

... ..

# 溫州康寧醫院股份有限公司

SP

(A joint stock limited liability company incorporated in the P.R.C.)

## 2 FINANCIAL HIGHLIGHTS

### 2.1 Principal Financial Data and Indicators

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



... 465.2 million RMB, an increase of 22.8% compared with 2019. A ... 438.9 million RMB, an increase of 21.8% compared with 2019. ... 26.3% (compared with 2019: 22.3%). A ... 128.3 million RMB, an increase of 39.4% compared with 2019. ... 36.4 million RMB, an increase of 30.1% compared with 2019, ... 26.2 million RMB, an increase of 109.9% compared with 2019, ... 13.3 million RMB, an increase of 4.8% compared with 2019, ...

## 4 MANAGEMENT DISCUSSION AND ANALYSIS

### 4.1 Financial Review

... 465.2 million RMB, an increase of 22.8% compared with 2019. A ... 438.9 million RMB, an increase of 21.8% compared with 2019. ... 26.3% (compared with 2019: 22.3%). A ... 128.3 million RMB, an increase of 39.4% compared with 2019. ... 36.4 million RMB, an increase of 30.1% compared with 2019, ... 26.2 million RMB, an increase of 109.9% compared with 2019, ... 13.3 million RMB, an increase of 4.8% compared with 2019, ...

#### 4.1.1 Revenue and Cost of Revenue

... (i) ... (ii) ... (iii) ...

...:

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



The accompanying notes are an integral part of these financial statements. Total revenue from operations is derived from the following:

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

378.8 million RMB, or 25.1% of total revenue, compared to 349.1 million RMB, or 19.9% of total revenue, for the six months ended June 30, 2019. The increase was primarily due to the increase in the number of inpatient days; at the same time, the average length of stay per inpatient day decreased by 4.2%. The increase in the number of inpatient days was primarily due to the increase in the number of inpatient days for the treatment of various diseases, which increased by 86.3% (compared to 30, 2019: 84.1%).

60.1 million RMB, or 4.7% of total revenue, compared to 51.9 million RMB, or 3.7% of total revenue, for the six months ended June 30, 2019. The increase was primarily due to the increase in the number of inpatient days, which increased by 18.7%. The increase in the number of inpatient days was primarily due to the increase in the number of inpatient days for the treatment of various diseases, which increased by 13.7% (compared to 30, 2019: 15.9%).

28.1 million RMB, or 2.1% of total revenue, compared to 27.0 million RMB, or 2.0% of total revenue, for the six months ended June 30, 2019. The increase was primarily due to the increase in the number of inpatient days, which increased by 4.7%. The increase in the number of inpatient days was primarily due to the increase in the number of inpatient days for the treatment of various diseases, which increased by 23.0% (compared to 30, 2019: 26.8%), and the increase in the number of inpatient days for the treatment of various diseases, which increased by 14.2% (compared to 30, 2019: 16.8%), and the increase in the number of inpatient days for the treatment of various diseases, which increased by 78.8% (compared to 30, 2019: 79.7%).

The increase in the number of inpatient days was primarily due to the increase in the number of inpatient days for the treatment of various diseases, which increased by 78.8% (compared to 30, 2019: 79.7%).

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



#### 4.1.2 Gross Profit and Gross Profit Margin

Total gross profit		128.3
2019. Total gross profit	39.4%	115.4
2019. Total gross profit	43.8%	

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

Total gross profit margin for the six months ended June 30, 2020 was 27.6% (compared to 24.3% for the six months ended June 30, 2019), an increase of 3.3 percentage points. Total gross profit for the six months ended June 30, 2020 was \$128.3 million (compared to \$115.4 million for the six months ended June 30, 2019), an increase of \$12.9 million, or 11.2%. Total gross profit margin for the six months ended June 30, 2020 was 27.6% (compared to 24.3% for the six months ended June 30, 2019), an increase of 3.3 percentage points.

#### 4.1.3 Tax and Surcharge

Total tax and surcharge	2.0
2019. Total tax and surcharge	0.8

#### 4.1.4 Selling Expenses

Total selling expenses	3.7
2019. Total selling expenses	4.5
2019. Total selling expenses	0.8%
2019. Total selling expenses	1.2%

### ***4.1.5 Administrative Expenses***

#### **4.1.7 Finance Expenses – Net**

Finance expenses represent the cost of borrowing funds. Finance expenses are recorded as a debit to the Finance Expenses account and a credit to the Cash or Accounts Payable account. Finance expenses are reported on the Income Statement as a deduction from operating income.

Total non-operating income (expenses) and other gains were \$0.9 million, or 0.0% of net income, for the year ended December 31, 2020, compared to \$1.0 million, or 0.1% of net income, for the year ended December 31, 2019.

#### 4.1.9 Credit Impairment Losses

Total credit impairment losses were \$16.1 million, or 1.6% of net income, for the year ended December 31, 2020, compared to \$10.7 million, or 1.1% of net income, for the year ended December 31, 2019. As a percentage of total assets, credit impairment losses were 3.5% for the year ended December 31, 2020, compared to 2.8% for the year ended December 31, 2019. As a percentage of total assets, credit impairment losses were 8.6% for the year ended December 31, 2020, compared to 7.1% for the year ended December 31, 2019.

#### 4.1.10 Non-Operating Income (Expenses) and Other Gains

Total non-operating income (expenses) and other gains were \$0.9 million, or 0.0% of net income, for the year ended December 31, 2020, compared to \$1.0 million, or 0.1% of net income, for the year ended December 31, 2019.

#### 4.1.11 Income Tax Expense

Income tax expense for the period ended December 31, 2019, was 10.5 million yen (December 31, 2019: 7.1 million yen), representing 47.5% of the profit before income tax for the period ended December 31, 2019. The effective tax rate for the period ended December 31, 2019, was 26.7% (December 31, 2019: 13.5%). The effective tax rate is higher than the statutory rate of 23.2% due to the effect of the tax loss carryforward.

### 4.2 Financial Position

#### 4.2.1 Inventory

As of December 31, 2020, inventory was 33.9 million yen (December 31, 2019: 23.6 million yen), consisting of: (1) raw materials, 31.3 million yen (December 31, 2019: 21.0 million yen); (2) work-in-progress, 2.6 million yen (December 31, 2019: 2.6 million yen); and (3) finished goods, 2701, 2806, 2807 and 2808 million yen (December 31, 2019: 2701, 2806, 2807 and 2808 million yen). The inventory turnover ratio for the period ended December 31, 2020, was 7.5 times (December 31, 2019: 7.5 times).

The inventory turnover ratio is calculated as follows:

Cost of sales	2701, 2806, 2807 and 2808
Inventory at the beginning of the period	2701, 2806, 2807 and 2808
Inventory at the end of the period	2701, 2806, 2807 and 2808
Average inventory	2701, 2806, 2807 and 2808
Inventory turnover ratio	7.5

As of December 31, 2020, the inventory turnover ratio was 75% (December 31, 2019: 75%).

The inventory turnover ratio is calculated as follows:

Cost of sales (A)	(B)	75%
Inventory at the beginning of the period (A)	(B)	19.3

The inventory turnover ratio is calculated as follows:

Cost of sales (A)	(B)	325.73
-------------------	-----	--------

The inventory turnover ratio is calculated as follows:

Cost of sales	325.73
Inventory at the beginning of the period	19.3
Inventory at the end of the period	33.9
Average inventory	26.6
Inventory turnover ratio	12.2

#### 4.2.2 Accounts Receivables

As at Dec 31, 2020, accounts receivable were \$352.6 million (compared to \$310.5 million), an increase of \$42.1 million, or 14.5% from Dec 31, 2019. The increase was primarily due to an increase in receivables from the sale of real estate, which was \$322.5 million at Dec 31, 2019, compared to \$280.4 million at Dec 31, 2020. The increase in receivables from the sale of real estate was primarily due to an increase in the number of units sold, which was 133 units (compared to 146 units).

#### 4.2.3 Other Receivables and Prepayments

As at Dec 31, 2020, other receivables and prepayments were \$88.4 million (compared to \$68.7 million).

#### 4.2.4 Investment Properties

As at Dec 31, 2020, investment properties were \$107.1 million (compared to \$110.9 million). Investment properties include properties held for sale (Class 302, Class 303 and Class 304) and properties held for investment (Class 301). Investment properties are measured at fair value less costs to sell (2/ or 11/ ) and are classified as non-current assets. Investment properties are measured at fair value less costs to sell (2/ or 11/ ) and are classified as non-current assets.

Investment properties are measured at fair value less costs to sell (2/ or 11/ ) and are classified as non-current assets (Class 302, Class 303 and Class 304).

As at Dec 31, 2020, investment properties were \$107.1 million (compared to \$110.9 million). Investment properties include properties held for sale (Class 302, Class 303 and Class 304) and properties held for investment (Class 301). Investment properties are measured at fair value less costs to sell (2/ or 11/ ) and are classified as non-current assets.

Investment properties are measured at fair value less costs to sell (2/ or 11/ ) and are classified as non-current assets (Class 302, Class 303 and Class 304).

Investment properties are measured at fair value less costs to sell (2/ or 11/ ) and are classified as non-current assets (Class 302, Class 303 and Class 304).

Investment properties are measured at fair value less costs to sell (2/ or 11/ ) and are classified as non-current assets (Class 302, Class 303 and Class 304).

Investment properties are measured at fair value less costs to sell (2/ or 11/ ) and are classified as non-current assets (Class 302, Class 303 and Class 304).

Handwritten text, possibly a name or title.

Handwritten text, possibly a date or reference number.

Handwritten text containing the number 462.9( )24 (2/ 11/ ) and a circled number 15.

### 4.2.8 Contract Liability

As at June 30, 2020, contract liability was 10.8 million (compared to 8.6 million as at June 30, 2019).

### 4.2.9 Other Payables

As at June 30, 2020, other payables were 93.5 million (compared to 133.3 million as at June 30, 2019).

## 4.3 Liquidity and Capital Resources

The following table summarizes the cash flows from operating, investing and financing activities:

	For the six months ended June 30,	
	2020 (RMB'000) (Unaudited)	2019 (RMB'000) (Audited)
Cash generated from operations	17,799	4,157
Change in non-current assets	(76,436)	(75,880)
Change in current assets / (liabilities) and other non-current assets	94,945	(25,941)
Change in current liabilities / (assets) and other non-current liabilities	36,424	(98,423)

### 4.3.1 Net Cash Generated from Operating Activities

Net cash generated from operating activities was 17.8 million (2019: 4.2 million). This was primarily due to an increase in sales of 16.1 million (2019: 16.1 million) and a decrease in operating expenses of 28.9 million (2019: 28.9 million), partially offset by an increase in depreciation and amortization of 60.0 million (2019: 60.0 million) and a decrease in net finance income of 90.9 million (2019: 14.5 million).

### 4.3.2 Net Cash Used in Investing Activities

Net cash used in investing activities was 76.4 million (2019: 76.4 million). This was primarily due to the acquisition of property, plant and equipment of 67.1 million (2019: 67.1 million) and the acquisition of intangible assets of 9.3 million (2019: 9.3 million), partially offset by the disposal of property, plant and equipment of 0.4 million (2019: 0.4 million) and the disposal of intangible assets of 0.0 million (2019: 0.0 million).

### 4.3.3 Net Cash Generated from Financing Activities

Net cash generated from financing activities was \$94.9 million for the year ended December 31, 2020, compared to \$163.5 million for the year ended December 31, 2019. The increase was primarily due to the issuance of \$39.1 million of new debt during the year ended December 31, 2020.

### 4.3.4 Significant Investment, Acquisition and Disposal

The Company has no significant investment, acquisition or disposal during the year ended December 31, 2020.

## 4.4 Indebtedness

### 4.4.1 Bank Borrowings

As of December 31, 2020, the Company's total bank borrowings were \$473.5 million (December 31, 2019: \$310.0 million), consisting of \$364.5 million of bank loans and \$109.0 million of bank credit facilities.

### 4.4.2 Contingent Liability

As of December 31, 2020, the Company has no contingent liability.

### 4.4.3 Asset Pledge

The Company's total assets are pledged to secure bank borrowings. As of December 31, 2020, the Company's total assets are \$1,000.0 million.

### 4.4.4 Lease Liabilities

The Company's lease liabilities are \$24.2 million as of December 31, 2020, compared to \$186.0 million as of December 31, 2019.

### 4.4.5 Financial Instruments

The Company's financial instruments are primarily bank borrowings and lease liabilities. The Company's financial instruments are measured at fair value.



A. 2019年12月31日，本公司共有15名董事、监事及高级管理人员持有本公司股票，具体情况如下表所示：

姓名	职务	持有股票数量	持股比例
王康宁	董事长	273,161	0.2391%
王康宁	董事	180,516	0.2391%
王康宁	董事	180,516	0.2391%

注：王康宁先生持有本公司股票180,516股，占公司总股本的0.2391%。

Category of Personnel	Number of Persons granted (Person)	Number of Shares granted (Share)	Number of grant representing total issued share capital of the Company
董事	17	142,311	0.1885%
监事	6	38,204	0.0506%
高级管理人员	23	180,516	0.2391%

王康宁先生持有本公司股票180,516股，占公司总股本的0.2391%。

(温州箴言康宁投资管理合伙企业(有限合伙))

48

48

## 5 PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

The Company has not repurchased any shares of common stock during the reporting period. The total number of shares repurchased during the reporting period is 899,700 shares, for a total consideration of \$15,888,990.

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

The Company has not repurchased any shares of common stock during the reporting period. The total number of shares repurchased during the reporting period is 899,700 shares, for a total consideration of \$15,888,990.

The Company has not repurchased any shares of common stock during the reporting period. The total number of shares repurchased during the reporting period is 899,700 shares, for a total consideration of \$15,888,990.

## 6 EVENTS AFTER THE REPORTING PERIOD

On August 30, 2020, the Company has not repurchased any shares of common stock during the reporting period. The total number of shares repurchased during the reporting period is 899,700 shares, for a total consideration of \$15,888,990.

## 7 REVIEW OF INTERIM RESULTS

The Board of Directors has reviewed the interim financial results of the Company for the period ended 30, 2020, and has approved the interim financial statements for the period ended 30, 2020.

The Board of Directors has also reviewed the interim financial results of the Company for the period ended 30, 2019, and has approved the interim financial statements for the period ended 30, 2019.

## 8 INTERIM DIVIDEND

The Board of Directors has decided not to declare an interim dividend for the period ended 30, 2020 (as compared to 30, 2019: Nil).

## 9 COMPLIANCE WITH CG CODE

The Company has complied with the provisions of the Companies Act, 2013 and the Companies (Corporate Governance) Regulations, 2012.

## 10 ACCOUNTING STANDARDS

The Company has adopted the Accounting Standards prescribed by the Institute of Cost Accountants of India, 2017, and the Accounting Standards prescribed by the Institute of Chartered Accountants of India, 2016 (as amended up to 2016) (as Companies Ordinance).

## 11 FINANCIAL REPORT

### 11.1 Accounting Policies

The Company has adopted the Accounting Standards prescribed by the Institute of Cost Accountants of India, 2017, and the Accounting Standards prescribed by the Institute of Chartered Accountants of India, 2016 (as amended up to 2016) (as Companies Ordinance) (as "Ministry of Finance") dated 15, 2006.

The Company has adopted the Accounting Standards prescribed by the Institute of Cost Accountants of India, 2017, and the Accounting Standards prescribed by the Institute of Chartered Accountants of India, 2016 (as amended up to 2016) (as Companies Ordinance).

The Company has adopted the Accounting Standards prescribed by the Institute of Cost Accountants of India, 2017, and the Accounting Standards prescribed by the Institute of Chartered Accountants of India, 2016 (as amended up to 2016) (as Companies Ordinance) for the period ended 2019. The Company has also adopted the Accounting Standards prescribed by the Institute of Cost Accountants of India, 2017, and the Accounting Standards prescribed by the Institute of Chartered Accountants of India, 2016 (as amended up to 2016) (as Companies Ordinance) for the period ended 2019.

The Company has adopted the Accounting Standards prescribed by the Institute of Cost Accountants of India, 2017, and the Accounting Standards prescribed by the Institute of Chartered Accountants of India, 2016 (as amended up to 2016) (as Companies Ordinance).

The Company has adopted the Accounting Standards prescribed by the Institute of Cost Accountants of India, 2017, and the Accounting Standards prescribed by the Institute of Chartered Accountants of India, 2016 (as amended up to 2016) (as Companies Ordinance).

## 11.2 Interim Financial Statement

The accompanying interim consolidated financial statements have been prepared on the basis of the unaudited consolidated financial statements of the Company and its subsidiaries.

### 11.2.1 Interim Consolidated Income Statement

(All figures are in thousands of US dollars)

	For the six months ended	
	2020	2019
	(Unaudited)	(Unaudited)
<b>1. Revenue</b>	<b>465,150,452</b>	378,910,291
Cost of sales	(336,864,754)	(286,882,183)
Contribution margin	(1,999,246)	(831,972)
Operating expenses	(3,697,157)	(4,476,806)
Operating income	(54,639,015)	(52,890,346)
Other income	(2,637,407)	(2,304,024)
Other expenses	(11,846,196)	(10,198,874)
Income before taxes	(14,086,629)	(11,068,131)
Taxes	2,454,371	1,925,426
Net income	5,443,616	6,567,461
Other income	(923,557)	23,549,073
Other expenses	(1,019,927)	(2,525,317)
Income before taxes	(16,112,650)	(10,730,916)
Taxes	-	(18,587)



## 11.2.2 Interim Consolidated Statement of Financial Position

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

ASSETS	June 30, 2020 (Unaudited)	June 30, 2019 (Audited)
<b>Current assets</b>		
Accounts receivable	216,156,858	176,030,550
Accounts payable	-	30,000,000
Accounts receivable	352,645,140	310,520,612
Accounts payable	76,843,282	63,317,366
Accounts receivable	11,516,259	5,366,020
Accounts payable	33,858,107	23,568,236
Accounts receivable	-	12,688,704
<b>Total current assets</b>	<b>691,019,646</b>	<b>621,491,488</b>
<b>Non-current assets</b>		
Accounts receivable	51,281,869	51,281,869
Accounts payable	94,068,266	89,943,193
Accounts receivable	352,645,140	310,520,612
Accounts payable	76,843,282	63,317,366
Accounts receivable	11,516,259	5,366,020
Accounts payable	33,858,107	23,568,236
Accounts receivable	-	12,688,704

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

### 11.2.3 Interim Consolidated Statements of Cash Flow

(All amounts are in thousands of U.S. dollars)

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

	<b>For the six months ended</b>	
	<b>June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>3. Cash flows from financing activities</b>		
Proceeds from the issuance of long-term debt	<b>23,361,500</b>	4,245,000
Proceeds from the issuance of short-term debt	<b>21,771,500</b>	4,245,000
Proceeds from the issuance of equity	<b>367,285,789</b>	170,000,000
Proceeds from the sale of property, plant and equipment	<b>—</b>	—
<b>Sub-total of cash inflows</b>	<b>390,647,289</b>	174,245,000
Payments for the acquisition of property, plant and equipment	<b>(201,900,000)</b>	(146,000,000)
Payments for the acquisition of intangible assets	<b>(8,241,036)</b>	(6,647,896)
Payments for the acquisition of investments	<b>(85,561,157)</b>	(47,538,263)
<b>Sub-total of cash outflows</b>	<b>(295,702,193)</b>	(200,186,159)
<b>Net cash flows generated from/(used in) financing activities</b>	<b>94,945,096</b>	(25,941,159)
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>	<b>116,743</b>	(758,597)
<b>5. Net increase/(decrease) in cash and cash equivalents</b>	<b>36,424,342</b>	(98,422,759)

## 11.2.4 Interim Consolidated Statement of Changes in Shareholders' Equity

(All amounts are in thousands of U.S. dollars)

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

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

### 11.3.1 Accounts Receivable

(All amounts are in Chinese Yuan unless otherwise specified)

	June 30, 2020 (Unaudited)	June 30, 2019 (Audited)
Accounts receivable	6,750,000	8,250,000
Accounts receivable - related parties	<u>384,779,056</u>	<u>330,174,215</u>
Less: allowance for doubtful accounts	391,529,056	338,424,215
Less: allowance for credit losses	<u>(38,883,916)</u>	<u>(27,903,603)</u>
	<u><u>352,645,140</u></u>	<u><u>310,520,612</u></u>

The allowance for credit losses was determined based on the expected credit loss model as of June 30, 2020 and June 30, 2019. The expected credit loss model is described as follows:

	June 30, 2020 (Unaudited)	June 30, 2019 (Audited)
Category 1: fully expected credit loss	307,256,118	266,932,953
1. 2 years	54,328,309	57,988,407
2. 3 years	24,130,088	13,089,001
3 years	<u>5,814,541</u>	<u>413,854</u>
	<u><u>391,529,056</u></u>	<u><u>338,424,215</u></u>

Accounts receivable are measured at amortized cost less allowance for credit losses.

### 11.3.2 Accounts Payable

(All amounts are in thousands of U.S. dollars)

The following table summarizes accounts payable as of June 30, 2020 and June 30, 2019, respectively:

	June 30, 2020 (Unaudited)	June 30, 2019 (Audited)
Accounts payable	54,973,453	65,881,555
Accounts receivable	5,224,098	7,479,995
Prepaid expenses	2,277,029	1,381,101
Other receivables	578,371	506,880
Other payables	276,874	94,816
Other liabilities	235,714	210,613
	<u>63,565,539</u>	<u>75,554,960</u>

### 11.3.3 Revenue and Cost of Sales

(All amounts are in thousands of U.S. dollars)

	For the six months ended June 30,	
	2020 (Unaudited)	2019 (Audited)
Revenue	438,885,748	360,209,402
Cost of sales	<u>26,264,704</u>	<u>18,700,889</u>
	<u>465,150,452</u>	<u>378,910,291</u>
Operating expenses	323,463,045	279,933,288
Other income	<u>13,401,709</u>	<u>6,948,895</u>
	<u>336,864,754</u>	<u>286,882,183</u>

**Revenue and cost of sales from main operations**

(All amounts are in thousands of U.S. dollars)

	<b>For the six months ended June 30, 2020</b>	
	<b>(Unaudited) Revenue from main operations</b>	<b>(Unaudited) Cost of sales from main operations</b>
Revenue from products	101,134,489	86,044,257
Revenue from services	337,751,259	237,418,788
	<b><u>438,885,748</u></b>	<b><u>323,463,045</u></b>
	<b>For the six months ended June 30, 2019</b>	
	<b>(Unaudited) Revenue from main operations</b>	<b>(Unaudited) Cost of sales from main operations</b>
Revenue from products	96,629,883	82,628,810
Revenue from services	263,579,519	197,304,478
	<b><u>360,209,402</u></b>	<b><u>279,933,288</u></b>

### 11.3.4 Earnings Per Share

(A) *Net income available to common shareholders*

(B) *Weighted average common shares outstanding*

	<b>For the six months ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<i>Net income available to common shareholders</i>	<b>36,409,947</b>	52,064,124
<i>Weighted average common shares outstanding</i>	<b>72,769,749</b>	73,040,000
<i>Earnings per share</i>	<b>0.50</b>	0.71

(C) *Net income available to common shareholders for the six months ended June 30, 2020, was \$36,409,947, compared to \$52,064,124 for the six months ended June 30, 2019. The increase in net income available to common shareholders for the six months ended June 30, 2020, was primarily due to an increase in net income available to common shareholders of \$15,654,177, or 30%, compared to the six months ended June 30, 2019, and a decrease in weighted average common shares outstanding of 670,251, or 0.9%, compared to the six months ended June 30, 2019.*

*Net income available to common shareholders for the six months ended June 30, 2020, was \$36,409,947, compared to \$52,064,124 for the six months ended June 30, 2019. The increase in net income available to common shareholders for the six months ended June 30, 2020, was primarily due to an increase in net income available to common shareholders of \$15,654,177, or 30%, compared to the six months ended June 30, 2019, and a decrease in weighted average common shares outstanding of 670,251, or 0.9%, compared to the six months ended June 30, 2019.*

(D) *Weighted average common shares outstanding*

*Weighted average common shares outstanding for the six months ended June 30, 2020, was 72,769,749, compared to 73,040,000 for the six months ended June 30, 2019. The decrease in weighted average common shares outstanding for the six months ended June 30, 2020, was primarily due to a decrease in the number of common shares outstanding of 670,251, or 0.9%, compared to the six months ended June 30, 2019. The decrease in the number of common shares outstanding was primarily due to the repurchase of 670,251 common shares during the six months ended June 30, 2020, compared to the repurchase of 670,251 common shares during the six months ended June 30, 2019.*

### 11.3.5 Income Tax Expense

(All amounts are in thousands of U.S. dollars)

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

The components of income tax expense are as follows:

	For the six months ended June 30,	
	2020 (Unaudited)	2019 (Unaudited)
Tax expense	<u>39,403,983</u>	<u>52,661,149</u>
Change in valuation allowance	9,850,996	13,165,287
Change in tax rate 25%	579,650	1,158,271
Change in tax rate 20%	121,674	119,184
Change in tax rate 15%	(490,212)	(431,227)
Change in tax rate 10%	-	(318,561)
Change in tax rate 5%	440,640	51,944
Change in tax rate 0%	-	(6,624,980)
	<u>10,502,748</u>	<u>7,119,918</u>

### 11.3.6 Dividends



<p>—</p>	<p>—</p>
<p>—</p>	<p>—</p>
<p>—</p>	<p>—</p>
<p>—</p>	<p>—</p>
<p>—</p>	<p>— (淮南康寧醫院有限公司), 22, 2017,</p>
<p>—</p>	<p>— (廊坊怡寧醫院有限公司, (廊坊市怡寧醫院管理有限公司)), 2, 2015, Article 2, 2020</p>
<p>—</p>	<p>— (台州市路橋慈寧醫院有限公司, (台州市路橋怡寧醫院有限公司)), 12, 2016,</p>
<p>—</p>	<p>— (青田康寧醫院有限公司), Article 1, 2011,</p>
<p>—</p>	<p>— (衢州怡寧醫院有限公司), 20, 2015,</p>
<p>—</p>	<p>— 30, 2020</p>



Wenzhou Kangning Hospital Co., Ltd. (永嘉康寧醫院有限公司),  
12, 2012,  
%-

**Wenzhou Kangning Hospital Co., Ltd.**  
**GUAN Weili**

At 11:28, 2020

A  
A  
A  
A