audited)
Payables for construction	**40,082,906**	57,374,586
Payables to related party (Note 8(5) (b))	**1,367,066**	16,199,172
Advance received from a non-controlling shareholder (Note 8(5) (b)) (i)	**3,410,000**	3,410,000
Rental payables	**3,571,848**	6,058,569
Borrowings from individual (ii)	**6,000,000**	6,000,000
Guarantee deposits (iii)	**3,845,097**	2,318,220
Deposits for sales of real estate	**502,687**	2,200,234
Interest payable	**24,000**	336,902
Dividends payable (Note 4(31))	**10,956,000**	—
Others	**6,182,836**	5,899,071
	75,942,440	99,796,754

As at 30 June 2018 and 31 December 2017, The Group had no other significant payables aged over one year except note(i) 、(ii) 、(iii).

(i) It represented the interest-free advances received from a non-controlling shareholder of one of Group's subsidiaries.

(ii) It represented the borrowings of Wenzhou Guoda Investment from its employees. The interest rate is 6.16% per year.

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

(24) C t t - t t

	30 J 2018 ((t ( )	31 December 2017 (Audited)
Current portion of long-term payables (Note 4(26))	**17,959,504**	22,751,104

4. Notes to the consolidated financial statements (continued)

(27) D

	30 J 2018 (A t)	31 December 2017 (Unaudited)
Government grants	**10,556,851**	10,404,955

Government grants projects	31 December 2017 (Audited)	Amount charged to other operation revenue/ other gains	30 J 2018 (t)	t /
The expansion project of the inpatient building (i)	10,556,851	(151,896)	**10,404,955**	

(i) The deferred income related to the assets is the government grant of RMB 10,632,800 for the expansion 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 allocate it over the useful life of the assets to the income statements since the buildings was in use.

(28) h t

	31 December 2017 (Audited)	Increase	30 J 2018 (t)
Share capital	73,040,000	—	**73,040,000**

4. Notes to the consolidated financial statements (continued)

(29) C t

	31 December 2017 (Audited)	Increase	Decrease	30 J 2018 ( )
Share premium	760,572,782	—	—	**760,572,782**
Other capital surplus				
– Share-based payment (Note 9)	5,720,813	206,400	—	**5,927,213**
– Others (i)	41,950,591	910,596	—	**42,861,187**
	808,244,186	1,116,996	—	**809,361,182**

(i) The increase during the year representated the dilution gain on equity shares in Chengdu Yining (Note 4(8)) as a result of other investors' injection capital.The dilution gain from the associates is record in capital reserve under Chinese Accounting Standard, and will be recycled to profit and loss upon disposal of associates entity.

(30)

	31 December 2017 (Audited)	Appropriation	Decrease	30 J 2018 ( )
Statutory surplus reserve	23,710,012	—	—	**23,710,012**

In accordance with the Company Law of PRC 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.

4. Notes to the consolidated financial statements (continued)

(31) t

	t h 2018 (t)	30 J 2017 (Unaudited)
Retained earnings at beginning of period (before adjustment)	**146,840,254**	121,190,550
Adjustment(Note2(29))	**(164,301)**	—
Retained earnings at beginning of year(after adjustment)	**146,675,953**	121,190,550
Add: Net profit attributable to shareholders of the parent company	**41,986,854**	26,466,936
Ordinary share dividends payable	**(10,956,000)**	(18,260,000)
Retained earnings at end of the period	**177,706,807**	129,397,486

Pursuant to the shareholders' approval on 13 June 2018, the Company declared a 2017 final cash dividend of RMB10,956,000, being RMB 0.15 per share

4. Notes to the consolidated financial statements (continued)

(32) . (t .)

(b) Revenue and cost of sale from other businesses

	t^h 30 J 2018		Six months ended 30 June 2017	
	C t		Revenue	Cost
( )	( )		(Unaudited)	(Unaudited)

4. Notes to the consolidated financial statements (continued)

(34) E t

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

	t h 2018 ( )	30 J 2017 (Unaudited)
Employee and welfare benefits	**96,507,234**	70,625,136
Pharmaceutical and medical consumables used	**81,252,389**	59,291,198
Cost of real estate sold	**5,918,564**	33,683,175
Depreciation of fixed assets	**14,658,943**	7,605,063
Amortisation of intangible assets	**4,344,342**	3,662,798
Amortisation of long-term prepayment	**11,132,956**	9,598,874
Operating lease expenses	**18,871,420**	17,812,635
Canteen expenditure	**12,640,206**	8,120,070
Utilities expenses	**6,541,605**	3,911,618
Outsourcing expenses	**2,158,237**	665,154
Testing fee	**7,002,178**	4,181,975
Consulting expense	**4,447,878**	2,758,580
Promotion expenses	**1,284,407**	516,940
Travelling expenses	**2,813,564**	2,065,846
Office expenses	**3,527,167**	1,301,775
Share-based payment(Note 9)	**206,400**	206,400
Others	**7,588,276**	5,405,392
	280,895,766	231,412,629

4. Notes to the consolidated financial statements (continued)

(35) F - t

	th 30 J	
	2018	2017
	(t)	(Unaudited)
Net exchange	355,273	7,730,248
Interest income	(1,962,528)	(1,907,398)
Interest expense	5,621,941	5,689,153
Less: capitalised interest	(1,487,399)	(3,998,564)
The amortization of unrecognized financial expenses(i)	2,750,100	2,724,600
Others	252,724	198,512
	5,530,111	10,436,551

(i) The amount represented the unwinding of discount on long-term payables being calculated using effective interest rate method. (Note 4(26)).

(36) A t t

	th 30 J	
	2018	2017
	(t)	(Unaudited)
Bad debts provision		2,823,150
Goodwill impairement losses	1,160,929	—
	1,160,929	2,823,150

4. Notes to the consolidated financial statements (continued)

(37) C

	2018	2017
	( )	(Unaudited)
Bad debts provision	**5,742,669**	—

(38) I

	2018	2017
	( )	(Unaudited)
Share of losses of investees under the equity accounting method (Note 4(8))	**4,318,848**	2,852,505

(39)

	2018	2017	
	( )	(Unaudited)	/
Subsidy for resident doctors standardized training (i)	**2,010,000**	1,020,000	Relevant to income
Private medical institutions award (ii)	**2,000,000**	1,672,900	Relevant to income
Others	**243,548**	—	Relevant to income
	4,253,548	2,692,900	

(i) The Company received the government grant of RMB 2,010,000 from Wenzhou Finance Bureau in April 2018, according to the Notes on Payment of General Transfer Subsidy for Health and Family Planning in 2018 issued by Wenzhou Health and Family Planning Commission.

(ii) According to the 'Implementation opinion of Qingtian County on Accelerate the development of private medical institutions', the Company received government award of RMB 2,000,000 for hospital beds in May 2018.

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

4. Notes to the consolidated financial statements (continued)

(40) - t

	t h 2018 (t)	30 J 2017 (Unaudited)
Government grants	**961,796**	5,245,868
Others	**235,545**	131,583
	1,197,342	5,377,451

(41) - t

	t h 2018 (t)	30 J 2017 (Unaudited)
Donation to charities	**1,369,660**	2,247,255
Medical liability compensation cost	**707,040**	260,000
Others	**14,619**	65,965
	2,091,319	2,573,220

4. Notes to the consolidated financial statements (continued)

(42) I t

	th ( ) ( ) 30 J	
	2018	2017
	( ) t ( )	(Unaudited)
Current income tax	20,483,722	14,743,399
Deferred income tax	(2,227,317)	(2,729,673)
	18,256,405	12,013,726

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:

	th ( ) ( ) 30 J	
	2018	2017
	( ) t ( )	(Unaudited)
Profit before tax	59,107,945	37,075,834
Income tax expenses calculated at the effect tax rate of 25%	14,776,986	9,268,959
Expenses not deductible for tax purposes	1,802,675	1,814,073
Adjustment of income tax	1,639,542	579,395
Income not subject to tax	(393,562)	(181,937)
Tax effect of unrecognized tax losses	345,368	637,437
Tax effect of unrecognized temporary differences	85,396	128,826
Utilization of previous unrecognized tax losses		(233,027)
Income tax expenses	18,256,405	12,013,726

4. Notes to the consolidated financial statements (continued)

(44) [illegible]

(a) Supplementary information to the statement of cash flows

Reconciliation from net profit to cash flows from operating activities

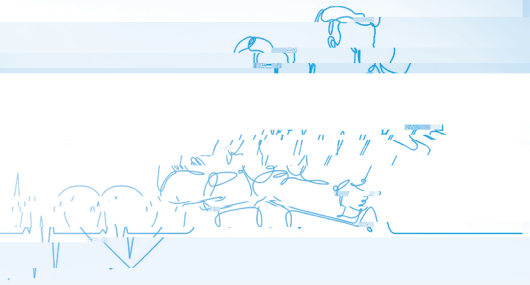
	[illegible] 30 J	
	2018	2017
	([illegible])	(Unaudited)
Net profit	**40,851,540**	25,062,108
Add: Asset impairment losses	**1,160,929**	2,823,150
Credit impairment losses	**5,742,669**	—
Depreciation of fixed assets	**14,658,943**	7,605,063
Amortisation of intangible assets	**4,344,342**	3,662,798
Amortisation of long-term prepaid expenses	**11,132,956**	9,598,874
Net losses on disposal of fixed assets,intangible assets and other long-term assets	**6,378**	95,691
Finance expenses	**4,184,487**	9,820,539
Investment loss	**4,318,848**	2,852,505
Decrease in deferred income	**(151,896)**	—
Increase in deferred tax assets	**(1,888,173)**	(407,598)
Decrease in deferred tax liabilities	**(339,143)**	(2,976,091)
Decrease/(increase) in inventories	**3,142,972**	(13,739,715)
Share-based payment expense	**206,400**	206,400
Increase in operating receivables	**(44,251,714)**	(47,078,441)
(Decrease) /increase in operating payables	**(17,729,444)**	5,946,365
Net cash flows generated from operating activities	**25,390,094**	3,471,648

6. Interests in other entities (continued)

(1) Interests in subsidiaries (continued)

(a) The Group structure (continued)

Wenzhou Yining Geriatric Hospital	Business entity	Wenzhou	Wenzhou	Medical service	—	100%	Incorporation
Pingyang Kangning Hospital	Business entity	Pingyang	Pingyang	Medical service	—	100%	Incorporation
Taizhou Kangning Hospital	Business entity	Taizhou	Taizhou	Medical service	—	51%	Business combinations involving enterprises not under common control
Wenzhou Guoda Investment	Business entity	Wenzhou	Wenzhou	Real estate	—	75%	Business combinations involving enterprises not under common control
Luqiao Cining Hospital (previously known as "Taizhou Luqiao Yining Hospital Co., Ltd")	Business entity	Taizhou	Taizhou	Medical service	—	51%	Incorporation
Yiwu Kangning Hospital Management	Business entity	Yiwu	Yiwu	[illegible] Management	—	100%	Incorporation
Hangzhou Cining Hospital	Business entity						



Notes to the Financial Statements

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

6. Interests in other entities (continued)

(2) I t t t (t ()

(b) Financial information of significant associates (continued)

	C h ()	30 J 2018 h h ()
	(()t())	(()t())
Revenue	412,549	8,929,500
Net Profit and total comprehensive income	(5,903,061)	3,164,168

(i) The Group calculated asset proportion by shareholding ratio based on the amount attributable to the parent in the associates's consolidated financial statements. The amounts on the associate's consolidated financial statement take into account adjustments on the fair value of identifiable assets and liabilities when obtaining the investment and the effects of the uniform accounting policies into consideration.

(c) Summarised information of insignificant associates

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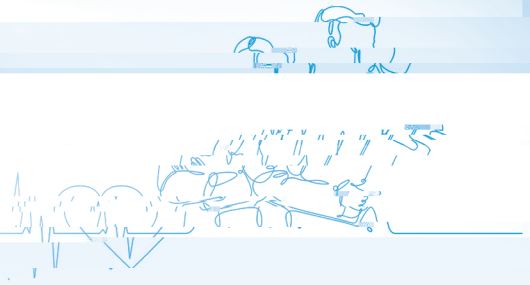

8. Related parties and related party transactions

(1) G t t^h C

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

(2) h t t^h ◊

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

(3) h t t^h t ◊ t

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

	t h
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
Yiwu Mental Health Center	Not-for profit organisation invested and council members nominated by the Company
Chen Xianfa	Non-controlling shareholders of subsidiaries
Qu Kaisheng	Non-controlling shareholders of subsidiaries

(4) t ◊ t t t

(a) Pricing policies

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

8. Related parties and related party transactions (continued)

(4) t (t)

(b) Payments on behalf of related parties

	t h 2018 (t)	30 J 2017 (Unaudited)
Non-for-profit organisation established by the Company	855,806	1,405,303
Beijing Yining Hospital	97,169	328,964
Chengdu Yining Hospital	3,204,090	—
Huainan Kangning Hospital	11,600	—
	4,168,665	1,734,267

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

	t h 2018 (t)	30 J 2017 (Unaudited)
Hangzhou Anken	67,894	60,221
Chengdu Yining Hospital	13,470,000	—
	13,537,894	60,221

(d) Key management compensation

	t h 2018 (t)	30 J 2017 (Unaudited)
Salaries and bonus	2,117,730	2,021,756
Share-based payment expense	115,471	115,471
	2,233,201	2,137,227

8. Related parties and related party transactions (continued)

(4) t (t t t (t))

(e) Accepting the guarantee

	t h 2018 (t)	2017 (Unaudited)
Guan Weili\Wang Lianyue\Wang Hongyue	**252,000,000**	252,000,000
Guan Weili\Wang Lianyue	**44,000,000**	44,000,000
	296,000,000	296,000,000

(5) B t h t t

(a) Receivables) /T10 1 Tf9 0 0 9 467.7165 44710.96 Tm38805363(a)Tj30aeiveiaanited)alances cpa dalances ibwW

8. Related parties and related party transactions (continued)

(5) B t h t (t)

(b) Other Payables

	30 J 2018 (t)	31 December 2017 (Audited)
Hangzhou Anken	102,121	34,227
Chen Xianfa		300,000
Qu Kaisheng	4,274,945	4,274,945
Chengdu Yining Hospital	400,000	—
Yiwu Mental Health Center		15,000,000
	4,777,066	19,609,172

(6) The five individuals whose emoluments were the highest in the Group for the six months ended 30 June 2018 included one directors (six months ended 30 June 2017: two)whose emoluments were reflected in the analysis shown in Note 8(4) (d). The emoluments payable to the remaining four (six months ende 30 June 2017: three) individuals during the period are as follows:

	t h 30 J 2018 (t)	30 J 2017 (Unaudited)
Salaries, bonus and other allowance	1,110,781	828,742
Contributions to pension plans	15,547	20,332
	1,126,328	849,074

The emoluments fell within the following bands

	t h 30 J 2018 (t)	30 J 2017 (Unaudited)
Range:		
RMB0 – 500,000		—
RMB500,000 – 1,000,000	4	3

11. Events after the balance sheet date

On August 20, 2018, the Board of Directors of the Group reviewed and approved the plan of issuing shares of domestic shares and implementing share based payment plan for the company. The company will issue 2,460,000 domestic shares at issue price of RMB 10.47 per share to the employee stock ownership platform, which includes Wenzhou Zhenyan Kangning Investment Management Partnership(Limited Liabilities Partnership), Wenzhou Jiamei Kangning Investment Management Partnership(Limited Liabilites Partnership), Wenzhou Enquan Kangning Investment Management Partnership(Limited Liabilites Partnership), Wenzhou Jiate Kangning Investment Management Partnership(Limited Liabilites Partnership) and Wenzhou Shouwang Kangning Investment Management Partnership(Limited Liabilites Partnership). The fund raised will reach RMB25,756,200 in total, among which RMB2,460,000 is to be injected in share capital and RMB23,296,200 will be credited to capital surplus. After the issurance, the share capital of the Company will increase to RMB 75,500,000 from RMB73,040,000.

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) t

(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.

12. Financial risk (continued)

(1) t (t)

(a) Foreign exchange risk (continued)

As at 30 June 2018 and 31 December 2017, the foreign currency financial assets hold by the Group was analysed below(presented in RMB):

	30 J 2018((t)
	HKD D t

12. Financial risk (continued)

(2) C (' t

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 expected credit impairement losses, the Group accrued provision for bad debts RMB20,510,769 as at 30 June 2018(Note4(2) (b)).

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

12. Financial risk (continued)

(3) L . (t

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarter. The Group's finance department at its headquarter monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and cash equivalent 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 J 2018(. (t ( )			
	t h 1	1 t 2	2 t 5	5	t
Accounts payable	75,904,091	'	'	'	75,904,091
Other payables	63,962,808	'	'	'	63,962,808
Long-term payables	17,959,504	5,797,800	21,109,900	126,524,400	171,391,604
Bank borrowings	140,631,791	5,001,164	107,582,568	'	253,215,523
	298,458,194	10,798,964	128,692,468	126,524,400	564,474,026

	31 December 2017(Audited)				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Accounts payable	83,787,338	—	—	—	83,787,338
Other payables	99,796,754	—	—	—	99,796,754
Long-term payables	22,751,104	5,797,800	21,109,900	60,024,600	109,683,404
Bank borrowings	96,419,260	5,225,000	5,239,315	110,071,575	216,955,150
	302,754,456	11,022,800	26,349,215	170,096,175	510,222,646

12. Financial risk (continued)

(3) L (t)

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

	30 J 2018((t) B t h		31 December 2017(Audited) Bank borrowings	Other borrowings
Within 1 year	130,000,000	6,000,000	90,000,000	6,000,000
2 - 5 years	105,000,000		—	—
Over 5 years			110,000,000	—
	235,000,000	842 459.7775	0 0 70.866 0 / L	(-)/ C

13. Fair value estimates (continued)

(1) A t (t . (t

As at 30 June 2018 and 31 December 2017, the assets measured at fair value on a recurring basis by the above three levels are analysed below:

	30 J 2018((t ( )			
	L 1	L 2	L 3	t
Financial assets -				
Available-for-sale financial assets			50,974,323	50,974,323
Non-financial assets				
Investment properties			128,568,963	128,568,963
Total assets			179,543,286	179,543,286

	31 December 2017(Audited)			
	Level1	Level2	Level3	Total
Financial assets -				
Available-for-sale financial assets	—	—	50,000,000	50,000,000
Non-financial assets				
Investment properties	—	—	128,568,963	128,568,963
Total assets	—	—	178,568,963	178,568,963

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) (iii) 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.

13. Fair value estimates (continued)

(2) A t t t t t t

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

The difference 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 2018 and 31 December 2017, the Group's gearing ratio is as follows:

	30 J 2018 (t)	31 December 2017 (Audited)
Gearing ratio	**33.36%**	34.31%

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

(2) t^h

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

(2) th (t)

(b) There was no provision accrued for the six months ended 30 June 2018 and the company reversed bad debt of RMB 383,835 within this period.

(c) There was no written-off of other receivables during this period.

(3) L -t t t t

	30 J 2018 (t)	31 December 2017 (Audited)
Subsidiaries(a)	**102,972,928**	102,972,928
Associates (b)	**20,010,580**	21,767,344
	122,983,508	124,740,272

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

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

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

(3) L -t . t t t

(a) Subsidiaries

	31 December 2017 (Audited)	I	D	t	t h	30 J 2018 (t)	t	C h t
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	—	—
[illegible]	500,000	—	—	—	—	500,000	—	—
[illegible]	500,000	—	—	—	—	500,000	—	—

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

(4) F ( ) t

	B ( )	( ) t t	t h	E t ( ) t h t t	t
C t					
31 December 2017	323,545,373	33,940,924	3,266,928	16,004,963	376,758,188
Additon					
Purchase	969,050	1,911,401	—	815,515	3,695,966
Transferred from construction in progress	332,312	—	—	—	332,312
Decrease					
Disposal	—	—	—	(2,451)	(2,451)
30 June 2018	324,846,735	35,852,325	3,266,928	16,818,027	380,784,015
Accumulated depreciation					
31 December 2017	20,649,425	17,817,818	1,937,967	8,907,542	49,312,752
Addition					
Charge for the year	4,685,697	2,256,426	165,705	982,655	8,090,483
Decrease					
Disposal	—	—	—		

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

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

(5) C t t

(a) The movement of construction in progress

t	31 D 2017 (A t)	I t h 30 J 2018	t / -t	A t B t t t t h 30 J 2018	C t t t

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

(6) I t t (t)

The amortisation charge during the six months ended 30 June 2018 was RMB2,928,879 (six months ended 30 June 2017: RMB 2,885,055) and the amount charges to cost of sales and general and administrative RMB 2,483,365 and RMB 445,514, respectively (six months ended 30 June 2017: RMB 2,472,828 and RMB 412,227).

As at 30 June 2018 and 31 December 2017, the Company had no intangible assets pledged.

(7) t t

	31 D 2017 (A)	C h t	1 J 2018	A t	D	-	30 J 2018 (t)
Provision for accounts receivable	5,811,088	514,163	6,325,251	2,349,953	—	(246,478)	8,428,726
Provision for other receivables	2,289,784	—	2,289,784	—	(383,836)	—	1,905,948
	8,100,872	514,163	8,615,035	2,349,953	(383,836)	(246,478)	10,334,674

(8) C t

	31 December 2017 (Audited)	Increase	Decrease	30 J 2018 (t)
Share premium	760,572,782	—	—	**760,572,782**
Other capital surplus				
– Share-based payment (Note 9)	5,720,813	206,400	—	**5,927,213**
– Others	40,815,879	—	—	**40,815,879**
	807,109,474	206,400	—	**807,315,874**

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

(9)

	2018	2017
		(Unaudited)
Retained earnings at beginning of period (before adjustment)	**137,084,775**	108,895,141
Adjustment	**345,120**	—
Retained earnings at beginning of period (after adjustment)	**137,429,895**	108,895,141
Add: Net profit attributable to shareholders of the parent company	**19,348,258**	17,621,090
Ordinary share dividends payable	**(10,956,000)**	(18,260,000)
Retained earnings at end of the year	**145,822,153**	108,256,231

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15. Notes to the Company's financial statements (cont

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

(12) E t

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

(14) I

	2018	2017
	( )	(Unaudited)
Share of net gains or losses of investees under the equity method	1,756,764	613,847

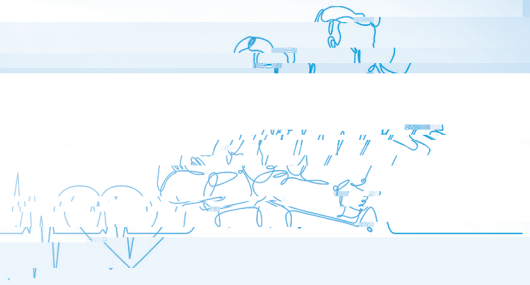
(15) I

	2018	2017
	( )	(Unaudited)
Current income tax	7,392,486	7,284,343
Deferred income tax	(352,438)	(565,796)
	7,040,048	6,718,547

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:

	2018	2017
	( )	(Unaudited)
Profit before tax	26,388,305	24,339,637
Income tax expenses calculated at the effect tax rate of 25%	6,597,076	6,084,909
Expenses not deductible for tax purposes	442,972	290,455
Adjustment of income tax		476,981
Income not subject to tax		(133,798)
Income tax expenses	7,040,048	6,718,547

"AGM"	the annual general meeting of the Company for the year 2017 convened and held on June 13, 2018
"Audit Committee"	the audit committee of the Board
"Beijing Yining Hospital"	Beijing Yining Hospital Co., Ltd. (北京怡寧醫院有限公司), an associate company established in the PRC with limited liability on August 17, 2015 and is held as to 40% by the Group
"Board of Directors" or "Board"	the board of directors of the Company
"Cangnan Kangning Hospital"	Cangnan Kangning Hospital Co., Ltd. (蒼南康寧醫院有限公司), a company established in the PRC with limited liability on June 15, 2012, one of the Company's wholly-owned subsidiaries
"Chengdu Yining Hospital"	Chengdu Yining Hospital Co., Ltd. (成都怡寧醫院有限公司, previously known as Chengdu Renyi Hospital Company Limited (成都仁一醫院有限公司)), an associate company established in the PRC with limited liability on June 29, 2010 and is held as to 24% by the Group
"Chengdu Yining Ward"	the psychiatric healthcare department of Chengdu Yining Hospital Co., Ltd. (成都怡寧醫院有限公司)
"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



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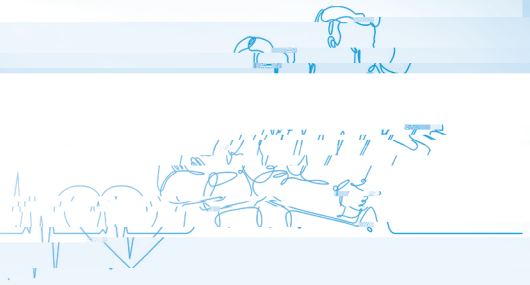
"Geriatric Hospital"	Wenzhou Yining Geriatric Hospital Co., Ltd. (溫州怡寧老年醫院有限公司), a wholly-owned subsidiary indirectly held by the Company which was referred to as the "Louqiao Medical Area" in the Prospectus and whose principal business is to provide medical services for the geriatric, including geriatric psychiatric and psychological treatment
"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 Anken"	Hangzhou Anken Medical Technology Co., Ltd. (杭州安肯醫療科技有限公司, previously known as Hangzhou Honglan Information Technology Co., Ltd. (杭州宏瀾信息科技有限公司)), an associate company established in the PRC with limited liability on November 20, 2015 and is held as to 25.94% by the Company
"Hangzhou Cining Hospital"	Hangzhou Cining Hospital Co., Ltd. (杭州慈寧醫院有限公司), a company established in the PRC with limited liability on November 18, 2017, one of the Company's indirect wholly owned subsidiaries
"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
"Heze Yining Hospital"	Heze Yining Hospital Co., Ltd. (菏澤怡寧醫院有限公司), an associate company established in the PRC with limited liability on April 6, 2017 and is held as to 31% by the Group
"HK$" or "HKD"	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
"Huainan Kangning Hospital"	Huainan Kangning Hospital Co., Ltd. (淮南康寧醫院有限公司), an associate company established in the PRC with limited liability on September 22, 2017 and is held as to 45% by the Group
"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 compan



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"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, 2018
"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 (深圳怡寧醫院, previously known as Shenzhen Yining Hospital Co., Ltd. (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
"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" orhrdary " o	

"USD"	the lawful currency of the United States
"Wenzhou Cining Hospital"	Wenzhou Cining Hospital Co., Ltd. (溫州慈寧醫院有限公司), an independent third party established in the PRC with limited liability on January 25, 2006
"Wenling Nanfang Hospital"	Nanfang Specialized Psychiatric Hospital of Wenling (溫嶺南方精神疾病專科醫院有限公司), a company established in the PRC with limited liability on June 20, 2018, one of the Company's indirect non-wholly owned subsidiaries
"Wenzhou Guoda"	Wenzhou Guoda Investment Co., Ltd. (温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