



温州康宁医院股份有限公司 Wenzhou Kangning Hospital Co., Ltd.

(A joint stock limited liability company incorporated in the People's Republic of China)
Stock code: 2120



INTERIM REPORT

2023





Contents

	Page
CORPORATE INFORMATION	2
FINANCIAL HIGHLIGHTS	4
MANAGEMENT DISCUSSION AND ANALYSIS	5
CORPORATE GOVERNANCE AND OTHER INFORMATION	27
CONSOLIDATED BALANCE SHEETS	37
PARENT COMPANY BALANCE SHEETS	41
CONSOLIDATED INCOME STATEMENT	45
PARENT COMPANY INCOME STATEMENT	47
CONSOLIDATED CASH FLOW STATEMENT	49
PARENT COMPANY CASH FLOW STATEMENT	52
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	54
PARENT COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	56
NOTES TO THE FINANCIAL STATEMENTS	58
DEFINITIONS	136

Corporate Information

Board of Directors

Executive Directors

Mr. GUAN Weili (*Chairman*)
Ms. WANG Lianyue
Mr. WANG Jian (appointed on June 9, 2023)

Non-executive Directors

Mr. QIN Hao
Mr. LI Changhao

Independent Non-executive Directors

Ms. ZHONG Wentang
Ms. JIN Ling (appointed on June 9, 2023)
Mr. CHAN Sai Keung Hugo (appointed on June 9, 2023)
Mr. ZHAO Xudong (resigned on March 10, 2023)
Mr. LIU Ning (resigned on June 9, 2023)

Audit Committee

Ms. ZHONG Wentang (*Chairman*)
Mr. LI Changhao
Ms. JIN Ling (appointed on June 9, 2023)
Mr. LIU Ning (resigned on June 9, 2023)

Nomination Committee

Mr. CHAN Sai Keung Hugo (*Chairman*)
(appointed on June 9, 2023)
Mr. GUAN Weili
Ms. JIN Ling (appointed on June 9, 2023)
Mr. LIU Ning (*Chairman*) (resigned on June 9, 2023)
Mr. ZHAO Xudong (resigned on March 10, 2023)

Remuneration Committee

Ms. JIN Ling (*Chairman*) (appointed on June 9, 2023)
Ms. ZHONG Wentang
Mr. CHAN Sai Keung Hugo (appointed on June 9, 2023)
Mr. ZHAO Xudong (*Chairman*) (resigned on March 10, 2023)
Mr. LIU Ning (resigned on June 9, 2023)

Strategy and Risk Management Committee

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

Supervisory Committee

Mr. XU Ning (*Chairman*)
Mr. XU Yongjiu
Ms. ZHANG Yue (appointed on June 9, 2023)
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

40/F, Dah Sing Financial Centre
248 Queen's Road East
Wanchai
Hong Kong

H Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Stock Code

2120

Company's Website

www.knhosp.cn

Investor Relations

Telephone : (86) 577 8877 1689
Fax : (86) 577 8878 9117
Email : ir@knhosp.cn

Financial Highlights

Principal Financial Data and Indicators

	For the six months ended June 30	
	2023 (RMB' 000) (Unaudited)	2022 (RMB'000) (Unaudited)
Revenue	777,925	738,305
Profit before income tax	60,207	63,331
Income tax expenses	11,478	19,110
Net profit	48,729	44,221
Net profit attributable to shareholders of the Company	43,750	38,788
Profit or loss attributable to non-controlling interests	4,979	5,433
Net cash generated from operating activities	113,591	55,974

	As at	As at
	June 30,2023 (RMB' 000) (Unaudited)	December 31,2022 (RMB'000) (Audited)
Total assets	2,744,233	2,637,787
Total liabilities	1,361,683	1,311,885
Total equity	1,382,550	1,325,903
Equity attributable to shareholders of the Company	1,242,978	1,201,585
Non-controlling interests	139,572	124,318

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

In the first half of 2023, China's macro-economy showed an obvious recovery growth trend. With the deepening of the construction of "Healthy China", the development of people's mental health in the post-epidemic era and the increasing awareness of population aging and health management were constantly driving the medical demand. Relying on the policy support for social medical institutions, the Group actively embraced the medical insurance reform and other challenges to improve the quality and efficiency of its business through refined management and innovation as well as enhanced management and control of medical quality, and made the following progress:

In the first half of 2023, the Group's owned hospital business maintained healthy development. During the Reporting Period, the Group recorded total revenue of RMB777.9 million, representing an increase of 5.4% as compared with that of the same period last year. Among them, the revenue from operating its owned hospitals amounted to RMB728.7 million, representing an increase of 6.7% as compared with that of the same period last year. The business of the Group's mature hospitals such as Wenzhou Kangning Hospital, Cangnan Kangning Hospital and Yueqing Kangning Hospital maintained stable development. The advantages of Qingtian Kangning Hospital and Yongjia Kangning Hospital in business development space were further released after being relocated to new sites. In particular, the revenue of Yongjia Kangning Hospital increased significantly as compared with that of the same period last year. The business of Pujiang Yining Hospital, Changchun Kanglin Psychological Hospital, Hangzhou Cining Hospital and Quzhou Yining Hospital in the growth period maintained a steady growth trend. The Group implemented a regionalized management model to fully leverage the effects of resource sharing and economies of scale. The four hospitals in Taizhou region achieved a stable year-on-year growth. As the impact of the pandemic subsided and favorable adjustments were made to local medical insurance policies, Shenzhen Yining Hospital, Huainan Kangning Hospital, Heze Yining Hospital and Guanxian Yining Hospital were operating well and their profitability was recovered. In addition, the operations of Beijing Yining Hospital have been significantly improved by introducing an advanced operation management team. During the Reporting Period, the Group acquired 51% equity interest in Loudi Kangning Hospital, which has further expanded its strategic network layout in the psychiatric field and enhanced its business scale and market competitiveness.

In the first half of 2023, the Group continued to steadily promote the business development of the elderly healthcare sector, among which, the business of mature elderly hospitals such as Geriatric Hospital and Wenzhou Cining Hospital remained stable. Pingyang Changgeng Yining Hospital and Yueqing Yining Hospital, acquired in August 2021 and January 2022, respectively, recorded remarkable performance with a faster growth in revenue compared to that of the same period last year, while the business development of Cangnan Yining Nursing Center and Wenzhou Ou Hai Yining Elderly Hospital was in line with expectations, as they were still in a ramp-up period.

Management Discussion and Analysis

As of June 30, 2023, the number of the Group's owned hospitals increased to 30 (December 31, 2022: 29), including an independently established internet hospital (Yining Psychology Internet Hospital), and the number of operating beds increased to 10,578 (December 31, 2022: 9,688).

In the first half of 2023, the Group actively implemented the concept of sustainable development and fulfilled its corporate social responsibility. During the Reporting Period, the Group cooperated with the Psychiatry School of Wenzhou Medical University (溫州醫科大學精神醫學學院) to provide all-round and paired assistance to the Nanchong Mental Health Center of Sichuan Province (四川省南充精神衛生中心), laying a foundation for the exchange and cooperation in psychiatry between the East and the West. Public welfare teams were set up to support Tibet and Guizhou for patients in remote areas who suffer from mental illness, and share medical resources with them to help improve the level of local psychiatric medical services. Special funds were established with charity associations to help impoverished mental patients, etc.

Looking ahead, the year 2023 is a key year for advancing the "National Health Planning for the 14th Five-Year Period". The state has put forward new requirements and pointed new directions for the development of medical and health care initiative for the next five years, clarified the improvement of mental health care services, and encouraged the integration of medical and health care services for the elderly as well as the development of health care industry. Combined with a favorable environment in China that encourages developing medical institutions with social capital through a series of policies, the Group will adhere to the principle known as "keeping righteousness and innovation while seeking progress on top of stability (守正創新, 穩中求進)" to consistently optimize its business structure, deepen the development of the medical business of owned hospitals, strengthen the industrial layout of mental health and elderly care, and further enhance its core competitiveness. In the future, the Group will also focus on the development model integrating organic growth and external expansion by making full use of the platform advantages and shareholder-related resources as a listed company and actively carrying out capital operation to reward all shareholders with operating results, and strive to start a new chapter of high-quality development for the Group.

Management Discussion and Analysis

Financial Review

The Group recorded revenue of RMB777.9 million during the Reporting Period, representing an increase of 5.4% as compared with that of the same period of 2022. Among them, the revenue from operating its owned hospitals amounted to RMB728.7 million, representing an increase of 6.7% as compared with that of the same period of 2022. During the Reporting Period, the gross profit margin of its owned hospitals was 24.9% (for the six months ended June 30, 2022: 26.5%). The overall gross profit of the Group increased to RMB201.5 million, representing an increase of 1.9% as compared with that of the same period of 2022. During the Reporting Period, net profit attributable to Shareholders of the Company amounted to RMB43.8 million, representing an increase of 12.8% as compared with that of the same period of 2022.

Revenue and Cost of Revenue

The Group generates revenue mainly through the following three ways: (i) revenue from operating its owned hospitals; (ii) revenue of other healthcare related businesses; and (iii) other revenue not related to healthcare business.

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

	For the six months ended June 30,	
	2023 (RMB'000) (Unaudited)	2022 (RMB'000) (Unaudited)
Revenue from operating owned hospitals	728,692	683,079
Revenue from other healthcare related businesses	46,375	51,809
Other revenue not related to healthcare business	2,858	3,417
Total revenue	777,925	738,305

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 pharmaceutical sales, 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 deducting the variable considerations is recorded as operating revenue of the Group.

The table below sets forth a breakdown of the Billing Revenue of the Group’s owned hospitals adjusted to operating revenue for the periods indicated:

	For the six months ended June 30,	
	2023 (RMB’000) (Unaudited)	2022 (RMB’000) (Unaudited)
Billing Revenue from owned hospitals	744,197	689,629
Less: medical insurance settlement differences	5,306	2,440
loss of income from special medical services ⁽¹⁾	10,199	4,110
Revenue from operating owned hospitals – net	728,692	683,079

Note:

- (1) Loss of income from special medical services refers to the estimated unrecoverable charges for offering medical services by the Group to extremely deprived community members, below minimum living security patients who are impoverished due to illness and other persons with special difficulties stipulated by the people’s government at or above the county level (the “Patients in Need”) pursuant to relevant policies.

For the Reporting Period, the Group’s Billing Revenue from its owned hospitals amounted to RMB744.2 million, representing an increase of 7.9% as compared with that of the same period of 2022, which was mainly due to an increase in treatment and general healthcare services revenue driven by higher outpatient visits and inpatient visits. During the Reporting Period, loss of income from special medical services amounted to RMB10.2 million, representing a increase of RMB6.1 million as compared with that of the same period of 2022.

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,	
	2023 (RMB'000) (Unaudited)	2022 (RMB'000) (Unaudited)
Treatment and general healthcare services		
Revenue	587,219	542,043
Cost of revenue	400,882	365,916
Gross profit	186,337	176,127
Pharmaceutical sales		
Revenue	156,978	147,586
Cost of revenue	146,610	136,141
Gross profit	10,368	11,445
Owned hospitals		
Revenue	744,197	689,629
Cost of revenue	547,492	502,057
Gross profit	196,705	187,572

During the Reporting Period, revenue from operating the Group's owned hospitals amounted to RMB744.2 million, representing an increase of RMB54.6 million as compared with that of the same period of 2022, mainly due to the increase in the revenue of Wenzhou Ouhai Yining Elderly Hospital, Yongjia Kangning Hospital, Yueqing Kangning Hospital, Wenzhou Cining Hospital and Pingyang Changgeng Yining Hospital. During the Reporting Period, the gross profit of the Group's owned hospitals increased by 4.9% as compared with that of the same period of 2022, mainly due to the increase in inpatient bed-days and average inpatient spending per bed-day.

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,	
	2023 (Unaudited)	2022 (Unaudited)
Inpatients		
Inpatient bed as at period end	10,578	9,558
Effective inpatient service bed-day capacity	1,914,618	1,729,998
Utilization rate (%)	84.0	87.0
Number of inpatient bed-days	1,607,422	1,505,499
Treatment and general healthcare services revenue attributable to inpatients (<i>RMB'000</i>)	553,572	513,773
Average inpatient spending per bed-day on treatment and general healthcare services (<i>RMB</i>)	345	341
Pharmaceutical sales revenue attributable to inpatients (<i>RMB'000</i>)	84,197	74,837
Average inpatient spending per bed-day on pharmaceutical sales (<i>RMB</i>)	52	50
Total inpatient revenue (<i>RMB'000</i>)	637,769	588,610
Total average inpatient spending per bed-day (<i>RMB</i>)	397	391
Outpatients		
Number of outpatient visits	250,648	225,032
Treatment and general healthcare services revenue attributable to outpatients (<i>RMB'000</i>)	33,647	28,271
Average outpatient spending per visit on treatment and general healthcare services (<i>RMB</i>)	134	126
Pharmaceutical sales revenue attributable to outpatients (<i>RMB'000</i>)	72,781	72,748
Average outpatient spending per visit on pharmaceutical sales (<i>RMB</i>)	291	323
Total outpatient revenue (<i>RMB'000</i>)	106,428	101,019
Total average outpatient spending per visit (<i>RMB</i>)	425	449
Total treatment and general healthcare services revenue (<i>RMB'000</i>)	587,219	542,044
Total pharmaceutical sales revenue (<i>RMB'000</i>)	156,978	147,585

Management Discussion and Analysis

During the Reporting Period, inpatient Billing Revenue amounted to RMB637.8 million, representing an increase of 8.4% as compared with that of the same period of 2022, primarily due to: (i) the number of the Group's inpatient bed-days increased by 6.8%, which was driven by the increase in the inpatient bed-days of Wenzhou Ouhai Yining Elderly Hospital, Yongjia Kangning Hospital, Wenzhou Cining Hospital, Pingyang Changgeng Yining Hospital, and Yueqing Yining Hospital; and (ii) the average inpatient spending per bed-day of the Group's owned hospitals increased by 1.5%. The proportion of inpatient Billing Revenue to Billing Revenue from owned hospitals was 85.7% (for the six months ended June 30, 2022: 85.4%).

During the Reporting Period, outpatient Billing Revenue amounted to RMB106.4 million, representing an increase of 5.4% as compared with that of the same period of 2022, primarily due to the increase of outpatient visits by 11.4% and the decrease in average outpatient spending per visit by 5.3%. The proportion of outpatient Billing Revenue to Billing Revenue from owned hospitals was 14.3% (for the six months ended June 30, 2022: 14.6%).

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 8.3% as compared with that of the same period of 2022, and increased to 78.9% of Billing Revenue from owned hospitals (for the six months ended June 30, 2022: 78.6%); Billing Revenue from pharmaceutical sales increased by 6.4% as compared with that of the same period of 2022, accounting for 21.1% of Billing Revenue from owned hospitals (for the six months ended June 30, 2022: 21.4%), of which: the ratio of inpatient pharmaceutical sales to total inpatient Billing Revenue increased to 13.2% (for the six months ended June 30, 2022: 12.7%), the ratio of outpatient pharmaceutical sales to total outpatient Billing Revenue slightly decreased to 68.4% (for the six months ended June 30, 2022: 72.0%).

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

	For the six months ended June 30,	
	2023 (RMB'000) (Unaudited)	2022 (RMB'000) (Unaudited)
Pharmaceuticals and consumables used	188,867	173,660
Employee benefits and expenses	208,780	179,347
Depreciation of right-of-use assets	17,993	19,839
Depreciation and amortization	49,033	50,657
Canteen expenses	32,373	28,668
Testing fees	10,630	11,798
Others	39,816	38,088
Cost of revenue of owned hospitals	547,492	502,057

Management Discussion and Analysis

During the Reporting Period, the cost of revenue of the Group's owned hospitals increased to RMB547.5 million, representing an increase of 9.0% as compared with that of the same period of 2022. It was mainly due to: (i) the increase of 8.8% in pharmaceuticals and consumables expenses relating to the increase of pharmaceutical sales revenue; (ii) the increase of 16.4% in employee benefits and expenses arising from the increase in beds in the operation of our owned hospitals; and (iii) depreciation of right-of-use assets decreased by 9.3% as compared with that of the same period of 2022.

From the cost structure perspective, the proportion of pharmaceuticals and consumables used to the cost of revenue of our owned hospitals decreased to 34.5% (for the six months ended June 30, 2022: 34.6%). The proportion of employee benefits and expenses to cost of revenue of our owned hospitals increased to 38.1% (for the six months ended June 30, 2022: 35.7%). 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 12.2% (for the six months ended June 30, 2022: 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 RMB46.7 million, of which revenue from sales of pharmaceuticals and medical devices outside the hospitals was RMB29.1 million (for the six months ended June 30, 2022: RMB37.7 million).

Gross Profit and Gross Profit Margin

During the Reporting Period, total gross profit of the Group on operating income basis amounted to RMB201.5 million, representing an increase of 1.8% as compared with that of the same period of 2022. The gross profit of our owned hospitals businesses amounted to RMB181.2 million, representing an increase of 0.1% as compared with that of the same period of 2022. The table below sets forth a breakdown of the gross profit margin of different businesses for the periods indicated:

	For the six months ended June 30,	
	2023 (Unaudited)	2022 (Unaudited)
Treatment and general healthcare services	29.9%	31.7%
Pharmaceutical sales	6.6%	7.8%
Owned hospitals businesses	24.9%	26.5%
Other businesses	41.3%	30.3%
Consolidated gross profit margin	25.9%	26.8%

Management Discussion and Analysis

During the Reporting Period, consolidated gross profit margin of the Group decreased to 25.9% (for the six months ended June 30, 2022: 26.8%), of which the gross profit margin of treatment and general healthcare services decreased by 1.8 percentage points as compared with that of the same period of 2022. The gross profit margin of pharmaceutical sales decreased by 1.2 percentage points as compared with that of the same period of 2022.

Tax and Surcharge

During the Reporting Period, the tax and surcharge of the Group amounted to RMB2.8 million (for the six months ended June 30, 2022: RMB2.0 million).

Selling Expenses

During the Reporting Period, the selling expenses of the Group amounted to RMB7.8 million (for the six months ended June 30, 2022: RMB6.1 million). The selling expenses accounted for 1.1% of the Group's revenue from operating its owned hospitals (for the six months ended June 30, 2022: 0.9%).

Administrative Expenses

During the Reporting Period, administrative expenses of the Group primarily consist of employee benefits and expenses, 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,	
	2023 (RMB'000) (Unaudited)	2022 (RMB'000) (Unaudited)
Employee benefits and expenses	55,922	52,917
Depreciation and amortization	13,474	11,246
Consultancy expenses	14,377	12,309
Travelling expenses	2,071	1,724
Others	16,080	16,698
Total administrative expenses	101,924	94,894

During the Reporting Period, the administrative expenses of the Group amounted to RMB101.9 million, representing an increase of 7.4% as compared with that of the same period of 2022, mainly due to the payment of RMB4.6 million related to independent investigations. During the Reporting Period, the proportion of the administrative expenses to the revenue from operating owned hospitals of the Group was 14.0% (for the six months ended June 30, 2022: 13.9%).

Management Discussion and Analysis

Research and Development Expenses

During the Reporting Period, the Research and Development Expenses of the Group mainly included clinical research, information technology software development and internet hospital platform construction. The following table sets out the breakdown of the Group's research and development expenses for the periods indicated:

	For the six months ended June 30,	
	2023 (RMB' 000) (Unaudited)	2022 (RMB'000) (Unaudited)
Clinical Studies	9,691	9,646
Informatization Software Development	3,259	3,535
Construction of Internet Hospital Platform	1,982	1,868
Others	26	13
Total	14,958	15,062

During the Reporting Period, the Group's research and development expenses amounted to RMB15.0 million (for the six months ended June 30, 2022: RMB15.1 million), which was basically the same as the corresponding period in 2022. The proportion of research and development expenses to the revenue from operating owned hospitals of the Group was 2.1% (for the six months ended June 30, 2022: 2.2%).

Management Discussion and Analysis

Finance Expenses – Net

Our finance income includes interest income from bank deposits, and the finance expenses include the foreign exchange gains/losses, the borrowing interest expenses and the interest expense on lease liabilities. The table below sets forth a breakdown of our financial income and expense for the periods indicated:

	For the six months ended June 30,	
	2023 (RMB'000) (Unaudited)	2022 (RMB'000) (Unaudited)
Interest income	-2,705	-1,699
Foreign exchange gains/losses	-13	-44
Borrowing interest expenses	14,124	15,561
Interest expense on lease liabilities	5,058	7,239
Others	3,696	591
Finance expenses – Net	20,160	21,648

During the Reporting Period, the net finance expenses of the Group amounted to RMB20.2 million, representing a decrease of RMB1.5 million as compared with that of the same period of 2022, of which, borrowing interest expense decreased by 9.2% as compared with that of the same period of 2022, mainly due to the decrease in bank loans of the Group. Interest expenses on lease liabilities decreased by RMB2.2 million as compared with that of the same period of 2022.

Management Discussion and Analysis

Investment loss

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

	For the six months ended June 30,	
	2023 (RMB'000) (Unaudited)	2022 (RMB'000) (Unaudited)
Share of losses of investments accounted for using the equity method	-158	-1,672
Gains arising from disposal of long-term equity investment	-38	1,393
	-196	-279

During the Reporting Period, our investment loss amounted to RMB0.2 million. Among the said amount, there was attributable investment loss of RMB0.2 million accrued under the equity method.

Credit Impairment Losses

During the Reporting Period, credit impairment losses increased to RMB3.0 million (for the six months ended June 30, 2022: RMB2.7 million).

Management Discussion and Analysis

Non-Operating Income and Non-Operating Expenses

Our non-operating income mainly consists of government grants and donations received income, and non-operating expenses mainly consist of losses on scrapping of non-current assets, donation expenses, and expenses for medical disputes. 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,	
	2023 (RMB'000) (Unaudited)	2022 (RMB'000) (Unaudited)
Government grants	232	1,167
Donations received	5,574	4,018
Other non-operating income	119	167
Non-operating income	5,925	5,352
Losses on scrapping of non-current assets	92	239
Donation expenses	1,235	1,419
Expenses for medical disputes	370	1,237
Other non-operating expenses	518	478
Non-operating expenses	2,215	3,373

During the Reporting Period, the non-operating income of the Group amounted to RMB5.9 million, representing an increase of RMB0.6 million as compared with that of the same period last year, mainly due to the donations received increased by RMB1.6 million as compared with that of the same period last year. During the Reporting Period, the non-operating expenses of the Group decreased to RMB2.2 million, which was mainly due to the decrease in expenses for medical disputes by RMB0.9 million as compared with that of the same period of 2022.

Income Tax Expense

During the Reporting Period, income tax expense decreased to RMB11.5 million (for the six months ended June 30, 2022: RMB19.1 million), representing a decrease of 39.9% as compared with that of the same period of 2022. During the Reporting Period and for the six months ended June 30, 2022, our actual tax rate was 19.1% and 30.2%, respectively.

Management Discussion and Analysis

Financial Position

Inventory

As of June 30, 2023, inventory balances amounted to RMB54.8 million (as of December 31, 2022: RMB58.3 million), mainly including the medical inventory and turnover materials.

Accounts Receivables

As of June 30, 2023, the balance of accounts receivables amounted to RMB400.8 million (as of December 31, 2022: RMB382.8 million), representing an increase of 4.7% as compared with that of December 31, 2022, mainly due to the increase in operational income of the Group's owned hospitals.

During the Reporting Period, the accounts receivables turnover days of the Group were 91 days (for the six months ended June 30, 2022: 90 days).

Other Receivables and Prepayments

As of June 30, 2023, other receivables and prepayments increased to RMB97.4 million (as of December 31, 2022: RMB69.4 million).

Other Non-current Financial Assets

As of June 30, 2023, the balance of other non-current financial assets was RMB63.1 million (as of December 31, 2022: RMB63.1 million).

Construction in progress

As of June 30, 2023, the balance of construction in progress was RMB221.9 million (as of December 31, 2022: RMB152.5 million). During the Reporting Period, the constructions in progress were mainly the new construction project of Lucheng Yining Hospital, the new construction project of Linhai Cining Hospital, the relocation project of Quzhou Yining Hospital and the relocation project of Jinyun Shuning Hospital.

Right-of-use Assets

As of June 30, 2023, right-of-use assets decreased to RMB169.0 million (as of December 31, 2022: RMB190.4 million), mainly due to the depreciation of right-of-use assets.

Accounts Payables

As of June 30, 2023, accounts payables increased to RMB88.1 million (as of December 31, 2022: RMB85.8 million).

Management Discussion and Analysis

Receipts in Advance and Contract Liabilities

As of June 30, 2023, receipts in advance and contract liabilities increased to RMB37.9 million (as of December 31, 2022: RMB29.9 million).

Other Payables

As of June 30, 2023, other payables increased to RMB87.3 million (as of December 31, 2022: RMB72.2 million), mainly due to a new pre-allocated COVID-19 relief fund of RMB23.3 million.

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,	
	2023 (RMB'000) (Unaudited)	2022 (RMB'000) (Unaudited)
Net cash generated from operating activities	113,591	55,974
Net cash used in investing activities	-119,122	-164,454
Net cash generated from financing activities	9,790	194,881
Net increase in cash and cash equivalents	4,273	86,446

Net Cash Generated from Operating Activities

During the Reporting Period, net cash generated from operating activities amounted to RMB113.6 million, primarily consisting of net profit of RMB48.7 million, adjustments of RMB3.0 million for credit impairment losses and asset impairment losses and adjustments of RMB81.2 million for depreciation and amortisation of various assets. Changes in working capital resulted in cash outflow of RMB33.5 million.

Net Cash Used in Investing Activities

During the Reporting Period, net cash used in investing activities amounted to RMB-119.1 million, primarily due to the amount of RMB107.8 million for purchasing property, plant and equipment, primarily including, infrastructure investment of Lucheng Yining Hospital, Quzhou Yining Hospital, Linhai Cining Hospital, Jinyun Shuning Hospital, and decoration of Pingyang Changgeng Yining Hospital.

Management Discussion and Analysis

Net Cash Generated from Financing Activities

During the Reporting Period, net cash generated from financing activities amounted to RMB9.8 million.

Significant Investment, Acquisition and Disposal

The Group had no significant investment, acquisition or disposal for the six months ended June 30, 2023.

As of the date of this interim report, the Group did not receive any specific plan with authorisation from the Board on significant investment in or acquisition of capital assets.

Indebtedness

Bank Borrowings

As of June 30, 2023, the balance of bank borrowings of the Group amounted to RMB757.9 million (as of December 31, 2022: RMB616.5 million), primarily attributable to repayment of borrowings of RMB109.6 million and an increase in borrowings of RMB251.0 million during the Reporting Period.

Contingent Liability

As of June 30, 2023, 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

During the Reporting period, 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 Ouhai Sub-branch for obtaining a bank loan. As of June 30, 2023, the balance of such pledged loan was RMB261.0 million.

Lease Liabilities

The lease liabilities of the Group primarily consist of operating lease arrangements. As of June 30, 2023, the present values of unsettled lease payments under non-cancellable lease agreements, after deducting an amount of RMB25.0 million which is due within one year, were RMB150.2 million.

Management Discussion and Analysis

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, 2023, the Group has not used any derivative financial instruments to hedge against its exposure to currency risks. The management of the Company manages the currency risks by closely monitoring the movement of the foreign currency rates, and will consider hedging against significant foreign currency exposures should such need arise.

Gearing Ratio

As of June 30, 2023, the Group's gearing ratio (total liabilities divided by total assets) slightly decreased to 49.6% (as of December 31, 2022: 49.7%), mainly due to an increase of bank borrowings.

Employees and Remuneration Policy

As of June 30, 2023, the Group had a total of 4,652 employees (as of December 31, 2022: 4,381 employees). During the Reporting Period, employees' remuneration (including salaries and other forms of employee benefits) amounted to approximately RMB291.5 million (for the six months ended June 30, 2022: RMB245.3 million). The average employees' remuneration is RMB125.3 thousand per year (including social insurance scheme and housing grant scheme borne by the Group). The remuneration is determined with reference to the salary level in the same industry and the qualifications, experience and performance of an employee.

Management Discussion and Analysis

Equity Incentive Scheme

In order to fully mobilize the enthusiasm of senior management and core technical personnel of the Group, the Company drafted the Equity Incentive Scheme for the Year 2018 of Wenzhou Kangning Hospital Co., Ltd. (《温州康宁医院股份有限公司2018年股权激励计划》, the “Equity Incentive Scheme”), which was considered and approved and adopted at the annual general meeting of the Company for the year 2017 which has been convened on June 13, 2018. In order to meet the requirements regarding capital certainty when the Company applies for the listing of its A Shares in the future, on June 24, 2021, the proposal on further amendments to the Equity Incentive Scheme was considered and passed (among others) in the meeting of the Board, and it was resolved to cancel the performance assessment requirements and the Company’s obligation to repurchase the unlocked incentive shares under the Equity Incentive Scheme. Unless otherwise specified, capitalized terms used below shall have the same meanings as those defined in the announcement of the Company dated May 29, 2018, the supplementary circular of the Company dated May 30, 2018, the circular of the Company dated May 14, 2021, the announcement of the Company dated June 18, 2021 and the announcement of the Company dated June 25, 2021.

In respect of the Equity Incentive Scheme, the participants of the first actual grant comprised a total of 165 people, with 1,818,529 incentive shares granted. The participants of the second phase of the actual grant comprised a total of 23 people, with 180,516 incentive shares granted. The participants (including connected people) of the third phase of the actual grant comprised a total of 13 people, with 540,229 incentive shares granted. As of the date of this interim report, a total of 8 participants exited, corresponding to a total of 79,274 incentive shares. As of the date of this interim report, the participants of the actual grant under the Equity Incentive Scheme comprised 193 people, and 2,460,000 incentive shares have been granted in total. The incentive shares granted accounted for 3.2976% of the total issued share capital of the Company as of the date of this interim report. The incentive shares were unlocked at one time after 48 months from the date of the grant, and the grant price was RMB10.47/share.

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 employees of the Group, and effectively integrate Shareholders’ interests, the Company’s interests and interests of the core team members so that the parties will make joint efforts for the Company’s long-term development and ensure the realization of the Company’s development strategy and operation objectives. The Equity Incentive Scheme has been developed on the precondition of fully safeguarding Shareholders’ interests pursuant to the principle of benefits being in proportion to contributions and in accordance with provisions of the relevant laws, administrative regulations and regulatory documents including the Company Law and the Articles of Association.

Management Discussion and Analysis

(2) *Scope of the Participants*

(a) Scope of the Participants

All Participants shall be employed in the Group and have signed labor contracts or employment contracts with the Group during the appraisal period of the Equity Incentive Scheme.

Participants shall include the 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 incentivized, and the Board shall determine the Participants and the amount of equity to be granted within 36 months upon consideration and approval of the Equity Incentive Scheme at a general meeting.

(b) List of the Participants under the Equity Incentive Scheme

The specific list and subscribed capital contribution of the Participants shall be selected and assessed by the Board.

(3) *Description of equity to be granted under the Equity Incentive Scheme*

(a) Form of equity to be granted under the Equity Incentive Scheme

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 Shares to be granted to the Participants are entitled to the corresponding rights upon registration, including but not limited to dividend distribution and voting rights. The aforementioned rights are not subject to lock-up period. Upon the expiry of the lock-up period, unless otherwise agreed, Participants who have fulfilled the unlocking conditions can dispose the unlocked Incentive Shares by transferring their respective interests in the Partnership.

(b) Source and category of the Shares subject to the equity to be granted under the Equity Incentive Scheme

The Incentive Shares under the Equity Incentive Scheme comprise the non-tradable and non-listed Domestic Shares to be issued to the employees' shareholding platform by the Company.

(c) Amount of equity to be granted under the Equity Incentive Scheme and its percentage of the total share capital of the Company

Participants are proposed to be granted up to 2,460,000 Shares under the Equity Incentive Scheme, representing 3.30% of the Company's total share capital as at the date of this interim report, and accounting for 4.45% of the total number of non-tradable and non-listed Domestic Shares.

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

(6) Grant Price of the Equity Incentive Shares and basis for determination

(a) Grant Price of the Equity Incentive Shares The Grant Price of the Incentive Shares under the first grant shall be RMB10.47 per Share; The Grant Price of the Incentive Shares under the reserved grant shall be RMB10.47 per Share.

(b) Basis for determination on the Grant Price of the Equity Incentive Shares

Based on the fundamental purpose of promoting the development of the Company and safeguarding the interests of Shareholders, the Grant Price RMB10.47 of Equity Incentive Shares under the Incentive Scheme has been determined in accordance with the principle of “incentives with emphasis and effectiveness (重點激勵、有效激勵)” and with comprehensive reference to the following factors:

(i) As at the date of the approval of the Equity Incentive Shares by the Board (i.e. May 29, 2018), the trading price of the Company’s H Shares was approximately HK\$40.00 per Share (equivalent to approximately RMB32.50 per Share); and

(ii) the number of Equity Incentive Shares granted this time and the incentive effects.

(c) Grant Price of the Equity Incentive Shares at a discount or premium

The Grant Price of the Incentive Shares under the Incentive Scheme represents approximately 32.22% of the aforementioned trading price of the Company’s H Shares, that is RMB10.47 per Share.

For the six months ended June 30, 2023, the changes in the Incentive Shares granted under the Equity Incentive Scheme are as follows:

Name of Grantee	Date of Grant	Closing Price before the Date of Grant (HKD)	Vesting Date (Unlocking Date)	Grant Price (RMB)	Balance of	Balance of	Granted during the Reporting Period	Vested	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Balance of	
					Incentive Shares Granted but not Vested as at January 1, 2023	Incentive Shares Granted and Vested as at January 1, 2023		(Unlocked) during the Reporting Period			Incentive Shares Granted but not Vested as at June 30, 2023	
<i>Director</i>												
Ms. WANG Lianyue	June 18, 2021	35.95	June 28, 2022	10.47	-	248,328	-	-	-	-	-	
<i>Supervisor</i>												
Mr. XIE Tiefan	June 18, 2021	35.95	June 28, 2022	10.47	-	4,776	-	-	-	-	-	

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	Balance of	Granted during the Reporting Period	Vested	Cancelled during the Reporting Period	Lapsed	Balance of	
					Incentive Shares Granted but not Vested as at January 1, 2023	Incentive Shares Granted and Vested as at January 1, 2023		(Unlocked) during the Reporting Period		during the Reporting Period	Incentive Shares Granted but not Vested as at June 30, 2023	
<i>Others</i>												
Mr. XU Yi (spouse of Ms. WANG Hongyue)	June 18, 2021	35.95	June 28, 2022	10.47	-	28,653	-	-	-	-	-	
Ms. WANG Hongyue (younger sister of Ms. WANG Lianyue)	June 18, 2021	35.95	June 28, 2022	10.47	-	95,511	-	-	-	-	-	
Ms. WANG Biyu (niece of Ms. WANG Lianyue and Ms. WANG Hongyue)	June 18, 2021	35.95	June 28, 2022	10.47	-	4,776	-	-	-	-	-	
Ms. XU Qunyan (younger sister of Mr. XU Yi)	June 18, 2021	35.95	June 28, 2022	10.47	-	4,776	-	-	-	-	-	
Mr. GUAN Weilu (younger brother of Mr. GUAN Weili)	June 18, 2021	35.95	June 28, 2022	10.47	-	19,102	-	-	-	-	-	
Mr. SUN Fangjun	June 18, 2021	35.95	June 28, 2022	10.47	-	14,327	-	-	-	-	-	
Mr. SUN Hongbo (nephew of Ms. WANG Lianyue and Ms. WANG Hongyue)	June 18, 2021	35.95	June 28, 2022	10.47	-	30,563	-	-	-	-	-	
Ms. ZHANG Linghui (sister-in-law of Mr. GUAN Weili)	June 18, 2021	35.95	June 28, 2022	10.47	-	4,776	-	-	-	-	-	
Senior management	August 20, 2018	38.80	June 28, 2022	10.47	-	133,715	-	-	-	-	-	
Core technical personnel	August 20, 2018	38.80	June 28, 2022	10.47	-	1,684,814	-	-	-	-	-	
	August 26, 2019	36.00	June 28, 2022	10.47	-	142,311	-	-	-	-	-	
Other employees (total)	August 26, 2019	36.00	June 28, 2022	10.47	-	38,204	-	-	-	-	-	
Total					-	2,454,632	-	-	-	-	-	

Employees 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 2022 annual report.

Corporate Governance and Other Information

CORPORATE GOVERNANCE

Save as disclosed below, during the Reporting Period and up to the date of this interim report, the Company has complied with all code provisions in the CG Code.

From March 10, 2023, Mr. ZHAO Xudong (“**Mr. Zhao**”) has no longer served as an independent non-executive Director and ceased to act as the chairman of the Remuneration Committee, and a member of the Nomination Committee of the Company due to retirement and personal health reasons. Following the resignation of Mr. Zhao, the number and composition of the independent non-executive Directors of the Company did not meet the following requirements of the Hong Kong Listing Rules that: (i) the Board shall include at least three independent non-executive directors under Rule 3.10 of the Hong Kong Listing Rules; (ii) the remuneration committee shall be chaired by an independent non-executive director under Rule 3.25 of the Hong Kong Listing Rules; and (iii) the members of the nomination committee shall comprise a majority of independent non-executive directors under Rule 3.27A of the Hong Kong Listing Rules. On March 10, 2023, the Board considered and approved the nomination of Ms. JIN Ling (“**Ms. Jin**”) as a candidate for an independent non-executive Director, and the chairman of the Remuneration Committee and a member of the Nomination Committee of the Company. The proposed election of Ms. Jin as an independent non-executive Director was approved by the Shareholders at the annual general meeting for the year 2022 of the Company on June 9, 2023. Since then, the Company has complied with the relevant requirements of Rules 3.10, 3.25 and 3.27A of the Hong Kong Listing Rules.

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, 2023 to June 30, 2023 and up to the date of this interim report.

The Company minimizes the scope of insiders before publication of such inside information. Employees who are, or likely to be, in possession of unpublished inside information in relation to the Company or the Shares are prohibited from dealing in the Shares during the black-out period. The Company will file relevant information of such employees, including but not limited to the inside information, personal identity, securities account, the department such employees serve and their responsibilities, for Company’s internal check and relevant regulatory authorities’ inquiries. If such employees violate relevant laws and regulations, the Company will make the punishment decisions or transfer them to the judicial organs for handling in accordance with the law, in accordance with the seriousness of the case.

ACCOUNTING STANDARDS

The Company has been applying the China Accounting Standards for Business Enterprises since the financial year of 2017, and has complied with the disclosure requirements required in the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the “**Companies Ordinance**”).

Corporate Governance and Other Information

ACCOUNTING POLICIES

The financial statements are prepared in accordance with the Accounting Standard for Business Enterprises – Basic Standard and specific accounting standards and relevant rules issued by the Ministry of Finance of the PRC (the “Ministry of Finance”) on February 15, 2006.

The financial statements are prepared and has 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 Group’s accounting policies applied in preparing the financial statements are consistent with those policies applied in the financial statements for the year ended 2022. The interim financial statements shall be read together with the financial statements for the year ended 2022 of the Group.

The financial statements are prepared on a going concern basis. The new Hong Kong Companies Ordinance became effective in March 3, 2014. Certain related matters in the financial statements have been disclosed according to requirements of the Hong Kong Companies Ordinance.

AUDIT COMMITTEE AND REVIEW OF THE INTERIM REPORT AND THE INTERIM RESULTS

The Company established the Audit Committee in compliance with Rule 3.21 and Rule 3.22 of the Hong Kong Listing Rules and with written terms of reference in compliance with the CG Code and the roles and the responsibilities delegated to the Audit Committee by the Board. As of June 30, 2023, the Audit Committee consists of two independent non-executive Directors, Ms. ZHONG Wentang (the chairman of the Audit Committee) and Ms. JIN Ling, and one non-executive Director, Mr. LI Changhao. The Audit Committee has reviewed this interim report and the Group’s unaudited financial information for the six months ended June 30, 2023 and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

INTERIM DIVIDEND

The Board recommends the payment of the Proposed Interim Dividend. The Company will adopt the method of cash dividend to distribute cash dividends to its Shareholders for its Proposed Interim Dividend, calculated based on 74,600,300 issued Shares of the Company as at June 30, 2023, of RMB1 (tax-inclusive) per 10 Shares, the total proposed cash dividends to be distributed is RMB7,460,030 (tax-inclusive), representing -86.0% of the net profit of the parent company during the Reporting Period. The Proposed Interim Dividend will be denominated and declared in RMB. The holders of Domestic Shares will be paid in RMB and the holders of H Shares will be paid in Hong Kong dollars. The exchange rate for the Proposed Interim Dividend to be paid in Hong Kong dollars will be the mean of the exchange rates of Hong Kong dollars to RMB as announced by the People’s Bank of China during the five business days prior to the date of declaration of the Proposed Interim Dividend (i.e. the date of convening the extraordinary general meeting of the Company). The proposal for payment of 2023 interim dividend is subject to the consideration and approval at the general meeting of the Company.

Corporate Governance and Other Information

Subject to the approval of the Proposed Interim Dividend by the Shareholders at the forthcoming extraordinary general meeting, the expected payment date of the Proposed Interim Dividend shall be no later than November 30, 2023. The Company will, in due course, announce the date of the extraordinary general meeting, the time of the closure of the register of members of the H Shares for the purpose of determining the list of Shareholders entitled to attend and vote at the extraordinary general meeting and to qualify for the Proposed Interim Dividend.

In accordance with the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法) and its implementation regulations which came into effect on January 1, 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise Shareholders whose names appear on the register of members for H Shares when distributing the cash dividends. Any H Shares not registered under the name of an individual Shareholder, including HKSCC Nominees Limited, other nominees, agents or trustees, or other organizations or groups, shall be deemed as Shares held by non-resident enterprise Shareholders. Therefore, enterprise income tax shall be withheld from dividends payable to such Shareholders. If holders of H Shares intend to change its Shareholder status, please enquire about the relevant procedures with the agents or trustees. The Company will strictly comply with the law or the requirements of the relevant government authority and withhold and pay enterprise income tax on behalf of the relevant Shareholders based on the register of members for H Shares as of the Record Date.

If the individual holders of H Shares are Hong Kong or Macau residents or residents of the countries which had an agreed tax rate of 10% for the cash dividends paid to them with the PRC under the relevant tax agreements, the Company should withhold and pay individual income tax on behalf of the relevant Shareholders at a rate of 10%. Should the individual holders of H Shares be residents of the countries which had an agreed tax rate of less than 10% with the PRC under the relevant tax agreement, the Company shall withhold and pay individual income tax on behalf of the relevant Shareholders at a rate of 10%. In this case, if the relevant individual holders of H Shares wish to reclaim the extra amount withheld due to the application of 10% tax rate, the Company can apply for it on behalf of the holders according to the relevant agreed preferential tax treatment. The relevant Shareholders shall submit the evidence required by the notice of the tax agreement to Computershare Hong Kong Investor Services Limited. The Company will assist with the tax refund after the approval of the competent tax authority. Should the individual holders of H Shares be residents of the countries which had an agreed tax rate of over 10% but less than 20% with the PRC under the tax agreement, the Company shall withhold and pay the individual income tax on behalf of the holders at the agreed actual rate in accordance with the relevant tax agreement. In the case that the individual holders of H Shares are residents of the countries which had an agreed tax rate of 20% with the PRC under the tax agreement, or which has not entered into any tax agreement with the PRC, or otherwise, the Company shall withhold and pay the individual income tax on behalf of the holders at a rate of 20%.

Corporate Governance and Other Information

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CHANGE IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On March 10, 2023, due to his retirement and personal health reasons, Mr. ZHAO Xudong ceased to act as an independent non-executive Director of the Company, the chairman of the Remuneration Committee and a member of the Nomination Committee.

At the annual general meeting for the year 2022 of the Company on June 9, 2023, Mr. GUAN Weili and Ms. WANG Lianyue were re-elected as executive Directors of the fourth session of the Board and Mr. WANG Jian was appointed as an executive Director of the fourth session of the Board; Mr. QIN Hao and Mr. LI Changhao were re-elected as non-executive Directors of the fourth session of the Board; Ms. ZHONG Wentang was re-elected as an independent non-executive Director of the fourth session of the Board, and Ms. JIN Ling and Mr. CHAN Sai Keung Hugo were elected as independent non-executive Directors of the fourth session of the Board. The terms of office of the aforesaid executive Directors, non-executive Directors and independent non-executive Directors took effect from June 9, 2023.

On June 9, 2023, due to the expiration of his term of office, Mr. LIU Ning retired as an independent non-executive Director of the Company, chairman of the Nomination Committee and members of the Audit Committee and the Remuneration Committee.

At the annual general meeting for the year 2022 of the Company on June 9, 2023, Mr. QIAN Chengliang was re-elected as an independent Supervisor of the fourth session of the Supervisory Committee, Mr. XU Yongjiu was re-elected as a Supervisor representing the Shareholders of the fourth session of the Supervisory Committee and Ms. ZHANG Yue was appointed as a Supervisor representing the Shareholders of the fourth session of the Supervisory Committee. The fourth session of the Supervisory Committee also includes Mr. XU Ning and Mr. XIE Tiefan, the two employee representative Supervisors who were re-elected at the employee representative meeting held on June 9, 2023 in the Company. The terms of office of the aforesaid Shareholders' representative Supervisors, independent Supervisor and staff representative Supervisors took effect from June 9, 2023.

Save as disclosed above, there have been no other changes in the Directors, Supervisors and senior management of the Company as at the date of this interim report.

EVENTS AFTER THE REPORTING PERIOD

There have been no major subsequent events occurred to the Group from the end of the Reporting Period to the date of this interim report.

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, 2023 to June 30, 2023 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
WANG Lianyue	Changchun Kanglin Psychological Hospital Co., Ltd.	Chairman	From May 2023 to present
WANG Jian	Changchun Kanglin Psychological Hospital Co., Ltd.	Director	From May 2023 to present
	Beijing Yining Hospital Co., Ltd.	Director, Manager	From February 2023 to present
	Longquan Kangning Hospital Co., Ltd.	Executive Director, General manager	From February 2023 to present
JIN Hui	Pingyang Changgeng Yining Hospital Co., Ltd.	Supervisor	From January 2023 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

DISCLOSURE OF INTERESTS

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

As of June 30, 2023, the interests and short positions of the Directors, the Supervisors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or as recorded in the register maintained by the Company under Section 352 of the SFO, or as notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

Name of Directors	Class of Shares	Nature of Interest	Number of Shares	Total Number of Shares	Approximate Percentage in the Same Class ⁽¹⁾	Approximate Percentage of the Company's Total Issued Shares Capital ⁽¹⁾
Mr. GUAN Weili ⁽²⁾	Domestic Shares	Beneficial owner	18,350,250(L)	22,044,750(L)	39.89%	29.55%
		Interest of spouse	3,694,500(L)			
Ms. WANG Lianyue ⁽²⁾	Domestic Shares	Beneficial owner	3,694,500(L)	22,044,750(L)	39.89%	29.55%
		Interest of spouse	18,350,250(L)			
Mr. WANG Jian	Domestic Shares	Beneficial owner	100,000(L)	100,000(L)	0.18%	0.13%
Mr. XU Yongjiu ⁽³⁾	Domestic Shares	Interest in a controlled corporation	4,540,000(L)	4,540,000(L)	8.22%	6.09%

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, 2023.
- (2) Mr. GUAN Weili is the spouse of Ms. WANG Lianyue and therefore, Mr. GUAN Weili is deemed to be interested in the Domestic Shares held by Ms. WANG Lianyue, and Ms. WANG Lianyue is deemed to be interested in the Domestic Shares held by Mr. GUAN Weili by virtue of Part XV of the SFO.
- (3) 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.

Corporate Governance and Other Information

Save as disclosed above, as of June 30, 2023, 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, 2023, 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 Shares 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	7,466,666(L)	13.51%	10.00%
Shanghai Jinxi Enterprise Management Center (Limited Partnership) (上海金浙企業管理中心(有限合夥)) ⁽²⁾	Domestic Shares	Interest in a controlled corporation	4,540,000(L)	8.22%	6.09%
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%

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 Shares Capital ⁽¹⁾
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)) ⁽²⁾	Domestic Shares	Beneficial owner	4,540,000(L)	8.22%	6.09%
XU Yi ⁽⁶⁾	Domestic Shares	Interest of spouse	5,785,350(L)	10.47%	7.76%
Shanghai Tanying Investment L.P. (上海檀英投資合夥企業(有限合夥)) ⁽³⁾	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)) ⁽³⁾	Domestic Shares	Interest in a controlled corporation	4,519,003(L)	8.18%	6.06%
LIN Lijun (林利羣)	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.) ⁽⁴⁾	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%
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. (青島金石灝沏投資有限公司) ⁽⁵⁾	Domestic Shares	Beneficial owner	2,780,000(L)	5.03%	3.73%
Jinshi Investment Co., Ltd. (金石投資有限公司) ⁽⁵⁾	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%

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 Shares Capital ⁽¹⁾
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	1,029,400(L)	5.32%	1.38%
ZOU Haili (鄒海麗)	H Shares	Beneficial owner	1,680,000(L)	8.69%	2.25%
WANG Hongyue ⁽⁶⁾	Domestic Shares	Beneficial owner	3,984,350(L)	10.46%	7.76%
		Interest in a controlled corporation	1,801,000(L)		
	H Shares	Beneficial owner	309,000(L)	1.60%	0.41%

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, 2023.
- (2) FAN Yin holds 50% equity interest in Shanghai Jinxi Enterprise Management Center (Limited Partnership) (上海金浙企業管理中心(有限合夥)) and Shanghai Jinxi Enterprise Management Center (Limited Partnership) (上海金浙企業管理中心(有限合夥)) is a general partner of Wenzhou Jinning Equity Investment Partnership (Limited Partnership) (溫州金寧股權投資合夥企業(有限合夥)). SUN Jian holds 33.94% equity interest in Wenzhou Jinning Equity Investment Partnership (Limited Partnership) (溫州金寧股權投資合夥企業(有限合夥)). Shanghai Jinpu Jianfu Equity Investment Management Co., Ltd. (上海金浦健服股權投資管理有限公司) is a general partner of Wenzhou Jinning Equity Investment Partnership (Limited Partnership). Therefore, by virtue of Part XV of the SFO, FAN Yin, Shanghai Jinxi Enterprise Management Center (Limited Partnership) (上海金浙企業管理中心(有限合夥)), SUN Jian and Shanghai Jinpu Jianfu Equity Investment Management Co., Ltd. (上海金浦健服股權投資管理有限公司) were deemed to be interested in all the Domestic Shares held by Wenzhou Jinning Equity Investment Partnership (Limited Partnership) (溫州金寧股權投資合夥企業(有限合夥)) in the Company.
- (3) 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.

Corporate Governance and Other Information

- (4) 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.
- (5) Qingdao Jinshi Haorui Investment Co., Ltd. (青島金石灝洩投資有限公司) 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. (青島金石灝洩投資有限公司) in the Company by virtue of Part XV of the SFO.
- (6) 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. Mr. XU Yi is the spouse of Ms. WANG Hongyue. 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.

Save as disclosed above, as at June 30, 2023, 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
September 4, 2023

Consolidated Balance Sheets

30th June, 2023

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note IV	June 30, 2023	December 31, 2022
Current assets:			
Cash at bank and on hand	(i)	274,955,934.62	271,094,962.97
Settlement deposits			
Placements with banks and other financial institutions			
Financial assets held for trading	(ii)	10,641,026.00	10,641,026.00
Derivative financial asset			
Notes receivable		1,189,300.00	
Accounts receivable	(iii)	400,828,302.04	382,836,690.89
Receivables financing			
Advances to suppliers	(iv)	20,409,523.35	32,201,223.97
Premium receivable			
Reinsurance accounts receivable			
Provision for reinsurance contract receivable			
Other receivables	(v)	76,961,684.60	37,195,219.68
Financial assets purchased for resale			
Inventories	(vi)	54,773,611.48	58,331,397.37
Contract assets			
Assets held for sale			
Current portion of non-current assets			
Other current assets	(vii)	924,988.30	752,324.77
Total current assets		840,684,370.39	793,052,845.65

Consolidated Balance Sheets

30th June, 2023

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note IV	June 30, 2023	December 31, 2022
Non-current assets:			
Granted loans and advances			
Debt investments			
Other debt investments			
Long-term accounts receivable	(viii)	14,000,000.00	14,000,000.00
Long-term equity investments	(ix)	145,369,242.92	143,546,246.10
Investments in other equity instruments			
Other non-current financial assets	(x)	63,116,852.05	63,116,852.05
Investment properties			
Fixed assets	(xi)	682,239,468.30	695,020,440.79
Construction in progress	(xii)	221,901,010.33	152,497,399.68
Productive biological assets			
Oil and gas assets			
Right-of-use assets	(xiii)	169,025,623.30	190,403,751.58
Intangible assets	(xiv)	292,999,339.13	254,684,348.50
Development expenditure			
Goodwill	(xv)	108,087,642.50	107,655,738.49
Long-term prepaid expenses	(xvi)	173,956,778.60	189,586,338.87
Deferred tax assets	(xvii)	29,996,702.31	20,682,398.07
Other non-current assets	(xviii)	2,855,658.36	13,541,047.21
Total non-current assets		1,903,548,317.80	1,844,734,561.34
Total assets		2,744,232,688.19	2,637,787,406.99

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 Balance Sheets

30th June, 2023

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note IV	June 30, 2023	December 31, 2022
Current liabilities:			
Short-term borrowings	(xix)	271,000,000.00	203,000,000.00
Borrowings from the central bank			
Placements from banks and other financial institutions			
Financial liabilities held for trading	(xx)	13,922,929.38	13,922,929.38
Derivative financial liabilities			
Notes payable	(xxi)	174,060.00	997,944.00
Accounts payable	(xxii)	88,071,694.20	85,773,061.53
Receipts in advance	(xxiii)	37,899,303.21	29,894,836.50
Contract liabilities			
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	(xxiv)	62,308,900.01	70,558,349.71
Taxes payable	(xxv)	28,695,580.66	33,507,164.16
Other payables	(xxvi)	87,317,078.53	72,193,729.87
Fees and commissions payable			
Reinsurance accounts payable			
Liabilities held for sale			
Current portion of non-current liabilities	(xxvii)	188,642,499.08	147,598,324.39
Other current liabilities			
Total current liabilities		778,032,045.07	657,446,339.54
Non-current liabilities:			
Provision for insurance contracts			
Long-term borrowings	(xxviii)	352,830,000.00	391,010,000.00
Bonds payable			
including: Preferred shares			
Perpetual bonds			
Lease liabilities	(xxix)	150,199,671.94	171,437,740.27
Long-term payables	(xxx)	30,766,052.11	42,404,938.54
Long-term employee benefits payables			
Provisions			
Deferred income	(xxxi)	8,885,995.00	9,037,891.00
Deferred tax liabilities	(xvii)	40,969,216.50	40,547,878.81
Other non-current liabilities			
Total non-current liabilities		583,650,935.55	654,438,448.62

Consolidated Balance Sheets

30th June, 2023

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note IV	June 30, 2023	December 31, 2022
Total liabilities		1,361,682,980.62	1,311,884,788.16
Shareholders' equity:			
Share capital	(xxxii)	74,600,300.00	74,600,300.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital surplus	(xxxiii)	852,721,307.37	855,078,533.30
Less: Treasury stock			
Other comprehensive income			
Special reserves			
Surplus reserve	(xxxiv)	38,399,577.13	38,399,577.13
Provision for general risks			
Retained earnings	(xxxv)	277,256,591.89	233,506,534.43
Total equity attributable to shareholders of the parent company		1,242,977,776.39	1,201,584,944.86
Non-controlling interests		139,571,931.18	124,317,673.97
Total shareholders' equity		1,382,549,707.57	1,325,902,618.83
Total liabilities and shareholders' equity		2,744,232,688.19	2,637,787,406.99

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 Balance Sheets

June 30, 2023

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note XIV	June 30, 2023	December 31, 2022
Current assets:			
Cash at bank and on hand		136,197,518.02	90,387,144.89
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivable	(i)	40,879,280.87	48,279,992.16
Receivables financing			
Advances to suppliers		3,655,766.84	4,108,064.74
Other receivables	(ii)	527,620,871.01	600,014,558.58
Inventories		12,961,317.07	10,260,922.80
Contract assets			
Assets held for sale			
Current portion of non-current assets			
Other current assets			105,000.00
Total current assets		721,314,753.81	753,155,683.17

Parent Company Balance Sheets

June 30, 2023

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note XIV	June 30, 2023	December 31, 2022
Non-current assets:			
Debt investments			
Other debt investments			
Long-term accounts receivables			
Long-term equity investments	(iii)	762,632,193.31	741,962,585.53
Investments in other equity instruments		63,116,852.05	63,116,852.05
Other non-current financial assets			
Investment properties			
Fixed assets		294,537,762.14	300,390,487.39
Construction in progress		311,600.00	311,600.00
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		24,397,569.85	24,714,804.16
Development expenditure			
Goodwill			
Long-term prepaid expenses		18,556,785.81	20,737,641.51
Deferred tax assets		17,215,815.65	15,529,248.15
Other non-current assets		510,550.00	7,506,300.00
Total non-current assets		1,181,279,128.81	1,174,269,518.79
Total assets		1,902,593,882.62	1,927,425,201.96

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

Parent Company Balance Sheets

June 30, 2023

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note XIV	June 30, 2023	December 31, 2022
Current liabilities:			
Short-term borrowings		261,000,000.00	195,000,000.00
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable		19,325,049.18	20,689,401.73
Receipts in advance		7,759,573.57	3,299,924.90
Contract liabilities			
Employee benefits payable		15,599,461.56	18,740,841.95
Taxes payable		506,033.59	597,972.12
Other payables		12,734,845.88	49,473,505.95
Liabilities held for sale			
Current portion of non-current liabilities		130,587,500.00	91,487,500.00
Other current liabilities			
Total current liabilities		447,512,463.78	379,289,146.65
Non-current liabilities:			
Long-term borrowings		207,550,000.00	284,750,000.00
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables		18,896,791.29	25,922,687.47
Long-term employee benefits payables			
Provisions			
Deferred income		8,885,995.00	9,037,891.00
Deferred tax liabilities		2,291,279.89	2,291,279.89
Other non-current liabilities			
Total non-current liabilities		237,624,066.18	322,001,858.36
Total liabilities		685,136,529.96	701,291,005.01

Parent Company Balance Sheets

June 30, 2023

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note XIV	June 30, 2023	December 31, 2022
Shareholders' equity:			
Share capital		74,600,300.00	74,600,300.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital surplus		871,230,628.64	871,230,628.64
Less: Treasury stock			
Other comprehensive income			
Special reserves			
Surplus reserve		38,399,577.13	38,399,577.13
Retained earnings		233,226,846.89	241,903,691.18
Total shareholders' equity		1,217,457,352.66	1,226,134,196.95
Total liabilities and shareholders' equity		1,902,593,882.62	1,927,425,201.96

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 2023

(All amounts in RMB Yuan unless otherwise stated)

Item	Note IV	Amount for the current period	Amount for the previous period
I. Total revenue		777,925,163.84	738,304,534.09
Including: Revenue	(xxxvi)	777,925,163.84	738,304,534.09
Interest income			
Premium income			
Fees and commission income			
II. Total cost of sales		724,044,723.76	680,267,107.96
Including: Cost of sales	(xxxvi)	576,390,595.76	540,536,166.95
interest expense			
Fees and commissions expenses			
Surrenders			
Net claims expenses			
Net provisions for insurance contracts reserve			
Insurance policy dividend paid			
Reinsurance costs			
Taxes and surcharges	(xxxvii)	2,783,861.65	2,011,207.46
Selling and distribution expenses	(xxxviii)	7,828,610.00	6,115,884.91
General and administrative expenses	(xxxix)	101,924,026.76	94,894,218.90
Research and development expenses	(xl)	14,957,995.63	15,061,500.46
Financial expenses	(xli)	20,159,633.96	21,648,129.28
Including: Interest expenses		19,182,137.46	22,800,335.12
Interest income		2,704,831.09	-1,699,139.71
Add: Other income	(xlii)	5,822,495.15	5,904,642.30
Investment income (losses represented with "-" signs)	(xliii)	-195,725.93	-278,819.93
Including: Investment income from associates and joint ventures		-157,522.45	-1,671,780.92
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)	(xliv)		30,711.64
Credit impairment losses (losses represented with "-" signs)	(xlv)	-3,009,926.77	-2,731,680.33
Asset impairment losses (losses represented with "-" signs)			
Gains from disposal of assets (losses represented with "-" signs)	(xlvi)		389,315.92
III. Operating profit (losses represented with "-" sign)		56,497,282.53	61,351,595.73
Add: Non-operating income	(xlvii)	5,924,960.98	5,351,731.93
Less: Non-operating expenses	(xlviii)	2,215,131.37	3,372,509.74
IV. Total profit (total losses represented with "-" signs)		60,207,112.14	63,330,817.92
Less: Income tax expenses	(xlix)	11,477,880.07	19,110,080.19

Consolidated Income Statement

For the six months ended 30 June 2023

(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)		48,729,232.07	44,220,737.73
(i) Classification by continuity of operations			
1. Net profit from continuing operations (net losses represented with "-" signs)		48,729,232.07	44,220,737.73
2. Net profit from discontinued operations (net losses represented with "-" signs)			
(ii) Classification by ownership of the equity			
1. Net profit attributable to shareholders of the parent company (net losses represented with "-" signs)		43,750,057.46	38,788,155.89
2. Profit or loss attributable to non-controlling interests (net losses represented with "-" signs)		4,979,174.61	5,432,581.84
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 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 non-controlling interests, net of tax			
VII. Total comprehensive income		48,729,232.07	44,220,737.73
Attributable to shareholders of the parent company		43,750,057.46	38,788,155.89
Attributable to non-controlling interests		4,979,174.61	5,432,581.84
VIII. Earnings per share:			
(i) Basic (RMB per share)	(I)	0.59	0.52
(ii) Diluted (RMB per share)	(I)	0.59	0.52

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 2023

(All amounts in RMB Yuan unless otherwise stated)

Item	Note XIV	Amount for the current period	Amount for the previous period
I. Revenue	(iv)	176,204,799.00	185,800,099.09
Less: Cost of sales	(iv)	130,786,397.79	133,222,735.95
Taxes and surcharges		140,434.74	-48,582.78
Selling and distribution expenses		613,098.03	880,640.77
General and administrative expenses		42,010,452.24	39,050,764.01
Research and development expenses		9,690,626.11	9,645,738.48
Financial expenses		8,063,326.82	7,219,501.23
Including: Interest expenses		11,787,407.21	13,059,326.62
Interest income		6,124,076.98	-5,997,744.74
Add: Other income		1,314,851.41	3,866,983.80
Investment income (losses represented with "-" signs)	(v)	-775,547.72	-702,180.45
Including: Investment income from associates and joint ventures		816,165.55	-1,296,180.45
Derecognition income of financial assets measured at the amortized cost			
Gains from net exposure hedges (losses represented with "-" signs)			
Gains from changes in fair value (losses represented with "-" signs)			30,711.64
Credit impairment losses (losses represented with "-" signs)		114,004.00	-687,255.02
Asset impairment losses (losses represented with "-" signs)			
Gains from disposal of assets (losses represented with "-" signs)			
II. Operating profit (losses represented with "-" signs)		-14,446,229.04	-1,662,438.60
Add: Non-operating income		5,600,210.07	3,901,067.52
Less: Non-operating expenses		1,517,392.82	1,964,267.50
III. Total profit (total losses represented with "-" signs)		-10,363,411.79	274,361.42
Less: Income tax expense		-1,686,567.50	-1,561,315.18
IV. Net profit (net losses represented with "-" signs)		-8,676,844.29	1,835,676.60
(i) Net profit from continuing operations (net losses represented with "-" signs)		-8,676,844.29	1,835,676.60
(ii) Net profit from discontinued operations (net losses represented with "-" signs)			

Parent Company Income Statement

For the six months ended 30 June 2023

(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 or loss			
1. Other comprehensive income that can be reclassified to profit or loss under the equity method 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		-8,676,844.29	1,835,676.60
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 2023

(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		780,086,767.35	653,410,155.49
Net increase in customer deposits and interbank deposits			
Net increase in borrowing from central banks			
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 for interest, 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		169,903,996.27	57,537,282.38
Sub-total of cash inflows of operating activities		949,990,763.62	710,947,437.87
Cash paid for goods and services		279,096,560.43	305,934,085.24
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 interest, fees and commissions			
Cash paid for policyholders' dividends			
Cash paid to and on behalf of employees		300,131,941.56	267,178,624.43
Payments of taxes and surcharges		37,824,192.11	28,189,888.70
Cash paid relating to other operating activities		219,346,730.82	53,670,364.91
Sub-total of cash outflows of operating activities		836,399,424.92	654,972,963.28
Net cash flows from operating activities		113,591,338.70	55,974,474.59

Consolidated Cash Flow Statement

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

Item	Note IV	Amount for the current period	Amount for the previous period
II. Cash flows from investing activities			
Cash received from disposal of investments		8,249,457.77	
Cash received from returns on investments			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		26,383.01	19,038,109.95
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities			
Sub-total of cash inflows of investing activities		8,275,840.78	19,038,109.95
Cash paid to acquire fixed assets, intangible assets and other long-term assets		107,843,620.41	121,119,527.96
Cash paid to acquire investments		3,866,900.00	
Net increase in pledged loans			
Net cash paid to acquire subsidiaries and other business units		15,187,013.06	62,372,716.90
Cash paid relating to other investing activities		500,059.94	
Sub-total of cash outflows of investing activities		127,397,593.41	183,492,244.86
Net cash flows from investing activities		-119,121,752.63	-164,454,134.91
III. Cash flows from financing activities			
Cash received from capital contributions		2,845,000.00	4,040,100.00
Including: Cash received from capital contributions by non-controlling shareholders of subsidiaries		2,845,000.00	4,040,100.00
Cash received from borrowings		251,050,000.00	317,500,000.00
Cash received relating to other financing activities			2,551,764.22
Sub-total of cash inflows of financing activities		253,895,000.00	324,091,864.22
Cash repayments of borrowings		109,630,000.00	87,320,000.00
Cash payments for distribution of dividends, profit or interest expenses		21,324,299.72	17,290,881.25
Including: Cash payments for distribution of dividends and profit by subsidiaries to noncontrolling shareholders			
Cash paid relating to other financing activities		113,150,442.74	24,599,909.22
Sub-total of cash outflows of financing activities		244,104,742.46	129,210,790.47
Net cash flows from financing activities		9,790,257.54	194,881,073.75

Consolidated Cash Flow Statement

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

Item	Note IV	Amount for the current period	Amount for the previous period
IV. Effect of foreign exchange rate changes on cash and cash equivalents		13,070.04	44,311.88
V. Net increase in cash and cash equivalents		4,272,913.65	86,445,725.31
Add: Cash and cash equivalents at the beginning of the period		258,595,990.97	188,734,845.77
VI. Cash and cash equivalents at the end of the period		262,868,904.62	275,180,571.08

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 Cash Flow Statement

For the six months ended 30 June 2023

(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		186,510,657.37	140,627,582.89
Refund of taxes and levies			
Cash received relating to other operating activities		491,763,058.70	259,922,752.08
Sub-total of cash inflows of operating activities		678,273,716.07	400,550,334.97
Cash paid for goods and services		80,195,550.90	86,999,715.12
Cash paid to and on behalf of employees		80,891,274.33	75,729,018.54
Payments of taxes and surcharges		438,877.67	3,178,776.46
Cash paid relating to other operating activities		463,041,604.81	305,521,020.05
Sub-total of cash outflows of operating activities		624,567,307.71	471,428,530.17
Net cash flows from operating activities		53,706,408.36	-70,878,195.20
II. Cash flows from investing activities:			
Cash received from disposal of investments		16,657,744.50	
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			
Sub-total of cash inflows of investing activities		16,657,744.50	2,880.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,691,749.51	4,636,366.92
Cash paid to acquire investments		29,166,900.00	59,309,855.16
Net cash paid to acquire subsidiaries and other business units			
Cash paid relating to other investing activities			
Sub-total of cash outflows of investing activities		30,858,649.51	63,946,222.08
Net cash flows from investing activities		-14,200,905.01	-63,943,342.08

Parent Company Cash Flow Statement

For the six months ended 30 June 2023

(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			
Cash received from borrowings		199,050,000.00	272,500,000.00
Cash received from bond issuance			
Cash received relating to other financing activities			
Sub-total of cash inflows of financing activities		199,050,000.00	272,500,000.00
Cash repayments of borrowings		101,150,000.00	77,100,000.00
Cash payments for distribution of dividends, profit or interest expenses		12,364,450.26	12,885,143.93
Including: Dividends and profits paid by subsidiaries to minority shareholders			
Cash paid relating to other financing activities		79,243,750.00	
Sub-total of cash outflows of financing activities		192,758,200.26	89,985,143.93
Net cash flows from financing activities		6,291,799.74	182,514,856.07
IV. Effect of foreign exchange rate changes on cash and cash equivalents		13,070.04	44,311.88
V. Net increase in cash and cash equivalents		45,810,373.13	47,737,630.67
Add: Cash and cash equivalents at the beginning of the period		90,387,144.89	97,615,570.76
VI. Cash and cash equivalents at the end of the period		136,197,518.02	145,353,201.43

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 2023

(All amounts in RMB Yuan unless otherwise stated)

Items	Amount for the current period										Total owners' equity			
	share capital	preferential shares	Preferred bond	Other equity instruments	others	capital reserve	Treasury stock	Less: comprehensive income	Special reserve	Surplus reserve		Provision for general risk	Retained earnings	Subtotal
I. Balance as at the end of the previous year	74,600,300.00					865,076,533.30	-		38,889,577.13	233,506,534.43	1,201,584,944.86	124,317,673.97	1,325,902,618.83	
Add: changes in accounting policy														
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					865,076,533.30	-		38,889,577.13	233,506,534.43	1,201,584,944.86	124,317,673.97	1,325,902,618.83	
III. Increases/decreases in the current period ("+" for increases)						-2,357,225.93				43,750,057.46	41,382,891.53	15,254,257.21	58,647,088.74	
(i) Total comprehensive income										43,750,057.46	43,750,057.46	4,979,174.61	48,729,232.07	
(ii) Other contribution and capital increase						-2,357,225.93					-2,357,225.93		9,563,037.68	
1. Common stock contributed by owners														
2. Capital invested by holders of other equity instruments														
3. Amounts of share-based payments recognized in owners' equity						-2,357,225.93							9,663,037.68	
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-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					862,719,307.37			38,889,577.13	277,256,591.89	1,242,977,776.39	139,571,931.18	1,382,549,707.57	

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 2023

(All amounts in RMB Yuan unless otherwise stated)

Items	Amount for the previous period										Total owners' equity		
	Share capital	Preferred shares	perpetual bonds	Other equity instruments	capital surplus	Treasury stock	Less: comprehensive income	Special reserves	Surplus reserves	Provision for general risk		Related earnings	Subtotal
I. Balance as at the end of the previous year	74,600,300.00				838,165,395.59	-	-	38,339,577.13	247,307,760.77	1,199,079,033.49	72,015,223.54	1,271,088,257.03	
Add: 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				838,165,395.59	-	-	38,339,577.13	2,095,793.96	1,201,999,827.45	72,015,223.54	1,274,015,050.99	2,926,793.96
III. Increases/decreases in the current period ("+" for increases)					9,007,122.02				38,788,153.89	47,795,277.91	32,494,879.52	80,290,157.43	
(i) Total comprehensive income									38,788,153.89	47,795,277.91	32,494,879.52	80,290,157.43	
(ii) Other contribution and capital increase									38,788,153.89	47,795,277.91	32,494,879.52	80,290,157.43	
1. Common stock contributed by owners													
2. Capital invested by holders of other equity instruments													
3. Amounts of share-based payments recognized in owners' equity													
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 carry-forward of owners' equity													
1. Conversion of capital reserves into paid-in capital (or share capital)					9,007,122.02								
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				847,172,517.61			38,339,577.13	286,627,101.82	1,249,795,105.36	104,510,103.06	1,354,305,285.42	

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 2023

(All amounts in RMB Yuan unless otherwise stated)

Items	Amount for the previous period							Total owners' equity				
	Share capital	Preferred shares	Perpetual bond	Others	capital surplus	Treasury stock	Less: comprehensive income		Other comprehensive income	Special reserves	Surplus reserves	Retained earnings
I. Balance as at the end of the previous year	74,600,300.00				871,230,628.64					38,399,577.13	241,903,891.18	1,226,134,196.95
Add: Changes in accounting policies												
Correction of accounting errors in prior periods												
Others												
III. Balance as at the beginning of the current year	74,600,300.00				871,230,628.64					38,399,577.13	241,903,891.18	1,226,134,196.95
Increase/decrease in the current period ("+" for increases)												
(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				871,230,628.64					38,399,577.13	233,226,946.89	1,217,457,352.66

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 2023

(All amounts in RMB Yuan unless otherwise stated)

Items	Amount for the previous period							Total owners' equity				
	Share capital	Preferred shares	Perpetual bond	Others	Capital surplus	Treasury stock	Less: comprehensive income		Other comprehensive income	Special reserves	Surplus reserves	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
Add: 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												
(*) for decreases												
(i) Total comprehensive income					9,007,122.02						1,835,676.60	10,842,798.62
(ii) Owner contribution and capital decrease					9,007,122.02						1,835,676.60	1,835,676.60
1. Common stock contributed by owners												
2. Capital invested by holders of other equity instruments					9,007,122.02							9,007,122.02
3. Amounts of sharebased payments recognized in owners' equity												
4. Others												
(iii) Distribution of profits					9,007,122.02							
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

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

I. General information

Wenzhou Kangning Hospital Co., Ltd, 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, 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 June 30, 2023, 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 July 31, 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 2022. The interim financial statements of the Group shall be read together with the financial statements for the year 2022.

Notes to the Financial Statements

For the six months ended 30 June 2023

(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, 2023 and their financial performance and cash flows for January to June 2023.

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 output tax (calculated based on sales of goods and taxable service income under the tax laws) and the deductible input tax of the period	3%, 5%, 6%, 13%
Urban maintenance and construction tax	Based on VAT paid	7%
Educational surcharge	Based on VAT paid	5%
Enterprise income tax	Based on taxable profits	15%, 20%, 25%

Companies subject to different income tax rates are disclosed as follows

Taxpayer	Income tax rate
Wenzhou Kangning Hospital Co., Ltd.	15%
Zhejiang Jieling Health Technology Co., Ltd.	15%
Yiwu Kangning Hospital Management Co., Ltd.	20%

Notes to the Financial Statements

For the six months ended 30 June 2023

(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.149) issued by the State Council and the Implementation Measures of the Administrative Measures on Medical Institutions (Order of the Ministry of Health No. 35) issued by the Ministry of Health and the Medical services provided by them are exempted from value-added tax upon the registration and obtaining the Medical Institution Practicing License (醫療機構執業許可證).
2. Pursuant to relevant tax regulations, during the reporting period, the revenue from judicial forensic services provided by the Wenzhou Kangning Judicial Forensic Centre, a subsidiary of the Company, shall be subject to VAT at the rate of 3%.
3. Pursuant to the Measures for the Implementation of the Pilot Plan for Levying VAT in Place of Business Tax 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, during the reporting period, the revenue from rendering of management and consultation services provided by the Company and its subsidiaries was subject to VAT at the rate of 6% or 3%.

Notes to the Financial Statements

For the six months ended 30 June 2023

(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, 2022 (audited), and balance as at the end of the period refers to the amount in the financial statements as at June 30, 2023 (unaudited), the current period refers to the six months ended June 30, 2023 (unaudited), and the previous period refers to the six month ended June 30, 2022 (unaudited).

(I) Cash at bank land on hand

Items	Balance as at the end of the period	Balance as at the end of the previous year
Cash on hand	209,188.36	454,907.26
Cash at bank	262,235,513.11	257,534,338.59
Other cash balances	12,511,233.15	13,105,717.12
Total	274,955,934.62	271,094,962.97

The details of restricted cash at bank and on hand used are as follows::

Items	Balance as at the end of the period	Balance as at the end of the previous year
Security deposits for bank acceptance bills	87,030.00	498,972.00
Performance deposits	12,000,000.00	12,000,000.00
Total	12,087,030.00	12,498,972.00

(II) Financial assets held for trading

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	10,641,026.00	10,641,026.00
Including: Investments in equity instruments	10,641,026.00	10,641,026.00
Total	10,641,026.00	10,641,026.00

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(III) 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	409,954,541.17	388,961,193.05
1 – 2 years	6,077,078.96	4,755,919.87
2 – 3 years	3,855,479.02	3,941,367.25
Over 3 years	7,839,116.03	5,180,894.08
Subtotal	427,726,215.18	402,839,374.25
Less: Provision for bad debts	26,897,913.14	20,002,683.36
Total	400,828,302.04	382,836,690.89

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 balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book value
Provision for bad debts on the individual basis	24,051,540.73	5.62	17,330,353.53	72.06	6,721,187.20	18,221,975.88	4.52	12,514,142.66	68.68	5,707,833.22
Including:										
Medical fees due from patients	24,051,540.73	5.62	17,330,353.53	72.06	6,721,187.20	18,221,975.88	4.52	12,514,142.66	68.68	5,707,833.22
Provision for bad debts on the grouping basis	403,674,674.45	94.38	9,567,559.61	2.37	394,107,114.84	384,617,398.37	95.48	7,488,540.70	1.95	377,128,857.67
Including:										
Overdue days grouping	403,674,674.45	94.38	9,567,559.61	2.37	394,107,114.84	384,617,398.37	95.48	7,488,540.70	1.95	377,128,857.67
Total	427,726,215.18	100.00	26,897,913.14		400,828,302.04	402,839,374.25	100.00	20,002,683.36		382,836,690.89

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(III) Accounts receivable (*continued*)

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

Provision for bad debts is made on the individual basis:

Item	Balance as at the end of the period			
	Book balance	Provision for bad debts	Proportion of provision(%)	Reason
Medical fees due from patients	24,051,540.73	17,330,353.53	72.06	Provision for bad debts based on Lifetime ECL
Total	24,051,540.73	17,330,353.53		

Item with provision on grouping basis:

Item	Balance as at the end of the period		
	Accounts receivable	Provision for bad debts	Proportion of provision(%)
Overdue days grouping	403,674,674.45	9,567,559.61	2.37
Total	403,674,674.45	9,567,559.61	

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(III) 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/other increase	Recovered or reversed	Written-back or written-off	
Provision for bad debts made on individual basis	12,514,142.66	4,816,210.87			17,330,353.53
Provision for bad debts made on grouping basis	7,488,540.70	2,108,912.89		29,893.98	9,567,559.61
Total	20,002,683.36	6,925,123.76		29,893.98	26,897,913.14

4. Accounts receivable written off in the current period

Item	Amount written-off
Accounts receivable written off	29,893.98

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(IV) 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	19,103,003.67	93.60	29,973,748.69	93.08
1 – 2 years	1,250,719.68	6.13	2,127,484.58	6.61
2 – 3 years	6,000.00	0.03	56,690.70	1.18
Over 3 years	49,800.00	0.24	43,300.00	0.13
Total	20,409,523.35	100.00	32,201,223.97	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 (%)
Beijing Jinbohan International Business Club Management Co., Ltd.	4,350,000.00	21.31
Wenzhou Dean Medical Laboratory Co., Ltd.	3,430,766.84	16.81
Hefei Yongji Pharmaceutical Co., Ltd.	1,762,075.01	8.63
Wenzhou Quanyi Medicine Co., Ltd.	1,411,016.00	6.91
Sinopharm Holding Wenzhou Co., Ltd.	1,331,110.72	6.52
Total	12,284,968.57	60.19

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(V) 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	76,961,684.60	37,195,219.68
Total	76,961,684.60	37,195,219.68

1. *Other receivables*

(1) *Other receivables disclosed by aging*

Aging	Balance as at the end of the period	Balance as at the end of the previous year
Within 1 year	76,034,316.87	31,752,956.09
1 – 2 years	2,536,186.75	12,384,779.19
2 – 3 years	8,926,153.38	4,035,447.86
3 – 4 years	2,849,166.50	1,755,508.40
4 – 5 years	841,959.83	101,363.87
Over 5 years	3,876,080.95	3,877,306.68
Subtotal	95,063,864.28	53,907,362.09
Less: Provision for bad debts	18,102,179.68	16,712,142.41
Total	76,961,684.60	37,195,219.68

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (continued)

(V) 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 balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	book value	Amount	Proportion (%)	Amount	Proportion of provision (%)	book value
Provision for bad debts on the individual basis	25,337,819.20	26.65	15,852,030.91	62.56	9,485,788.29	25,337,819.20	47.00	15,852,030.91	62.56	9,485,788.29
Including:										
Hangzhou Yining Hospital Co., Ltd.	25,337,819.20	26.65	15,852,030.91	62.56	9,485,788.29	25,337,819.20	47.00	15,852,030.91	62.56	9,485,788.29
Provision for bad debts on the grouping basis	69,726,045.08	73.35	2,250,148.77	3.23	67,475,896.31	28,569,542.89	53.00	860,111.50	3.01	27,709,431.39
Including:										
Portfolio of ageing credit risk	69,726,045.08	73.35	2,250,148.77	3.23	67,475,896.31	28,569,542.89	53.00	860,111.50	3.01	27,709,431.39
Total	95,063,864.28	100.00	18,102,179.68	/	76,961,684.60	53,907,362.09	100.00	16,712,142.41	/	37,195,219.68

Provision for bad debts is made on the individual basis:

Name	Balance as at the end of the period			
	Book value	Provision for bad debts	Proportion of provision (%)	Reason
Hangzhou Yining Hospital Co., Ltd., Ltd	25,337,819.20	15,852,030.91	62.56	Provision for bad debts based on Lifetime ECL
Total	25,337,819.20	15,852,030.91	/	

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(V) Other receivables (*continued*)

1. Other receivables (*continued*)

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

Portfolio accruals:

Name	Balance as at the end of the period		
	Other receivables	Provision for bad debts	Proportion of provision (%)
Portfolio of ageing credit risk	69,726,045.08	2,250,148.77	3.23
Total	69,726,045.08	2,250,148.77	

(3) Details of provision for bad debts

Provision for bad debts	Stage I	Stage II	Stage III	Total
	12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
Balance as at the end of the previous year	860,111.50		15,852,030.91	16,712,142.41
Balance as at the end of the previous year that transferred/reversed in the current period				
– Transfer to Stage II				
– Transferred to Stage III				
– Reversed to Stage II				
– Reversed to Stage I				
Provision for the current period	1,443,797.06			1,443,797.06
Reversal in the current period				
Written back in the current period				
Written off in the current period	53,759.79			53,759.79
Other changes				
Balance as at the end of the period	2,250,148.77		15,852,030.91	18,102,179.68

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(V) 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 I	Stage II	Stage III	Total
	12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
Balance as at the end of the previous year	28,569,542.89		25,337,819.20	53,907,362.09
Balance as at the end of the previous year that transferred/reversed in the current period				
– Transfer to Stage II				
– Transferred to Stage III				
– Reversed to Stage II				
– Reversed to Stage I				
Addition for the current period	41,156,502.19			41,156,502.19
Derecognized in the current period				
Other changes				
Balance as at the end of the period	69,726,045.08		25,337,819.20	95,063,864.28

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(V) 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	15,852,030.91				15,852,030.91
Provision for bad debts on grouping basis	860,111.50	1,443,797.06		53,759.79	2,250,148.77
Total	16,712,142.41	1,443,797.06		53,759.79	18,102,179.68

(5) Other receivables written off in the current period

Item	Amount written-off
Other receivables written off	53,759.79

(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
Deposits and guarantee	21,148,968.11	20,677,631.31
Placements	0.00	816,666.30
Advances	1,920,291.06	2,388,682.68
Amounts due from related parties	38,837,819.20	26,559,018.86
Employee loans	15,130,000.00	
Others	18,026,785.91	3,465,362.91
Total	95,063,864.28	53,907,362.09

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(VI) 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	1,897,515.47		1,897,515.47	3,697,607.74		3,697,607.74
Commodity stocks	52,876,096.01		52,876,096.01	54,633,789.63		54,633,789.63
Total	54,773,611.48		54,773,611.48	58,331,397.37		58,331,397.37

(VII) Other current assets

Items	Balance as at the end of the period	Balance as at the end of the previous year
Input tax to be deducted	234,499.78	196,008.48
Prepaid corporate income tax	229,453.50	269,072.88
Prepaid expenses	461,035.02	287,243.41
Total	924,988.30	752,324.77

(VIII) Long-term receivables

Items	Balance as at the end of the period			Balance as at the end of the previous year			Discount rate range
	Book balance	provision for bad debts	book value	Carrying amount	provision for bad debts	book value	
Receivables from equity transfers	14,000,000.00		14,000,000.00	14,000,000.00		14,000,000.00	
Total	14,000,000.00		14,000,000.00	14,000,000.00		14,000,000.00	

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (continued)

(IX) Long-term equity investments

Investees	Balance as at the end of the previous year	Increase/decrease in the current period						Balance as at the end of the period	Balance of the impairment provision as at the end of the period	
		Increase in investment	Decrease in investment	Investment profit/loss recognized under equity method	Other comprehensive income adjustment	Other equity changes	Cash dividends or profits declared and paid			Others
Associates										
Hangzhou Anken Medical Technology Co., Ltd.	14,179,350.14			405,504.79					14,584,854.93	
Wenzhou Longwan Yining Hospital Co., Ltd.	57,600,000.00			-65,239.09					57,534,760.91	
Zhejiang Huangfeng Hospital Management Co., Ltd.	21,103,642.67		1,313,457.77	475,899.85					20,266,084.75	
Shaanxi Shanda Hospital Management Consulting Co., Ltd.	22,085,940.79			-1,447,357.60					20,648,583.19	
Chongqing Hechuan Kangning Hospital Co., Ltd.	18,362,161.03			-19,064.34					18,343,116.69	
Chengdu Yining Hospital Co., Ltd.	10,205,131.47			-299,902.74					9,905,228.73	
Hangzhou Yining Hospital Co., Ltd.										
Zhejiang Fengsheng Nutritional Technology Co., Ltd.				86,613.72				4,000,000.00	4,086,613.72	
Total	143,546,246.10		1,313,457.77	-157,522.45				4,000,000.00	145,369,242.92	

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(X) 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	63,116,852.05	63,116,852.05
Including: Investments in equity instruments	63,116,852.05	63,116,852.05
Total	63,116,852.05	63,116,852.05

(XI) Fixed assets

1. Fixed assets and fixed assets liquidation

Items	Balance as at the end of the period	Balance as at the end of the previous year
Fixed assets	682,239,468.30	695,020,440.79
Disposal of fixed assets		
Total	682,239,468.30	695,020,440.79

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(XI) Fixed assets (*continued*)

2. Details of fixed assets

Items	Buildings and structure	Motor vehicles	Electronic and other equipment	Office furniture	General equipments	Medical equipment	Fixed assets	Total
							leased under sale-and-leaseback	
1. Original carrying values								
(1) Balance as at the end of the previous year	676,374,947.03	9,403,193.79	52,160,606.66	29,771,289.75	246,930.00	101,810,746.61	140,027,233.85	979,776,727.94
(2) Increase in the current period		626,942.88	7,630,725.39	1,297,900.03	-	4,660,269.61	-	12,716,082.82
- Purchase		626,942.88	3,586,315.36	1,292,500.03	-	4,660,269.61	-	8,873,527.85
- Increase from business combinations	-	-	4,044,410.03	5,400.00	-	-	-	4,044,410.03
(3) Decrease in the current period	-	-	930,898.70	761,455.47	-	1,232,965.20	-	2,365,718.96
- Disposed or retired	-	-	895,548.70	747,365.47	-	1,232,965.20	-	2,128,513.90
- Disposal of subsidiaries	-	-	35,350.00	14,090.00	-	-	-	35,350.00
- Other reductions	201,855.06							201,855.06
(4) Balance as at the end of the period	676,173,091.97	10,030,136.67	58,860,433.35	30,307,734.31	246,930.00	105,238,051.02	140,027,233.85	990,328,946.86
2. Accumulated depreciation								
(1) Balance as at the end of the previous year	107,334,791.37	4,981,299.30	37,252,025.00	22,455,885.36	226,919.31	68,567,186.58	66,620,984.90	284,756,287.15
(2) Increase in the current period	11,430,317.32	647,131.58	5,354,862.91	1,786,678.57	6,746.45	7,932,208.00	-	25,364,519.81
- Provision	11,430,317.32	647,131.58	3,824,127.11	1,785,148.57	6,746.45	7,932,208.00	-	23,833,784.01
- Increase from business combinations	-	-	1,530,735.80	1,530.00	-	-	-	1,530,735.80
(3) Decrease in the current period	-	2,019.60	848,466.42	705,391.14	-	1,180,842.38	-	2,031,328.40
- Disposed or retired	-	-	839,136.35	702,021.85	-	1,180,842.38	-	2,019,978.73
- Disposal of subsidiaries	-	2,019.60	9,330.07	3,369.29	-	-	-	11,349.67
(4) Balance as at the end of the period	118,628,103.83	5,548,993.35	41,758,421.49	23,537,172.79	233,665.76	75,350,642.98	66,620,984.90	308,089,478.56
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	557,544,988.14	4,481,143.32	17,102,011.86	6,770,561.52	13,264.24	29,887,408.04	73,406,248.95	682,239,468.30
(2) Carrying amount as at the end of the previous year	569,177,160.52	4,499,312.42	14,908,581.66	7,315,404.39	20,010.69	33,211,469.25	73,406,248.95	695,020,440.79

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(XII) 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	221,901,010.33	152,497,399.68
Construction material		
Total	221,901,010.33	152,497,399.68

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	311,600.00		311,600.00	311,600.00		311,600.00
The decoration project of Pingyang Changgeng Yining Hospital	3,120,906.95		3,120,906.95			
The construction project of Lucheng Yining Hospital	84,343,864.55		84,343,864.55	72,377,326.40		72,377,326.40
The expansion project of Linhai Cining Hospital	53,501,653.99		53,501,653.99	27,536,449.81		27,536,449.81
The expansion project of Quzhou Yining Hospital	34,057,013.11		34,057,013.11	16,073,697.42		16,073,697.42
The expansion project of Jinyun Shuning Hospital	45,190,609.31		45,190,609.31	35,508,167.99		35,508,167.99
Other minor decoration	1,375,362.42		1,375,362.42	690,158.06		690,158.06
Total	221,901,010.33		221,901,010.33	152,497,399.68		152,497,399.68

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (continued)

(XII) Construction in progress (continued)

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

Project name	Budget (RMB'0,000)	Balance as at		Increase in the current period	Transfer to		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:		Source of fund
		the end of the previous year	current period		fixed assets in the current period	fixed assets in the current period/others					interest capitalised in the current period	Capitalisation rate of interest in the current period(%)	
The construction project of Lucheng Yining Hospital	18,003.00	72,377,326.40	11,966,538.15	84,343,864.55	46.85	70.00	2,940,854.17	1,067,375.00	4.90	bank loan			
The expansion project of Linhai Caring Hospital	16,020.00	27,536,449.91	25,965,204.18	53,501,653.99	33.40	50.00				own funds			
The expansion project of Quzhou Yining Hospital	9,848.00	16,073,697.42	17,983,315.69	34,057,013.11	34.58	60.00				own funds			
The expansion project of Jinyun Shuning Hospital	6,666.00	35,508,167.99	9,682,441.32	45,190,609.31	67.79	80.00				own funds			
Total		151,495,641.6	65,597,499.34	217,093,140.96			2,940,854.17	1,067,375.00					

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(XIII) Right-of-use assets

Items	Buildings and structure	Total
1. Original carrying value		
(1) Balance as at the end of the previous year	318,648,155.90	318,648,155.90
(2) Increase in the current period		
– New leases		
– Increase from business combinations		
(3) Decrease in the current period	2,294,531.41	2,294,531.41
– Disposal of subsidiaries	220,485.15	220,485.15
– Other transfers	2,074,046.26	2,074,046.26
(4) Balance as at the end of the period	316,353,624.49	316,353,624.49
2. Accumulated depreciation		
(1) Balance as at the end of the previous year	128,244,404.32	128,244,404.32
(2) Increase in the current period	20,598,505.54	20,598,505.54
– Provision	20,598,505.54	20,598,505.54
(3) Decrease in the current period	1,514,908.67	1,514,908.67
– Disposal of subsidiaries	137,803.09	137,803.09
– Other transfers	1,377,105.58	1,377,105.58
(4) Balance as at the end of the period	147,328,001.19	147,328,001.19
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 value		
(1) Carrying amount as at the end of the period	169,025,623.30	169,025,623.30
(2) Carrying amount as at the end of the previous year	190,403,751.58	190,403,751.58

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(XIV) Intangible assets

1. Details of intangible assets

Items	Land use rights	Trademark rights	Software	Medical practice qualifications	Contractual rights to provide management services	Total
1. Original carrying value						
(1) Balance as at the end of the previous year	128,594,176.05	3,061,637.13	9,677,612.80	158,837,000.00	32,400,000.00	332,570,425.98
(2) Increase in the current period	26,368,000.00	0.00	8,990,124.81	17,000,000.00	0.00	52,358,124.81
– Purchase	26,368,000.00	0.00	8,984,124.81	0.00	0.00	35,352,124.81
– Increase from business combinations	0.00	0.00	6,000.00	17,000,000.00	0.00	17,006,000.00
(3) Decrease in the current period						
– Disposal						
(4) Balance as at the end of the period	154,962,176.05	3,061,637.13	18,667,737.61	175,837,000.00	32,400,000.00	384,928,550.79
2. Accumulated depreciation						
(1) Balance as at the end of the previous year	12,499,461.07	690,585.66	10,755,014.04	45,087,445.28	8,853,571.43	77,886,077.48
(2) Increase in the current period	1,783,569.95	193,534.62	2,207,803.24	8,765,369.23	1,092,857.14	14,043,134.18
– Provision	1,783,569.95	193,534.62	2,206,653.24	8,765,369.23	1,092,857.14	14,041,984.18
– Increase from business combinations	0.00	0.00	1,150.00	0.00	0.00	1,150.00
– Others						
(3) Decrease in the current period						
– Disposal						
(4) Balance as at the end of the period	14,283,031.02	884,120.28	12,962,817.28	53,852,814.51	9,946,428.57	91,929,211.66
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 previous year						
4. Carrying amount						
(1) Carrying amount as at the end of the period	140,679,145.03	2,177,516.85	5,704,920.33	121,984,185.49	22,453,571.43	292,999,339.13
(2) Carrying amount as at the end of the previous year	116,094,714.98	2,371,051.47	-1,077,401.24	113,749,554.72	23,546,428.57	254,684,348.50

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(XV) 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 Southern Mental Disease Specialist 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 Medical Heart 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
Pingyang Changgeng Yining Hospital Co., Ltd.	51,770,194.67					51,770,194.67
Hangzhou Yining Nursing Care Service Co., Ltd.	1,272,643.00					1,272,643.00
Zhejiang Fengsheng Nutritional Technology Co., Ltd.	326,012.44			326,012.44		0.00
Jinyun Shuning Hospital Co., Ltd.	5,060,323.85					5,060,323.85
Wenzhou Anken Pharmacy Co., Ltd.		445,742.09				445,742.09
Loudi Kangle Kangning Hospital Limited Liability Company		312,174.36				312,174.36
Subtotal	132,192,091.91	757,916.45		326,012.44		132,623,995.92
Provision for impairment						
Beijing Yining Hospital Co., Ltd.	22,987,331.04					22,987,331.04
Guanxian Yining Hospital Co., Ltd.	1,549,022.38					1,549,022.38
Subtotal	24,536,353.42					24,536,353.42
Carrying amount	107,655,738.49					108,087,642.50

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(XVI) 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 decreases	Balances as at the end of the period
Renovation expense	189,414,067.93	7,029,806.14	22,680,809.38		173,763,064.69
Lease expenses	172,270.94	58,025.87	36,582.90		193,713.91
Total	189,586,338.87	7,087,832.01	22,717,392.28		173,956,778.60

(XVII) 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	17,958,526.92	3,583,328.82	16,979,155.87	3,164,380.59
Deductible losses	68,579,840.04	17,144,960.01	50,169,236.15	8,217,114.53
Depreciation of right-of-use assets and amortisation of interest expenses on lease liabilities	4,260,552.49	1,065,138.13	4,390,510.38	1,097,627.60
Share-based payment	54,688,502.33	8,203,275.35	54,688,502.33	8,203,275.35
Total	145,487,421.78	29,996,702.31	126,227,404.73	20,682,398.07

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

IV. Notes to the consolidated financial statements (continued)

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

2. Deferred tax liabilities before offsetting

Items	Balance as at the end of the period		Balance as at the end of the previous year	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Appreciation of assets revalued in business combination involving enterprise not under common control	150,226,983.03	37,556,745.76	148,564,631.76	37,141,157.94
Changes in fair value of other non-current financial assets	13,116,852.07	1,967,527.81	13,116,852.07	1,967,527.81
One-off deduction for fixed assets	5,779,771.72	1,444,942.93	6,620,111.12	1,439,193.06
Total	169,123,606.82	40,969,216.50	168,301,594.95	40,547,878.81

(XVIII) Other non-current assets

Items	Balance as at the end of the period			Balance as at the end of the previous year		
	Carrying amount	Provision for impairment	book value	Carrying amount	Provision for impairment	book value
Prepayments for equity investments				6,936,000.00		6,936,000.00
Prepayments for housing and equipment	2,855,658.36		2,855,658.36	6,605,047.21		6,605,047.21
Total	2,855,658.36		2,855,658.36	13,541,047.21		13,541,047.21

(XIX) Short term borrowings

1. Classification of short-term borrowings

Items	Balance as at the end of the period	Balance as at the end of the previous year
Secured borrowings	261,000,000.00	195,000,000.00
Guaranteed borrowings	10,000,000.00	8,000,000.00
Total	271,000,000.00	203,000,000.00

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(XX) Trading financial liabilities

Items	Balance 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
Trading financial liabilities	13,922,929.38			13,922,929.38
Total	13,922,929.38			13,922,929.38

(XXI) Notes payable

Type	Balance as at the end of the period	Balance as at the end of the previous year
Bank acceptance bills	174,060.00	997,944.00
Total	174,060.00	997,944.00

(XXII)Accounts payable

Items	Balance as at the end of the period	Balance as at the end of the previous year
Within 1 year	85,509,131.21	84,193,738.77
1 – 2 years	2,072,209.99	1,161,389.02
2 – 3 years	222,323.13	71,968.47
Over 3 years	268,029.87	345,965.27
Total	88,071,694.20	85,773,061.53

(XXIII) 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	37,838,350.85	29,436,207.46
Rent received in advance	60,952.36	458,629.04
Total	37,899,303.21	29,894,836.50

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(XXIV) 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	Balance as at the end of the period
Short-term employee benefits	68,138,710.58	276,185,318.89	284,379,644.16	59,948,544.43
Post-employment benefits – defined contribution plans	2,419,639.13	15,295,605.39	15,350,729.82	2,360,355.58
Total	70,558,349.71	291,480,924.28	299,730,373.98	62,308,900.01

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	Balance as at the end of the period
(1) Wages, bonuses, allowances and subsidies	66,161,148.57	246,166,417.83	254,298,788.29	58,206,945.42
(2) Staff welfare	307,382.14	8,945,632.04	9,112,880.10	140,134.08
(3) Social insurance contributions	1,464,184.43	10,312,097.71	10,206,582.36	1,568,340.49
Including: Medical insurance	1,425,747.59	9,988,211.42	9,882,046.59	1,530,027.76
Work injury insurance	37,301.70	307,828.23	306,735.71	38,296.09
Maternity insurance	424.64	17,392.06	17,800.06	16.64
Others	710.50	-1,334.00	–	–
(4) Housing funds	205,995.44	10,747,471.90	10,748,806.90	32,011.54
(5) Labour union funds and employee education funds	–	13,699.41	12,586.51	1,112.90
(6) Short-term paid leave	–	–	–	–
(7) Short-term profit-sharing scheme	–	–	–	–
(8) Other short-term employee benefits	–	–	–	–
Total	68,138,710.58	276,185,318.89	284,379,644.16	59,948,544.43

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(XXIV) Employee benefits payable (*continued*)

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	Balance as at the end of the period
Basic pensions	2,347,144.91	14,797,062.82	14,853,868.77	2,286,320.08
Unemployment insurance premiums	72,494.22	498,542.57	496,861.05	74,035.50
Total	2,419,639.13	15,295,605.39	15,350,729.82	2,360,355.58

(XXV) Taxes payable

Items	Balance as at the end of the period	Balance as at the end of the previous year
Value-added tax (VAT)	2,509,870.76	2,399,813.52
Enterprise income tax	24,032,693.09	26,859,279.46
Individual income tax	805,458.42	1,260,918.02
Property tax	986,640.62	2,292,516.47
Land use tax	159,849.30	387,329.69
Stamp tax	26,742.20	25,663.04
City maintenance and construction tax	100,435.81	163,205.29
Education surcharge	71,741.82	116,587.33
Environmental protection tax	1,558.80	1,696.00
Water Resources Fund	589.84	155.34
Total	28,695,580.66	33,507,164.16

(XXVI) Other payables

Items	Balance as at the end of the period	Balance as at the end of the previous year
Interest payable		577,043.05
Dividend payable	625,181.01	735,000.00
Other payable	86,691,897.52	70,881,686.82
Total	87,317,078.53	72,193,729.87

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(XXVI) Other payables (*continued*)

1. *interest payable*

Items	Balance as at the end of the period	Balance as at the end of the previous year
Interest on long-term borrowings with interest payments by installment and principal payments at due		577,043.05
Total		577,043.05

2. *dividend payable*

Items	Balance as at the end of the period	Balance as at the end of the previous year
Dividends payable – minority shareholders of subsidiaries	625,181.01	735,000.00
Total	625,181.01	735,000.00

3. *Other payables*

(1) *List of other payables by nature*

Items	Balance as at the end of the period	Balance as at the end of the previous year
Payables for long-term assets acquisition	24,580,009.11	25,932,146.03
Payables for equity acquisition	0.00	7,000,000.00
Withholding expenses	1,400,808.88	3,682,272.62
Deposits and Guarantees	1,905,152.80	1,900,552.80
Current accounts	25,480,853.08	17,695,375.57
Placements	3,998,613.52	4,374,261.21
Amounts from related parties within the group	2,562,779.79	3,673,024.53
Suspense accounts payable	23,400,314.30	
Others	3,363,366.04	6,624,054.06
Total	86,691,897.52	70,881,686.82

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(XXVII) Non-current liabilities due within one year

Items	Balance as at the end of the period	Balance as at the end of the previous year
Long-term borrowings due within one year	134,070,000.00	22,470,000.00
Long-term payables due within one year	24,992,499.08	99,580,000.00
Lease liabilities due within one year	29,580,000.00	25,548,324.39
Total	188,642,499.08	147,598,324.39

(XXVIII) long term borrowings

Items	Balance as at the end of the period	Balance as at the end of the previous year
Pledged loans	182,500,000.00	186,000,000.00
Secured borrowings	61,500,000.00	
Guaranteed borrowings	242,900,000.00	227,480,000.00
Less: Long-term borrowings due within one year	134,070,000.00	22,470,000.00
Total	352,830,000.00	391,010,000.00

(XXIX) Lease liabilities

Items	Balance as at the end of the period	Balance as at the end of the previous year
Lease liabilities	150,199,671.94	171,437,740.27
Total	150,199,671.94	171,437,740.27

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(XXX) Long-term accounts payable

Items	Balance as at the end of the period	Balance as at the end of the previous year
Long-term accounts payable	30,766,052.11	42,404,938.54
Total	30,766,052.11	42,404,938.54

Including: long-term accounts payable

Items	Balance as at the end of the period	Balance as at the end of the previous year
Finance lease payable	60,346,052.11	141,984,938.54
Including: Unrealised finance charges	8,333,553.62	9,382,772.07
Less: long-term payables due within one year	29,580,000.00	99,580,000.00
Total	30,766,052.11	42,404,938.54

(XXXI) Deferred income

Items	Balance 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	Reason
Government grants	9,037,891.00		151,896.00	8,885,995.00	Amortisation not yet completed
Total	9,037,891.00		151,896.00	8,885,995.00	

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(XXXI) Deferred income (*continued*)

Projects related to government grants:

Liabilities	Balance as at the end of the previous year	Additions of grants for the current period	Amount included		Other changes	Balance as at the end of the period	Asset-related/income-related
			in profit or loss for the current period				
Expansion project of the inpatient building	9,037,891.00		151,896.00			8,885,995.00	Asset-related
Total	9,037,891.00		151,896.00			8,885,995.00	

(XXXII) Share capital

Items	Balance as at the end of the previous year	Increase (+) decrease (-) in the current period					Subtotal	Balance as at the end of the period
		Issuance of new shares	Bonus issue	conversion from reserves	others			
Total shares	74,600,300.00						74,600,300.00	

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(XXXIII) Capital surplus

Items	Balance 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
Capital premium (Share premium)	783,420,735.87		2,357,225.93	781,063,509.94
Other capital surplus				
– Share-based payment	44,857,374.20			44,857,374.20
– Other capital surplus	26,800,423.23			26,800,423.23
Total	855,078,533.30		2,357,225.93	852,721,307.37

(XXXIV) Surplus Reserve

Items	Balance as at the end of the previous year	Balance at the beginning of the year	Increase in the current period	Decrease in the current period	Balance as at the end of the period
Statutory surplus reserve	38,399,577.13				38,399,577.13
Total	38,399,577.13				38,399,577.13

Other notes:

In accordance with the Company Law of the People's Republic of China, the Company shall appropriate 10% of the net profit for the year to the statutory surplus reserve. The Company can cease appropriation when the statutory surplus reserve reaches more than 50% of the registered capital. The statutory surplus reserve can be used to make up losses or increase the paid-in capital upon approval.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(XXXV) Retained earnings

Items	Amount for the current period	Amount for the previous period
Retained earnings before adjustment at the end of previous year	233,506,534.43	257,098,624.31
Adjustment to the retained earnings in total at the beginning of the year (increase +, decrease -)		
Retained earnings after adjustment at the beginning of the year	233,506,534.43	257,098,624.31
Add: Net profit attributable to owners of the parent company for the current period	43,750,057.46	-24,220,782.31
Less: Appropriation to statutory surplus reserve		
Appropriation of discretionary surplus reserve		
Appropriation of general risk reserve		
Dividends payable on ordinary shares		
Dividends on ordinary shares converted to share capital		
Others		628,692.43
Retained earnings at the end of the period	277,256,591.89	233,506,534.43

(XXXVI) 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 business	728,692,633.43	547,491,901.17	683,078,850.17	502,057,495.89
Other business	49,232,530.41	28,898,694.59	55,225,683.92	38,478,671.06
Total	777,925,163.84	576,390,595.76	738,304,534.09	540,536,166.95

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(XXXVI) 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	728,692,633.43	683,078,850.17
Including: Pharmaceutical sales	156,978,407.05	147,585,739.76
Treatments and general healthcare services	571,714,226.38	535,493,110.41
Revenue from other business	49,232,530.41	55,225,683.92
Including: Wholesale and retail revenue of		
pharmaceutical and equipment	28,881,807.57	37,656,705.69
Management services	1,485,148.50	1,500,000.00
Rental income	2,857,971.77	3,417,245.81
Others	16,007,602.57	12,651,732.42
Total	777,925,163.84	738,304,534.09

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.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(XXXVII) Taxes and charges

Items	Amount for the current period	Amount for the previous period
Property tax	1,704,919.27	1,001,891.04
City maintenance and construction tax	398,619.06	367,707.91
Education surcharge	284,861.86	261,185.58
Land use tax	244,228.99	244,607.61
Stamp tax	139,457.81	124,010.34
Others	11,774.66	11,804.98
Total	2,783,861.65	2,011,207.46

(XXXVIII) Selling and distribution expenses

Items	Amount for the current period	Amount for the previous period
Employee benefits	4,571,354.43	3,605,185.29
Depreciation expenses	96,371.80	85,032.37
Amortisation of intangible assets	22,513.69	22,513.74
Amortisation of long-term prepaid expenses	155,131.68	134,612.88
Entertainment expenses	316,393.31	730,951.48
Office expenses	180,167.93	115,469.17
Travelling expenses	167,234.65	128,719.71
Utilities	10,478.18	1,413.19
Outsourcing expenses	235,841.00	9,603.00
Promotion expenses	2,020,072.51	1,177,534.61
Repair and maintenance expenses	25,268.40	78,115.93
Others	27,782.42	26,733.54
Total	7,828,610.00	6,115,884.91

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(XXXIX) General and administrative expenses

Items	Amount for the current period	Amount for the previous period
Employee benefits	55,921,762.58	49,573,428.40
Depreciation expenses	6,990,089.75	5,720,360.45
Amortisation of intangible assets	1,800,111.04	2,293,955.81
Amortisation of long-term prepaid expenses	4,684,159.80	3,232,014.43
Pharmaceutical and medical consumables used	1,039,347.77	899,362.84
Housing lease expenses	1,386,037.88	779,580.51
Equity incentives	–	3,343,511.39
Office expenses	1,700,201.12	1,607,083.90
Travelling expenses	2,070,528.66	1,723,546.90
Utilities	717,753.37	963,759.27
Property management expenses	1,676,255.06	1,724,874.78
Canteen expenditure	1,263,793.76	1,603,121.87
Outsourcing expenses	1,582,961.78	1,481,876.67
Consulting service fees	14,377,209.14	12,306,482.93
Auditors' remuneration	–	2,400.00
Repair and maintenance expenses	3,248,248.19	3,506,322.65
Entertainment expenses	2,599,553.04	2,306,537.45
Others	866,013.82	1,825,998.65
Total	101,924,026.76	94,894,218.90

(XL) Research and development expenses

Items	Amount for the current period	Amount for the previous period
Employee expenses	13,998,896.69	13,219,266.23
Depreciation expenses	191,563.81	210,371.24
Amortisation of long-term prepaid expenses	–	29,160.96
Pharmaceutical and medical consumables used	92,076.48	293,486.60
Travelling expenses	1,369.72	6,962.67
Outsourcing expenses	388,988.66	598,846.70
Testing fee	–	28,444.60
Others	285,100.27	674,961.46
Total	14,957,995.63	15,061,500.46

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(XLI) Financial expenses

Items	Amount for the current period	Amount for the previous period
Interest expense	19,182,137.46	22,800,335.12
Including: Interest expenses on lease liabilities	5,058,106.16	7,238,858.39
Less: interest income	2,704,831.09	1,699,139.71
Foreign exchange gains and losses	-13,070.04	-44,311.88
Others	544,284.06	591,245.75
Total	20,159,633.96	21,648,129.28

(XLII) Other income

Items	Amount for the current period	Amount for the previous period
Government grants	5,600,421.10	5,361,749.51
Fees for withholding individual income tax	200,405.44	220,294.02
Others	21,668.61	321,968.77
Total	5,822,495.15	5,904,642.30

(XLIII) Investment income

Items	Amount for the current period	Amount for the previous period
Income from long-term equity investments under the equity method	-157,522.45	-1,671,780.92
Investment income from disposal of long-term equity investments	-38,203.48	1,392,960.99
Total	-195,725.93	-278,819.93

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(XLIV) Gain from change 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
Total	–	30,711.64

(XLV) Credit impairment losses

Items	Amount for the current period	Amount for the previous period
Losses on bad debts of accounts receivable	-3,047,374.71	-3,348,573.01
Losses on bad debts of other receivables	37,447.94	616,892.68
Total	-3,009,926.77	-2,731,680.33

(XLVI) Gain from disposal of assets

Items	Amount for the current period	Amount for the previous period	Amounts included in non-recurring profits and losses for the current period
Gains from disposal of non-current assets (losses represented with “-” signs)	–	389,315.92	–
Including: Gains from disposal of fixed assets (losses represented with “-” signs)	–	389,315.92	–
Total	–	389,315.92	–

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(XLVII) Non-operating income

Items	Amount for the current period	Amount for the previous period	Amounts included in non-recurring profits and losses for the current period
Gains from damaging and scrapping of non-current assets	10,137.96	8,843.14	10,137.96
Including: Fixed assets	10,137.96	8,843.14	10,137.96
Donations received	5,573,844.86	4,017,521.21	5,573,844.86
Government grants not related to the daily activities of the enterprise	232,490.00	1,166,876.42	232,490.00
Others	108,488.16	158,491.16	108,488.16
Total	5,924,960.98	5,351,731.93	5,924,960.98

(XLVIII) Non-operating expenses

Items	Amount for the current period	Amount for the previous period	Amounts included in non-recurring profits and losses for the current period
Losses on damaging and scrapping of non-current assets	91,822.62	239,086.15	91,822.62
Including: Fixed assets	91,822.62	239,086.15	91,822.62
Expenses of donation to charities	1,234,751.71	1,419,258.76	1,234,751.71
Liquidated damages expenses	370,093.31	1,237,300.03	370,093.31
Others	518,463.73	476,864.80	518,463.73
Total	2,215,131.37	3,372,509.74	2,215,131.37

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(XLIX) Income tax expenses

1. Table of income tax expenses

Items	Amount for the current period	Amount for the previous period
Current income tax expense	23,358,206.57	23,230,774.09
Deferred income tax expense	-11,880,326.50	-4,120,693.90
Total	11,477,880.07	19,110,080.19

2. Reconciliation between total profit and income tax expenses

Items	Amount for the current period
Total profit	60,207,112.14
Income tax expenses calculated at the statutory or applicable tax rates	16,067,002.03
Impact of different tax rates applicable to subsidiaries	212,271.74
Adjustment to impact of income tax of past periods	-1,472,685.98
Impact of non-taxable income	-768,779.98
Impact of non-deductible costs, expenses and losses	645,141.99
Impact of deductible losses of the deferred income tax assets unrecognized in the previous period	-1,107,566.29
Impact of deductible temporary differences or deductible losses for which deferred income tax assets are not recognized in the current period	-241,776.23
Impact of additional deduction of research and development expenses	-611,075.57
Impact of business combination involving enterprise not under common control	-1,336,634.41
Others	91,982.77
Income tax expenses	11,477,880.07

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(L) 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	43,750,057.46	38,788,155.89
Weighted average number of outstanding ordinary shares of the Company	74,600,300.00	74,600,300.00
Basic earnings per share	0.59	0.52
Including: Basic earnings per share from continuing operations	0.59	0.52
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)	43,750,057.46	38,788,155.89
Weighted average number of outstanding ordinary shares of the Company(diluted)	74,600,300.00	74,600,300.00
Diluted earnings per share	0.59	0.52
Including: Diluted earnings per share from continuing operations	0.59	0.52
Diluted earnings per share from discontinued operations		

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(LI) 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	43,750,057.46	38,788,155.89
Add: Gains of non-controlling shareholders for the current period	4,979,174.61	5,432,581.84
Credit impairment losses	3,009,926.77	2,731,680.33
Provision for assets impairment	—	—
Depreciation of fixed assets	23,833,784.01	28,063,119.25
Depreciation of oil and gas assets	—	—
Depreciation of right-of-use assets	20,598,505.54	20,760,704.78
Amortisation of intangible assets	14,041,984.18	12,489,361.10
Amortisation of long-term prepaid expenses	22,717,392.28	25,082,357.37
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains represented with “-” signs)	—	-389,315.92
Losses on scrapping of fixed assets (gains represented with “-” signs)	81,684.66	230,243.01
Losses on changes in fair value (gains represented with “-” signs)	—	-30,711.64
Finance expenses (gains represented with “-” sign)	19,169,067.42	22,756,023.24
Investment losses (gains represented with “-” sign)	195,725.93	278,819.93
Decrease in deferred tax assets (increase represented with “-” signs)	-9,314,304.24	153,565.04
Increase in deferred tax liabilities (decrease represented with “-” signs)	421,337.69	2,475,741.06
Decrease in inventories (increase represented with “-” signs)	3,557,785.89	3,049,315.08
Decrease in operating receivables (increase represented with “-” signs)	13,057,344.16	-103,135,220.95
Increase in operating payables (decrease represented with “-” signs)	-46,508,127.66	-2,761,944.82
Others		
Net cash flows from operating activities	113,591,338.70	55,974,474.59
2. Significant non-cash transactions in relation to investing and financing activities		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets held under finance leases		
3. Net movement in cash and cash equivalents		
Cash at the end of the period	262,868,904.62	275,180,570.66
Less: Cash at the beginning of the period	258,595,990.97	188,734,845.35
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	4,272,913.65	86,445,725.31

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(LI) Supplementary information to the cash flow statement (*continued*)

2. Composition of cash and cash equivalents

Items	Balance as at the end of the period	Balance as at the end of the previous year
I. Cash	262,868,904.62	275,180,570.66
Including: Cash on hand	209,188.36	410,783.85
Cash at bank that can be readily drawn on demand	262,235,513.11	274,443,101.57
Other cash balances that can be readily drawn on demand	424,203.15	326,685.24
Deposits with central bank that can be readily drawn on demand		
Deposits with other banks		
Loans from other banks		
II. Cash equivalents		
Including: Bond investments due within three months		
III. Cash and cash equivalents at the end of the period	262,868,904.62	275,180,570.66
Including: Restricted cash and cash equivalents used by the parent company or subsidiaries within the Group		

(LII) Notes to the Statement of Changes in Owners' Equity

Description of the nature of "Others" items for the adjustment to the closing balance in the previous year and the amount of adjustment and other matters:

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

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

Items	Carrying amount as at the end of the period	Reasons for restriction
Money funds	87,030.00	Banker's acceptance deposit
	12,000,000.00	performance bond (international trade)
Fixed assets	35,612,151.67	Charges on fixed assets
	73,406,248.95	Sale and leaseback financial leasing
Intangible asset	6,107,838.02	Charges on intangible assets
Total	133,942,408.61	

V. Changes in scope of consolidation

(I) Business combinations not in the 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
Wenzhou Anken Pharmacy Co., Ltd.	May 31, 2023	250,000.00	100.00	Acquisition with cash	May 31, 2023	control	96,294.65	-68,920.20
Loudi Kangle Kangning Hospital Limited Liability Company	June 30, 2023	15,500,000.00	51.00	Acquisition with cash	June 30, 2023	control		

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(I) Business combinations not in the common control (*continued*)

2. Cost of combination and goodwill

Items	Wenzhou Anken Pharmacy Co., Ltd.,Ltd	Loudi Kangle Kangning Hospital Limited Liability Company
Cost of combination		
– Cash	250,000.00	15,500,000.00
– Fair value of non-cash assets		
– Fair value of the issued or assumed debts		
– Fair value of the issued equity securities		
– Fair value of contingent consideration		
– Fair value on the date of acquisition for equity interest held prior to the date of acquisition		
– Others		
Total cost of combination	250,000.00	15,500,000.00
Less: fair value of identifiable net assets acquired	-195,742.09	15,187,825.64
Goodwill/Amount by which the cost of combination is less than the fair value of identifiable net assets acquired	445,742.09	312,174.36

Explanation on determination of fair value of cost of combination:

The Company determined the fair value of the transferred non-cash assets and liabilities by using valuation techniques.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(I) Business combinations not in the common control (*continued*)

3. Identifiable assets and liabilities of the acquiree on the date of acquisition

Items	Wenzhou Anken Pharmacy Co., Ltd		Loudi Kangle Kangning Hospital Limited Liability Company	
	Fair value on the date of acquisition	Carrying value on the date of acquisition	Fair value on the date of acquisition	Carrying value on the date of acquisition
Assets:				
Cash and bank balances			562,986.94	562,986.94
Accounts receivable	12,167.15	12,167.15	11,292,072.74	7,414,323.69
Other receivables			1,074,846.30	677,201.30
Prepayments			1,167,668.59	166,068.59
Inventories	109,424.55	109,424.55	373,931.03	373,931.03
Other current assets			360,020.26	360,020.26
Fixed assets	8,270.20	8,270.20	2,196,970.19	2,505,404.03
Right-of-use assets				
Construction in progress			82,000.00	
Intangible asset	4,850.00	4,850.00		17,000,000.00
Long-term prepaid expenses			5,550,629.97	5,550,629.97
Deferred tax assets				
Other non-current assets				
Liabilities:				
Borrowings				
Payables	210,741.55	210,741.55	457,516.78	457,516.78
Other payables	1,010,178.58	109,424.55	1,045,046.80	1,045,046.80
Employee benefits payable			340,592.00	340,592.00
Taxes payable	10,287.89	10,287.89		
Advance receipts				
Lease liabilities				
Deferred income tax liabilities				2,987,359.95
Net assets	-1,096,496.12	-195,742.09	20,817,970.44	29,780,050.28
Less: minority interests			10,200,805.52	14,592,224.64
Net assets acquired	-1,096,496.12	-195,742.09	10,617,164.92	15,187,825.64

Determination of the fair value of identifiable assets and liabilities:

The Company determined the fair value of identifiable assets and liabilities by using valuation techniques.

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

VI. Interests in other entities

(I) Interests in subsidiaries

1. Structure of the Group

Name of Subsidiary	Type of legal entity	Major business location	Place of registration	Nature of business	Shareholding (%)		Method of acquisition
					direct	indirect	
Zhejiang Kangning Hospital Management (Group) Co., Ltd	limited liability company(LLC)	Ningbo	Ningbo	Hospital management	100.00		Incorporation
Pingyang Kangning Hospital Co., Ltd	LLC	Pingyang country	Pingyang country	Medical service		100.00	Incorporation
Wenzhou Yining Geriatric Hospital Co., Ltd	LLC	Wenzhou	Wenzhou	Medical service		100.00	Incorporation
Quzhou Yining Hospital Co., Ltd	LLC	Quzhou	Quzhou	Medical service		60.00	Incorporation
Taizhou Luqiao Cining Hospital Co., Ltd	LLC	Taizhou	Taizhou	Medical service		51.00	Incorporation
Yiwu Kangning Hospital Management Co., Ltd	LLC	Yiwu	Yiwu	Hospital management		100.00	Incorporation
Hangzhou Yining Hospital Co., Ltd	LLC	Hangzhou	Hangzhou	Medical service		60.00	Incorporation
Taizhou Kangning Hospital Co., Ltd	LLC	Taizhou	Taizhou	Medical service		51.00	Business combination not under common control
Hangzhou Cining Hospital Co., Ltd	LLC	Hangzhou	Hangzhou	Medical service		100.00	Incorporation
Wenzhou Tianzhentang Chinese Medicine Clinic Co., Ltd	one-person limited liability company	Wenzhou	Wenzhou	Medical service		100.00	Incorporation
Zhejiang Jerinte Health Technology Co., Ltd	LLC	Hangzhou	Hangzhou	Technology Services		100.00	Incorporation
Wenzhou Jerinte Jingxin Technology Co., Ltd	LLC	Wenzhou	Wenzhou	Technology Services		50.00	Incorporation
Nanjing Yining Hospital Co., Ltd	LLC	Nanjing	Nanjing	Medical service		85.65	Business combination not under common control
Heze Yining Psychiatric Hospital Co., Ltd	LLC	Heze	Heze	Medical service		51.00	Business combination not under common control
Guanxian Yining Hospital Co., Ltd	Other limited liability companies	Guanxian	Guanxian	Medical service		90.00	Business combination not under common control
Wenling Nanfang Psychiatric Specialty Hospital Co., Ltd	Other limited liability companies	Taizhou	Taizhou	Medical service		51.00	Business combination not under common control
Beijing Yining Hospital Co., Ltd	LLC	Beijing	Beijing	Medical service		51.00	Incorporation
Wenzhou Yixin Health Technology Co., Ltd	LLC	Wenzhou	Wenzhou	Technical Services		100.00	Business combination not under common control

Notes to the Financial Statements

For the six months ended 30 June 2023

(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	
Huainan Kangning Hospital Co., Ltd	LLC	Huainan	Huainan	Medical service		95.00	Business combination not under common control
Zhejiang Yining Health Technology Co., Ltd	LLC	Hangzhou	Hangzhou	Technology Services		98.00	Incorporation
Wenzhou Yining Drugstore Co., Ltd	LLC	Wenzhou	Wenzhou	Drug retail		100.00	Incorporation
Yining Mental Health E-Hospital (Wenzhou) Co., Ltd	LLC	Wenzhou	Wenzhou	Hospital management		100.00	Incorporation
Zhejiang Dening Pharmaceutical Co., Ltd	Other limited liability companies	Wenzhou	Wenzhou	Pharmaceutical retail		80.00	Incorporation
Changchun Kanglin Psychological Hospital Co., Ltd	Other limited liability companies	Changchun	Changchun	Medical service		64.55	Business combination not under common control
Chun'an Qiandao Lake Kangning Hospital Co., Ltd	LLC	Hangzhou	Hangzhou	Medical service		100.00	Incorporation
Hangzhou Yining Medical Equipment R&D Co., Ltd	LLC	Hangzhou	Hangzhou	Technology Services		100.00	Incorporation
Hangzhou Yining Nursery Service Service Co., Ltd	LLC	Hangzhou	Hangzhou	Nursing care		100.00	Incorporation
Linhai Cining Hospital Co., Ltd	LLC	Taizhou	Taizhou	Medical service		100.00	Incorporation
Shenzhen Yining Hospital	LLC	Shenzhen	Shenzhen	Medical service		55.00	Incorporation
Zhejiang Huangfeng Hospital Management Co., Ltd	LLC	Hangzhou	Hangzhou	Hospital management	66.00		Business combination not under common control
Pujiang Yining Huangfeng Hospital Limited (浦江怡寧黃鋒醫院有限公司)	LLC	Jinhua	Jinhua	Medical service		100.00	Incorporation
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	Leqing	Leqing	Medical service	100.00		Incorporation

Notes to the Financial Statements

For the six months ended 30 June 2023

(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	
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	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
Jinyun Shuning Hospital Co., Ltd	LLC	Lishui	Lishui	Medical service	51%		Business combination not under common control
Yueqing Yining Integrated 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
Wenzhou Anken Pharmacy Co., Ltd	LLC	Wenzhou	Wenzhou	Pharmaceutical retail		100%	Business combination not under common control
Loudi Kangle Kangning Hospital Limited Liability Company	LLC	Wenzhou	Wenzhou	Medical service	51%		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 2023

(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

Name of Subsidiary	Shareholding percentage of non-controlling shareholder (%)	Current profits or losses attributable to non-controlling shareholders	Current dividends distributed to non-controlling shareholders	Closing balance of interest of non-controlling shareholders
Wenzhou Lucheng Yining Hospital Co., Ltd	40.00	-152,322.75		25,815,007.53
Beijing Yining Hospital Co., Ltd	49.00	-1,303,295.32		493,375.06
Shenzhen Yining Hospital Co., Ltd	45.00	-1,135,105.18		-4,216,850.65

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

Name of Subsidiary	Balance as at the end of the period					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Wenzhou Lucheng Yining Hospital Co., Ltd	16,018,641.11	109,972,839.43	125,991,480.54	16,453,961.72	45,000,000.00	61,453,961.72
Beijing Yining Hospital Co., Ltd	9,087,981.68	5,505,555.13	14,593,536.81	12,857,315.61	729,333.33	13,586,648.94
Shenzhen Yining Hospital Co., Ltd	15,080,218.50	13,653,288.40	28,733,506.90	37,586,947.22	517,338.90	38,104,286.12

Name of Subsidiary	Balance as at the beginning of the period					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Wenzhou Lucheng Yining Hospital Co., Ltd	19,028,799.19	98,436,498.17	117,465,297.36	20,546,971.67	45,000,000.00	65,546,971.67
Beijing Yining Hospital Co., Ltd	10,169,929.61	8,893,422.97	19,063,352.58	14,393,845.02	1,002,833.33	15,396,678.35
Shenzhen Yining Hospital Co., Ltd	14,488,059.45	19,086,594.25	33,574,653.70	34,702,253.46	5,720,723.50	40,422,976.96

Notes to the Financial Statements

For the six months ended 30 June 2023

(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	Revenues	Net profit	Amount for the current period	
			Total comprehensive income	Cash flows from operating activities
Wenzhou Lucheng Yining Hospital Co., Ltd		-380,806.87	-380,806.87	-3,609,574.58
Beijing Yining Hospital Co., Ltd	7,978,933.21	-2,659,786.36	-2,659,786.36	-109,729.11
Shenzhen Yining Hospital Co., Ltd	11,433,757.27	-2,522,455.96	-2,522,455.96	6,865,585.01

Name of Subsidiary	Revenues	Net profit	Amount for the previous 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
Beijing Yining Hospital Co., Ltd	7,938,336.05	-3,239,633.87	-3,239,633.87	1,284,287.97
Shenzhen Yining Hospital Co., Ltd	11,327,151.95	-3,051,974.81	-3,051,974.81	262,948.82

(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	26.60		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 2023

(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 Strategy and 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 counter-party by formulating corresponding risk management policies.

(I) Credit risk

Credit risk refers to the risk of financial loss to the Company caused by the counter-party'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 2023

(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 2023

(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	
Notes payable		174,060.00				174,060.00
Bank borrowings		300,170,000.00	223,354,176.00	165,090,144.00	69,285,680.00	757,900,000.00
Non-current liabilities due within one year		24,992,499.08				24,992,499.08
Long-term accounts payable		29,580,000.00	4,689,517.60	26,076,534.51		60,346,052.11
Total		354,916,559.08	228,043,693.60	191,166,678.51	69,285,680.00	843,412,611.19

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	
Notes payable		997,944.00				997,944.00
Bank borrowings		211,396,818.18	223,154,176.00	153,052,040.00	69,285,680.00	656,888,714.18
Long-term accounts payable		99,580,000.00	28,954,752.75	26,076,534.51		154,611,287.26
Total		311,974,762.18	252,108,928.75	179,128,574.51	69,285,680.00	812,497,945.44

(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 Company's interest rate risk mainly arises from long-term interest bearing borrowings including long-term 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, 2023, the Company'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 2023

(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:

Items	Closing balance			Balance as at the end of the previous year		
	US\$	HK\$	Total	US\$	HK\$	Total
Cash and bank balances	591,799.81	49,933.71	641,733.52	880,734.82	50,073.95	930,808.77
Total	591,799.81	49,933.71	641,733.52	880,734.82	50,073.95	930,808.77

On June 30, 2023, when all other variables remain unchanged, the net profits of the Company would increase or decrease by RMB19,252.01 (on December 31, 2022: RMB27,924.26) 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 risk

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 of changes in the prices of equity instruments.

On June 30, 2023, when all other variables remain unchanged, the net profits and other comprehensive income of the Company would increase or decrease by RMB1,893,506 and RMB1,893,506, respectively supposing that the values of equity instruments increase or decrease by 3%, the management thinks that 3% reflects the reasonable range of the possible changes in the equity instruments in the next year.

Notes to the Financial Statements

For the six months ended 30 June 2023

(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.

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

Items	Closing fair value			Total
	Measured at fair value at Level 1	Measured at fair value at Level 2	Measured at fair value at Level 3	
I. Continuous measurement of fair value				
◆ Financial assets held for trading				
1. Financial assets measured at fair value through profit or loss			10,641,026.00	10,641,026.00
(1) Investments in debt instruments				
(2) Investments in equity instruments			10,641,026.00	10,641,026.00
(3) Derivative financial assets				
2. Financial asset designated to be measured at fair value through profit or loss				
Total assets with continuous measurement of fair value			10,641,026.00	10,641,026.00
◆ Financial liabilities held for trading			13,922,929.38	13,922,929.38
1. Financial liabilities held for trading			13,922,929.38	13,922,929.38
(1) Exchangeable bonds issued				
(2) Derivative financial liabilities				
(3) Other			13,922,929.38	13,922,929.38
2. Financial liabilities designated to be measured at fair value through profit or loss				
Total liabilities with continuous measurement of fair value			13,922,929.38	13,922,929.38

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

VIII. Disclosure of fair value (*continued*)

- (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**
1. Management makes reference to the fair value of financial assets held for trading on the basis of recent transaction prices of the related equity instruments.
 2. Management appointed an independent appraiser to assess the fair value of the transactional financial liabilities resulting from the variable consideration in the Company's equity transaction of Hangzhou Yining using the income approach, and the inputs used included: average number of beds in operation, average consumption per bed day of inpatients, net sales margin, net increase in working capital, capital expenditure, discount rate, perpetual growth rate, etc. The relevant valuation was carried out by the Company's financial staff for The relevant valuations were independently verified and accounted for by the Company's financial personnel, and disclosures relating to the fair value were prepared based on the verified valuation results, as described in note III, (xxxi) to this note.

Notes to the Financial Statements

For the six months ended 30 June 2023

(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 "VII. 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 "VII. 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
Hangzhou Yining Hospital Co., Ltd	Associate
Shaanxi Shanda Hospital Management Consulting Co., Ltd	Associate
Wenzhou Longwan Yining Hospital Co., Ltd	Associate
Zhejiang Fengsheng Nutritional Technology Co., Ltd	Associate

Notes to the Financial Statements

For the six months ended 30 June 2023

(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	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 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(V) Information on related party transactions

1. *Related party transactions on purchase or sale of goods and provision or acceptance of services*

Statement of sales of goods/provision of services

Related party	Related party transaction particulars	Amount for the period	Amount for the previous period
Yiwu Mental Health Centre	Medical management services	1,485,148.50	1,500,000.00
Chongqing Hechuan Kangning Hospital Co., Ltd	Pharmaceutical sales	–	55,550.20

2. *Leases with related parties*

The Company acts as a lessor:

Name of lessee	Types of leased assets	Rental income recognized in the period	Rental income recognized in the previous period
Ningbo Free Trade Zone Shenghong Information Technology Co., Ltd. (寧波保稅區晟鴻信息科技有限公司)	Property lease	85,333.36	73,142.88

Notes to the Financial Statements

For the six months ended 30 June 2023

(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

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

The Company acts as a guaranteed party:

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

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

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

4. Asset transfer and debt restructuring of related parties

Related party	Related party transaction particulars	Amount for the period	Amount for the previous period
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))	33.7591% equity interest in Jinyun Shuning	–	15,000,000.00
Qu Kaisheng	5% equity interest in Linhai Kangning	500,000.00	–

5. Remuneration of key management

Items	Amount for the period	Amount for the previous period
Remuneration of key management	3,215,037.52	2,965,119.82

Notes to the Financial Statements

For the six months ended 30 June 2023

(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 party	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					
	Yiwu Mental Health Centre	11,000,000.00	4,520,000.00	9,000,000.00	2,600,000.00
Other receivables					
	Hangzhou Yining Hospital Co., Ltd	25,337,819.20	15,852,030.91	25,337,819.20	15,852,030.91
	Wenzhou Longwan Yining Hospital Co., Ltd	13,500,000.00	675,000.00		

2. Payables

Items	Related party	Balance as	Balance as
		at the end of the period	at the end of the previous period
Other payables			
	Qu Kaisheng	2,216,468.58	1,538,813.02
	Shandong Furen Hospital Management Co., Ltd	4,398,613.52	5,924,595.43
	Wu Lianxi	3,570,916.34	3,309,199.38
	Chengdu Yining Hospital Co., Ltd	27,792.08	11,653.33

Notes to the Financial Statements

For the six months ended 30 June 2023

(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 2023, five individuals with highest remunerations of the Company include zero director (January to June 2022: 1), whose remunerations are reflected in below table:

Items	Amount for the period	Amount for the previous period
Wages and salaries, and bonus	2,096,606.59	1,604,147.00
Share-based payments	–	482,726.40
Total	2,096,606.59	2,086,873.40

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 Jiatae 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 2023

(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, based on a lock-up period of 48 months, which expired in July 2022.

(II) Equity-settled share-based payments

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, 2023, the accumulated amount of equity-settled share-based payment included in the capital surplus was RMB44,857,374.20.

Total amount of equity-settled share-based payment recognized in the current period: RMB0.

Notes to the Financial Statements

For the six months ended 30 June 2023

(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

1. Outward investment commitments

As at June 30, 2023, the Company had no external investment commitments.

(I) 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

None.

Notes to the Financial Statements

For the six months ended 30 June 2023

(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 ratios is as follows:

	Balance as at the end of the period	Balance as at the end of the previous year
Debt/capital ratio	49.62%	49.73%

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

XIV. 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	41,292,202.90	49,024,983.98
1 to 2 years	257,315.13	709,878.26
2 to 3 years	709,878.26	1,158,221.95
Over 3 years	3,906,521.87	2,748,299.92
Subtotal	46,165,918.16	53,641,384.11
Less: Provision for bad debts	5,286,637.29	5,361,391.95
Total	40,879,280.87	48,279,992.16

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 balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion (%)	book value	Amount	Proportion (%)	Amount	Proportion (%)	book value
Provision for bad debts										
on individual basis	4,873,715.26	10.56	4,873,715.26	100.00		4,873,715.26	9.09	4,873,715.26	100.00	
Including:										
Medical fees due from										
patients	4,873,715.26	10.56	4,873,715.26	100.00		4,873,715.26	9.09	4,873,715.26	100.00	
Provision for bad debts										
on the grouping basis	41,292,202.90	89.44	412,922.03	1.00	40,879,280.87	48,767,668.85	90.91	487,676.69	1.00	48,279,992.16
Including:										
Overdue days grouping	41,292,202.90	89.44	412,922.03	1.00	40,879,280.87	48,767,668.85	90.91	487,676.69	1.00	48,279,992.16
Total	46,165,918.16	100.00	5,286,637.29	/	40,879,280.87	53,641,384.11	100.00	5,361,391.95	/	48,279,992.16

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

XIV. 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:

Item	Balance as at the end of the period			
	Book balance	Provision for bad debts	Proportion of provision (%)	Reasons for the provision
Medical fees due from patients	4,873,715.26	4,873,715.26	100	Provision for bad debts based on expected credit losses for the entire period
Total	4,873,715.26	4,873,715.26	/	

Provision for bad debts on grouping basis:

Item	Balance as at the end of the period		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Overdue days grouping	41,292,202.90	412,922.03	1.00
Total	41,292,202.90	412,922.03	/

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 on individual basis	4,873,715.26			4,873,715.26
Provision for bad debts on grouping basis	487,676.69		74,754.66	412,922.03
Total	5,361,391.95		74,754.66	5,286,637.29

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(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	53,000,000.00	53,000,000.00
Other receivables	474,620,871.01	547,014,558.58
Total	527,620,871.01	600,014,558.58

1. Dividends receivable

Investee	Balance as at the end of the period	Balance as at the end of the previous year
Cangnan Kangning Hospital Co., Ltd	33,000,000.00	33,000,000.00
Yueqing Kangning Hospital Co., Ltd	10,000,000.00	10,000,000.00
Qingtian Kangning Hospital Co., Ltd	10,000,000.00	10,000,000.00
Subtotal	53,000,000.00	53,000,000.00
Less: Provision for bad debts		
Total	53,000,000.00	53,000,000.00

2. Other receivables

(1) Disclosed by aging

Aging	Balance as at the end of the period	Balance as at the end of the previous year
Within 1 year	472,453,825.45	249,636,171.19
1 to 2 years	981,558.90	237,554,656.40
2 to 3 years	513,575.80	29,146,078.54
Over 3 years	859,143.18	30,904,134.11
Subtotal	474,808,103.33	547,241,040.24
Less: Provision for bad debts	187,232.32	226,481.66
Total	474,620,871.01	547,014,558.58

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(II) Other receivables (continued)

2. Other receivables (continued)

(2) Disclose by classification method of 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		Proportion of provision (%) book value	Book balance		Provision for bad debts		Proportion of provision (%) book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Provision for bad debts on grouping basis	474,808,103.33	100.00	187,232.32	0.04	477,641,010.84	547,241,040.24	100.00	226,481.66	0.04	547,014,558.58
Including:										
Aging grouping	70,875,967.57	14.93	187,232.32	0.26	70,688,735.25	8,071,564.48	1.47	226,481.66	2.81	7,845,082.82
Amounts from related parties within the scope of consolidation	403,932,135.76	85.07			406,952,275.59	539,169,475.76	98.53			539,169,475.76
Total	474,808,103.33	100.00	187,232.32		477,641,010.84	547,241,040.24	100.00	226,481.66		547,014,558.58

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	70,875,967.57	187,232.32	0.26
Amounts from related parties within the scope of consolidation	406,952,275.59		
Total	477,828,243.16	187,232.32	/

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(II) Other receivables (continued)

2. Other receivables (continued)

(3) Provision for bad debts

	Stage 1	Stage 2	Stage 3	
	12-months ECL	Lifetime ECL (No credit impairment)	Lifetime ECL (No credit impairment)	Total
Provision for bad debts				
Balance as at the end of the previous year	226,481.66			226,481.66
Balance as at the end of the previous year that transferred/reversed in the current period				
– Transfer 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	39,249.34			39,249.34
Written back in the current period				
Written off in the current period				
Other changes				
Balance as at the end of the period	187,232.32			187,232.32

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(II) Other receivables (continued)

2. 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-months ECL	Lifetime ECL (No credit impairment)	Lifetime ECL (Credit impairment)	
Book balance				
Balance as at the end of the previous year	547,241,040.24			547,241,040.24
Balance as at the end of the previous year that transferred/reversed in the current period				
– Transfer to stage 2				
– Transferred to stage 3				
– Reversed to stage 2				
– Reversed to stage 1				
Addition for the current period				
Derecognition for the current period	69,412,797.08			69,412,797.08
Other changes				
Balance as at the end of the period	477,828,243.16			477,828,243.16

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(II) Other receivables (continued)

2. Other receivables (continued)

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

Category	Amount of change during the period			Balance as at the end of the period
	Balance as at the end of the previous year	Provide for/other additions	Recovered or reversed	
Provision for bad debts on grouping basis	226,481.66		39,249.34	187,232.32
Total	226,481.66		39,249.34	187,232.32

(5) Other receivables by nature

Nature	Book value at the end of the period	Book value at the end of the previous year
Amounts from related parties within the scope of consolidation	403,932,135.76	507,207,052.64
Receivables from related parties	46,632,118.55	33,132,118.55
Deposits and Guarantees	5,933,150.00	5,933,350.00
Employee borrowings	15,130,000.00	
Others	3,180,699.02	968,519.05
Total	474,808,103.33	547,241,040.24

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(III) Long-term equity investments

Items	Balance as at the end of the period			Balance as at the end of the previous year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in subsidiaries	670,246,492.72	–	670,246,492.72	649,079,592.72	–	649,079,592.72
Investments in associates	92,385,700.59	–	92,385,700.59	92,882,992.81	–	92,882,992.81
Total	762,632,193.31	–	762,632,193.31	741,962,585.53	–	741,962,585.53

1. Investments in subsidiaries

Investees	Balance 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	Provision for impairment for the current period	Impairment provision as at the end of the period
Shenzhen Yining Medical Investment Co., Ltd	10,354,979.06		10,000,000.00	354,979.06		
Loudi Kangle Kangning Hospital Co., Ltd	–	15,500,000.00		15,500,000.00		
Wenzhou Kangning Judicial Forensic Institute	500,000.00			500,000.00		
Zhejiang Kangning Hospital Management Co., Ltd	204,666,253.87			204,666,253.87		
Cangnan Kangning Hospital Co., Ltd	52,697,737.50			52,697,737.50		
Yueqing Kangning Hospital Co., Ltd	2,133,258.38			2,133,258.38		
Yongjia Kangning Hospital Co., Ltd	27,687,093.11			27,687,093.11		
Qingtian Kangning Hospital Co., Ltd	32,856,644.25			32,856,644.25		
Linhai Kangning Hospital Co., Ltd	2,299,071.39	2,500,000.00		4,799,071.39		
Wenzhou Cining Hospital Co., Ltd	53,500,000.00			53,500,000.00		
Wenzhou Lucheng Yining Hospital Co., Ltd	30,000,000.00	10,800,000.00		40,800,000.00		
Wenzhou Ou Hai Yining Rehabilitation Hospital Co., Ltd	10,000,000.00			10,000,000.00		
Pingyang Changgeng Yining Hospital Co., Ltd	154,744,700.00			154,744,700.00		
Jinyun Shuning Hospital Co., Ltd	26,684,900.00	2,366,900.00		29,051,800.00		
Yueqing Yining Integrated Chinese and Western Medicine Hospital Co., Ltd	40,954,955.16			40,954,955.16		
Total	649,079,592.72	31,166,900.00	10,000,000.00	670,246,492.72		

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

(III) Long-term equity investments (continued)

2. Investments in associates

Investees	Balance as at the end of the previous year	New investments	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	14,179,350.14			405,504.79						14,584,854.93	
Wenzhou Longwan Yinying Hospital Co., Ltd	57,600,000.00			-65,239.09						57,534,760.91	
Zhejiang Huangfeng Hospital Management Co., Ltd	21,103,642.67		1,313,457.77	475,899.85						20,266,084.75	
Total	92,882,992.81		1,313,457.77	816,165.55						92,365,700.59	

Notes to the Financial Statements

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

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

(IV) Revenues and cost of sales

1. Revenues and cost of sales

Items	Amount for the period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Main businesses	174,575,542.75	130,786,397.79	183,506,368.69	133,177,435.95
Other businesses	1,629,256.25	–	2,293,730.40	45,300.00
Total	176,204,799.00	130,786,397.79	185,800,099.09	133,222,735.95

A breakdown of revenue from main businesses :

Items	Amount for the period	Amount for the previous period
Pharmaceutical sales	43,231,464.13	44,016,314.26
Treatments and general healthcare services	131,344,078.62	139,490,054.43
Total	174,575,542.75	183,506,368.69

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	816,165.55	-1,296,180.45
Investment income from disposal of long-term equity investments	-1,591,713.27	
Investment income from financial assets held for trading during the holding period		
Investment income from disposal of financial assets held for trading		
Total	-775,547.72	-702,180.45

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
“Company Law”	the Company Law of the People’s Republic of China
“CG Code”	the Corporate Governance Code contained in Appendix 14 to the Hong Kong Listing Rules
“Changchun Kanglin Psychological Hospital”	Changchun Kanglin Psychological Hospital Co., Ltd. (長春康林心理醫院有限公司), a company established in the PRC with limited liability on February 16, 2016, one of the Company’s indirect non-wholly owned subsidiaries
“Company” or “Wenzhou Kangning Hospital”	Wenzhou Kangning Hospital Co., Ltd., a joint stock limited liability company established under the laws of the PRC, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 2120)
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and are unlisted Shares which are currently not listed or traded on any stock exchange
“Geriatric Hospital”	Wenzhou Yining Geriatric Hospital Co., Ltd. (溫州怡寧老年醫院有限公司), a company established in the PRC with limited liability on November 2, 2015, one of the Company’s indirect wholly-owned subsidiaries, is principally engaged in providing medical services for the geriatric, including geriatric psychiatric and psychological treatment
“Group” or “we” or “our”	the Company and its subsidiaries

Definitions

“Guanxian Yining Hospital”	Guanxian Yining Hospital Co., Ltd. (冠縣怡寧醫院有限公司), a company established in the PRC with limited liability on March 1, 2017, one of the Company’s indirect non-wholly owned subsidiaries
“H Share(s)”	overseas listed foreign invested ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, listed on the Main Board of the Hong Kong Stock Exchange
“Hangzhou 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
“Heze Yining Hospital”	Heze Yining Psychiatric Hospital Co., Ltd. (菏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
“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
“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
“Loudi Kangning Hospital”	Loudi City Kangle Kangning Hospital Co., Ltd. (婁底市康樂康寧醫院有限責任公司), a company established in the PRC with limited liability on August 28, 2017, one of the Company’s direct non-wholly owned subsidiaries

Definitions

“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
“Macau”	the Macau Special Administrative Region of the PRC
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“Nomination Committee”	the nomination committee of the Board
“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
“Pujiang Yining Hospital”	Pujiang Yining Huangfeng Hospital Co., Ltd.(浦江怡寧黃鋒醫院有限公司), a company established in the PRC with limited liability on September 3, 2018, one of the Company’s indirect non-wholly owned subsidiaries
“PRC” or “China”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Proposed Interim Dividend”	the proposed interim dividend distribution plan of RMB1 (tax-inclusive) per 10 Shares for the six months ended June 30, 2023 subject to the approval by the Shareholders at the extraordinary general meeting as described under the section headed “INTERIM DIVIDEND” of this interim report
“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

Definitions

“Reporting Period”	the six months ended June 30, 2023
“Remuneration Committee”	the remuneration committee of the Board
“RMB”	the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, including the Domestic Share(s) and the H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“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
“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 non-wholly owned subsidiaries of the Company
“Yining Psychology Internet Hospital”	Yining Psychology Internet Hospital (Wenzhou) Co., Ltd. (怡寧心理互聯網醫院(溫州)有限公司), a company established in the PRC with limited liability on March 10, 2020, one of the Company’s indirect wholly owned subsidiaries

Definitions

“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’ wholly owned subsidiaries
“%”	percentage ratio

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

