

Contents

	Page
CORPORATE INFORMATION	2
FINANCIAL HIGHLIGHTS	4
MANAGEMENT DISCUSSION AND ANALYSIS	5
CORPORATE GOVERNANCE AND OTHER INFORMATION	27
CONSOLIDATED BALANCE SHEETS	39
PARENT COMPANY BALANCE SHEETS	43
CONSOLIDATED INCOME STATEMENT	47
PARENT COMPANY INCOME STATEMENT	49
CONSOLIDATED CASH FLOW STATEMENT	51
PARENT COMPANY CASH FLOW STATEMENT	54
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	56
PARENT COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	58
NOTES TO THE FINANCIAL STATEMENTS	60
DEFINITIONS	145

Corporate Information

Board of Directors

Executive Directors

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

Non-executive Directors

Mr. QIN Hao
Mr. LI Changhao

Independent Non-executive Directors

Mr. ZHAO Xudong
Ms. ZHONG Wentang
Mr. LIU Ning

Audit Committee

Ms. ZHONG Wentang (*Chairman*)
Mr. LIU Ning
Mr. LI Changhao

Nomination Committee

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

Remuneration Committee

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

Strategy and Risk Management Committee

Mr. GUAN Weili (*Chairman*)
Ms. ZHONG Wentang
Mr. QIN Hao

Supervisory Committee

Mr. XU Ning (*Chairman*)
Mr. XU Yongjiu
Mr. XIE Tiefan
Mr. QIAN Chengliang

Joint Company Secretaries

Mr. WANG Jian
Mr. WONG Wai Chiu

Authorized Representatives

Mr. GUAN Weili
Mr. WONG Wai Chiu

Auditor

BDO China Shu Lun Pan Certified Public Accountants LLP

Legal Advisor as to Hong Kong Laws

Clifford Chance

Registered Office and Head Office in the PRC

Shengjin Road
Huanglong Residential District
Wenzhou, Zhejiang
PRC

Corporate Information

Principal Place of Business in Hong Kong

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248 Queen's Road East
Wanchai
Hong Kong

H Share Registrar

Computershare Hong Kong Investor Services Limited
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Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Stock Code

2120

Company's Website

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Investor Relations

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Financial Highlights

Principal Financial Data and Indicators

	For the six months ended June 30,	
	2022	2021
	(RMB' 000)	(RMB' 000)
	(Unaudited)	(Unaudited)
		(Restated)
Revenue	738,305	607,737
Profit before income tax	63,331	53,745
Income tax expenses	19,110	17,506
Net profit	44,221	36,238
Net profit attributable to shareholders of the Company	38,788	35,003
Profit or loss attributable to non-controlling interests	5,433	1,235

	As at	As at
	June 30, 2022	December 31, 2021
	(RMB' 000)	(RMB' 000)
	(Unaudited)	(Audited)
Total assets	2,693,723	2,377,968
Total liabilities	1,339,418	1,106,880
Total equity	1,354,305	1,271,088
Equity attributable to shareholders of the Company	1,249,795	1,199,073
Non-controlling interests	104,510	72,015

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

In the first half of 2022, the complicated situation caused by the profound changes unseen in a century and the recurrent COVID-19 pandemic (the “Pandemic

Management Discussion and Analysis

As of June 30, 2022, the number of the Group's owned hospitals increased to 30 (December 31, 2021: 27), including an independently established Internet hospital (Yining Psychology Internet Hospital), and its operating beds increased to 9,558 (December 31, 2021: 8,328).

In the first half of 2022, the Group upheld the medical spirit of "respect lives, save lives and heal the injured", in addition to the Pandemic prevention and control arrangement within the Group, continued to actively undertake social responsibilities, responded to the calls for prevention and control of the Pandemic from all levels of government and fully supported the front line. In addition, the Group has established a psychological crisis intervention platform to protect the mental health of the public, which was highly recognized and approved by government departments and the general public.

Looking ahead, the Group will seize the opportunity of policies of the big health industry, integrate the strategy of "Healthy China" into the development of the Group in all aspects, focus on meeting the medical service needs of patients, build a "whole life cycle" layout and concept of great medical care, enhance the capacity of medical professional services, implement the core system of medical quality and safety, establish a layered and diversified medical and health service network, and continue to strengthen the synergy and sustainability of mental health and elderly health care. The Group will further strengthen the construction of the internal control system, continue to improve the refined management model and deepen the integration of production, education, research and development and healthcare, promote the construction of a superior discipline system, improve the talent introduction and training mechanism, and actively explore new areas of business such as social psychological services, drug/device clinical trials.

The Group is determined to achieve stable and long-term development, and will continue to adhere to its core value of "Respecting Life and Serving Humbly" to provide quality health services to the public.

Management Discussion and Analysis

Revenue and cost of revenue from operating its owned hospitals

Revenue from operating its owned hospitals consists of fees (“Billing Revenue”) charged for outpatient visits and inpatient services at the Group’s various hospitals, which can be divided into treatment and general healthcare services and general healthcare services. Billing Revenue of the Group, as well as variable considerations for medical services provided by the Group, including medical insurance settlement differences and loss of income from special medical services. The net amount after

Management Discussion and Analysis

The table below sets forth a breakdown of our revenue, cost of revenue and gross profit for the Group's owned hospitals for the periods indicated:

For the six months ended June 30,

2022	2021
(RMB'000)	(RMB'000)

(Unaudited)	(Unaudited)
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Management Discussion and Analysis

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

	For the six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited) (Restated)
Inpatients		
Inpatient bed as at period end	9,558	8,328
Effective inpatient service bed-day capacity	1,729,998	1,507,368
Utilization rate (%)	87.0	87.3
Number of inpatient bed-days	1,505,499	1,315,493
Treatment and general healthcare services revenue attributable to inpatients (RMB'000)	513,773	427,770
Average inpatient spending per bed-day on treatment and general healthcare services (RMB)	341	325
Pharmaceutical sales revenue attributable to inpatients (RMB'000)	74,837	72,211
Average inpatient spending per bed-day on pharmaceutical sales (RMB)	50	55
Total inpatient revenue (RMB'000)	588,610	499,981
Total average inpatient spending per bed-day (RMB)	391	380
Outpatients		
Number of outpatient visits	225,032	177,881
Treatment and general healthcare services revenue attributable to outpatients (RMB'000)	28,271	21,943
Average outpatient spending per visit on treatment and general healthcare services (RMB)	126	123
Pharmaceutical sales revenue attributable to outpatients (RMB'000)	72,748	56,069
Average outpatient spending per visit on pharmaceutical sales (RMB)	323	315
Total outpatient revenue (RMB'000)	101,019	78,012
Total average outpatient spending per visit (RMB)	449	438
Total treatment and general healthcare services revenue (RMB'000)	542,044	449,713
Total pharmaceutical sales revenue (RMB'000)		

Management Discussion and Analysis

During the Reporting Period, inpatient Billing Revenue amounted to RMB588.6 million, representing an increase of 17.7% as compared with that of the same period of 2021, primarily due to: (i) the number of the Group's inpatient bed-days increased by 14.4%, which was driven by the increase in the inpatient bed-days of Yongjia Kangning Hospital, Qingtian Kangning Hospital, Wenzhou Cining Hospital, Taizhou Kangning Hospital, Luqiao Cining Hospital, Pingyang Changgeng Yining Hospital, Yueqing Yining Hospital and Jinyun Shuning Hospital; and (ii) the average inpatient spending per bed-day of the Group's owned hospitals increased by 4.9%. The proportion of inpatient Billing Revenue to Billing Revenue from owned hospitals was 85.4% (for the six months ended June 30, 2021: 86.5%).

During the Reporting Period, outpatient Billing Revenue amounted to RMB101.0 million, representing an increase of 29.5% as compared with that of the same period of 2021, primarily due to the increase of outpatient visits by 26.5% and the increase in average outpatient spending per visit by 2.3%. The proportion of outpatient Billing Revenue to Billing Revenue from owned hospitals was 14.6% (for the six months ended June 30, 2021: 13.5%).

During the Reporting Period, due to the increase of both inpatient and outpatient business of our owned hospitals, Billing Revenue from treatment and general healthcare services increased by 23.7% as compared with that of the same period of 2021, and increased to 78.6% of Billing Revenue from owned hospitals (for the six months ended June 30, 2021: 77.8%); Billing Revenue from pharmaceutical sales increased by 15.0% as compared with that of the same period of 2021, accounting for 21.4% of Billing Revenue from owned hospitals (for the six months ended June 30, 2021: 22.3%), of which: the ratio of inpatient pharmaceutical sales to total inpatient Billing Revenue increased to 21.7% (for the six months ended June 30, 2021: 14.4%), the ratio of outpatient pharmaceutical sales to total outpatient Billing Revenue slightly increased to 72.0% (for the six months ended June 30, 2021: 71.9%).

The cost of revenue of the Group's owned hospitals primarily consisted of pharmaceuticals and consumables used,

Management Discussion and Analysis

During the Reporting Period, the cost of revenue of the Group's owned hospitals increased to RMB502.1 million, representing an increase of 20.2% as compared with that of the same period of 2021. It was mainly due to: (i) the increase of 16.4% in pharmaceuticals and consumables expenses relating to the increase of pharmaceutical sales revenue; (ii) the increase of 22.4% in employee benefits and expenses arising from the increase in beds in the operation of our owned hospitals; (iii) depreciation of right-of-use assets increased by 5.0% as compared with that of the same period of 2021; and (iv) the depreciation and amortization increased by 27.0% as compared with that of the same period of 2021, mainly caused by the expansion of the healthcare facilities' network.

From the cost structure perspective, the proportion of pharmaceuticals and consumables used to the cost of revenue of our owned hospitals decreased to 34.6% (for the six months ended June 30, 2021: 35.7%). The proportion of employee benefits and expenses to cost of revenue of our owned hospitals increased to 35.7% (for the six months ended June 30, 2021: 35.1%). The proportion of the depreciation of right-of-use assets together with depreciation and amortization to the cost of revenue of our owned hospitals was 14.1% (for the six months ended June 30, 2021: 14.1%).

Revenue from other healthcare related business

The revenue from other healthcare related business of the Group primarily includes revenue from sales of medical devices, revenue from pharmaceutical sales outside the hospitals, revenue from social mental service and revenue from healthcare information technology business, etc. During the Reporting Period, revenue from the other healthcare related business of the Group amounted to RMB51.8 million, of which revenue from sales of pharmaceuticals and medical devices outside the hospitals was RMB37.7 million (for the six months ended June 30, 2021: RMB16.3 million).

Revenue from the property business

During the Reporting Period, no real estate business income was generated (for the six months ended June 30, 2021: RMB19.4 million), mainly because the Company entered into an equity transfer agreement with Mr. Guan Weili, a Director and substantial shareholder of the Company, on June 24, 2021 to sell 75% equity interest in Wenzhou Guoda (a limited liability company established in China in February 2002, mainly engaged in the business of real estate development and operation, leasing and ancillary property management and infrastructure investment and

Management Discussion and Analysis

Gross Profit and Gross Profit Margin

same period of 2021. The table below sets forth a breakdown of the gross profit margin of different businesses for the hospitals businesses amounted to RMB181.0 million, representing an increase of 26.9% as compared with that of the same period of 2021, representing an increase of 28.8% as compared with that of the same period of 2021. The gross profit of our owned hospitals for the six months ended June 30, 2022 amounted to RMB197.8 million, representing an increase of 28.8% as compared with that of the same period of 2021. During the Reporting Period, total gross profit of the Group on operating income basis amounted to RMB197.8 million, For the six months ended June 30,

	2022 (Unaudited)	2021 (Unaudited) (Restated)
Treatment and general healthcare services	31.7%	31.8%
Pharmaceutical sales		31.8%

of pharmaceutical sales increased by 3.0 percentage points as compared with that of the same period of 2021, slightly decreased by 0.1 percentage points as compared with that of the same period of 2021. The gross profit margin ended June 30, 2021 (restated) 28.3%, of which the gross profit margin of treatment and general healthcare services During the Reporting Period, consolidated gross profit margin of the Group increased to 26.8% (for the six months

June 30, 2021: RMB2.2 million).

During the Reporting Period, the tax and surcharge of the Group amounted to RMB2.0 million (for the six months ended

June 30, 2021: RMB1.9 million). The selling expenses accounted for 0.9% of the Group's revenue from operating its owned hospitals for the six months ended June 30, 2021: 0.9%).

Management Discussion and Analysis

Administrative Expenses

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

	For the six months ended June 30,	
	2022 (RMB'000) (Unaudited)	2021 (RMB'000) (Unaudited) (Restated)
Employee benefits and expenses	52,917	42,156
Depreciation and amortization	11,246	8,632
Consultancy expenses	12,309	5,971
Travelling expenses	1,724	1,226
Others	16,698	18,076
Total administrative expenses	94,894	76,061

During the Reporting Period, the administrative expenses of the Group amounted to RMB94.9 million, representing an increase of 24.8% as compared with that of the same period of 2021. During the Reporting Period, the proportion of the administrative expenses to the revenue from operating owned hospitals of the Group was 13.9% (for the six months ended June 30, 2021 (restated): 13.5%).

Research and Development Expenses

During the Reporting Period, the Group's research and development expenses amounted to RMB15.1 million (for the six months ended June 30, 2021: RMB11.8 million), representing an increase of 27.6% as compared with that of the same period of 2021. The proportion of research and development expenses to the revenue from operating owned hospitals of the Group was 2.2% (for the six months ended June 30, 2021 (restated): 2.1%), which was mainly due to the continuous increase in investments in the development of information software, social mental service platform and Internet hospital applications by the Group.

Management Discussion and Analysis

Finance Expenses – Net

Management Discussion and Analysis

Investment Income/(Losses)

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

	For the six months ended June 30,	
	2022 (RMB'000) (Unaudited)	2021 (RMB'000) (Unaudited)
Share of losses of investments accounted for using the equity method	-1,672	-755
Gains arising from disposal of long-term equity investment	1,393	6,119
	-279	5,364

During the Reporting Period, our investment loss amounted to RMB0.3 million. Among the said amount, there was attributable investment loss of RMB1.7 million accrued under the equity method which primarily included the investment loss from the investment in Hangzhou Anken Medical Technology Co., Ltd..

Credit Impairment Losses

During the Reporting Period, credit impairment increased to RMB2.7 million (for the six months ended June 30, 2021 (restated): RMB2.3 million).

Gains Arising from Disposal of Assets

During the Reporting Period, gains arising from disposal of assets amounted to RMB0.4 million (for the six months

Management Discussion and Analysis

Non-Operating Income and Non-Operating Expenses

Our non-operating income mainly consists of government grants, donations received and demolition and reallocation compensation income, and non-operating expenses mainly consist of losses on scrapping of non-current assets, donation expenses, expenses for medical disputes and expenses for breach of contract. The table below sets forth a breakdown of our non-operating income and non-operating expenses for the periods indicated:

	For the six months ended June 30,	
	2022 (RMB'000) (Unaudited)	2021 (RMB'000) (Unaudited) (Restated)
Government grants	1,167	297
Donations received	4,018	4,235
Other non-operating income	167	308
Non-operating income	5,352	4,840
Losses on scrapping of non-current assets	239	71
Donation expenses	1,419	473
Expenses for medical disputes	1,237	1,209
Other non-operating expenses	478	459
Non-operating expenses	3,373	2,212

During the Reporting Period, the non-operating income of the Group amounted to RMB5.4 million, representing an increase of RMB0.5 million as compared with that of the same period last year, mainly due to the increase in government grants of RMB0.9 million compared with that of last year. During the Reporting Period, the non-operating expenses of the Group increased to RMB3.4 million, mainly due to the increase in donation expenses of RMB0.9 million as compared with that of the same period of 2021.

Income Tax Expense

During the Reporting Period, income tax expense increased to RMB19.1 million (for the six months ended June 30, 2021 (restated): RMB17.5 million), representing an increase of 9.2% as compared with that of the same period of 2021. During the Reporting Period and for the six months ended June 30, 2021, our actual tax rate was 29.9% and 32.1% (restated), respectively.

Management Discussion and Analysis

Financial Position

Inventory

As of June 30, 2022, inventory balances amounted to RMB55.3 million (as of December 31, 2021: RMB56.5 million), mainly including the medical inventory and turnover materials.

Accounts Receivables

As of June 30, 2022, the balance of accounts receivables amounted to RMB422.1 million (as of December 31, 2021: RMB311.8 million), representing an increase of 35.4% as compared with that of December 31, 2021, mainly due to the increase in operational income of the Group's owned hospital.

During the Reporting Period, the accounts receivables turnover days of the Group were 90 days (for the six months ended June 30, 2021 (restated): 76 days).

Other Receivables and Prepayments

As of June 30, 2022, other receivables and prepayments decreased to RMB35.3 million (as of December 31, 2021: RMB41.8 million).

Other Non-current Financial Assets

As of June 30, 2022, the balance of other non-current financial assets was RMB65.8 million (as of December 31, 2021: RMB65.8 million).

Right-of-use Assets

As of June 30, 2022, right-of-use assets decreased to RMB246.8 million (as of December 31, 2021: RMB257.4 million), mainly due to the decrease in right-of-use assets of RMB10.6 million as a result of provision for depreciation of right-of-use assets normally made by the Group during the Reporting Period.

Management Discussion and Analysis

Liquidity and Capital Resources

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

	For the six months ended June 30,	
	2022	2021
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	55,974	37,316
Net cash used in investing activities	(164,454)	(60,918)
Net cash generated from financing activities	194,881	93,139
Net increase in cash and cash equivalents	86,446	69,515

Net Cash Generated from Operating Activities

During the Reporting Period, net cash generated from operating activities amounted to RMB56.0 million, primarily consisting of net profit of RMB38.8 million, adjustments of RMB2.7 million for credit impairment losses and asset impairment losses and adjustments of RMB86.4 million for depreciation and amortisation of various assets. Changes in working capital resulted in cash outflow of RMB102.8 million.

Net Cash Used in Investing Activities

During the Reporting Period, net cash used in investing activities amounted to RMB164.5 million, primarily due to the amount of RMB121.1 million for purchasing property, plant and equipment, primarily including, infrastructure investment of Lucheng Yining Hospital, Ou Hai Yining Hospital, Jinyun Shuning Hospital, Quzhou Yining Hospital and decoration of Pingyang Changgeng Yining Hospital and Nanjing Yining Hospital.

Net Cash Generated from Financing Activities

During the Reporting Period, net cash generated from financing activities amounted to RMB194.9 million.

Significant Investment, Acquisition and Disposal

The Group had no significant investment, acquisition or disposal for the six months ended June 30, 2022.

Management Discussion and Analysis

Indebtedness

Bank Borrowings

As of June 30, 2022, the balance of bank borrowings of the Group amounted to RMB783.4 million (as of December 31, 2021: RMB553.2 million), primarily attributable to repayment of borrowings of RMB80.0 million and an increase in borrowings of RMB317.5 million during the Reporting Period.

Contingent Liability

As of June 30, 2022, the Group had no contingent liability or guarantees that would have a material impact on the financial position or operation of the Group.

Asset Pledge

The Group's Wenzhou Kangning Hospital pledged property ownership certificates, namely Wenfang Quanzheng Lucheng District No. 826751, Wenfang Quanzheng Lucheng District No. 826750, Zhe (2016) Wenzhou Real Estate Rights No. 0010144, Zhe (2016) Wenzhou Real Estate Rights No. 0010142, and Zhe (2021) Wenzhou Real Estate Rights No. 0081628, to China CITIC Bank Wenzhou Ou Hai Sub-branch for obtaining a bank loan. As of June 30, 2022, the balance of such pledged loan was RMB200.0 million.

Lease Liabilities

The lease liabilities of the Group primarily consist of operating lease arrangements. As of June 30, 2022, the present values of unsettled lease payments under non-cancellable lease agreements, after deducting an amount of RMB15.6 million which is due within one year, were RMB240.8 million.

Financial Instruments

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

Exposure to Fluctuation in Exchange Rates

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

During the six months ended June 30, 2022, the Group has not used any derivative financial instruments to hedge against its exposure to currency risks. The management of the Company manages the currency risks by closely monitoring the movement of the foreign currency rates, and will consider hedging against significant foreign currency exposures should such need arise.

Management Discussion and Analysis

Gearing Ratio

As of June 30, 2022, the Group's gearing ratio (total liabilities divided by total assets) slightly increased to 49.7% (as of December 31, 2021: 46.5%), mainly due to an increase of bank borrowings.

Employees and Remuneration Policy

As of June 30, 2022, the Group had a total of 4,245 employees (as of December 31, 2021: 3,661 employees). During the Reporting Period, employees' remuneration (including salaries and other forms of employee benefits) amounted to approximately RMB245.3 million (for the six months ended June 30, 2021: RMB198.1 million). The average employees' remuneration is RMB115.6 thousand per year (including social insurance scheme and housing grant scheme borne by

Management Discussion and Analysis

The details of the Equity Incentive Scheme are as follows:

(1) *Purposes*

The Equity Incentive Scheme has been formulated to further refine the corporate governance structure of the Company, establish and optimise the Company's long-term incentive and restraint mechanism, attract and motivate professional management talents and core personnel, fully mobilize their enthusiasm and creativity, effectively enhance core team cohesion and core corporate competitiveness, better mobilize the enthusiasm of

Management Discussion and Analysis

- (3) *Description of equity to be granted under the Equity Incentive Scheme*
- (a) *Form of equity to be granted under the Equity Incentive Scheme*
indirectly becoming
pledging

The Company will set up the employees' shareholding platform through the formation of a limited partnership, and the employees' shareholding platform will hold the Incentive Shares for and on behalf of the Participants. When Incentive Shares are granted to the Participants, the Participants shall subscribe for corresponding interests in the limited partnership and contribute capital at the grant price, and indirectly become a Shareholder of the Company. The Participants are prohibited from transferring, pledging or otherwise disposing their respective Incentive Shares during the lock-up period. Incentive

Management Discussion and Analysis

(4) *Validity period, locked-up period and unlocking period arrangement of the Equity Incentive Scheme*

(a) *Validity period of the Equity Incentive Scheme*

The validity period of the Equity Incentive Scheme shall be 10 years from the date of approval at the annual general meeting for the year 2017 (i.e. April 26, 2018), unless it is terminated in accordance with the relevant provisions of the Equity Incentive Scheme.

(b) *Locked-up period of the Equity Incentive Scheme*

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

(c) *Unlocking period arrangement of the Equity Incentive Scheme*

Incentive Shares under the first grant shall be unlocked in one go after 48 months (June 28, 2022) from the date of the first grant (June 29, 2018); Incentive Shares under the reserved grant shall be unlocked concurrently with those under the first grant unless the circumstances are exceptional where the amendment plan shall be made under the Equity Incentive Scheme.

(5) *Granting procedures of the Equity Incentive Scheme*

- (i) The general partner of the Partnership and the Participants shall sign the Partnership agreement to stipulate the rights and obligations of both parties.
- (ii) The Company will issue the "Demand Note" to the Participants on the Grant Date.
- (iii) The Participants will sign the "Demand Note" and return one of the originals to the Company.
- (iv) Within the period specified by the Company, the Participants will pay the funds used to subscribe for Incentive Shares (calculated based on the grant price) to the accounts designated by the Company according to the requirements of the Company.
- (v) The Company will prepare a management register of the Equity Incentive Scheme according to the entering into of agreements and subscription by the Participants, setting out names of Participants, numbers of Shares granted, grant date, amount of payment and the sequential number of Partnership agreements, etc.

Management Discussion and Analysis

Name of Grantee	Date of Grant	Closing Price before the Date of Grant (HKD)	Vesting Date (Unlocking Date)	Grant Price (RMB)	Balance of Incentive Shares		Vested			Balance of Incentive Shares Granted but not Vested as at June 30, 2022
					Granted but not Vested as at January 1, 2022	Granted during the Reporting Period	(Unlocked) during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	
Senior management	August 20, 2018	38.80	June 28, 2022	10.47	133,715	-	133,715	-	-	-
Core technical personnel	August 20, 2018	38.80	June 28, 2022	10.47	1,684,814	-	1,684,814	-	-	-
	August 26, 2019	36.00	June 28, 2022	10.47	142,311	-	142,311	-	-	-
Other employees (total)	August 26, 2019	36.00	June 28, 2022	10.47	38,204	-	38,204	-	-	-
Total					2,454,632	-	2,454,632	-	-	-

Employee Training Program

During the Reporting Period, the employee training program of the Company remained unchanged. For relevant information, please refer to the “Employee Training Program” of the Company’s 2021 annual report.

Corporate Governance and Other Information

CORPORATE GOVERNANCE

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

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as a code of conduct of the Company for its Directors' and Supervisors' transactions on the Company's securities. Based on specific enquiries to all Directors and Supervisors, the Directors and the Supervisors have complied with the requirements set out in the Model Code during the period from January 1, 2022 to June 30, 2022 and up to the date of this interim report, except for the following:

Paragraph A.3 of the Model Code provides, among other matters, that a director must not deal in any securities of the listed issuer on any day on which its financial results are published and during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results (the "Black-out Period"). Paragraph B.8 of the Model Code further provides that a director must not deal in any securities of the issuer without first notifying in writing to the chairman and receiving a dated written acknowledgement.

The Company intended to publish its interim results announcement for the six months ended June 30, 2022 (the "Interim Results") on January 10, 2023. In this regard, on December 28, 2022, the Company issued a notice reminding all the Directors, Supervisors and senior management of the Company in relation to, among other things, (i) the proposed date for publication of the Interim Results; and (ii) the restriction on the Directors of the Company in dealing in the shares of the Company during the Black-out Period (i.e. from December 11, 2022 to January 10, 2023).

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Corporate Governance and Other Information

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2022 (for the six months ended June 30, 2021: 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.

SIGNIFICANT EVENTS

Change of Auditor

References are made to the announcements of the Company dated January 30, 2022 and December 16, 2022 and the circular dated November 18, 2022.

As PricewaterhouseCoopers Zhong Tian LLP ("PwC") noted significant cash flows issues during the relevant review procedures performed in accordance with the requirements of the China Securities Regulatory Commission and did not obtain adequate and reasonable explanations and evidence regarding their concerns about the above issues, PwC considered that it was unable to determine the scope of subsequent audit work to be performed and to reasonably estimate the time required to complete the audit work for 2021. Accordingly, PwC has resigned as the auditor of the Company with effect from January 30, 2022.

With the recommendation of the Audit Committee, BDO China Shu Lun Pan Certified Public Accountants LLP ("BDO") was appointed as the auditor of the Company with effect from January 30, 2022 to fill the casual vacancy following the resignation of PwC and to hold office until the conclusion of the annual general meeting for the year 2021 of the Company.

As approved by the Audit Committee of the Board and the annual general meeting for the year 2021 of the Company held on December 16, 2022, BDO was appointed as the auditor for the 2022 annual auditing of H Shares of the Company and the 2022 legal auditing of the Company, to review the 2022 interim financial report of the Company prepared in accordance with PRC Accounting Standards, to audit the annual financial statements for 2022 to be prepared by the Company under PRC Accounting Standards for Business Enterprises, to conduct special review on the Company's matters before 2022 and necessary communication with the Company's former auditors in accordance with the relevant provisions of PRC Auditing Standards, and to perform other duties as required under the Hong Kong Listing Rules from the date of the annual general meeting for the year 2021 to the conclusion of the annual general meeting for the year 2022 of the Company in accordance with the Company Law of the People's Republic of China, the Hong Kong Listing Rules and other relevant provisions of laws, regulations and the Articles.

Corporate Governance and Other Information

Independent investigation related matters

Trading in the Company's shares has been suspended from April 1, 2022 pending the publication of the annual results for the year ending December 31, 2021. The delay in the publication of the 2021 annual results is due to (i) the ongoing independent investigation by the Company's independent investigation committee to resolve the outstanding issues referred to by PwC, the former auditor of the Company, in its letter of resignation; and (ii) BDO, the Company's current auditor, needs more time for the follow-up work in completing the audit procedures in relation to the 2021 annual results.

The unresolved issues referred to by PwC, the former auditor of the Company, in its resignation letter include: (1) findings on verification of cash flows in personal bank accounts of key financial personnel of the Company; (2) findings on verification of cash flows in personal bank account of a certain employee of the social work department of the Company; and (3) findings on verification of cash flows in personal bank account of a senior management officer of the Company.

On March 14, 2022, the independent investigation committee of the Company appointed an independent third-party accounting firm as the investigation firm (the "Investigation Firm") to independently investigate the relevant issues in relation to cash flows, namely (1) cash flows in personal bank accounts of key financial personnel (the "Alleged Area I"); (2) cash flows in personal bank account of a certain employee of the social work department of the Company (the "Alleged Area II"); and (3) cash flows in personal bank account of a senior management officer of the Company (the "Alleged Area III"). During the period from March 14, 2022 to September 23, 2022, the Investigation Firm completed the relevant works, and issued an independent investigation report on the abovementioned alleged areas on October 14, 2022.

The independent investigation committee of the Company is of the view that the independent investigation report has been thoroughly conducted by professionals and has been completed to the extent presently and reasonably possible. The Board has decided to rectify all issues arising from the alleged areas with reference to the independent investigation report.

In view of the above, the Board has proposed the following remedial measures in response to the Company's operational and internal control problems:

1. Carrying out the necessary changes to the Board and the management of the Company;
2. Regarding the personal interests obtained by Ms. WANG Hongyue from Alleged Area III, the Company will consider commencing judicial proceedings for civil recovery against her after obtaining legal advice on the same;
3. Strengthening the use of external expert support;
4. Reassessing accounting treatment and making necessary corrections of prior accounting errors, if any;

Corporate Governance and Other Information

5. Relevant treatment of the Indirect Investor and the Renovation Supplier and the Actual Controller involved in Alleged Area I and Alleged Area III;
6. Strengthening the internal control system and compliance supervision.

For details of the independent investigation, please refer to the announcement of the Company dated October 14, 2022.

CHANGE IN DIRECTORS, SUPERVISORS AND SENIOR MANAGERMENTS

On January 17, 2022, Mr. CHEN Jian resigned as an independent Supervisor. On February 15, 2022, Mr. SUN Fangjun resigned as the chairman of the Supervisory Committee and an employee representative Supervisor. On February 19, 2022, Mr. XU Ning was appointed as the chairman of the Supervisory Committee and an employee representative Supervisor, the term of which shall expire on the date of expiration of the term of the third session of the Board of the Company. On September 1, 2022, Ms. WANG Hongyue resigned as the executive Director and the authorized representative of the Company (the “Authorized Representative”) under Rule 3.05 of the Hong Kong Listing Rules. Mr. GUAN Weili has been appointed as the Authorized Representative with effect from September 1, 2022.

On July 12, 2022, Ms. NG Wing Shan resigned as the joint company secretary of the Company (the “Joint Company Secretary”), an Authorized Representative and the process agent for the acceptance of service of process and notices on behalf of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Process Agent”). Mr. WONG Wai Chiu has been appointed as the Joint Company Secretary, an Authorized Representative and the Process Agent with effect from July 12, 2022.

On December 31, 2021, Ms. WANG Hongyue resigned as the chief financial officer of the Company. Mr. JIN Hui was appointed as the chief financial officer of the Company with effect from January 10, 2022.

Save as disclosed above, as at the date of this interim report, there had not been changes in Directors, Supervisors or senior management of the Company.

EVENTS AFTER THE REPORTING PERIOD

Major events after the Reporting Period are set out in the “Notes to the Financial Statements – Events after the balance sheet date” of this interim report.

Save as disclosed above and in the “SIGNIFICANT EVENTS” of this interim report, no major subsequent events occurred to the Group from the Reporting Period to the date of this interim report.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Hong Kong Stock Exchange has been suspended with effect from 9:00 a.m. on April 1, 2022. Trading in the shares of the Company will remain suspended until further notice.

Shareholders and potential investors of the Company are reminded to rationally deal with any information not officially released by the Company, and Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

Corporate Governance and Other Information

CHANGE IN DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' 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, 2022 to June 30, 2022 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:

Name	Members of the Group	Position held at other members of the Group and term of office	
		Positions held at members of the Group	Term of office
GUAN Weili	Shenzhen Yining Hospital	Executive director	From September 2014 to July 2022
WANG Lianyue	Zhejiang Fengsheng Nutrition Technology Co., Ltd.	Director	From February 2022 to present
	Zhejiang Yining Health Technology Co., Ltd.	Executive director	From September 2022 to present
WANG Hongyue (resigned)	Zhejiang Dening Pharmaceutical Co., Ltd.	Director	From September 2022 to present
	Cangnan Kangning Hospital	Supervisor	From June 2012 to September 2022
	Pingyang Kangning Hospital	Supervisor	From November 2015 to October 2022
	Hangzhou Cining Hospital	Supervisor	From November 2017 to September 2022
	Zhejiang Yining Health Technology Co., Ltd.	Executive director	From April 2019 to September 2022
	Zhejiang Dening Pharmaceutical Co., Ltd.	Director	From June 2019 to September 2022
	Wenzhou Lucheng Yining Hospital Co., Ltd.	Supervisor	From April 2020 to to August 2022
	Cangnan Yining Nursing Centre Co., Ltd.	Supervisor	From March 2021 to September 2022
	Wenzhou Ouhai Yining Geriatric Hospital Co., Ltd.	Supervisor	From December 2021 to September 2022
	Jingyun Shuning Hospital Co., Ltd.	Director	From June 2021 to January 2022
XU Yi	Jingyun Shuning Hospital Co., Ltd.	Chairman	From January 2022 to October 2022
	Wenzhou Tianzhentang TCM Clinic Co., Ltd.	General manager	From January 2018 to August 2022
WANG Jian	Wenzhou Yuji Health Technology Co., Ltd.	Director	From April 2022 to present
	Jingyun Shuning Hospital Co., Ltd.	Chairman	From October 2022 to present
YE Minjie	Zhejiang Fengsheng Nutrition Technology Co., Ltd.	Chairman	From February 2022 to present
	Wenzhou Yixin Health Technology Co., Ltd.	Executive director, General manager	From May 2019 to June 2022
JIN Hui	Wenzhou Ouhai Yining Elderly Hospital	Supervisor	From September 2022 to present
	Cangnan Yining Nursing Centre Co., Ltd.	Supervisor	From September 2022 to present

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

Corporate Governance and Other Information

- (3) Ms. WANG Hongyue is the general partner of Ningbo Xinshi Kangning Investment Management L.P. and Ningbo Enci Kangning Investment Management Partnership (Limited Partnership) and holds approximately 50.62% and 37.10%, respectively, in such management partnerships, both of which are limited partnerships. Therefore, by virtue of Part XV of the SFO, Ms. WANG Hongyue is deemed to be interested in all the Domestic Shares held by the above management partnerships in the Company.
- (4) Mr. XU Yongjiu holds 50% equity interest in Shanghai Jinxi Enterprise Management Center (Limited Partnership) and Shanghai Jinxi Enterprise Management Center (Limited Partnership) is a general partner of Wenzhou Jinning Equity Investment Partnership (Limited Partnership). Therefore, by virtue of Part XV of the SFO, Mr. XU Yongjiu is deemed to be interested in all the Domestic Shares held by the above partnerships in the Company.

Save as disclosed above, as of June 30, 2022, to the knowledge of the Board, none of the Directors, the Supervisors or the chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors, the Supervisors and the chief executives of the Company were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Interests of Substantial Shareholders

As of June 30, 2022, according to the register kept by the Company pursuant to Section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following person/entity (other than the Directors, the Supervisors or the chief executives of the Company) had an interest or short position which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or be directly and indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of the Company:

Name	Class of Shares	Nature of Interest	Number of Shares	Approximate Percentage in Shares of the Same Class ⁽¹⁾	Approximate Percentage of the Company's Total Issued Share Capital ⁽¹⁾
Central Enterprises Rural Industry Investment Fund Co., Ltd. (中央企業鄉村產業投資基金股份有限公司)	Domestic Shares	Beneficial owner	7,466,671	13.51%	10.49%

Corporate Governance and Other Information

Name	Class of Shares	Nature of Interest	Number of Shares	Approximate Percentage in Shares of the Same Class ⁽¹⁾	Approximate Percentage of the Company's Total Issued Share Capital ⁽¹⁾
FAN Yin ⁽²⁾	Domestic Shares	Interest in a controlled corporation	4,540,000(L)	8.22%	6.09%
SUN Jian ⁽²⁾	Domestic Shares	Interest in a controlled corporation	4,540,000(L)	8.22%	6.09%
Shanghai Jinpu Jianfu Equity Investment Management Co., Ltd. (上海金浦健服股權投資管理有限公司) ⁽²⁾	Domestic Shares	Interest in a controlled corporation	4,540,000(L)	8.22%	6.09%
Wenzhou Jinning Equity Investment Partnership (Limited Partnership) (溫州金寧股權投資合夥企業(有限合夥))	Domestic Shares	Beneficial owner	4,540,000(L)	8.22%	6.09%
XU Yi ⁽³⁾	Domestic Shares	Interest of spouse	5,785,350(L)	10.47%	7.76%
Shanghai Tanying Investment L.P. (上海禮英投資合夥企業(有限合夥))	Domestic Shares	Beneficial owner	4,519,003(L)	8.18%	6.06%
Shanghai Lejin Investment L.P. (上海樂進投資合夥企業(有限合夥)) ⁽⁴⁾	Domestic Shares	Interest in a controlled corporation	4,519,003(L)	8.18%	6.06%
LIN Lijun	Domestic Shares	Interest in a controlled corporation	6,506,309(L)	11.77%	8.72%
Shanghai Loyal Valley Investment Management Co., Limited (上海正心谷投資管理有限公司) (formally know as Shanghai Shenge Investment Management Co., Ltd.) ⁽⁵⁾	Domestic Shares	Interest in a controlled corporation	6,506,309(L)	11.77%	8.72%
Wind Information Co., Ltd. (萬得信息技術股份有限公司)	Domestic Shares	Interest in a controlled corporation	3,333,000(L)	6.03%	4.47%
Shanghai Hehuayuan Enterprise Management Center (Limited Partnership) (上海荷花緣企業管理中心(有限合夥))	Domestic Shares	Interest in a controlled corporation	3,333,000(L)	6.03%	4.47%

Corporate Governance and Other Information

Name	Class of Shares	Nature of Interest	Number of Shares	Approximate Percentage in Shares of the Same Class ⁽¹⁾	Approximate Percentage of the Company's Total Issued Share Capital ⁽¹⁾
Wind Impact Equity Investment (Jiaxing) Partnership (Limited Partnership) (萬得影響力股權投資(嘉興)合夥企業(有限合夥))	Domestic Shares	Beneficial owner	3,333,000(L)	6.03%	4.47%
Qingdao Jinshi Haorui Investment Co., Ltd. (青島金石灑汭投資有限公司)	Domestic Shares	Beneficial owner	2,780,000(L)	5.03%	3.73%
Jinshi Investment Co., Ltd. (金石投資有限公司) ⁽⁶⁾	Domestic Shares	Interest in a controlled corporation	2,780,000(L)	5.03%	3.73%
OrbiMed Advisors LLC	H Shares	Investment manager	1,454,000(L)	7.52%	1.95%
OrbiMed Capital LLC	H Shares	Investment manager	2,150,900(L)	11.12%	2.88%
OrbiMed Partners Master Fund Limited	H Shares	Beneficial owner	1,279,900(L)	6.62%	1.72%
OrbiMed Partners II, L.P.	H Shares	Beneficial owner	1,052,000(L)	5.44%	1.41%
UBS Group AG	H Shares	Interest in a controlled corporation	1,152,200(L)	5.96%	1.54%
ZOU Haili (鄒海麗)	H Shares	Beneficial owner	1,680,000(L)	8.69%	2.25%

Notes:

(L): Long position

(1) The shareholding percentages are calculated on the basis of 55,260,000 Domestic Shares and 19,340,300 H Shares (an aggregate of 74,600,300 Shares) issued by the Company as of June 30, 2022.

Corporate Governance and Other Information

- (3) Mr. XU Yi is the spouse of Ms. WANG Hongyue (resigned as a Director on September 1, 2022), a former Director, and therefore, Mr. XU Yi is deemed to be interested in the Domestic Shares held by Ms. WANG Hongyue by virtue of Part XV of the SFO.
- (4) Shanghai Lejin Investment L.P. (上海樂進投資合夥企業(有限合夥)) holds 99.99% equity interest in Shanghai Tanying Investment L.P. (上海檀英投資合夥企業(有限合夥)). Therefore, by virtue of Part XV of the SFO, Shanghai Lejin Investment L.P. (上海樂進投資合夥企業(有限合夥)) is deemed to be interested in all the Domestic Shares held by Shanghai Tanying Investment L.P. (上海檀英投資合夥企業(有限合夥)) in the Company.
- (5) Shanghai Loyal Valley Investment Management Co., Limited (上海正心谷投資管理有限公司) (formally know as Shanghai Shenge Investment Management Co., Ltd. (上海盛歌投資管理有限公司)) is a general partner of Shanghai Qiangang Investment Management Partnership (L.P.) (上海乾剛投資管理合夥企業(有限合夥)) and Shanghai Tanying Investment L.P. (上海檀英投資合夥企業(有限合夥)). Therefore, by virtue of Part XV of the SFO, Shanghai Loyal Valley Investment Management Co., Limited is deemed to be interested in all the Domestic Shares held by Shanghai Qiangang Investment Management Partnership (L.P.) (上海乾剛投資管理合夥企業(有限合夥)) (which directly holds 1,987,356 Domestic Shares of the Company) and Shanghai Tanying Investment L.P. (上海檀英投資合夥企業(有限合夥)) in the Company.
- (6) Qingdao Jinshi Haorui Investment Co., Ltd. (青島金石灑納投資有限公司) is wholly held by Jinshi Investment Co., Ltd. (金石投資有限公司). Therefore, Jinshi Investment Co., Ltd. (金石投資有限公司) is deemed to be interested in the Domestic Shares held by Qingdao Jinshi Haorui Investment Co., Ltd. (青島金石灑納投資有限公司) in the Company by virtue of Part XV of the SFO.

Save as disclosed above, as at June 30, 2022, to the knowledge of the Directors, no other person (other than a Director, a Supervisor or chief executive of the Company) had, or was deemed or taken to have interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

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

Zhejiang, the PRC
January 10, 2023

Consolidated Balance Sheets

June 30, 2022

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note IV	June 30, 2022	December 31, 2021
Current assets:			
Cash at bank and on hand	(I)	275,180,570.66	188,734,845.77
Settlement deposits			
Placements with banks and other financial institutions			
Financial assets held for trading		10,000,000.00	10,000,000.00
Derivative financial assets			
Notes receivable			
Accounts receivable	(II)	422,054,574.32	311,757,875.46
Receivables financing			
Advances to suppliers	(III)		
	Accounts receivable		



Consolidated Balance Sheets

June 30, 2022

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note IV	June 30, 2022	December 31, 2021
Current liabilities:			
Short-term borrowings	(XVII)	361,050,000.00	254,050,000.00
Borrowings from central bank			
Placements from banks and other financial institutions			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable	(XVIII)	2,000,000.00	
Accounts payable	(XIX)	52,162,679.09	69,162,001.55
Receipts in advance	(XX)	29,949,439.15	16,275,602.70
Contract liabilities		16,966,720.78	3,240.59
Financial assets sold under repurchase agreements			
Receipt of deposits and deposits from other banks			
Funds received as agent of stock exchange			
Funds received as stock underwriter			
Employee benefits payable	(XXI)	39,798,592.55	60,488,184.27
Taxes payable	(XXII)	31,756,982.42	30,235,329.33
Other payables	(XXIII)	75,395,494.59	66,523,265.66
Fees and commissions payable			
Reinsurance accounts payable			
Liabilities held for sale			
Current portion of non-current liabilities	(XXIV)	33,621,582.66	48,240,752.22
Other current liabilities			
Total current liabilities		642,701,491.24	544,978,376.32
Non-current liabilities:			
Provision for insurance contracts			
Long-term borrowings	(XXV)	404,330,000.00	280,950,000.00
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities	(XXVI)	240,844,820.78	231,733,760.37
Long-term payables			
Long-term employee benefits payables			
Provisions			
Deferred income	(XXVII)	9,189,787.00	9,341,683.00
Deferred tax liabilities	(XV)	42,351,531.01	39,875,789.95
Other non-current liabilities			
Total non-current liabilities		696,716,138.79	561,901,233.32

Parent Company Balance Sheets

June 30, 2022

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note XIV	June 30, 2022	December 31, 2021
Current assets:			
Cash at bank and on hand		145,353,201.43	97,615,570.76
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivable	(I)	91,983,673.72	43,073,020.07
Receivables financing			
Advances to suppliers		1,757,066.68	323,359.36
Other receivables	(II)	520,876,519.51	492,034,884.26
Inventories		10,126,742.84	8,646,145.40
Contract assets			
Assets held for sale			
Current portion of non-current assets			
Other current assets			143,021.82
Total current assets		770,097,204.18	641,836,001.67

Parent Company Balance Sheets

June 30, 2022

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note XIV	June 30, 2022	December 31, 2021
Non-current assets:			
Debt investments			
Other debt investments			
Long-term accounts receivable			
Long-term equity investments	(III)	752,417,962.20	684,326,571.99
Investment in other equity instruments			
Other non-current financial assets		65,842,986.22	65,812,274.58
Investment properties			
Fixed assets		304,534,641.03	310,929,096.06
Construction in progress		1,340,014.00	782,356.00
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		22,154,452.13	

Parent Company Balance Sheets

June 30, 2022

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note XIV	June 30, 2022	December 31, 2021
Current liabilities:			
Short-term borrowings		361,050,000.00	251,050,000.00
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable		11,940,983.97	13,161,555.37

Parent Company Balance Sheets

June 30, 2022

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note XIV	June 30, 2022	December 31, 2021
Shareholders' equity:			
Share capital		74,600,300.00	74,600,300.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital surplus		863,324,612.95	854,317,490.93
Less: Treasury stock			
Other comprehensive income			
Special reserves			
Surplus reserve		38,399,577.13	38,399,577.13
Retained earnings		211,379,415.21	209,543,738.61
Total shareholders' equity		1,187,703,905.29	1,176,861,106.67
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,951,688,694.79	1,762,326,156.96

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

Legal representative:
GUAN Weili

Principal in charge of accounting:
JIN Hui

Head of accounting department:
WANG Minhui

Consolidated Income Statement

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

Item	Note IV	Amount for the current period	Amount for the previous period
I. Total revenue		738,304,534.09	607,736,706.59
Including: Revenue	(XXXII)	738,304,534.09	607,736,706.59
Interest income			
Premium income			
Fees and commissions income			
II. Total cost of sales		680,267,107.96	566,389,581.01
Including: Cost of sales	(XXXII)	540,536,166.95	454,141,400.56
Interest expenses			
Fees and commissions expenses			
Surrenders			
Net claims expenses			
Net provisions for insurance contracts reserve			
Insurance policy dividend paid			
Reinsurance costs			
Taxes and surcharges	(XXXIII)	2,011,207.46	2,244,721.85
Selling and distribution expenses	(XXXIV)	6,115,884.91	4,898,585.53
General and administrative expenses	(XXXV)	94,894,218.90	76,061,449.25
Research and development expenses	(XXXVI)	15,061,500.46	11,805,725.55
Financial expenses	(XXXVII)	21,648,129.28	17,237,698.27
Including: Interest expenses		22,800,335.12	18,351,838.72
Interest income		-1,699,139.71	-1,684,441.00
Add: Other income	(XXXVIII)	5,904,642.30	5,362,467.21
Investment income (losses represented with "-" signs)	(XXXIX)	-278,819.93	5,364,428.22
Including: Investment income from associates and joint ventures		-1,671,780.92	-754,562.96
Derecognition income of financial assets measured at the amortized cost			
Foreign exchange gains (losses represented with "-" signs)			
Gains from net exposure hedges (losses represented with "-" signs)			
Gains from changes in fair value (losses represented with "-" signs)	(XL)	30,711.64	1,354,970.42
Credit impairment losses (losses represented with "-" signs)	(XLI)	-2,731,680.33	-2,313,298.25
Asset impairment losses (losses represented with "-" signs)			
Gains from disposal of assets (losses represented with "-" signs)	(XLII)	389,315.92	
III. Operating profit (losses represented with "-" signs)		61,351,595.73	51,115,693.18
Add: Non-operating income	(XLIII)	5,351,731.93	4,840,495.28

Consolidated Income Statement

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

Item	Note IV	Amount for the current period	Amount for the previous period
V. Net profit (net losses represented with "-" signs)		44,220,737.73	36,238,217.62
(I) Classified by continuity of operations			
1. Net profit from continuing operations (net losses represented with "-" signs)		44,220,737.73	36,238,217.62
2. Net profit from discontinued operations (net losses represented with "-" signs)			
(II) Classified by ownership of the equity			
1. Net profit attributable to shareholders of the parent company (net losses represented with "-" signs)		38,788,155.89	35,003,345.89
2. Profit or loss attributable to non-controlling interests (net losses represented with "-" signs)		5,432,581.84	1,234,871.73
VI. Other comprehensive income, net of tax			
Other comprehensive income attributable to shareholders of the parent company, net of tax			
(I) Other comprehensive income that cannot be reclassified to profit and loss			
1. Changes arising from remeasurement of defined benefit plan			
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method			
3. Changes in fair value of other equity instrument investments			
4. Changes in fair value due to the enterprise's own credit risk			
(II) Other comprehensive income that can be reclassified to profit and loss			
1. Other comprehensive income that can be reclassified to profit or loss under the equity method			
2. Changes in fair value of other debt investments			
3. Amount of financial assets reclassified into other comprehensive income			
4. Credit impairment provisions for other debt investments			
5. Reserves for cash flow hedges			
6. Exchange difference on translation of financial statements in foreign currencies			
7. Others			
Other comprehensive income attributable to noncontrolling interests, net of tax			
VII. Total comprehensive income		44,220,737.73	36,238,217.62
Attributable to shareholders of the parent company		38,788,155.89	35,003,345.89
Attributable to non-controlling interests		5,432,581.84	1,234,871.73
VIII. Earnings per share:			
(I) Basic (RMB per share)	(XLVI)	0.52	0.48
(II) Diluted (RMB per share)	(XLVI)	0.52	0.48

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

Legal representative:
GUAN Weili

Principal in charge of accounting:
JIN Hui

Head of accounting department:
WANG Minhui

Parent Company Income Statement

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

Item	Note XIV	Amount for the current period	Amount for the previous period
I. Revenue	(IV)	185,800,099.09	185,819,979.03
Less: Cost of sales	(IV)	133,222,735.95	132,706,620.97
Taxes and surcharges		-48,582.78	1,338,471.47
Selling and distribution expenses		880,640.77	1,440,490.48
General and administrative expenses		39,050,764.01	32,364,991.65
Research and development expenses		9,645,738.48	7,692,664.63
Financial expenses		7,219,501.23	1,638,974.05
Including: Interest expenses		13,059,326.62	9,789,644.50
Interest income		-5,997,744.74	-8,365,974.96
Add: Other income		3,866,983.80	2,342,712.39
Investment income (losses represented with "-" signs)	(V)	-702,180.45	-1,629,853.53

Parent Company Income Statement

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

Item	Note XIV	Amount for the current period	Amount for the previous period
V. Other comprehensive income, net of tax			
(I) Other comprehensive income that cannot be reclassified to profit and loss			
1. Changes arising from remeasurement of defined benefit plan			
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method			
3. Changes in fair value of other equity instrument investments			
4. Changes in fair value due to the enterprise's own credit risk			
(II) Other comprehensive income that can be reclassified to profit and loss			
1. Other comprehensive income that can be reclassified to profit or loss under the equity method			
2. Changes in fair value of other debt investments			
3. Amount of financial assets reclassified into other comprehensive income			
4. Credit impairment provisions for other debt investments			
5. Reserves for cash flow hedges			
6. Exchange difference on translation of financial statements in foreign currencies			
7. Others			
VI. Total comprehensive income		1,835,676.60	7,188,489.02
VII. Earnings per share:			
(I) Basic (RMB per share)			
(II) Diluted (RMB per share)			

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

Legal representative:
GUAN Weili

Principal in charge of accounting:
JIN Hui

Head of accounting department:
WANG Minhui

Consolidated Cash Flow Statement

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

Item	Note IV	Amount for the current period	Amount for the previous period
I. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		653,410,155.49	539,688,900.00
Net increase in customer deposits and interbank deposits			
Net increase in borrowings from central bank			
Net increase in placements from other financial institutions			
Cash received from original insurance contract premium			
Net cash received from reinsurance business			
Net increase in deposits and investments from policyholders			
Cash received from interests, fees and commissions			
Net increase in placements from banks and other financial institutions			
Net increase in cash from repurchase business			
Net cash received from securities brokerage services			
Refund of taxes and levies			
Cash received relating to other operating activities		57,537,282.38	10,297,037.00
Sub-total of cash inflows of operating activities		710,947,437.87	549,985,937.00
Cash paid for goods and services		305,934,085.24	218,754,957.00
Net increase in customer loans and advances			
Net increase in deposits with central bank and other banks			
Cash paid for compensation under original insurance contract			
Net increase in placements with banks and other financial institutions			
Cash paid for interests, fees and commissions			
Cash paid for policyholders' dividends			
Cash paid to and on behalf of employees		267,178,624.43	207,867,279.00
Payments of taxes and surcharges		28,189,888.70	27,309,627.00
Cash paid relating to other operating activities		53,670,364.91	58,738,353.00
Sub-total of cash outflows of operating activities		654,972,963.28	512,670,216.00
Net cash flows from operating activities		55,974,474.59	37,315,721.00

Parent Company Cash Flow Statement

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

Item	Note XIV	Amount for the current period	Amount for the previous period
I. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		140,627,582.89	179,943,716.00
Refund of taxes and levies			
Cash received relating to other operating activities		259,922,752.08	41,059,175.00
Sub-total of cash inflows of operating activities		400,550,334.97	221,002,891.00
Cash paid for goods and services		86,999,715.12	79,367,409.00
Cash paid to and on behalf of employees		75,729,018.54	69,299,239.00
Payments of taxes and surcharges		3,178,776.46	11,108,308.00
Cash paid relating to other operating activities		305,521,020.05	13,989,175.00
Sub-total of cash outflows of operating activities		471,428,530.17	173,764,131.00
Net cash flows from operating activities		-70,878,195.20	47,238,760.00
II. Cash flows from investing activities			
Cash received from disposal of investments			
Cash received from returns on investments			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,880.00	
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities			21,061,699.00
Sub-total of cash inflows of investing activities		2,880.00	21,061,699.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets		4,636,366.92	32,867,069.00
Cash paid to acquire investments		59,309,855.16	69,436,000.00
Net cash paid to acquire subsidiaries and other business units			
Cash paid relating to other investing activities			2,650,000.00
Sub-total of cash outflows of investing activities		63,946,222.08	104,953,069.00
Net cash flows from investing activities		-63,943,342.08	-83,891,370.00

Parent Company Cash Flow Statement

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

Item	Note XIV	Amount for the current period	Amount for the previous period
III. Cash flows from financing activities			
Cash received from capital contributions			2,445,056.00
Cash received from borrowings		272,500,000.00	143,000,000.00
Cash received relating to other financing activities			
Sub-total of cash inflows of financing activities		272,500,000.00	145,445,056.00
Cash repayments of borrowings		77,100,000.00	31,000,000.00
Cash payments for distribution of dividends, profit or interest expenses		12,885,143.93	9,776,470.00
Cash paid relating to other financing activities			2,391,185
Sub-total of cash outflows of financing activities		89,985,143.93	43,167,655.00
Net cash flows from financing activities		182,514,856.07	102,277,401.00
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
		44,311.88	-21,034.00
V. Net increase in cash and cash equivalents			
Add: Cash and cash equivalents at the beginning of the period		97,615,570.76	118,136,805.00
VI. Cash and cash equivalents at the end of the period			
		145,353,201.43	183,740,562.00

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

Legal representative:
GUAN Weili

Principal in charge of accounting:
JIN Hui

Head of accounting department:
WANG Minhui

Consolidated Statement of Changes in Shareholders' Equity

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

Items	Amount for the current period															
	Share capital	Preferred shares	Perpetual bonds	Other equity instruments	Equity attributable to owners of the parent company	Capital reserve	Treasury stock	Less: comprehensive income	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk	Retained earnings	Subtotal	Minority interests	Total owners' equity
I. Balance as at the end of the previous year	74,600,300.00				888,165,395.59		-			38,399,577.13	247,900,760.77	1,199,073,033.49	72,015,223.54	1,271,089,257.03		1,271,089,257.03
Plus: Changes in accounting policies																
Correction of accounting errors in prior periods																
Business combinations under common control																
Others																
II. Balance as at the beginning of the current year	74,600,300.00				888,165,395.59		-			38,399,577.13	247,900,760.77	1,199,073,033.49	72,015,223.54	1,271,089,257.03		1,271,089,257.03
III. Increases/decreases in the current period ("+" for increases)					9,007,122.02											
(I) Total comprehensive income																
(II) Owner contribution and capital increase																
1. Common stock contributed by owners																
2. Capital invested by holders of other equity instruments																
3. Amounts of share-based payments																
4. Others																
(III) Distribution of profits																
1. Withdrawal of surplus reserves																
2. Withdrawal of provision for general risk																
3. Profit distributed to owners (or shareholders)																
4. Others																
(IV) Internal cash-inward of owners' equity																
1. Conversion of capital reserves into paid-in capital (or share capital)																
2. Conversion of surplus reserves into paid-in capital (or share capital)																
3. Surplus reserves offsetting losses																
4. Cash-inward of changes in the defined benefit plan for retained earnings																
5. Cash-inward of other comprehensive income for retained earnings																
6. Others																
(V) Special reserves																
1. Withdrawal for the period																
2. Usage for the period																
(VI) Others																
IV. Balance as at the end of the period	74,600,300.00				897,172,517.61					38,399,577.13	289,622,710.62	1,249,795,105.36	104,510,103.06	1,354,305,208.42		1,354,305,208.42

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

Legal representative:
GUAN Weili

Principal in charge of accounting:
JIN Hui

Head of accounting department:
WANG Minhui

Parent Company Statement of Changes in Shareholders' Equity

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

Items	Amount for the current period							Total owners' equity			
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Treasury stock	Less: Other comprehensive income		Special reserve	Surplus reserve	Retained earnings
I. Balance as at the end of the previous year	74,600,300.00				854,317,490.93				38,399,577.13	209,543,738.61	1,176,861,106.67
Plus: Changes in accounting policies											
Correction of accounting errors in prior periods											
Others											
II. Balance as at the beginning of the current year	74,600,300.00				854,317,490.93				38,399,577.13	209,543,738.61	1,176,861,106.67
III. Increases/decreases in the current period					9,007,122.02				1,835,676.60	10,842,798.62	1,835,676.60
(*) for decreases					9,007,122.02				1,835,676.60	1,835,676.60	9,007,122.02
(I) Total comprehensive income											
(II) Owner contribution and capital decrease											
1. Common stock contributed by owners											
2. Capital invested by holders of other equity instruments											
3. Amounts of sharebased payments recognized in owners' equity											
4. Others											
(III) Distribution of profits											
1. Withdrawal of surplus reserves											
2. Profit distributed to owners (or shareholders)											
3. Others											
(IV) Internal carry-forward of owners' equity											
1. Conversion of capital reserves into paid-in capital (or share capital)											
2. Conversion of surplus reserves into paid-in capital (or share capital)											
3. Surplus reserves offsetting losses											
4. Carry-forward of changes in the defined benefit plan for retained earnings											
5. Carry-forward of other comprehensive income for retained earnings											
6. Others											
(V) Special reserves											
1. Withdrawal for the period											
2. Usage for the period											
(VI) Others											
IV. Balance as at the end of the period	74,600,300.00				863,324,612.95				38,399,577.13	211,379,415.21	1,187,703,905.29

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

Legal representative:
GUAN Weili

Principal in charge of accounting:
JIN Hui

Head of accounting department:
WANG Minhui

Parent Company Statement of Changes in Shareholders' Equity

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

Items	Amount for the previous period							Total owners' equity
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Treasury stock	Less: Other comprehensive income	
I. Balance as at the end of the previous year	74,600,300.00				834,138,174.86	23,311,143.84		1,115,307,622.59
Plus: Changes in accounting policies								
Correction of accounting errors in prior periods								
Others								
II. Balance as at the beginning of the current year	74,600,300.00				834,138,174.86	23,311,143.84		1,115,307,622.59
III. Increases/decreases in the current period								
(*: for decreases)								
(I) Total comprehensive income								
(II) Owner contribution and capital decrease								
1. Common stock contributed by owners								
2. Capital invested by holders of other equity instruments					9,468,980.93	-23,311,143.84		39,988,637.79
3. Amounts of sharebased payments recognized in owners' equity					9,468,980.93			7,188,489.02
4. Others					2,445,056.34			9,468,980.93
(III) Distribution of profits								
1. Withdrawal of surplus reserves					5,512,658.00			5,512,658.00
2. Profit distributed to owners (or shareholders)					1,531,266.59			1,531,266.59
3. Others								
(IV) Internal carry-forward of owners' equity								
1. Conversion of capital reserves into paid-in capital (or share capital)								
2. Conversion of surplus reserves into paid-in capital (or share capital)								
3. Surplus reserves offsetting losses								
4. Carry-forward of changes in the defined benefit plan for retained earnings								
5. Carry-forward of other comprehensive income for retained earnings								
6. Others								
(V) Special reserves								
1. Withdrawal for the period								
2. Usage for the period								
(VI) Others								
IV. Balance as at the end of the period	74,600,300.00				843,627,155.79	-23,311,143.84		1,155,295,776.39

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

Legal representative:
GUAN Weili

Principal in charge of accounting:
JIN Hui

Head of accounting department:
WANG Minhui

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

I. General information

Wenzhou Kangning Hospital Co., Ltd. (the “Company”) was established as a joint stock cooperative enterprise under the name of Wenzhou City Kangning Psychiatric Rehabilitation Hospital (溫州市康寧精神康復醫院) in the PRC in February 1996. The address of the Company’s registered office is at Shengjin Road, Huanglong Residential District, Wenzhou, Zhejiang, the PRC.

On October 15, 2014, the Company was converted into a joint stock limited liability company and renamed as Wenzhou Kangning Hospital Co., Ltd. (溫州康寧醫院股份有限公司).

The Company has its primary listing on the Stock Exchange of Hong Kong Limited on November 20, 2015. The Company is in the healthcare industry.

As of December 31, 2021, the Company had issued a total of 74,600,300 shares with a registered capital of RMB74,600,300; the registered address is at Shengjin Road, Huanglong Residential District, Wenzhou, Zhejiang, the PRC, and the headquarters address is at Shengjin Road, Huanglong Residential District, Wenzhou, Zhejiang, the PRC. The principal operating activities of the Company are operating psychiatric hospitals and providing management services to hospitals. The actual controlling person of the Company is Guan Weili.

The financial statements were authorised for issue by the Board of Directors of the Company on January 10, 2023.

II. Summary of significant accounting policies and accounting estimates

(I) Basis of preparation of the interim financial statements

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises – Basic Standards and various specific accounting standards, application guidance for the Accounting Standards for Business Enterprises, interpretations of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (hereafter collectively referred to as the “Accounting Standards for Business Enterprises”), and the relevant requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reporting issued by the China Securities Regulatory Commission.

The financial statements are prepared and have disclosed relevant financial information in accordance with the requirements of the Accounting Standard for Business Enterprises No. 32 – Interim Financial Report issued by the Ministry of Finance.

The accounting policies adopted in these financial statements are consistent with those adopted in the Group’s financial statements for the year 2021. The interim financial statements shall be read together with the financial statements for the year 2021 of the Group.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

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

(I) Basis of preparation of the interim financial statements (continued)

The financial statements are prepared on a going concern basis.

The new Hong Kong Companies Ordinance became effective on March 3, 2014. Certain disclosures in the financial statements have been adjusted in accordance with requirements therein.

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

The financial statements are in compliance with the Accounting Standards for Business Enterprises issued by Ministry of Finance, and truly and completely present the consolidated and the parent company's financial position of the Company as at June 30, 2022 and their financial performance and cash flows for January to June 2022.

III. Taxation

(I) Major tax categories and tax rates

Tax categories	Tax basis	Tax rate
Value-added tax ("VAT")	The VAT payable is the difference between	

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

III. Taxation (*continued*)

(II) Preferential tax treatment

1. Pursuant to the relevant requirements under the Circular on the Overall Promotion of Pilot Program of Levying VAT in Place of Business Tax (Cai Shui [2016] No. 36) jointly issued by the Ministry of Finance and the State Taxation Administration, the Company and its subsidiaries comply with the provisions of the Administrative Measures on Medical Institutions (Order of the State Council No.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements

Note: Balance as at the end of the previous year in the notes to the financial statements refers to the amount in the financial statements as at December 31, 2021 (audited), and balance as at the end of the period refers to the amount in the financial statements as at June 30, 2022 (unaudited), the current period refers to the six months ended June 30, 2022 (unaudited), and the previous period refers to the six month ended June 30, 2021 (unaudited).

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(II) Accounts receivable (*continued*)

3. Provision for bad debts provided for, reversed or recovered in the current period

Category	Balance as at the end of the previous year	Changes in the current period		Balance as at the end of the period
		Provided for	Recovered or reversed	
Provision for bad debts made on individual basis	4,590,286.39	22,898.42		4,613,184.81
Provision for bad debts made on grouping basis	4,775,548.84	3,406,410.75		7,539,129.65
Total	9,365,835.23	3,429,309.17		12,152,314.46

4. Accounts receivable written off in the current period

Item	Amount written-off
Accounts receivable written off	642,829.94

5. The top five debtors of accounts receivable as at the end of the period

Name of entities	Balance as at the end of the period		
	Accounts receivable	As a proportion in total accounts receivable (%)	Provision for bad debts
Wenzhou Medical Insurance Administrative Center	115,519,745.08	26.60	1,155,197.45
Medical Insurance Treatment and Settlement Centre of Pingyang County	21,613,418.26	4.98	216,134.18
Yueqing Medical Insurance Centre	12,643,681.77	2.91	126,436.82
Medical Insurance Service Centre of Cangnan County	11,781,597.87	2.71	117,815.98
Healthcare Security Administration of Yongjia County	9,408,018.48	2.17	94,080.18
Total	170,966,461.46	39.37	1,709,664.61

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(III) Advances to suppliers

1. Advances to suppliers presented by aging

Aging	Balance as at the end of the period		Balance as at the end of the previous year	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	6,665,658.56	98.06	11,751,451.87	99.10
1 -2 years	78,579.12	1.15	58,511.20	0.49
2 – 3 years	10,000.00	0.15	24,163.99	0.20
Over 3 years	43,300.00	0.64	24,300.00	0.21
Total	6,797,537.68	100.00	11,858,427.06	100.00

2. The top five receivers of advances by the balance as at the end of the period of advances to suppliers

Receivers of advances	Balance as at the end of the period	As a proportion in total balance of advances to suppliers as at the end of the period (%)
Quzhou Dakang Elderly Care Services Co., Ltd. (衢州市達康養老服務有限公司)	1,947,879.00	28.66
Guolong Juntu Finance Leasing Co., Ltd. (國隆君途融資租賃有限公司)	1,796,666.68	26.43
Stock Economic Cooperative of Changshan Village, Hongqiao Town, Yueqing City (樂清市虹橋鎮長山村股份經濟合作社)	290,101.60	4.27
Zhejiang Laiyi Pharmaceutical Co., Ltd. (浙江來益醫藥有限公司)	243,662.40	3.58
Hangzhou Zhongqi Automobile Sales Services Co., Ltd. (杭州眾祺汽車銷售服務有限公司)	233,333.35	3.43
Total	4,511,643.03	66.37

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(IV) Other receivables (*continued*)

1. Other receivables (*continued*)

(2) Other receivables disclosed by classification of provision for bad debts

Category	Balance as at the end of the period					Balance as at the end of the previous year				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Provision for bad debts on the individual basis	1,435,560.00	4.70	1,435,560.00	100	-	1,435,560.00	4.40	1,435,560.00	100.00	
Including:										
Headquarters of the Urban Construction and Comprehensive Development of Aojiang Town, Pingyang County	1,435,560.00	4.70	1,435,560.00	100	-	1,435,560.00	4.40	1,435,560.00	100.00	
Provision for bad debts on the grouping basis	29,118,126.17	95.30	625,201.6	2.15	28,492,924.57	31,179,701.13	95.60	1,241,335.23	3.98	29,938,365.90
Including:										
Portfolio of aging credit risk	29,118,126.17	95.30	625,201.6	2.15	28,492,924.57	31,179,701.13	95.60	1,241,335.23	3.98	29,938,365.90
Total	30,553,686.17	100.00	2,060,761.60	/	28,492,924.57	32,615,261.13	100.00	2,676,895.23	/	29,938,365.90

Provision for bad debts on the individual basis:

Name	Balance as at the end of the period			
	Book value	Provision for bad debts	Proportion of provision (%)	Reason for the provision
Headquarters of the Urban Construction and Comprehensive Development of Aojiang Town, Pingyang County	1,435,560.00	1,435,560.00	100.00	Expected to be unable to recover
Total	1,435,560.00	1,435,560.00	/	

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(IV) Other receivables (*continued*)

1. Other receivables (*continued*)

(2) Other receivables disclosed by classification of provision for bad debts (*continued*)

Item with provision on grouping basis:

Name	Balance as at the end of the period		
	Other receivables	Provision for bad debts	Proportion of provision (%)
Portfolio of aging credit risk	29,118,126.17	625,201.60	2.15
Total	29,118,126.17	625,201.60	

(3) Details of provision for bad debts

Provision for bad debts	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
Balance as at the end of the previous year	1,241,335.23		1,435,560.00	2,676,895.23
Balance as at the end of the previous year that transferred/reversed in the current period				
- Transferred to stage 2				
- Transferred to stage 3				
- Reversed to stage 2				
- Reversed to stage 1				
Provision for the current period	98,669.63			98,669.63
Reversal in the current period	696,390.58			696,390.58
Written back in the current period	18,412.68			18,412.68
Written off in the current period				
Other changes				
Balance as at the end of the period	625,201.60		1,435,560.00	2,060,761.60

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(IV) Other receivables (*continued*)

1. Other receivables (*continued*)

(3) Details of provision for bad debts (*continued*)

Changes in book value of other receivables:

Book value	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
Balance as at the end of the previous year	31,179,701.13		1,435,560.00	32,615,261.13
Balance as at the end of the previous year that transferred/reversed in the current period				
- Transferred to stage 2				
- Transferred to stage 3				
- Reversed to stage 2				
- Reversed to stage 1				
Addition for the current period				
Derecognized in the current period	2,061,574.96			2,061,574.96
Other changes				
Balance as at the end of the period	29,118,126.17		1,435,560.00	30,553,686.17

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(IV) Other receivables (*continued*)

1. Other receivables (*continued*)

(4) Provision for bad debts provided for, reversed or recovered in the current period

Category	Balance as at the end of the previous year	Changes in the current period			Balance as at the end of the period
		Provided for/other increase	Recovered or reversed	Written-back or written-off	
Provision for bad debts on individual basis	1,435,560.00				1,435,560.00
Provision for bad debts on grouping basis	1,241,335.23	98,669.63	696,390.58	18,412.68	625,201.60
Total	2,676,895.23	98,669.63	696,390.58	18,412.68	2,060,761.60

(5) Other receivables written off in the current period

Item	Amount written-off
Other receivables written off	18,412.68

(6) Other receivables by nature

Nature of receivables	Balance as at the end of the period	Balance as at the end of the previous year
Deposit and guarantee	15,780,498.61	15,247,997.61
Placements	10,257,985.89	12,558,330.66
Advances	1,446,395.90	1,424,884.02
Amounts due from related parties	879,698.91	12,877.91
Others	2,189,106.86	3,371,170.93
Total	30,553,686.17	32,615,261.13

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(IV) Other receivables (*continued*)

1. Other receivables (*continued*)

(7) The top five debtors of other receivables as at the end of the period

Name of Entities	Nature of receivables	Balances as at the end of the period	Aging	As a proportion of the total balance of other receivables as at the end of the period (%)	Provision for bad debts as at the end of the period
Wenzhou Tiandu Pension Project Co., Ltd.	Deposits and guarantees	5,000,000.00	Within 1 year	16.36	
Shenzhen Sanma Technology Industry Co., Ltd.	Deposits and guarantees	2,900,000.00	Over 5 years	9.49	150,000.00
Yan Yinxian Stock Economic Cooperative of Changshan Village, Hongqiao Town, Yueqing City	Placements	1,967,000.00	0 - 2 years	6.44	137,690.00
Headquarters of the Urban Construction and Comprehensive Development of Aojiang Town, Pingyang County	Advances	1,900,000.00	Within 1 year	6.22	19,000.00
		1,435,560.00	Over 3 years	4.70	1,435,560.00
Total		13,202,560.00		43.21	1,761,050.00

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(V) Inventories

1. Inventory Classification

Items	Balance as at the end of the period		Balance as at the end of the previous year			
	Book balance	Provision for decline in the value of inventories/ Impairment provision for contract performance costs	Book value	Book balance	Provision for decline in the value of inventories/ Impairment provision for contract performance costs	Book value
Turnover materials	4,795,506.86		4,795,506.86	2,242,027.51		2,242,027.51
Commodity stocks	50,459,539.42		50,459,539.42	54,277,273.72		54,277,273.72
Total	55,255,046.28		55,255,046.28	56,519,301.23		56,519,301.23

(VI) Other current assets

Items	Balances at the end of the period	Balances as at the end of the previous year
Input tax to be deducted	560.00	137,228.50
Prepaid corporate income tax	330,085.83	321,191.35
Prepaid expenses	279,173.47	348,266.00
Others	214,101.77	
Total	823,921.07	806,685.85

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(VIII) Other non-current financial assets

Items	Balance as at the end of the period	Balance as at the end of the previous year
Financial assets at fair value through profit or loss	65,842,986.22	65,812,274.58
Including: Investments in equity instruments	65,842,986.22	65,812,274.58
Total	65,842,986.22	65,812,274.58

(IX) Fixed assets

1. *Fixed assets and disposal of fixed assets*

Items	Balance as at the end of the period	Balance as at the end of the previous year
Fixed assets	713,911,147.02	721,846,771.52
Disposal of fixed assets	1,092.80	
Total	713,912,239.82	721,846,771.52

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(IX) Fixed assets (*continued*)

2. Details of fixed assets

Items	Buildings and structure	Motor vehicles	Electronic equipment	Office furniture	General equipment	Medical equipment	Total
1. Original carrying values							
(1) Balance as at the end of the previous year	744,179,671.70	9,149,585.72	26,171,339.77	43,507,215.67	248,410.00	146,404,804.14	969,661,027.00
(2) Increase in the current period	63,300.00	2,313,386.49	3,071,967.79	1,637,859.20	-	21,327,685.75	28,414,199.23
- Purchase	63,300.00	1,762,301.05	1,873,343.44	1,132,816.20	-	12,032,918.58	16,864,679.27
- Increase from business combinations	-	551,085.44	1,198,624.35	505,043.00	-	9,294,767.17	11,549,519.96
(3) Decrease in the current period	-	346,202.00	404,357.00	874,596.10	-	4,596,358.49	6,221,513.59
- Disposed or retired	-	346,202.00	404,357.00	874,596.10	-	4,596,358.49	6,221,513.59
(4) Balance as at the end of the period	744,242,971.70	11,116,770.21	28,838,950.56	44,270,478.77	248,410.00	163,136,131.40	991,853,712.64
2. Accumulated depreciation							
(1) Balance as at the end of the previous year	95,789,781.93	5,144,319.12	17,785,023.72	31,213,464.93	213,961.09	97,667,704.69	247,814,255.48
(2) Increase in the current period	11,595,478.22	988,657.75	2,512,101.85	3,055,374.59	6,923.13	17,801,734.78	35,960,270.32
- Provision	11,595,478.22	501,941.02	1,960,513.85	2,610,344.02	6,923.13	11,387,919.01	28,063,119.25
- Increase from business combinations	-	486,716.73	551,588.00	445,030.57	-	6,413,815.77	7,897,151.07
(3) Decrease in the current period	-	6,700.00	401,621.99	1,130,338.47	-	4,293,299.72	5,831,960.18
- Disposed or retired	-	6,700.00	401,621.99	1,130,338.47	-	4,293,299.72	5,831,960.18
(4) Balance as at the end of the period	107,385,260.15	6,126,276.87	19,895,503.58	33,138,501.05	220,884.22	111,176,139.75	277,942,565.62
3. Impairment provision	-	-	-	-	-	-	-
(1) Balance as at the end of the previous year	-	-	-	-	-	-	-
(2) Increase in the current period	-	-	-	-	-	-	-
(3) Decrease in the current period	-	-	-	-	-	-	-
(4) Balance as at the end of the period	-	-	-	-	-	-	-
4. Carrying amount							
(1) Carrying amount as at the end of the period	636,857,711.55	4,990,493.34	8,943,446.98	11,131,977.72	27,525.78	51,959,991.65	713,911,147.02
(2) Carrying amount as at the end of the previous year	648,389,889.77	4,005,266.60	8,386,316.05	12,293,750.74	34,448.91	48,737,099.45	721,846,771.52

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(X) Construction in progress

1. *Construction in progress and construction material*

Items	Balance as at the end of the period	Balance as at the end of the previous year
Construction in progress	98,218,972.15	43,795,718.15
Construction material		
Total	98,218,972.15	43,795,718.15

2. *Details of construction in progress*

Project	Balance as at the end of the period			Balance as at the end of the previous year		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
The decoration project of Wenzhou Kangning Hospital	1,340,014.00		1,340,014.00	782,356.00		782,356.00

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (continued)

(X) Construction in progress (continued)

3. Movements in important construction in progress for the current period

Project name	Budget RMB 0,000	Balance as at the end of the previous year	Increase in the current period	Transfer to long-term prepaid expenses in the current year	Transfer to fixed assets in the current period	Transferred to in the current period - others	Balance as at the end of the period	Cumulative investment in the project as a percentage of the budget	Progress of construction	Accumulated amount of capitalised interest	Including: Interest capitalised in the current period	Capitalisation rate of interest in the current period (%)	Source of fund
The construction project of Lucheng													
Yinying Hospital	27,473.00	6,213,670.10	48,297,050.18			1,527,004.92	52,983,715.36	19.29%	65%	1,271,801.60	921,662.66	2.05	borrowings
The decoration project of Pingyang													
Changyong Hospital	1,897.75	7,504,860.00	9,611,012.00			1,109,262.00	16,006,610.00	84.35%	84.35%				Own funds
The decoration project of Ouhai													
Yinying Hospital	6,666		24,406,646.33				24,406,646.33	37.12%	60%				Own funds
Total		41,788,944.74	82,314,708.51			2,636,266.92	93,396,971.69						

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(XI) Right-of-use assets

Items	Buildings and structure	Total
1. Original carrying value		
(1) Balance as at the end of the previous year	363,270,419.32	363,270,419.32
(2) Increase in the current period	14,275,596.77	14,275,596.77
– New leases	–	–
– Increase from business combinations	14,275,596.77	14,275,596.77
(3) Decrease in the current period	7,625,723.21	7,625,723.21
– Disposal	7,625,723.21	7,625,723.21
– Other transfers	–	–
(4) Balance as at the end of the period	369,920,292.88	369,920,292.88
2. Accumulated depreciation		
(1) Balance as at the end of the previous year	105,858,149.19	105,858,149.19
(2) Increase in the current period	20,760,704.78	20,760,704.78
– Provision	20,760,704.78	20,760,704.78
(3) Decrease in the current period	3,506,140.36	3,506,140.36
– Disposal	3,506,140.36	3,506,140.36
– Other transfers	–	–
(4) Balance as at the end of the period	123,112,713.61	123,112,713.61
3. Impairment provision		
(1) Carrying amount as at the end of the period		
(2) Carrying amount as at the end of the previous year		
(3) Decrease in the current period		
(4) Balance as at the end of the period		
4. Carrying amount		
(1) Carrying amount as at the end of the period	246,807,579.27	246,807,579.27
(2) Carrying amount as at the end of the previous year	257,412,270.13	257,412,270.13

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(XII) Intangible assets

1. Details of intangible assets

Items	Land use rights	Trademark rights	Software	Medical practice qualifications	Contractual rights to provide management service	Total
1. Original carrying value						
(1) Balance as at the end of the previous year	102,977,820.17	3,061,637.13	14,252,889.08	129,837,000.00	32,400,000.00	282,529,346.38
(2) Increase in the current period	22,392,200.00		4,812,113.72	27,000,000.00		54,204,313.72
- Purchase	22,392,200.00		3,785,413.72			26,177,613.72
- Increase from business combinations			1,026,700.00	27,000,000.00		28,026,700.00
(3) Decrease in the current period						
- Disposal						
(4) Balance as at the end of the period	125,370,020.17	3,061,637.13	19,065,002.80	156,837,000.00	32,400,000.00	336,733,660.10
2. Accumulated depreciation						
(1) Balance as at the end of the previous year	9,610,253.66	360,120.18	9,441,245.79	27,772,369.86	7,353,571.43	54,537,560.92
(2) Increase in the current period	1,442,309.12	165,232.74	1,966,979.80	9,007,537.67	750,000.00	13,332,059.33
- Provision	1,442,309.12	165,232.74	1,451,146.48	9,007,537.67	750,000.00	12,816,226.01
- Increase from business combinations			400,000.00			400,000.00
- Others			115,833.32			115,833.32
(3) Decrease in the current period						
- Disposal						
(4) Balance as at the end of the period	11,052,562.78	525,352.92	11,408,225.59	36,779,907.53	8,103,571.43	67,869,620.25
3. Impairment provision						
(1) Balance as at the end of the previous year						
(2) Increase in the current period						
(3) Decrease in the current period						
(4) Balance as at the end of the period						
4. Carrying amount						
(1) Carrying amount as at the end of the period	114,317,457.39	2,536,284.21	7,656,777.21	120,057,092.47	24,296,428.57	268,864,039.85
(2) Carrying amount as at the end of the previous year	93,367,566.51	2,701,516.95	4,811,643.29	102,064,630.14	25,046,428.57	227,991,785.46

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(XIII) Goodwill

1. Changes in goodwill

Name of investees	Balances as at the end of the previous year	Increase in the current period		Decrease in the current period		Balance as at the end of the period
		Arising from business combination	Increase of provision for goodwill impairment	Disposal	Disposal of goodwill impairment	
Original carrying amount						
Nanjing Yining Hospital Co., Ltd.	9,271,800.00					9,271,800.00
Heze Yining Psychiatric Hospital Co., Ltd.	690,331.47					690,331.47
Guanxian Yining Hospital Co., Ltd.	1,549,022.38					1,549,022.38
Wenling Nanfang Psychiatric Specialty Hospital Co., Ltd.	7,784,850.00					7,784,850.00
Beijing Yining Hospital Co., Ltd.	22,987,331.04					22,987,331.04
Wenzhou Yixin Health Technology Co., Ltd.	151,048.40					151,048.40
Huainan Kangning Hospital Co., Ltd.	5,068,959.78					5,068,959.78
Changchun Kanglin Psychological Hospital Co., Ltd.	6,843,288.91					6,843,288.91
Wenzhou Cining Hospital Co., Ltd.	19,416,285.97					19,416,285.97
Chun'an Kangning Huangfeng Hospital Co., Ltd.	13,448,537.66					13,448,537.66
Pingyang Changgeng Yining Hospital Co., Ltd.	51,770,194.67					51,770,194.67
Pujiang Yining Huangfeng Hospital Co., Ltd.	9,677,976.76					9,677,976.76
Hangzhou Yining Nursery Service Co., Ltd.	1,272,643.00					1,272,643.00
Jingyun Shuyun Hospital Co., Ltd. (縉雲舒雲醫院有限公司)		2,106,795.18				2,106,795.18
Zhejiang Fengsheng Nutrition Technology Co., Ltd. (浙江豐盛營養科技有限公司)		326,012.44				326,012.44
Sub-total	149,932,270.04	2,432,807.62				152,365,077.66
Provision for impairment						
Beijing Yining Hospital Co., Ltd.	12,641,870.48					12,641,870.48
Guanxian Yining Hospital Co., Ltd.	1,549,022.38					1,549,022.38
Sub-total	14,190,892.86					14,190,892.86
Carrying amount	135,741,377.18	2,432,807.62				138,174,184.80

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(XIV) Long-term prepaid expenses

Items	Balance as at the end of the previous year	Increase in the current period	Amortisation in the current period	Other decrease	Balances as at the end of the period
Renovation expenses	150,328,412.40	81,263,370.62	25,053,196.41	384,166.68	206,538,586.61
Lease expenses	172,625.00	94,613.90	29,160.96		238,077.94
Total	150,501,037.40	81,357,984.52	25,082,357.37	384,166.68	206,776,664.55

(XV) Deferred tax assets and deferred tax liabilities

1. *Deferred tax assets before offsetting*

Items	Balance as at the end of the period		Balance as at the end of the previous year	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for assets impairment	9,643,604.34	2,015,509.64	8,026,079.93	1,687,621.09
Deductible losses	9,991,818.68	2,497,954.67	18,012,806.84	4,503,201.71
Depreciation of right-of-use asset and amortisation of interest expenses on lease liabilities	5,251,873.28	1,312,968.32	4,653,187.96	1,163,296.99
Share-based payment	54,688,502.33	8,203,275.35	46,552,302.33	6,982,845.35
Total	79,575,798.63	14,029,707.98		

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(XV) Deferred tax assets and deferred tax liabilities (*continued*)

2. *Deferred tax liabilities before offsetting*

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(XVIII) Notes payable

Type	Balance as at the end of the period	Balance as at the end of the previous year
Bank acceptance bills	2,000,000.00	
Total	2,000,000.00	

(XIX) Accounts payable

1. List of accounts payable

Items	Balance as at the end of the period	Balance as at the end of the previous year
Payables for goods	51,891,837.76	68,751,580.55
Payables for equipment	270,841.33	410,421.00
Total	52,162,679.09	69,162,001.55

(XX) Advances

1. List of advances

Items	Balance as at the end of the period	Balance as at the end of the previous year
Advances from goods and services	29,949,439.15	16,275,602.70
Total	29,949,439.15	16,275,602.70

(XXI) Employee benefits payable

1. List of employee benefits payable

Items	Balance as at the end of the previous year	Increase in the current period	Decrease in the current period	Balances as at the end of the period
Short-term employee benefits	57,969,287.42	231,255,608.88	252,231,316.45	36,993,579.85
Post-employment benefits – defined contribution plans	2,518,896.85	14,775,745.97	14,489,630.12	2,805,012.70
Total	60,488,184.27	246,031,354.85	266,720,946.57	39,798,592.55

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(XXI) Employee benefits payable (*continued*)

2. List of short-term employee benefits

Items	Balance as at the end of the previous year	Increase in the current period	Decrease in the current period	Balances as at the end of the period
(1) Wages and salaries, bonus, allowances and subsidies	56,230,979.61	207,784,162.63	228,552,067.90	35,463,074.34
(2) Staff welfare	87,835.30	4,613,174.31	4,699,777.39	1,232.22
(3) Social insurance contributions	1,334,394.89	9,627,078.66	9,432,200.26	1,529,273.29
Including : Medical insurance	1,290,685.28	9,339,586.05	9,150,233.02	1,480,038.31
Work injury insurance	38,841.61	255,706.91	255,106.09	39,442.43
Maternity insurance	4,868.00	31,785.70	26,861.15	9,792.55
Others				-
(4) Housing funds	194,400.06	9,249,479.64	9,443,879.70	-
(5) Labour union funds and employee education funds		103,391.20	103,391.20	-
(6) Short-term paid leave				-
(7) Short-term profit-sharing scheme				-
(8) Other short-term employee benefits	121,677.56		121,677.56	-
Total	57,969,287.42	231,377,286.44	252,352,994.01	36,993,579.85

3. List of defined contribution plans

Items	Balance as at the end of the previous year	Increase in the current period	Decrease in the current period	Balances as at the end of the period
				10,551,218.31

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Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(XXII) Taxes payable

Items	Balances as at the end of the period	Balance as at the end of the previous year
Enterprise income tax	27,387,664.54	22,060,348.34
Property tax	715,920.37	4,544,055.56
VAT	2,653,038.81	2,194,179.27
Land VAT	38,201.19	
Individual income tax	705,058.23	1,102,372.67
City maintenance and construction tax	74,240.71	39,305.94
Educational surcharge	53,029.13	28,135.83
Stamp tax	35,580.67	16,848.52
Land use tax	94,248.77	250,083.20
Total	31,756,982.42	30,235,329.33

(XXIII) Other payables

Items	Balances as at the end of the period	Balance as at the end of the previous year
Interest payable	3,585,714.28	2,452,347.57
Dividend payable	31,350.00	86,550.00
Other payables	71,778,430.31	63,984,368.09
Total	75,395,494.59	66,523,265.66

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(XXIII) Other payables (*continued*)

1. Interest payable

Items	Balances as at the end of the period	Balance as at the end of the previous year
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Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(XXIV) Non-current liabilities due within one year

Items	Balances as at the end of the period	Balance as at the end of the previous year
Long-term borrowings due within one year	18,000,000.00	18,200,000.00
Lease liabilities due within one year	15,621,582.66	30,040,752.22
Total	33,621,582.66	48,240,752.22

(XXV) Long-term borrowings

Items	Balances as at the end of the period	Balance as at the end of the previous year
Pledged loans	186,500,000.00	105,000,000.00
Secured borrowings		
Guaranteed borrowings	235,830,000.00	194,150,000.00
Unsecured borrowings		
Less: Long-term borrowings due within one year	18,000,000.00	18,200,000.00
Total	404,330,000.00	280,950,000.00

(XXVI) Lease liabilities

Items	Balances as at the end of the period	Balance as at the end of the previous year
Lease liabilities	240,844,820.78	231,733,760.37
Total	240,844,820.78	231,733,760.37

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(XXVII) Deferred income

Items	Balance as at the end of the previous year	Increase in the current period	Decrease in the current period	Balances as at the end of the period	Reasons
Government grants	9,341,683.00		151,896.00	9,189,787.00	
Total	9,341,683.00		151,896.00	9,189,787.00	

Projects related to government grants :

Liabilities	Balance as at the end of the previous year	Additions of grants for the current period	Amount included in profit or loss for the current period	Other changes	Balances as at the end of the period	Asset-related/income-related
Expansion project of the inpatient building	9,341,683.00		151,896.00		9,189,787.00	Asset-related
Total	9,341,683.00		151,896.00		9,189,787.00	

(XXVIII) Share capital

Items	Balance as at the end of the previous year	Increases (+)/decreases (-) in the current period					Sub-total	Balances as at the end of the period
		Issuance of new shares	Bonus issue	Conversion from reserves	Others			

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(XXIX) Capital surplus

Items	Balance as at the end of the previous year	Increase in the current period	Decrease in the current period	Balances as at the end of the period
Capital premium (Share premium)	783,420,735.87			783,420,735.87
Other capital surplus				
– Share-based payment	31,100,949.22	9,007,122.02		40,108,071.24
– Other capital surplus	23,643,710.50			23,643,710.50

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(XXXI) Retained earnings

Items	Amount for the current period	Amount for the previous period
Retained earnings before adjustment at the end of previous year	247,907,760.77	205,665,236.07
Adjustment to the retained earnings in total at the beginning of the year (increase +, decrease -)	2,926,793.96	
Retained earnings after adjustment at the beginning of the year	250,834,554.73	205,665,236.07
Add: Net profit attributable to owners of the parent company of the current period	38,788,155.89	35,003,345.89
Less: Appropriation to statutory surplus reserve		706,921.29
Appropriation of discretionary surplus reserve		
Appropriation of general risk reserve		
Dividend payable on ordinary shares		
Dividend on ordinary share converted to share capital		
Retained earnings at the end of the period	289,622,710.62	239,961,660.67

(XXXII) Revenue and cost of sales

1. Analysis of revenue and cost of sales

Items	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Main businesses	683,078,850.17	502,057,495.89	561,344,6: A19	417,638,724.56
Other businesses	55,225,683.92	38,478,671.06	46,392,061.00	36,502,676.00
Total	738,304,534.09	540,536,166.95	607,736,706A19	454,141,400.56

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

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

1. *Analysis of revenue and cost of sales (continued)*

Breakdown of revenue :

Items	Amount for the current period	Amount for the previous period
Revenue from main business	683,078,850.17	561,344,645.59
Including: Pharmaceutical sales	147,585,739.76	128,279,902.00
Treatments and general healthcare services	535,493,110.41	433,064,743.59
Revenue from other business	55,225,683.92	46,392,061.00
Including: Wholesale and retail revenue of		
pharmaceutical and equipment	37,656,705.69	16,289,271.00
Management service	1,500,000.00	1,485,149.00
Rental income	3,417,245.81	3,325,241.00
Real estate sales	–	16,043,548.00
Others	12,651,732.42	9,248,852.00
Total	738,304,534.09	607,736,706.59

2. *Description of performance obligation*

The performance obligation of treatments and general healthcare services refers to the provision of diagnosis and healthcare services to outpatients, which is usually completed when diagnosis and healthcare services are provided after the patients have paid the fees.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(XXXIII) Taxes and charges

Items	Amount for the current period	Amount for the previous period
Property tax	1,001,891.04	1,795,630.00
City maintenance and construction tax	367,707.91	62,775.00
Educational surcharge	261,185.58	199,826.00
Land use tax	244,607.61	
Stamp tax	124,010.34	
Others	11,804.98	186,490.85
Total	2,011,207.46	2,244,721.85

(XXXIV) Selling and distribution expenses

Items	Amount for the current period	Amount for the previous period
Employee benefits	3,605,185.29	2,460,026.37
Depreciation expenses	85,032.37	75,430.40
Amortisation of intangible assets	22,513.74	22,079.92
Amortisation of long-term prepaid expenses	134,612.88	116,518.20
Entertainment expenses	730,951.48	338,917.54
Office expenses	115,469.17	169,976.02
Travelling expenses	128,719.71	68,809.74
Utilities	1,413.19	1,113.00
Outsourcing expenses	9,603.00	35,270.00
Promotion expenses	1,177,534.61	1,510,077.71
Repair and maintenance expenses	78,115.93	98,822.08
Others	26,733.54	1,544.55
Total	6,115,884.91	4,898,585.53

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(XXXV) General and administrative expenses

Items	Amount for the current period	Amount for the previous period
Employee benefits	49,573,428.40	43,517,413.66
Depreciation expenses	5,720,360.45	5,138,585.18
Amortisation of intangible assets	2,293,955.81	1,785,561.53
Amortisation of long-term prepaid expenses	3,232,014.43	2,753,474.46
Pharmaceutical and medical consumables used	899,362.84	739,993.67
Housing lease expenses	779,580.51	1,426,510.58
Equity incentives	3,343,511.39	1,240,461.43
Office expenses	1,607,083.90	2,015,099.99
Travelling expenses	1,723,546.90	1,280,526.71
Utilities	963,759.27	663,910.90
Property management expenses	1,724,874.78	1,287,655.88
Canteen expenditure	1,603,121.87	1,741,918.33
Outsourcing expenses	1,481,876.67	903,299.82
Consulting service fees	12,306,482.93	5,561,629.36
Auditors' remuneration	2,400.00	48,400.00
Repair and maintenance expenses	3,506,322.65	2,804,561.74
Entertainment expenses	2,306,537.45	1,523,042.88
Others	1,825,998.65	1,629,403.13
Total	94,894,218.90	76,061,449.25

(XXXVI) Research and development expenses

Items	Amount for the current period	Amount for the previous period
Employee expenses	13,219,266.23	10,723,659.61
Depreciation expenses	210,371.24	195,032.40
Amortisation of long-term prepaid expenses	29,160.96	

Repair and expenses

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(XXXVII) Financial expenses

Items	Amount for the current period	Amount for the previous period
Interest expenses	22,800,335.12	18,351,838.72
Including: Interest expenses on lease liabilities	7,238,858.39	6,676,513.72
Less: Interest income	1,699,139.71	-1,684,441.00
Foreign exchange gains and losses	-44,311.88	22,532.00
Fees	591,245.75	547,768.55
Total	21,648,129.28	17,237,698.27

(XXXVIII) Other income

Items	Amount for the current period	Amount for the previous period
Government grants	5,361,749.51	5,225,965.96
Fees for withholding individual income tax	220,294.02	136,501.25
Others	321,968.77	–
Total	5,904,642.30	5,362,467.21

(XXXIX) Investment income

Items	Amount for the current period	Amount for the previous period
	21,669,139.71	6,676,513.72

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(XL) Gains from changes in fair value

Source of gains from changes in fair value	Amount for the current period	Amount for the previous period
Financial assets held for trading	30,711.64	344,936.00
Investment properties measured at fair value	–	1,010,034.42
Total	30,711.64	1,354,970.42

(XLI) Credit impairment losses

Items	Amount for the current period	Amount for the previous period
Losses on bad debts of accounts receivable	-3,348,573.01	-2,028,764.15
Losses on bad debts of other receivables	616,892.68	-284,534.10
Total	-2,731,680.33	-2,313,298.25

(XLII) Gains from disposal of assets

Items	Amount for the current period	Amount for the previous period	Amount included in non-recurring profit or loss for the current period
Gains from disposal of non-current assets (losses represented with			

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(XLIII) Non-operating income

Items	Amount for the current period	Amount for the previous period	Amount included in non-recurring profit or loss for the current period
Gains from damaging and scrapping of non-current assets	8,843.14	84,585.00	8,843.14
Including: Fixed assets	8,843.14	84,585.00	8,843.14
Donations received	4,017,521.21	4,235,525.65	4,017,521.21
Government grants not relating to daily activities of enterprises	1,166,876.42	296,728.00	1,166,876.42
Others	158,491.16	223,656.63	158,491.16
Total	5,351,731.93	4,840,495.28	5,351,731.93

(XLIV) Non-operating expenses

Items	Amount for the current period	Amount for the previous period	Amount included in non-recurring profit or loss for the current period
Losses on damaging and scrapping of non-current assets	239,086.15	70,825.78	239,086.15
Including: Fixed assets	239,086.15	70,825.78	239,086.15
Expenses of donation to charities	1,419,258.76	472,641.66	1,419,258.76
Liquidated damages expenses	1,237,300.03	1,209,416.15	1,237,300.03
Others	476,864.80	458,636.39	476,864.80
Total	3,372,509.74	2,211,519.98	3,372,509.74

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(XLV) Income tax expenses

1. *Table of income tax expenses*

Items	Amount for the current period	Amount for the previous period
Current income tax expenses	23,230,774.09	13,554,983.82
Deferred income tax expenses	-4,120,693.90	3,951,467.04
Total	19,110,080.19	17,506,450.86

2. *Reconciliation between total profit and income tax expenses*

Items	Amount for the current period
Total profit	63,330,817.92
Income tax expenses calculated at the statutory or applicable tax rates	15,822,004.70
Impact of different tax rates applicable to subsidiaries	–
Adjustment to impact of income tax of past periods	80,525.74
Impact of non-taxable income	336,094.61
Impact of non-deductible costs, expenses and losses	898,700.51
Impact of deductible losses of the deferred income tax assets unrecognized in the previous period	-1,031,422.24
Impact of deductible temporary differences or deductible losses for which deferred income tax assets are not recognized in the current period	4,497,290.39
Impact of additional deduction of research and development expenses	-1,446,860.77
Impact of business combination involving enterprise not under common control	–
Others	-46,252.75
Income tax expenses	19,110,080.19

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(XLVI) Earnings per share

1. *Basic earnings per share*

Basic earnings per share is calculated by the consolidated net profit attributable to the ordinary shareholders of the parent company divided by the weighted average number of outstanding ordinary shares of the Company:

Items	Amount for the current period	Amount for the previous period
Consolidated net profit attributable to the ordinary shareholders of the parent company	38,788,155.89	35,003,345.89
Weighted average number of outstanding ordinary shares of the Company	74,600,300.00	72,222,300
Basic earnings per share	0.52	0.48
Including: Basic earnings per share from continuing operations	0.52	0.48
Basic earnings per share from discontinued operations		

2. *Diluted earnings per share*

Diluted earnings per share is calculated by the consolidated net profit attributable to the ordinary shareholders of the parent company (diluted) divided by the weighted average number of outstanding ordinary shares of the Company(diluted):

Items	Amount for the current period	Amount for the previous period
Consolidated net profit attributable to the ordinary shareholders of the parent company (diluted)	38,788,155.89	35,003,345.89
Weighted average number of outstanding ordinary shares of the Company(diluted)	74,600,300.00	72,655,834
Diluted earnings per share	0.52	0.48
Including: Diluted earnings per share from continuing operations	0.52	0.48
Diluted earnings per share from discontinued operations		

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(XLVII) Supplementary information to the cash flow statement

1. Supplementary information to the cash flow statement

Supplementary information	Amount for the current period	Amount for the previous period
1. Reconciliation from net profit to cash flows from operating activities		
Net profit	38,788,155.89	35,003,345.89
Add: Gains of non-controlling shareholders for the current period	5,432,581.84	1,234,871.73
Credit impairment losses	2,731,680.33	2,313,298.25
Provision for assets impairment	–	
Depreciation of fixed assets	28,063,119.25	22,236,800.00
Consumption of oil and gas assets		
Depreciation of right-of-use assets	20,760,704.78	20,546,370.00
Amortisation of intangible assets	12,489,361.10	8,221,540.00
Amortisation of long-term prepaid expenses	25,082,357.37	19,049,445.00
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains		

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (*continued*)

(XLIX) Assets with restricted ownership or right-of-use

Items	Carrying amount as at the end of the period	Reasons for restriction
Fixed assets	36,688,017.03	Charges on fixed assets
Total	36,688,017.03	

V. Changes in scope of consolidation

(I) Business combination not under common control

1. Business combination not under common control during the period

Name of acquiree	Time of acquisition of equity interest	Consideration of acquisition of equity interest	Percentage of equity interest acquired (%)	Method of acquisition of equity interest	Date of acquisition	Basis for determining the date of acquisition	Income of the acquiree from the date of acquisition to the end of the period	Net profit of the acquiree from the date of acquisition to the end of the period
Jingyun Shuning Hospital Co., Ltd.	1 January 2022	21,584,030.68	51.00	Acquisition with cash	1 January 2022	Control	7,529,803.86	257,137.53
Yueqing Yining Integrated Traditional Chinese and Western Medicine Hospital Co., Ltd. (樂清怡寧中西醫 結合醫院有限公司)	1 January 2022	40,954,955.16	100.00	Acquisition with cash	1 January 2022	Control	9,320,436.46	-5,859,944.49
Zhejiang Fengsheng Nutrition Technology Co., Ltd. (浙江豐盛營養 科技有限公司)	1 January 2022	3,000,000.00	60.00	Acquisition with cash	1 January 2022	Control	27,123.13	-395,972.41

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

V. Changes in scope of consolidation (*continued*)

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

V. Changes in scope of consolidation (*continued*)

(II) Changes in the scope of consolidation due to other reasons

Zhejiang Jerinte Health Technology Co., Ltd. (hereinafter referred to as “Zhejiang Jerinte”), a secondary subsidiary of the Company, and Wenzhou Jingying Education Technology Co., Ltd. (温州市镜映教育科技有限公司) jointly established Wenzhou Yuji Health Technology Co., Ltd. (温州育己健康科技有限公司) on 15 April 2022, with a registered capital of RMB1 million, of which Zhejiang Jerinte contributed RMB550,000, accounting for 55% of the registered capital.

VI. Interests in other entities

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

Shareholding ..C(%)1 gsE 1 k0 Tc KNO w 0 1 560.8344 79023671 cm951 m1.174 028

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

VI. Interests in other entities (continued)

(I) Interests in subsidiaries (continued)

1. Structure of the Group (continued)

Name of subsidiary	Type of legal entity	Major business location	Place of registration	Nature of business	Shareholding (%)		Method of acquisition
					Direct	Indirect	
Chun'an Kangning Huangfeng Hospital Co., Ltd.	LLC	Hangzhou	Hangzhou	Medical service		100.00	Incorporation
Cangnan Kangning Hospital Co., Ltd.	LLC	Cangnan	Cangnan	Medical service	100.00		Incorporation
Cangnan Yining Nursing Center Co., Ltd.	LLC	Cangnan	Cangnan	Medical service		100.00	Incorporation
Yueqing Kangning Hospital Co., Ltd.	LLC	Yueqing	Yueqing	Medical service	100.00		Incorporation
Linhai Kangning Hospital Co., Ltd.	LLC	Taizhou	Taizhou	Medical service	80.00		Incorporation
Ouhai Yining Elderly Hospital Co., Ltd.	LLC	Wenzhou	Wenzhou	Medical service	100.00		Incorporation
Qingtian Kangning Hospital Co., Ltd.	LLC	Lishui	Lishui	Medical service	100.00		Incorporation
Shenzhen Yining Medical Investment Co., Ltd.	LLC	Shenzhen	Shenzhen	Medical investment	100.00		Incorporation
Wenzhou Cining Hospital Co., Ltd.	LLC	Wenzhou	Wenzhou	Medical service	100.00		Business combination not under common control
Wenzhou Kangning Judicial Forensic Centre	LLC	Wenzhou	Wenzhou	Forensic authentication	100.00		Incorporation
Wenzhou Lucheng Yining Hospital Co., Ltd.	LLC	Wenzhou	Wenzhou	Medical service	60.00		Incorporation
Yongjia Kangning Hospital Co., Ltd.	LLC	Wenzhou	Wenzhou	Medical service	100.00		Incorporation
Pingyang Changgeng Yining Hospital Co., Ltd.	LLC	Wenzhou	Wenzhou	Medical service	100.00		Business combination not under common control
Jingyun Shuning Hospital Co., Ltd.	LLC	Lishui	Lishui	Medical service	51%		Business combination not under common control
Yueqing Yining Integrated Traditional Chinese and Western Medicine Hospital Co., Ltd. (樂清怡寧中西醫結合醫院有限公司)	LLC	Wenzhou	Wenzhou	Medical service	100%		Business combination not under common control
Zhejiang Fengsheng Nutrition Technology Co., Ltd. (浙江豐盛營養科技有限公司)	LLC	Wenzhou	Wenzhou	Food sales		60%	Business combination not under common control
Wenzhou Yuji Health Technology Co., Ltd. (溫州育己健康科技有限公司)	LLC	Wenzhou	Wenzhou	Health consulting		55%	Incorporation

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

VI. Interests in other entities *(continued)*

(I) Interests in subsidiaries *(continued)*

2. Significant non-wholly-owned subsidiaries

Shareholding
percentage of
non-controlling

Name of subsidiary

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

VI. Interests in other entities (continued)

(I) Interests in subsidiaries (continued)

3. Major financial information of the significant non-wholly-owned subsidiaries (continued)

Name of subsidiary	Revenue	Net profit	Amount for the current period	
			Total comprehensive income	Cash flows from operating activities
Wenzhou Lucheng Yining Hospital Co., Ltd.		259,074.72	259,074.72	1,060,125.05
Zhejiang Huangfeng Hospital Management Co., Ltd.	22,615,954.92	1,483,000.42	1,483,000.42	8,292,351.71
Heze Yining Hospital Psychiatric Co., Ltd.	9,619,495.36	151,285.22	151,285.22	2,688,203.43

Name of subsidiary	Revenue	Net profit	Amount for the previous period	
			Total comprehensive income	Cash flows from operating activities
Wenzhou Lucheng Yining Hospital Co., Ltd.		-448,993.06	-448,993.06	-14,688.54
Zhejiang Huangfeng Hospital Management Co., Ltd.	16,714,698.64	825,000.98	825,000.98	8,311,150.45
Heze Yining Hospital Psychiatric Co., Ltd.	10,413,013.72	1,092,468.91	1,092,468.91	1,951,043.88

(II) Interests in associates

1. Significant associates

Name of associate	Major business location	Place of registration	Nature of business	Shareholding (%)		Accounting method for investment in joint ventures or associates	Whether strategic to the Company's Direct Indirect activities or not
				Direct	Indirect		
Hangzhou Anken Medical Technology Co., Ltd.	Hangzhou	Hangzhou	Hospital management		29.00	Equity method	Yes
Wenzhou Longwan Yining Hospital Co., Ltd.	Wenzhou	Wenzhou	Medical service	45.00		Equity method	Yes
Shaanxi Shanda Hospital Management Co., Ltd.	Xi'an	Xi'an	Hospital management		30.00	Equity method	Yes
Chongqing Hechuan Kangning Hospital Co., Ltd.	Chongqing	Chongqing	Medical service		40.00	Equity method	Yes
Chengdu Yining Hospital Co., Ltd.	Chengdu	Chengdu	Medical service		24.00	Equity method	Yes

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

VII. Risks related to financial instruments

During its business operation, the Company faces various financial risks: credit risk, liquidity risk and market risk (including exchange rate risk, interest rate risk and other price risks). The financial risks and the risk management policies taken by the Company to mitigate these risks are set out as below:

The board of directors is responsible for planning and establishing the Company's risk management framework, formulating the Company's risk management policies and relevant guidelines, and supervising the implementation of risk management measures. The Company has formulated risk management policies to identify and analyze the risks the Company is exposed to. These risk management policies specify specific risks and cover many aspects such as market risk, credit risk and liquidity risk management. The Company regularly evaluates the changes in the market environment and the Company's business activities to decide whether to update the risk management policies and systems. The Company's risk management is carried out by the Risk Management Committee in accordance with the policies approved by the board of directors. The Risk Management Committee identifies, evaluates and avoids relevant risks through close cooperation with other business departments of the Company. The Company's internal audit department regularly audits the risk management controls and procedures, and reports their findings to the Company's Audit Committee.

The Company diversifies its exposure to financial instruments through an appropriately diversified portfolio of investments and businesses, and reduces the risk of concentration in a single industry, a specific region or a specific counterparty by formulating corresponding risk management policies.

(I) Credit risk

Credit risk refers to the risk of financial loss to the Company caused by the counterparty's failure to perform its contractual obligations.

The Company's credit risk mainly sources from monetary funds, notes receivable, accounts receivable, accounts receivable financing, other receivables, debt investment, other debt investment and the financial guarantee contract, and debt instrument investment and derivative financial assets measured at fair value through profit or loss, which are not included in the impairment assessment scope.

The Company's monetary funds are mainly bank deposits deposited in state-owned banks with good reputation and high credit rating and other large and medium-sized listed banks. The Company believes that there is no significant credit risk and it will hardly generate significant losses caused by bank default.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

VII. Risks related to financial instruments (*continued*)

(I) Credit risk (*continued*)

The Company's accounts receivables are mainly sales of medicines and provision of medical services to patients, and also management service fees receivables. According to the social security policy of each hospital of the Company, medical fees of patients are usually jointly borne by the patients and social insurance. The Company usually collects part of the advance payment during the patient admission procedures, and the patients are required to settle their responsible part of the fee during the discharge procedures. For those fees unsettled by the patients at the time of discharge, the Company will recover from the patients through regular collections. For the medical fees borne by social insurance, the Company will reimburse the social insurance institution in a timely manner after issuing invoices to patients. The reimbursement is usually recovered within 2-9 months after application, for which the Company believes that there is no major credit risk. Some of the medical fees are also paid by government departments such as the Civil Affairs Bureau and Disabled Persons' Federation where the hospitals are located. The Company adopts different collection monitoring mechanisms for different payers.

(II) Liquidity risk

Liquidity risk refers to the risk of capital shortage when an enterprise fulfills its obligation to settle by delivering cash or other financial assets.

It is the Company's policy to ensure that it has sufficient cash to meet debts due. Liquidity risk is centrally controlled by the financial department of the Company. By monitoring cash balances, marketable securities that can be readily liquidated and rolling projections of cash flows over the next 12 months, the finance department ensures that the Company has sufficient funds to repay its debts under all reasonable projections. At the same time, the finance department continuously monitors the Company's compliance with borrowing agreements and obtains commitments from major financial institutions to provide adequate standby funds to meet short – and long-term funding needs.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

VII. Risks related to financial instruments (*continued*)

(II) Liquidity risk (*continued*)

Various financial liabilities of the Company shall be presented at undiscounted contractual cash flows on the maturity date as follows:

Items	Closing balance					Total
	Instant repayment	Within 1 year	1-2 years	2-5 years	Over 5 years	
Short-term borrowings		361,050,000.00				361,050,000.00
Notes payable		2,000,000.00				2,000,000.00
Non-current liabilities due within one year		33,621,582.66				33,621,582.66
Total		396,671,582.66				396,671,582.66

Items	Balance as at the end of the previous year					Total
	Instant repayment	Within 1 year	1-2 years	2-5 years	Over 5 years	
Short-term borrowings		254,050,000.00				254,050,000.00
Non-current liabilities due within one year		48,240,752.22				48,240,752.22
Total		302,290,752.22				302,290,752.22

(III) Market risk

Market risk associated with financial instruments refers to the risk of fluctuation in the fair value or future cash flows of financial instruments due to changes in market prices, and it includes exchange rate risk, interest rate risk and other price risks.

1. Interest rate risk

Interest rate risk refers to the risk of fluctuation in the fair value or future cash flows of financial instruments due to changes in market interest rate.

The Group's interest rate risk mainly arises from long-term interest bearing borrowings including longterm borrowings. Interest-bearing financial instruments at fixed rates and at floating rates expose the Company to fair value interest risk and cash flow interest rate risk, respectively. The Company determines the appropriate weightings of the fixed and floating rate interest-bearing instruments based on the current market conditions and performs regular reviews and monitoring to maintain an appropriate mix of fixed and floating rate instruments. The Company will use derivative financial instruments to hedge interest rate risk when necessary.

On June 30, 2022, the Group's long-term interest bearing borrowings were mainly RMB-denominated with fixed rates.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

VII. Risks related to financial instruments (*continued*)

(III) Market risk (*continued*)

2. Exchange rate risk

Exchange rate risk refers to the risk of fluctuation in the fair value or future cash flows of financial instruments due to changes in foreign exchange rate.

The major operational activities of the Company are carried out within the PRC and a majority of the transactions are denominated in RMB. The Company is exposed to foreign exchange risk arising from the recognized assets denominated in foreign currencies (mainly denominated in USD and HKD). The finance department of the Company is responsible for monitoring the amount of assets and transactions denominated in foreign currencies, to reduce foreign exchange risk to the greatest extent.

The exchange rate risk faced by the Company mainly sources from the financial assets denominated in US dollars, and the foreign currency assets are equivalent to the amount denominated in RMB indicated as below:

Item	Closing balance			Balance as at the end of last year		
	US\$	HK\$	Total	US\$	HK\$	Total
Cash and bank balances	880,689.90	49,357.56	930,047.46	981,858.63	46,645.85	1,028,504.48
Total	880,689.90	49,357.56	930,047.46	981,858.63	46,645.85	1,028,504.48

On June 30, 2022, when all other variables remain unchanged, the net profits of the Company would increase or decrease by RMB27,901.42 (on December 31, 2021: RMB30,855.13) supposing that RMB to HK or US dollars appreciates or depreciates by 3%. The management thinks that 3% reflects the reasonable range of the possible changes of RMB to USD in the next year.

3. Other price risks

Other price risks refer to the risks of fluctuation in the fair value or future cash flows of financial instruments due to changes in market prices other than exchange rate risk and interest rate risk.

The Company's other price risks arise primarily from investments in various equity instruments. There is the risk 0.0ew -s the uet 9n varis equity iest ext5sk.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

VIII. Disclosure of fair value

The input value used for measuring fair value is divided into three levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can acquire on the measurement date;

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs that have been applied in valuing the respective asset or liability.

The level of fair value measurement depends on the lowest level of input that is significant to the entire fair value measurement.

(I) Closing fair value of assets and liabilities measured at fair value

Item	Closing fair value			Total
	Measured at fair value at Level 1	Measured at fair value at Level 2	Measured at fair value at Level 1	
I. Continuous measurement of fair value				
Financial assets held for trading				
1. Financial assets measured at fair value through profit or loss			10,000,000.00	10,000,000.00
2. Financial asset designated to be measured at fair value through profit or loss				
Other non-current financial assets				
1. Financial assets measured at fair value through profit or loss			65,842,986.22	65,842,986.22
2. Financial asset designated to be measured at fair value through profit or loss			65,842,986.22	65,842,986.22
Total assets with continuous measurement of fair value			75,842,986.22	75,842,986.22

(II) Qualitative and quantitative information of valuation techniques and key parameters adopted for items measured at the fair value of level 3 on a going and non-going concern

The Company determines the fair value based on its share of the fair value of the equity.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

IX. Related parties and related party transactions

(I) General information of the parent company

The ultimate controlling parties of the Company are: Guan Weili and his spouse Wang Lianyue

(II) Information of the Company's subsidiaries

Details of the Company's subsidiaries are set out in Note "VI. Interests in other entities".

(III) Information of the Company's joint ventures and associates

For details of the Company's significant joint ventures or associates, please refer to Note "VI. Interests in other entities".

The following joint ventures or associates entered into related party transactions with the Company during the period or had balances of related party transactions with the Company during the previous period:

Name of joint venture or associate	Relationship with the Company
Hangzhou Anken Medical Technology Co., Ltd.	Associate
Chengdu Yining Hospital Co., Ltd.	Associate
Chongqing Hechuan Kangning Hospital Co., Ltd.	Associate
Shaanxi Shanda Hospital Management Co., Ltd.	Associate
Wenzhou Longwan Yining Hospital Co., Ltd.	Associate

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

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

(IV) Information of other related parties

Name of other related parties	Other related parties' relationship with the Company
Yiwu Mental Health Centre	Non-profit organisation invested by the Company with council members assigned
Zhejiang Tianqu Environment Construction Co., Ltd.	Non-controlling shareholder of subsidiaries of the Company
Shandong Furen Hospital Management Co., Ltd.	Non-controlling shareholder of subsidiaries of the Company
Jilin Nuoyazhizhou Investment Co., Ltd.	Non-controlling shareholder of subsidiaries of the Company
Qu Kaisheng	Non-controlling shareholder of subsidiaries of the Company
Wu Lianxi	Non-controlling shareholder of subsidiaries of the Company
Ding Min	Non-controlling shareholder of subsidiaries of the Company
Chen Xianfa	Non-controlling shareholder of subsidiaries of the Company
Lin Yuanlong	Non-controlling shareholder of subsidiaries of the Company
Xu Yi	Spouse of a substantial shareholder of the Company
Other individuals	Immediate relatives of directors, supervisors and senior management
Guan Weili and his spouse Wang Lianyue	De facto controlling party
Wang Hongyue	Director, an immediate relative of de facto controlling party
Datong Yining Hospital Co., Ltd. (大同怡寧醫院有限公司)	Investee
Wenzhou Anken Pharmacy Co., Ltd.	Investee
Ningbo Meishan Bonded Port Area Kuanzhan Investment Management Partnership (Limited Liabilities Partnership) (寧波梅山保稅港區寬展投資管理合夥企業 (有限合夥))	Participating shareholder of the Company's associate

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

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

(V) Information on related party transactions *(continued)*

2. Leases with related parties *(continued)*

The Company acts as a lessee:

Name of lessor	Type of leased assets	Amount for the period			Amount for the previous period			
		Rental expense for short-term leases and leases of low-value assets under the simplified approach and variable lease payments that are not included in the measurement of lease liabilities	Rent paid	Increase in right-of-use assets	Rental expense for short-term leases and leases of low-value assets under the simplified approach and variable lease payments that are not included in the measurement of lease liabilities	Rent paid	Increase in right-of-use assets	Interest expenses on lease liabilities assumed
Zhejiang Tianqu Environment Construction Co., Ltd.	House and building	302,704.08		77,470.00	544,597.16		116,205.00	

3. Related party guarantees

The Company acts as a guarantor:

Name of guaranteed party	Guaranteed amount	Commencement date	Expiry date	Whether the guarantee has been fulfilled
Yongjia Kangning Hospital Co., Ltd.	50,200,000.00	2019/8/26	2029/8/20	No
Qingtian Kangning Hospital Co., Ltd.	45,000,000.00	2019/12/31	2024/12/31	No

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

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

(V) Information on related party transactions *(continued)*

3. *Related party guarantees (continued)*

The Company acts as the guaranteed party:

Name of guarantor	Guaranteed amount	Commencement date	Expiry date	Whether the guarantee has been fulfilled
Guan Weili and Wang Lianyue	27,000,000.00	2020/6/30	2027/6/30	No
Guan Weili, Wang Hongyue and Wang Lianyue	90,000,000.00	2021/11/29	2028/11/29	No
Guan Weili, Wang Hongyue, Wang Lianyue and Xu Yi	218,000,000.00	2020/10/26	2026/10/25	No
Guan Weili, Wang Lianyue and Wang Hongyue	220,000,000.00	2020/9/17	2023/9/17	No
Guan Weili and Wang Lianyue	24,500,000.00	2022/6/1	2025/6/1	No

4. *Asset transfer and debt restructuring of related parties*

Related party

Related party

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

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

(VI) Receivables from and payables to related parties

1. Receivables

Items	Related parties	Balance as at the end of the period		Balance as at the end of the previous period	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Accounts receivable					
	Chongqing Hechuan Kangning Hospital Co., Ltd.	12,647.20	126.47	13,192.08	131.92
	Yiwu Mental Health Centre	9,000,000.00	2,520,000.00	6,000,000.00	720,000.00
Other receivables					
	Chen Xianfa			4,850,000.00	242,500.00
	Lin Yuanlong			500,000.00	25,000.00

2. Payables

Items	Related parties	Balance as at the end of the period		Balance as at the end of the previous period	

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

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

(VII) Five Individuals with Highest Remunerations

For January to June 2022, five individuals with highest remunerations of the Company include 1 director (January to June 2021: nil), whose remunerations are reflected in below table:

Items	Amount for the current period	Amount for the previous period
Wages and salaries, and bonus	1,604,147.00	1,894,118.00
Share-based payments	482,726.40	296,014.00
Total	2,086,873.40	2,190,132.00

Remuneration band	Number of individuals for the current period	Number of individuals for the previous period
0-500,000	4	4
500,000-1,000,000.00	1	1
Total	5	5

X. Share-based payment

(I) Summary of share-based payment

Total equity instruments of the Company granted in the current period:

On June 13, 2018, the Company held its annual shareholders' meeting of 2018 and approved Wenzhou Kangning Hospital Equity Payment Plan 2018, which authorised the Board to handle the Company's employee share incentive plan. The Board of the Company reviewed and approved Proposal on the Granting of Restricted Shares to Incentive Objects on June 29, 2018 and August 20, 2018. The Company prepared to establish five employee share ownership platforms, including Wenzhou Zhenyan Kangning Investment Management Partnership (Limited Liabilities Partnership), Wenzhou Jiamei Kangning Investment Management Partnership (Limited Liabilities Partnership), Wenzhou Enquan Kangning Investment Management Partnership (Limited Liabilities Partnership), Wenzhou Jiata Kangning Investment Management Partnership (Limited Liabilities Partnership) and Wenzhou Shouwang Kangning Investment Management Partnership (Limited Liabilities Partnership), and issue 2,460,000 domestic shares to these employee share ownership platforms at an issue price of RMB10.47 per share. As of December 31, 2020, there were 1,919,771 shares granted and 540,229 shares reserved.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

X. Share-based payment (*continued*)

(I) Summary of share-based payment (*continued*)

On April 16, 2021, the eighth meeting of the third session of the Board of the Company reviewed and approved Proposal on the Granting of Restricted Stocks to the Third Phase Incentive Objects under the Restricted Share Incentive Plan, pursuant to which the Board of the Company agreed to take April 16, 2021 as the grant date, and grant the remaining 540,229 incentive stocks to 13 third phase participants who met the conditions for such grant at a grant price of RMB10.47 per share.

Total exercised equity instruments of the Company in the current period: nil

Total invalid equity instruments of the Company in the current period: nil

Range of exercise prices and remaining contractual period for other equity instruments of the Company at the end of the period:

The range of exercise prices for other equity instruments at the end of the period can refer to the transaction price among shareholders in the current period, and the remaining period is 8 months from the date of the first award based on a locked-up period of 48 months.

(II) Equity-settled share-based payment

Method for determining the fair value of equity instruments at the grant date:

The Company engaged a professional appraisal institution to assess the fair value of the equity instruments at the grant date. The fair value of the equity instruments granted in the current period was assessed by reference to the transaction price among the shareholders of the Company of RMB30 per share.

Method for determining the best estimate of the number of exercisable equity instruments:

In June 2021, the Board of the Company reviewed and approved Proposal on Further Amendments to the Equity Incentive Plan, which cancelled the performance appraisal requirements of the Equity Incentive Plan. Therefore, only the in-service requirement during the locked-up period would affect the number of exercisable equity instruments, so the best estimate of the number of exercisable instruments was made based on the relevant severance rate.

Reasons for significant difference between current estimate and previous estimate: nil

Accumulated amount of equity-settled share-based payment included in the capital surplus:

As of June 30, 2022, the accumulated amount of equity-settled share-based payment included in the capital surplus was RMB41,650,077.37.

Total amount of equity-settled share-based payment recognized in the current period: RMB9,007,122.02

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

X. Share-based payment (*continued*)

(III) Modification and cancelation of share-based payment

In June 2021, the Board of the Company reviewed and passed Proposal on Further Amendments to the Equity Incentive Plan, which cancelled the performance appraisal requirements of the equity incentive plan and the Company's repurchase obligation of locked incentive shares.

XI. Commitments and contingencies

(I) Significant commitments

1. Mortgaged assets

Mortgagor	Mortgagee	Book value of mortgaged assets			Purpose	Starting date	Expiry date	Amount
		Land use rights	Buildings	Equipment				
Wenzhou Kangning Hospital Co., Ltd.	Wenzhou Ou Hai Sub-branch of CITIC Bank		36,688,017.03		Short-term borrowings	2021/3/01	2022/2/28	60,000,000.00
					Short-term borrowings	2021/11/18	2022/12/18	70,000,000.00
					Short-term borrowings	2021/11/26	2022/11/26	40,000,000.00
					Short-term borrowings	2021/12/09	2022/12/09	30,000,000.00
Total			36,688,017.03	/	/	/	200,000,000.00	

Other explanation:

- (1) The real estate title certificates of Wenzhou Kangning Hospital Co., Ltd., which have been registered for the mortgage, are Wen Fang Quan Zheng Lu Cheng Qu Zi No.826751, Wen Fang Quan Zheng Lu Cheng Qu Zi No.826750, Zhe (2016) Wen Zhou Si Bu Dong Chan Quan No.0010144, Zhe (2016) Wen Zhou Si Bu Dong Chan Quan No.0010142, Zhe (2021) Wen Zhou Si Bu Dong Chan Quan No.0081628.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

XI. Commitments and Contingencies (*continued*)

(I) Significant commitments (*continued*)

2. Pledged assets

Pledger	Pledgee	Pledged assets	Book value of pledged assets	Purpose	Starting date	Expiry date	Amount
Guan Weili and Wang Lianyue	Wenzhou Longwan Sub-branch of China Minsheng Bank	100% equity interest in Wenzhou Cining Hospital Co., Ltd	53,500,000.00	M&A loans and borrowings	2020/06/30	2027/06/30	18,000,000.00
							12,000,000.00
Guan Weili, Wang Hongyue and Wang Lianyue	Wenzhou Longwan Sub-branch of China Minsheng Bank	100% equity interest in Pingyang Changgeng Yining Hospital Co., Ltd	154,744,700.00	M&A loans and borrowings	2021/11/29	2028/11/29	75,000,000.00
Total		/	208,244,700.00	/	/	/	105,000,000.00

(II) Contingencies

The Company had no significant contingencies that need to be disclosed

XII. Events after the balance sheet date

(I) Description of other events after the balance sheet date

- In September 2022, the board of directors of the Company announced that Ms. Wang Hongyue had resigned as an executive director of the Company and the authorised representative of the Company under Rule 3.05 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Meanwhile, the board of directors further announced that Mr. Guan Weili had been or appointed as the authorised representative of the Company.
- In October 2022, the Company and its subsidiaries Wenzhou Yining Hospital, Cangnan Kangning Hospital, Wenzhou Cining Hospital entered into a sale-leaseback contract with Yuandong Hongxin, under which the Company and the above subsidiaries will sell their own leased assets to Yuandong Hongxin, while Yuandong Hongxin will lease back the lease assets to the Company and related subsidiaries for use. The original carrying value of the leased assets involved was approximately RMB92.47 million, while consideration of the transaction was RMB80 million, and the total leaseback cost was RMB88.74 million.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

XIII. Capital management

The main objectives of the Company's capital management are:

- to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and other stakeholders on an on-going basis;
- to price the products and services according to the risk level, so as to provide sufficient returns to shareholders.

The Company set a capital that is proportional to the risk. The capital structure is managed and adjusted according to the change of economic environment and the risk characteristics of the target assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce debts.

The Company is not subject to external mandatory capital requirements and uses gearing ratio to monitor capital.

As at the balance sheet date, the Company's gearing ratio is as follows:

	Balance as at the end of the period	Balance as at the end of the previous year
Debt/capital ratio	49.72%	46.68%

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

XIV. Other significant events

(I) Corrections of prior accounting errors

1. *Retrospective restatement method*

The 2022 Interim Financial Report has been considered and approved on the Thirty-third Meeting of the Third Session of the Board of Directors of the Company and the Tenth Meeting of the Third Session of the Board of Directors. The correction of prior errors to the Company's disclosed 2021 interim financial statements is as follows:

(1) Correction of the questionable accounts receivable collected to liabilities

The independent investigation indicated that in 2019 and 2020, RMB14.43 million of the accounts receivable collected by the Company were not fairly agreed donations, other than RMB5.25 million could be recognized rental compensation, and the source of funding for the remaining RMB9.18 million was questionable. As recommended by the independent investigation committee and resolved by the Board, the above-mentioned RMB14.43 million was treated. The impact of the error correction on the financial statements as of 30 June 2021 was to increase other payables by RMB14,435,863.54 and to decrease the retained earnings at the beginning of the period by RMB14,435,863.54.

(2) Reversal of donations from charities to patients to non-operating income

Some of the poverty-stricken patients of the Company have applied for assistance from charitable organizations, and the related relief funds were transferred to the Company directly from the charitable organizations. Previously, the Company treated such grants from charitable organizations as collections from accounts receivable from patients. After consideration by the Board, it was considered more prudent to treat those grants as donations to the Company this time. The effect of this error correction on the financial statements as of 30 June 2021 was to increase non-operating income by RMB4,735,525.65 and to decrease the retained earnings at the beginning of the period by RMB4,735,525.65.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

XIV. Other significant events (*continued*)

(I) Corrections of prior accounting errors (*continued*)

1. Retrospective restatement method (*continued*)

- (3) Revaluation of adjustments to income and relevant accounts receivable and provision for bad debts from variable consideration reversal amounts

Since the source of RMB14.43 million in accounts receivable collected in 2019 and 2020 is questionable, the Company re-estimated the proportion of variable consideration reversal, reduced the revenue in 2019 and 2020, and re-evaluated the proportion of provision for bad debts of accounts receivable at the end of 2019 and 2020 accordingly. The impact of this error correction on the financial statements as of 30 June 2021 was to reduce revenue by RMB15,064,689.77, reduce accounts receivable by RMB132,482,458.21, reduce provision for bad debts of accounts receivables by RMB34,893,554.69, reduce credit impairment losses by RMB9,655,636.47 and reduce the retained earnings at the beginning of the period by RMB92,179,850.22.

- (4) The deferred income tax assets were corrected accordingly based on the corrected deductible temporary differences. The impact of the error correction on the financial statements as of 30 June 2021 was to reduce deferred income tax assets by RMB7,302,786.81, increase income tax expense by RMB984,353.58, increase capital surplus by RMB706,662.59 and reduce the retained earnings at the beginning of the year by RMB7,025,095.82.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

XIV. Other significant events (*continued*)

(I) Corrections of prior accounting errors (*continued*)

1. Retrospective restatement method (*continued*)

(5) Other error corrections not directly related to the independent investigation matters

Other than the independent investigation matters, the Company also re-examined other accounting treatments as of 30 June 2021 and found certain immaterial accounting errors, which were corrected together in the spirit of being as truthful and accurate as possible, details of which are as follows:

Correction of accounting errors	Affected items in the statements of 2021 interim report	Cumulative affected amount
Expenses and income arising from donations from the same charitable organization are presented on a net basis	Non-operating income	-500,000.00
	Non-operating expenses	-500,000.00
Correction of a step-by-step corporate combination not under the common control to a business combination under a "package deal" arrangement	Goodwill	7,594,255.97
	Capital surplus	7,776,668.38
	Non-controlling interests	-182,412.41
	Long-term equity investments	4,090,422.02
Correction of errors in subsequent measurements based on latest available audit reports of associates	Capital surplus	4,914,906.11
	Adjustment to profit or loss for previous year	-824,484.09
Correction of errors in contracts which satisfy the nature of leases in accordance with leasing standards	Right-of-use assets	4,670,519.15
	Prepayments	-191,050.02
	Lease liabilities	4,918,751.75
	Cost of sales	-8,458.45
	Finance expenses	118,805.72
	Adjustment to profit or loss for previous year	-359,851.26
Correction of intermediary fees prior to IPO filing from prepayments to general and administrative expenses	Prepayments	-4,541,010.39
	Administrative expenses	3,126,703.82
	Adjustment to profit or loss for previous year	-1,414,306.57
Correction of errors in provision for bad debts of other receivables from cancelled subsidiaries	Provision for bad debts of other receivables	-30,010.00
	Adjustment to profit or loss for previous year	30,010.00

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

XIV. Other significant events *(continued)*

(I) Corrections of prior accounting errors *(continued)*

1. Retrospective restatement method *(continued)*

(5) Other error corrections not directly related to the independent investigation matters *(continued)*

Correction of accounting errors	Affected items in the statements of 2021 interim report	Cumulative affected amount
Adjustment to related party transactions	Accounts receivable	-10,000.00
	Revenue	-10,000.00
Correction of cost of sales settled across periods	Accounts payable	2,262,661.27
	Other payables	-2,800,724.33
	Adjustment to profit or loss for previous year	538,063.06
As the above errors related to subsidiaries, they had an impact on the net assets of the Company calculated on an ongoing basis at the point of acquisition of the non-controlling shareholders of the relevant subsidiaries, and on the non-controlling interests of the Company as of the balance sheet date	Capital surplus	1,631,656.52
	Adjustment to profit or loss for previous year	3,670,301.65
	Non-controlling interests	-5,301,958.17
Other reclassification errors	Other receivables	-12,332,834.67
	Other payables	-12,332,834.67
	Lease liabilities	-860,000.00
	Non-current liabilities due within one year	860,000.00

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

XIV. Other significant events (*continued*)

(I) Corrections of prior accounting errors (*continued*)

2. Effects of correction of the accounting errors in prior periods on the financial statements as of 30 June 2021

(1) Consolidated income statement

Item	After restatement	Cumulative effect of the error correction	Before restatement
1. Revenue	607,736,706.59	-15,074,689.77	622,811,396.36
Including: Revenue from main businesses	561,344,645.23	-15,074,689.77	576,419,335.00
2. Total cost of sales	566,389,581.01	-6,418,585.09	572,808,166.10
Including: Cost of sales	454,141,400.56	-8,458.44	454,149,859.00
Administrative expenses	76,061,449.25	3,126,704.10	72,934,745.15
Financial expenses	17,237,698.27	118,805.72	17,118,892.55
Credit impairment losses	-2,313,298.25	9,655,636.47	-11,968,934.72
3. Operating profit	51,115,693.18	-8,656,104.68	59,771,797.86
Add: Non-operating income	4,840,495.28	4,235,525.65	604,969.63
Less: Non-operating expenses	2,211,519.98	-500,000.00	2,711,519.98
4. Total profit	53,744,668.48	-3,920,579.03	57,665,247.51
Less: Income tax expenses	17,506,450.86	984,353.58	16,522,097.28
5. Net profit	36,238,217.62	-4,904,932.17	41,143,149.79
6. Net other comprehensive income after tax	36,238,217.62	-4,904,932.17	41,143,149.79
Including: Total comprehensive income			
			72,317,149.79

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

XIV. Other significant events *(continued)*

(I) Corrections of prior accounting errors *(continued)*

2. Effects of correction of the accounting errors in prior periods on the financial statements as of 30 June 2021 *(Continued)*

(2) Consolidated Balance Sheet

Item	After restatement	Cumulative effect of the error correction	Before restatement
Assets			
Current assets:			
Accounts receivable	284,596,120.10	-132,492,458.21	417,088,578.31
Less: Provision for bad debts of accounts receivable	9,277,549.75	-34,893,554.69	44,171,104.44
Net accounts receivable	275,318,570.35	-97,598,903.52	372,917,473.87
Advances	12,565,753.92	-4,732,060.38	17,297,814.30
Other receivables	47,645,819.54	-12,332,836.88	59,978,656.42
Less: Provision for bad debts of other receivables	2,441,789.57	-30,010.00	2,471,799.57
Net other receivables	45,204,029.97	-12,302,826.88	57,506,856.85
Total current assets	669,134,939.17	-114,633,790.78	783,768,729.95
Non-current assets:			
Long-term equity investments	127,062,370.79	4,090,421.66	122,971,949.13
Right-of-use assets	281,164,991.67	4,670,519.15	276,494,472.52
Goodwill	92,554,246.83	-417,348.78	92,971,595.61
Deferred tax assets	35,823,255.19	-7,302,786.81	43,126,042.00
Total non-current assets	1,636,151,265.00	9,052,407.38	1,627,098,857.62
Total assets	2,305,286,204.18	-105,581,383.40	2,410,867,587.57
Liabilities and owners' equity			
Current liabilities			
Accounts payable	71,305,808.39	2,293,577.19	69,012,231.20
Other payable	35,087,424.48	-697,695.46	35,785,119.94
Non-current liabilities due within one year	65,122,900.00	860,000.00	64,262,900.00
Total current liabilities	556,624,561.17	2,455,881.73	554,168,679.44
Non-current liabilities:			
Lease liabilities	231,269,027.43	4,058,751.75	227,210,275.68
Total non-current liabilities	488,661,172.65	4,058,751.75	484,602,420.90
Total liabilities	1,045,285,733.82	6,514,633.48	1,038,771,100.34
Owners' equity:			
Capital surplus	829,085,404.95	15,029,893.60	814,055,511.35
Retained earnings	239,961,660.67	-121,641,539.03	361,603,199.70
Total equity attributable to owners of the parent company	1,180,947,515.62	-106,611,645.40	1,287,559,161.02

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

XIV. Other significant events (continued)

(1) Corrections of prior accounting errors (continued)

2. Effects of correction of the accounting errors in prior periods on the financial statements as of 30 June 2021 (Continued)

(2) Consolidated Balance Sheet

Independent Non-executive Directors' Opinion

The independent non-executive Directors are of the view that the Company has upheld a more stringent implementation of the Accounting Standards for Enterprises, and the correction of these accounting errors is in line with the actual operation and financial position of the Company. The correction made by the Company complies with the requirements of the Accounting Standards for Enterprises and other relevant documents. The revised financial data and financial statements can more objectively and fairly reflect the financial position of the Company. Accordingly, the independent non-executive Directors have agreed to the rectification of accounting errors.

Board's Opinion

The Board is of the view that the consideration and voting procedures for the correction of accounting errors for prior periods comply with the relevant requirements of laws, regulations and the Articles of Association of the Company. The correction renders a more accurate reflection of the financial position and operating results of the Company, and is conducive to improving the quality of the Company's financial information. The Board has unanimously agreed on the rectification of the previous accounting errors.

Supervisory Committee's Opinion

The Supervisory Committee is of the view that the correction of accounting errors for prior periods complies with the relevant laws, regulations and the relevant requirements of the financial and accounting systems, and renders an objective and true reflection of the financial position of the Company. The Supervisory Committee has agreed to correct these accounting errors.

Audit Committee's Opinion

The Audit Committee is of the view that the correction of these accounting errors complies with the requirements of the Accounting Standards for Enterprises and other relevant documents. The correction helps to objectively and fairly reflect the Company's financial position and operating results, and the retrospective adjustment process is legal and compliant. The Audit Committee has agreed to correct and amend these accounting errors.

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

XV. Notes to major items in the financial statements of the parent company

(I) Accounts receivable

1. Accounts receivable disclosed by aging

Aging	Balance as at the end of the period	Balance as at the end of the previous year
Within 1 year	88,365,817.89	40,904,137.67
1 – 2 years	5,711,938.66	1,282,268.26
2 – 3 years	866,544.19	2,748,299.92
3 – 4 years	945,112.89	1,204,242.08
Subtotal	95,889,413.63	46,138,947.93
Less: Provision for bad debts	3,905,739.91	3,065,927.86
Total	91,983,673.72	43,073,020.07

2. Accounts receivable disclosed by classification of provision for bad debts

Category	Balance as at the end of the period					Balance as at the end of the previous year				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Provision for bad debts										
on individual basis	5,056,255.26	5.27	2,528,127.63	50.00	2,528,127.63	5,315,384.45	11.52	2,657,692.23	50.00	2,657,692.22
Including:										
Medical fees due from										
patients	5,056,255.26	5.27	2,528,127.63	50.00	2,528,127.63	5,315,384.45	11.52	2,657,692.23	50.00	2,657,692.22
Provision for bad debts										
on the grouping basis	90,833,158.37	94.73	1,377,612.28	1.52	89,455,546.09	40,823,563.48	88.48	408,235.63	1.00	40,415,327.85
Including:										
Overdue days grouping	90,833,158.37	94.73	1,377,612.28	1.52	89,455,546.09	40,823,563.48	88.48	408,235.63	1.00	40,415,327.85
Total	95,889,413.63	100.00	3,905,739.91	/	91,983,673.72	46,138,947.93	100.00	3,065,927.86		43,073,020.07

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

XV. Notes to major items in the financial statements of the parent company (continued)

(I) Accounts receivable (continued)

2. Accounts receivable disclosed by classification of provision for bad debts (continued)

Provision for bad debts on individual basis :

Items	Balance as at the end of the period			
	Book balance	Provision for bad debts	Proportion of provision (%)	Reason for provision
Medical fees due from patients	5,056,255.26	2,528,127.63	50.00	Provision for bad debts based on expected credit losses for the entire period
Total	5,056,255.26	2,528,127.63	/	

Provision for bad debts on the grouping basis :

Item	Balance as at the end of the period		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Overdue days grouping	90,833,158.37	1,377,612.28	1.52
Total	90,833,158.37	1,377,612.28	/

3. Provision for bad debts provided for, reversed or recovered in the current period

Category	Balance as at the end of the previous year	Changes in the current period			Balance as at the end of the period
		Provided for	Recovered or reversed	Written-back or written-off	
Provision for bad debts on individual basis	2,657,692.23		129,564.60	-63,847.99	2,528,127.63
Provision for bad debts on the grouping basis	408,235.63	969,376.65			1,377,612.28
Total	3,065,927.86	969,376.65	129,564.60	-63,847.99	3,905,739.91

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

XV. Notes to major items in the financial statements of the parent company (continued)

(I) Accounts receivable (continued)

4. The top five debtors of accounts receivable as at the end of the period

Name of the units	Balance as at the end of the period		
	Accounts receivable	As a proportion in total accounts receivable (%)	Provision for bad debts
Wenzhou Medical Insurance Administrative Center	67,493,674.80	70.39	674,936.75
Pingyang Changgeng Hospital Co., Limited	5,056,255.26	5.27	2,528,127.63
Health Bureau of Ouhai District	280,000.00	0.29	2,800.00
Political and Legal Affairs Commission of the CPC Wenzhou Ouhai District Committee	793,100.00	0.83	7,931.00
Civil Affairs and Health Bureau of Wenzhou Economic and Technological Development Zone	65,300.00	0.07	653.00
Total	73,688,330.06	76.85	3,214,448.38

(II) Other receivables

Items	Balance as at the end of the period	Balance as at the end of the previous year
Interest receivable		
Dividends receivable		
Other receivables	520,876,519.51	492,034,884.26
Total	520,876,519.51	492,034,884.26

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

XV. Notes to major items in the financial statements of the parent company (continued)

(II) Other receivables (continued)

1. Other receivables (continued)

(2) Disclosed by classification method of bad debts (continued)

Provision for bad debts on the grouping basis :

Item	Balance as at the end of the period		
	Other receivables	Provision for bad debts	Proportion of provision (%)
Aging grouping	2,604,487.75	34,352.00	1.32
Amounts from related parties within the scope of consolidation	518,306,383.76		
Total	520,910,871.51	34,352.00	

(3) Provision for bad debts

Provision for bad debts	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL (No credit impairment)	Lifetime ECL (No credit impairment)	
Balance as at the end of the previous year	123,061.04			123,061.04
Balance as at the end of the previous year that transferred/reversed in the current period				
- Transferred to stage 2				
- Transferred to stage 3				
- Reversed to stage 2				
- Reversed to stage 1				
Provision for the current period				
Reversal in the current period	88,709.04			88,709.04
Written back in the current period				
Written off in the current period				
Other changes				
Balance as at the end of the period	34,352.00			34,352.00

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

XV. Notes to major items in the financial statements of the parent company (continued)

(II) Other receivables (continued)

1. Other receivables (continued)

(3) Provision for bad debts (continued)

Changes in the book value of other receivables are as follows:

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL (No credit impairment)	Lifetime ECL (Credit- impaired)	
Book balance				
Balance as at the end of the previous year	492,157,945.30			492,157,945.30
Balance as at the end of the previous year that transferred/ reversed in the current period				
- Transferred to stage 2				
- Transferred to stage 3				
- Reversed to stage 2				
- Reversed to stage 1				
Addition for the current period	28,752,926.21			28,752,926.21
Derecognition for the current period				
Other changes				
Balance as at the end of the period	520,910,871.51			520,910,871.51

(4) Provision for bad debts provided for, reversed or recovered in the current period

Changes in the current period

Changes in the current period

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

XV. Notes to major items in the financial statements of the parent company (continued)

(II) Other receivables (continued)

1. Other receivables (continued)

(5) Other receivables by nature

Nature	Book value at the end of the period	Book value as at the end of the previous year
Amounts due from related parties	518,306,383.76	481,560,443.31
Placements	1,003,044.52	8,954,970.91
Deposits and guarantees	851,000.00	854,300.00
Others	750,443.23	788,231.08
Total	520,910,871.51	492,157,945.30

(6) The top five debtors of other receivables as at the end of the period

Name of the units	Nature of other receivables	Balance as at the end of the period	Aging	As a proportion in the total balance of other receivables as at the end of the period (%)	Provision for bad debts at the end of the period
Zhejiang Kangning Hospital Management Co., Ltd.	Amounts due from related parties	250,483,080.67	0-3 years	47.81	
Cangnan Kangning Hospital Co., Ltd.	Amounts due from related parties	44,889,931.02	0-4 years	8.57	
Pingyang Kangning Hospital Co., Ltd.	Amounts due from related parties	28,595,949.99	0-3 years	5.46	
Hangzhou Yining Hospital Co., Ltd.	Amounts due from related parties	37,496,735.92	0-2 years	7.16	
Wenzhou Ouhai Yining Elderly Hospital Co., Ltd.	Amounts due from related parties	42,954,402.55	Within 1 year	8.20	
Total		404,420,100.15		77.20	

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

XV. Notes to major items in the financial statements of the parent company (continued)

(III) Long-term equity investments

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

XV. Notes to major items in the financial statements of the parent company (continued)

(III) Long-term equity investments (continued)

2. Investment in associates

Investees	Balance as at the end of the previous year	New investment	Decrease in investment	Changes in the current period						Balance as at the end of the period	Impairment provision as at the end of the period	
				Investment profits and losses recognized under equity method	Adjustments to other comprehensive income	Other changes in equity	Cash dividend or profit distribution declared	Provision for impairment	Others			
Associates												
Hangzhou Anken Medical Technology Co., Ltd.	13,156,356.09		-1,296,180.45								11,860,175.64	
Wenzhou Longwan Yinying Hospital Co., Ltd.	58,100,000.00	500,000.00									57,600,000.00	
Total	71,256,356.09	500,000.00	-1,296,180.45								69,460,175.64	

Notes to the Financial Statements

For the six months ended 30 June 2022

(All amounts in RMB Yuan unless otherwise stated)

XV. Notes to major items in the financial statements of the parent company (continued)

(IV) Revenue and cost of sales

1. Revenue and cost of sales

Items	Amount for the period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Main businesses	183,506,368.69	133,177,435.95	185,149,114.90	132,147,410.97
Other businesses	2,293,730.40	45,300.00	670,864.13	559,210.00
Total	185,800,099.09	133,222,735.95	185,819,979.03	132,706,620.97

A breakdown of revenue:

Items	Amount for the period	Amount for the previous period
Pharmaceutical sales	44,016,314.26	48,818,058.99
Treatments and general healthcare services	139,490,054.43	136,331,055.91
Total	183,506,368.69	185,149,114.90

2. Description of performance obligations

The performance obligation of treatments and general healthcare services refers to the provision of diagnosis and healthcare services to outpatients, which is usually completed when diagnosis and healthcare services are provided after the patients have paid the fees.

(V) Investment income

Items	Amount for the period	Amount for the previous period
Income from long-term equity investments under the cost method	594,000.00	
Income from long-term equity investments under the equity method	-1,296,180.45	-1,629,853.53
Investment income from disposal of long-term equity investments		
Investment income from financial assets held for trading during the holding period		
Investment income from disposal of financial assets held for trading		
Total	-702,180.45	-1,629,853.53

Definitions

“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), a company established in the PRC with limited liability on August 17, 2015, one of the Company’s indirect non-wholly owned subsidiaries
“Board of Directors” 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
“Chun’an Kangning Hospital”	Chun’an Kangning Huangfeng Hospital Co., Ltd. (淳安康寧黃鋒醫院有限公司), a

Definitions

“HKD”	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
“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 Psychiatric Hospital Co., Ltd. (荷澤怡寧精神病醫院有限公司), a company established in the PRC with limited liability on April 6, 2017, one of the Company’s indirect non-wholly owned subsidiaries
“Incentive Share(s)”	Non-tradable and non-listed Domestic Shares granted under the Equity Incentive Scheme for subscription by the Participants through the employees’ shareholding platform. According to the provisions under the Equity Incentive Scheme regarding Incentive Shares held by the Participants through the employees’ shareholding platform, those Incentive Shares shall include the additional Shares in the event of conversion of capital reserve into share capital, bonus issues, share sub-division, etc. by the Company, whether or not the Incentive Shares are already unlocked
“Jinyun Shuning Hospital”	Jinyun Shuning Hospital Co., Ltd. (縉雲舒寧醫院有限公司), a company established in the PRC with limited liability on February 15, 2019, one of the Company’s non-wholly owned subsidiaries
“Lucheng Yining Hospital”	Wenzhou Lucheng Yining Hospital Co., Ltd. (溫州鹿城怡寧醫院有限公司), a company established in the PRC with limited liability on April 2, 2020, one of the Company’s direct non-wholly owned subsidiaries
“Luqiao Cining Hospital”	Taizhou Luqiao Cining Hospital Co., Ltd. (台州市路橋慈寧醫院有限公司, previously known as Taizhou Luqiao Yining Hospital Co., Ltd. (台州市路橋怡寧醫院有限公司)), a company established in the PRC with limited liability on December 12, 2016, one of the Company’s indirect non-wholly owned subsidiaries

Definitions

“Macau”	the Macau Special Administrative Region of the PRC
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“Nanjing Yining Hospital”	Nanjing Yining Hospital Co., Ltd. (南京怡寧醫院有限公司), a company established in the PRC with limited liability on June 22, 2018, one of the Company’s indirect non-wholly owned subsidiaries
“Nomination Committee”	the nomination committee of the Board
“Participant(s)”	Directors, Supervisors, senior management of the Group (including the general manager), core technical (business) personnel, and other persons who, in the opinion of the Board shall be awarded in accordance with the provisions of the Equity Incentive Scheme and be granted with the Incentive Shares
“Pingyang Changgeng Yining Hospital”	Pingyang Changgeng Yining Hospital Co., Ltd. (平陽長庚怡寧醫院有限公司), a company established in the PRC with limited liability on January 14, 2021, one of the Company’s wholly owned subsidiaries
“Pingyang Kangning Hospital”	Pingyang Kangning Hospital Co., Ltd. (平陽康寧醫院有限公司), a company established in the PRC with limited liability on November 2, 2015, one of the Company’s indirect wholly owned subsidiaries
“PRC” or “China”	the People’s Republic of China which, for the purpose of this interim report, excludes Hong Kong, Macau and Taiwan
“Qingtian Kangning Hospital”	Qingtian Kangning Hospital Co., Ltd. (青田康寧醫院有限公司), a company established in the PRC with limited liability on April 1, 2011, one of the Company’s wholly-owned subsidiaries
“Quzhou Yining Hospital”	Quzhou Yining Hospital Co., Ltd. (衢州怡寧醫院有限公司), a company established in the PRC with limited liability on November 20, 2015, one of the Company’s indirect non-wholly owned subsidiaries
“Reporting Period”	the six months ended June 30, 2021
“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)

Definitions

“Shareholder(s)”	holder(s) of the Share(s)
“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
“Strategy and Risk Management Committee”	the strategy and risk management committee of the Board
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“substantial Shareholder(s)”	has the meaning ascribed thereto in the Hong Kong Listing Rules
“Supervisor(s)”	the members of the Supervisory Committee
“Supervisory Committee”	the Company’s supervisory committee established pursuant to the PRC Company Law
“Taizhou Kangning Hospital”	Taizhou Kangning Hospital Co., Ltd. (台州康寧醫院有限公司), a company established in the PRC with limited liability on June 30, 2016, one of the Company’s indirect non-wholly owned subsidiaries
“Wenzhou Cining Hospital”	Wenzhou Cining Hospital Co., Ltd. (溫州慈寧醫院有限公司), a company established in the PRC with limited liability on January 25, 2006, one of the Company’s non-wholly owned subsidiaries
“Wenzhou Guoda”	Wenzhou Guoda Investment Co., Ltd. (溫州國大投資有限公司), a company established in the PRC with limited liability on February 9, 2002, was one of the Company’s indirect non-wholly owned subsidiaries. On June 24, 2021, the Company entered into the Equity Transfer Agreement with Mr. GUAN Weili, a connected person, to conditionally sell 75% equity interests in Wenzhou Guoda to Mr. GUAN Weili (for details, please refer to the announcement of the Company dated June 24, 2021)
“Wenzhou Ouhai Yining Elderly Hospital”	Wenzhou Ouhai Yining Elderly Hospital Co., Ltd. (溫州甌海怡寧老年醫院有限公司), a company established in China with limited liability on March 8, 2021, one of the nonwholly owned subsidiaries of the Company
“Yongjia Kangning Hospital”	Yongjia Kangning Hospital Co., Ltd. (永嘉康寧醫院有限公司), a company established in the PRC with limited liability on December 12, 2012, one of the Company’s wholly owned subsidiaries
“Yueqing Kangning Hospital”	Yueqing Kangning Hospital Co., Ltd. (樂清康寧醫院有限公司), a company established in the PRC with limited liability on September 3, 2013, one of the Company’s wholly owned subsidiaries
“%”	percentage ratio

溫州康寧醫藥股份有限公司