

温州康宁学院股份有限公司
Wenzhou Kangning Academy Co., Ltd.

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

2 FINANCIAL HIGHLIGHTS

2.1 Principal Financial Data and Indicators

	For the six months ended June 30,	
	2020 (RMB'000) (Unaudited)	2019 (RMB'000) (Unaudited)
Revenue	465,150	378,910
Operating expenses	39,404	52,661
Operating income	(10,503)	(7,120)
Net income	28,901	45,541
Net income attributable to equity holders of the parent	36,410	52,064
Other comprehensive income	(7,509)	(6,523)
	As at June 30, 2020 (RMB'000) (Unaudited)	As at June 30, 2019 (RMB'000) (Unaudited)
Assets	2,274,908	2,117,352
Liabilities	960,485	855,843
Equity	1,314,423	1,261,509
Equity attributable to equity holders of the parent	1,186,459	1,164,484
Minority interest	127,964	97,025

4 MANAGEMENT DISCUSSION AND ANALYSIS

4.1 Financial Review

Total revenue for the six months ended June 30, 2020 was RMB465.2 million, an increase of 22.8% from RMB438.9 million for the same period in 2019. The increase was primarily due to an increase in revenue from the sale of goods, which increased by RMB128.3 million, or 29.4%, from RMB36.4 million in 2019 to RMB164.7 million in 2020. Revenue from the sale of services increased by RMB13.3 million, or 36.4%, from RMB3.6 million in 2019 to RMB16.9 million in 2020. Revenue from the sale of real estate increased by RMB4.8 million, or 109.9%, from RMB0.4 million in 2019 to RMB5.2 million in 2020.

4.1.1 Revenue and Cost of Revenue

The following table sets forth the revenue and cost of revenue for the six months ended June 30, 2020 and 2019. Revenue and cost of revenue are presented in thousands of RMB unless otherwise indicated.

	For the six months ended June 30,	
	2020	2019
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Total revenue	438,886	360,210
	19,116	15,281
	7,148	3,419
Total revenue	465,150	378,910

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	For the six months ended June 30,	
	2020 (Unaudited)	2019
In Patients		
Number of inpatient admissions	6,853	5,593
Number of inpatient bed-days	1,240,393	1,012,333
Occupancy rate (%)	83.1	84.9
Revenue from inpatient services (RMB'000)	1,030,392	859,061
Cost of inpatient services (RMB'000)	324,990	251,945
Contribution margin (RMB'000)	315	293
Operating expenses (RMB'000)	53,841	50,926
Operating profit (RMB'000)	52	59
Total inpatient revenue (RMB'000)	378,831	302,871
Total average inpatient spending per bed-day (RMB)	368	353
Out Patients		
Number of outpatient visits	125,852	105,986
Revenue from outpatient services (RMB'000)	12,761	11,635
Cost of outpatient services (RMB'000)	101	110
Contribution margin (RMB'000)	47,294	45,704
Operating expenses (RMB'000)	376	431
Total outpatient revenue (RMB'000)	60,055	57,339
Total average outpatient spending per visit (RMB)	477	541
Total treatment and general healthcare services revenue (RMB'000)	337,751	263,580
Total pharmaceutical sales revenue (RMB'000)	101,135	96,630

378.8
 2019,
 19.9%
 25.1%
 4.2%
 86.3% (30, 2019: 84.1%).
 60.1
 2019,
 18.7%.
 13.7% (30, 2019: 15.9%).
 28.1%
 2019,
 77.0% (30, 2019: 73.2%);
 4.7%
 2019,
 23.0% (30, 2019: 26.8%),
 14.2% (30, 2019: 16.8%),
 78.8% (30, 2019: 79.7%).

For the six months ended June 30,	
2020	2019
(RMB'000)	(RMB'000)
(Unaudited)	(Unaudited)
112,156	101,813
110,048	91,091
15,297	14,119
37,019	30,236
18,390	16,577
11,647	7,807
18,906	18,290
Cost of revenue of owned hospitals	279,933
323,463	279,933

4.1.2 Gross Profit and Gross Profit Margin

2020	128.3	39.4%
2019	115.4	43.8%

	For the six months ended June 30,	
	2020 (Unaudited)	2019
Consolidated gross profit	29.7%	25.1%
Consolidated gross profit margin	14.9%	14.5%
Consolidated operating profit	26.3%	22.3%
Consolidated operating profit margin	47.1%	62.8%
Consolidated gross profit margin	<u>27.6%</u>	<u>24.3%</u>

27.6% (2019: 24.3%), an increase of 4.6 percentage points. This increase was primarily due to an increase in the gross profit margin of the Company's operations, which was 14.9% for the six months ended June 30, 2020, compared to 14.5% for the six months ended June 30, 2019.

4.1.3 Tax and Surcharge

2020	2.0
2019	0.8

4.1.4 Selling Expenses

2020	3.7
2019	4.5

0.8% (2019: 1.2%).

4.1.5 Administrative Expenses

1.0, 0.9, 1.0

4.1.9 Credit Impairment Losses

16.1, 10.7, 3.5%, 8.6%, 7.1%, 30.3, 21.4

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30, 2019: 10.7, 30, 2019: 2.8%, A

30, 2020, 31, 2019,

4.1.10 Non-Operating Income (Expenses) and Other Gains

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4.1.11 Income Tax Expense

J, 30, 2019: 7.1 (), 10.5 (47.5%
 2019.
 J, 30, 2019, 26.7% 13.5%,
 2019,

4.2 Financial Position

4.2.1 Inventory

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 31, 2019: 23.6 (), : ()
 31.3 (31, 2019: 21.0 ());
 () 2.6 (31, 2019:
 2.6 (), 2701, 2806, 2807 2808
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2701, 2806, 2807
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A, 2, 2,

75%

(A) (2) 19.3

(A) (2) 325.73

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J, 30, 2017

4.2.2 Accounts Receivables

At December 31, 2020, accounts receivable were \$352.6 million, compared to \$310.5 million at December 31, 2019, an increase of 14.5%. The increase was primarily due to an increase in the number of active users and the amount of time spent on the platform, which resulted in an increase in the number of transactions. The increase was partially offset by a decrease in the number of active users and the amount of time spent on the platform, which resulted in a decrease in the number of transactions.

4.2.3 Other Receivables and Prepayments

At December 31, 2020, other receivables and prepayments were \$88.4 million, compared to \$68.7 million at December 31, 2019, an increase of 29.0%.

4.2.4 Investment Properties

At December 31, 2020, investment properties were \$107.1 million, compared to \$110.9 million at December 31, 2019, a decrease of 3.4%. The decrease was primarily due to the sale of investment properties. The decrease was partially offset by the acquisition of investment properties.

The following table shows the carrying amount of investment properties, net of accumulated depreciation and impairment losses, at December 31, 2020 and 2019:

Year	Carrying Amount (in millions of dollars)
2020	107.1
2019	110.9

The following table shows the carrying amount of investment properties, net of accumulated depreciation and impairment losses, at December 31, 2020 and 2019, by geographic region:

Year	North America	Europe	Asia	Latin America	Other
2020	75%				
2019					

The following table shows the carrying amount of investment properties, net of accumulated depreciation and impairment losses, at December 31, 2020 and 2019, by asset class:

Year	Real Estate	Equity Investments	Debt Investments	Other
2020	1,959.41			
2019	6,766.36			

29, 2043,

462.9()24 (2/ 11/) (15)

4.2.8 Contract Liability

As of June 30, 2020, contract liability was RMB10.8 million (June 30, 2019: RMB8.6 million).

4.2.9 Other Payables

As of June 30, 2020, other payables were RMB93.5 million (June 30, 2019: RMB133.3 million).

4.3 Liquidity and Capital Resources

	For the six months ended June 30,	
	2020 (RMB'000) (Unaudited)	2019 (RMB'000) (Unaudited)
Operating activities	17,799	4,157
Investing activities	(76,436)	(75,880)
Financing activities	94,945	(25,941)
Net change in cash and cash equivalents	<u>36,424</u>	<u>(98,423)</u>

4.3.1 Net Cash Generated from Operating Activities

Net cash generated from operating activities was RMB17.8 million for the six months ended June 30, 2020, compared with RMB4.2 million for the same period in 2019. The increase was primarily due to an increase in net income of RMB16.1 million, partially offset by an increase in non-cash expenses of RMB28.9 million. The increase in net income was primarily due to an increase in operating income of RMB60.0 million, partially offset by an increase in non-cash expenses of RMB90.9 million. The increase in operating income was primarily due to an increase in sales of RMB67.1 million, partially offset by an increase in non-cash expenses of RMB76.4 million.

4.3.2 Net Cash Used in Investing Activities

Net cash used in investing activities was RMB76.4 million for the six months ended June 30, 2020, compared with RMB75.9 million for the same period in 2019. The increase was primarily due to an increase in capital expenditures of RMB67.1 million, partially offset by an increase in proceeds from disposal of property, plant and equipment of RMB14.5 million.

4.3.3 Net Cash Generated from Financing Activities

2020	94.9	39.1	163.5
	%	%	k

4.3.4 Significant Investment, Acquisition and Disposal

2020	30, 2020.
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4.4 Indebtedness

4.4.1 Bank Borrowings

As of	30, 2020,	31, 2019:
	473.5	310.0
	364.5	201.0
	%	%

4.4.2 Contingent Liability

As of	30, 2020,
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4.4.3 Asset Pledge

As of	30, 2020,
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4.4.4 Lease Liabilities

As of	30, 2020,	24.2
	186.0	%

4.4.5 Financial Instruments

As of	30, 2020,
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4.4.6 Exposure to Fluctuation in Exchange Rates

As at 30 June 2020, the Group's net exposure to exchange rate fluctuations is \$1,818,529 (2019: \$1,818,529). The Group's net exposure to exchange rate fluctuations is primarily due to the Group's operations in the United States and the United Kingdom. The Group's net exposure to exchange rate fluctuations is primarily due to the Group's operations in the United States and the United Kingdom.

4.4.7 Gearing Ratio

As at 30 June 2020, the Group's gearing ratio is 42.2% (2019: 40.4%).

4.4.8 Employees and Remuneration Policy

As at 30 June 2020, the Group has 3,136 employees (2019: 2,845). The Group's remuneration policy is designed to attract, retain and motivate employees. The Group's remuneration policy is designed to attract, retain and motivate employees. The Group's remuneration policy is designed to attract, retain and motivate employees.

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A. 15
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 273,161 23 14
 180,516 23 0.2391%
 (10.47%)

Category of Personnel	Number of Persons granted (Person)	Number of Shares granted (Share)	Number of grant representing total issued share capital of the Company
	17	142,311	0.1885%
	6	38,204	0.0506%
	<u>23</u>	<u>180,516</u>	<u>0.2391%</u>

2% 2%
 2%
 (溫州箴言康寧投資管理合夥企業(有限合夥))
 2% 2%
 2% 48%
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5 PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Repurchase Period	Total number of H Shares repurchased	Price Paid Per share		Total consideration (,000 \$)
		Highest (,000 \$)	Lowest (,000 \$)	
Mar 2020	35,000	17.90	17.80	624,200
Apr 2020	715,200	18.56	17.70	12,993,510
May 2020	9,400	16.00	15.80	148,540
Jun 2020	140,100	15.30	14.70	2,122,740
	899,700			15,888,990

As of June 30, 2020, the Company has repurchased 899,700 shares of common stock for a total cost of \$15,888,990.

The Company's repurchases of common stock were made pursuant to the Company's share repurchase program, which was authorized by the Board of Directors on June 13, 2020.

6 EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period that have a material effect on the Company's financial position, results of operations, or cash flows as of and for the period ended June 30, 2020.

7 REVIEW OF INTERIM RESULTS

As at June 30, 2020,

As at June 30, 2019,

8 INTERIM DIVIDEND

June 30, 2020 (June 30, 2019: _____).

9 COMPLIANCE WITH CG CODE

10 ACCOUNTING STANDARDS

As at June 30, 2017, (June 30, 2016: _____) (Companies Ordinance).

11 FINANCIAL REPORT

11.1 Accounting Policies

As at June 30, 2017, (June 30, 2016: _____) (Ministry of Finance) 15, 2006.

As at June 30, 2017, (June 30, 2016: _____)

As at June 30, 2019,

2019

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11.2 Interim Financial Statement

A 2020 2019

11.2.1 Interim Consolidated Income Statement

(A 2020 2019)

	For the six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
1. Revenue	465,150,452	378,910,291
Cost of sales	(336,864,754)	(286,882,183)
Depreciation and amortization	(1,999,246)	(831,972)
Impairment loss on property, plant and equipment	(3,697,157)	(4,476,806)
Impairment loss on intangible assets	(54,639,015)	(52,890,346)
Impairment loss on investment in subsidiaries	(2,637,407)	(2,304,024)
Impairment loss on investment in associates	(11,846,196)	(10,198,874)
Other income	(14,086,629)	(11,068,131)
Other expenses	2,454,371	1,925,426
Finance income	5,443,616	6,567,461
Finance expenses	(923,557)	23,549,073
Share of profit from associates	(1,019,927)	(2,525,317)
Share of profit from subsidiaries	(16,112,650)	(10,730,916)
Income tax expense	-	(18,587)

11.2.2 Interim Consolidated Statement of Financial Position

(As at June 30, 2020 and June 30, 2019)

ASSETS	June 30, 2020 (Unaudited)	June 30, 2019 (Audited)
Current assets		
Accounts receivable	216,156,858	176,030,550
Prepaid expenses	-	30,000,000
Accounts payable	352,645,140	310,520,612
Accounts receivable - related parties	76,843,282	63,317,366
Accounts payable - related parties	11,516,259	5,366,020
Prepaid expenses	33,858,107	23,568,236
Other receivables	-	12,688,704
Total current assets	691,019,646	621,491,488
Non-current assets		
Property, plant and equipment	51,281,869	51,281,869
Intangible assets	94,068,266	89,943,193
Other non-current assets	1,938,155	1,938,155
Total non-current assets	147,288,290	143,163,217
Total assets	838,307,936	764,654,705

LIABILITIES AND SHAREHOLDERS' EQUITY	June 30, 2020 (Unaudited)	June 30, 2019 (Audited)
Current liabilities		
Accounts payable	332,500,000	250,000,000
Accounts receivable	576,686	-
Other payables	63,565,539	75,554,960
Income tax payable	10,772,528	8,562,126
Deferred income tax	23,923,352	36,063,277
Other liabilities	44,736,621	33,430,060
	93,516,092	133,348,712
	<u>66,053,557</u>	<u>79,741,922</u>
Total current liabilities	<u>635,644,375</u>	<u>616,701,057</u>
Non-current liabilities		
Long-term debt	100,500,000	20,000,000
Deferred income tax	186,013,332	183,808,151
Other liabilities	580,000	2,260,000
	2,000,000	2,000,000
	9,797,371	9,949,267
	<u>25,949,596</u>	<u>21,124,118</u>
Total non-current liabilities	<u>324,840,299</u>	<u>239,141,536</u>
Total liabilities	<u>960,484,674</u>	<u>855,842,593</u>
Shareholders' equity		
Common stock	75,500,000	75,500,000
Additional paid-in capital	826,376,743	824,715,445
Retained earnings	(37,817,508)	(21,721,144)
Accumulated other comprehensive income	33,189,321	33,189,321
	<u>289,210,662</u>	<u>252,800,715</u>
Total equity attributable to shareholders of the Parent company	<u>1,186,459,218</u>	<u>1,164,484,337</u>
Non-controlling interest	127,964,021	97,024,925
Total shareholders' equity	<u>1,314,423,239</u>	<u>1,261,509,262</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>2,274,907,913</u></u>	<u><u>2,117,351,855</u></u>

11.2.3 Interim Consolidated Statements of Cash Flow

(Amounts in thousands of US dollars)

	For the six months ended	
	June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
1. Cash flows from operating activities		
Net cash flows from operations	411,405,749	337,771,543
Change in working capital	8,311,056	7,188,089
Sub-total of cash inflows	419,716,805	344,959,632
Change in property, plant and equipment	(174,912,876)	(153,687,796)
Change in intangible assets	(162,022,960)	(137,201,128)
Change in other non-current assets	(14,474,391)	(20,832,826)
Change in other non-current liabilities	(50,507,831)	(29,080,692)
Sub-total of cash outflows	(401,918,058)	(340,802,442)
Net cash flows from operating activities	17,798,747	4,157,190
2. Cash flows from investing activities		
Proceeds from the sale of property, plant and equipment	30,010,000	447,095
Proceeds from the sale of intangible assets	96,370	-
Proceeds from the sale of other non-current assets	3,870,905	-
Proceeds from the sale of other non-current liabilities	-	1,833,758
Proceeds from the sale of other non-current assets and liabilities	-	2,555,426
Sub-total of cash inflows	33,977,275	4,836,279
Change in property, plant and equipment	(67,075,009)	(63,099,075)
Change in intangible assets	(15,145,000)	(13,020,000)
Change in other non-current assets	(25,593,510)	(1,246,349)
Change in other non-current liabilities	(2,600,000)	(3,351,048)
Sub-total of cash outflows	(110,413,519)	(80,716,472)
Net cash flows used in investing activities	(76,436,244)	(75,880,193)

	For the six months ended	
	June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
3. Cash flows from financing activities		
Proceeds from bank loans	23,361,500	4,245,000
Proceeds from issuance of shares:		
from the public	21,771,500	4,245,000
from the company	367,285,789	170,000,000
Proceeds from other financing activities	—	—
Sub-total of cash inflows	390,647,289	174,245,000
Payments for interest	(201,900,000)	(146,000,000)
Payments for dividends	(8,241,036)	(6,647,896)
Payments for other financing activities	(85,561,157)	(47,538,263)
Sub-total of cash outflows	(295,702,193)	(200,186,159)
Net cash flows generated from/(used in) financing activities	94,945,096	(25,941,159)
4. Effect of foreign exchange rate changes on cash and cash equivalents	116,743	(758,597)
5. Net increase/(decrease) in cash and cash equivalents	36,424,342	(98,422,759)

11.2.4 Interim Consolidated Statement of Changes in Shareholders' Equity

(Amounts in thousands of U.S. dollars)

	Equity attributable to shareholders of the Parent Company					Non-controlling interests	Total shareholders' equity
	Share capital	Capital surplus	Less: Treasury stock	Surplus reserve	Retained earnings		
Balance at January 1, 2020	<u>75,500,000</u>	<u>824,715,445</u>	<u>(21,721,144)</u>	<u>33,189,321</u>	<u>252,800,715</u>	<u>97,024,925</u>	<u>1,261,509,262</u>
Net income	-	-	-	-	36,409,947	(7,508,712)	28,901,235
Dividends	-	-	-	-	-	21,771,500	21,771,500
Share-based compensation	-	3,914,851	(1,590,000)	-	-	-	2,324,851
Other	-	(2,253,553)	-	-	-	(1,709,223)	(3,962,776)
Acquisition of subsidiary	-	-	(14,506,364)	-	-	-	(14,506,364)

11.3 Notes to the Interim Financial Statement Prepared in accordance with the China Accounting Standard for Business Enterprises

11.3.1 Accounts Receivable

(Accounts receivable)		June 30, 2020 (Unaudited)	June 30, 2019 (Audited)
Accounts receivable		6,750,000	8,250,000
Accounts receivable - related parties		384,779,056	330,174,215
2,019		391,529,056	338,424,215
5		(38,883,916)	(27,903,603)
		352,645,140	310,520,612
June 30, 2020			
June 30, 2019			
		June 30, 2020 (Unaudited)	June 30, 2019 (Audited)
1		307,256,118	266,932,953
1, 2		54,328,309	57,988,407
2, 3		24,130,088	13,089,001
3		5,814,541	413,854
		391,529,056	338,424,215
Accounts receivable			

11.3.4 Earnings Per Share

(A) (B) (C)

	For the six months ended June 30,	
	2020 (Unaudited)	2019
(A)	36,409,947	52,064,124
(B)	72,769,749	73,040,000
(C)	<u>0.50</u>	<u>0.71</u>

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 J, 30, 2020.

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(C) 30, 2020, 36,409,947. 73,034,363. 0.50.
 J, 30, 2019, 52,064,124. 73,915,743.
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11.3.5 Income Tax Expense

(A. ~~100%~~ ~~100%~~ ~~100%~~)

	For the six months ended June 30,	
	2020	2019
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
100%	23,778,834	14,824,769
100%	(13,276,086)	(7,704,851)
	<u>10,502,748</u>	<u>7,119,918</u>

	For the six months ended June 30,	
	2020	2019
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
100%	39,403,983	52,661,149
100%	9,850,996	13,165,287
100%	579,650	1,158,271
100%	121,674	119,184
100%	(490,212)	(431,227)
100%	-	(318,561)
100%	440,640	51,944
100%	-	(6,624,980)
	<u>10,502,748</u>	<u>7,119,918</u>

11.3.6 Dividends

12 DEFINITIONS

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, (北京怡寧醫院有限公司),

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, (蒼南康寧醫院有限公司),

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