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# 溫州康寧醫院股份有限公司

SP

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

## 2 FINANCIAL HIGHLIGHTS

### 2.1 Principal Financial Data and Indicators

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



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

## 4 MANAGEMENT DISCUSSION AND ANALYSIS

### 4.1 Financial Review

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

#### 4.1.1 Revenue and Cost of Revenue

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

...:

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



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

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

378.8 million RMB, or 25.1% of total revenue, compared to 349.1 million RMB, or 19.9% of total revenue, for the six months ended June 30, 2019. The increase was primarily due to the increase in the number of inpatient days and the increase in the average length of stay; at the same time, the increase in the number of inpatient days was partially offset by the decrease in the average length of stay. The increase in the number of inpatient days was primarily due to the increase in the number of inpatient days in the intensive care unit, which was primarily due to the increase in the number of inpatient days in the intensive care unit. The increase in the average length of stay was primarily due to the increase in the average length of stay in the intensive care unit, which was primarily due to the increase in the average length of stay in the intensive care unit.

60.1 million RMB, or 4.7% of total revenue, compared to 51.9 million RMB, or 3.0% of total revenue, for the six months ended June 30, 2019. The increase was primarily due to the increase in the number of inpatient days and the increase in the average length of stay; at the same time, the increase in the number of inpatient days was partially offset by the decrease in the average length of stay. The increase in the number of inpatient days was primarily due to the increase in the number of inpatient days in the intensive care unit, which was primarily due to the increase in the number of inpatient days in the intensive care unit. The increase in the average length of stay was primarily due to the increase in the average length of stay in the intensive care unit, which was primarily due to the increase in the average length of stay in the intensive care unit.

28.1% of total revenue, compared to 28.1% of total revenue, for the six months ended June 30, 2019. The increase was primarily due to the increase in the number of inpatient days and the increase in the average length of stay; at the same time, the increase in the number of inpatient days was partially offset by the decrease in the average length of stay. The increase in the number of inpatient days was primarily due to the increase in the number of inpatient days in the intensive care unit, which was primarily due to the increase in the number of inpatient days in the intensive care unit. The increase in the average length of stay was primarily due to the increase in the average length of stay in the intensive care unit, which was primarily due to the increase in the average length of stay in the intensive care unit.

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

Total assets of the Company as of December 31, 2019, were \$323.5 million, of which 15.6% were cash and cash equivalents, 28.1% were accounts receivable, 20.1% were property, plant, and equipment, and 36.2% were other assets. Total liabilities of the Company as of December 31, 2019, were \$100.0 million, of which 10.0% were accounts payable, 10.0% were accrued liabilities, 10.0% were long-term debt, and 70.0% were other liabilities.

Total assets of the Company as of December 31, 2018, were \$300.0 million, of which 34.7% were cash and cash equivalents, 36.4% were accounts receivable, 10.0% were property, plant, and equipment, and 18.9% were other assets. Total liabilities of the Company as of December 31, 2018, were \$100.0 million, of which 10.0% were accounts payable, 10.0% were accrued liabilities, 10.0% were long-term debt, and 70.0% were other liabilities.

#### 4.1.2 Gross Profit and Gross Profit Margin

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

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

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

#### 4.1.3 Tax and Surcharge

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

#### 4.1.4 Selling Expenses

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

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

#### **4.1.7 Finance Expenses – Net**

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

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

#### 4.1.9 Credit Impairment Losses

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

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

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

#### 4.1.11 Income Tax Expense

Income tax expense for the period ended 30, 2019: 7.1 million (2019: 10.5 million), representing 47.5% of the profit before tax for the period ended 30, 2019, compared to 26.7% of 13.5% for the period ended 30, 2019. The increase in income tax expense is primarily due to the increase in the effective tax rate from 13.5% to 47.5%.

### 4.2 Financial Position

#### 4.2.1 Inventory

As at 30, 2020, inventory is valued at 33.9 million (31, 2019: 23.6 million), representing 31.3% of the total assets (31, 2019: 21.0 million); of which 2.6 million (31, 2019: 2.6 million) is held at the 2701, 2806, 2807 and 2808 sites. The increase in inventory is primarily due to the increase in the number of units held at the 2701, 2806, 2807 and 2808 sites.

The following table shows the breakdown of inventory by site:

Site	2020	2019
2701	27.0	18.0
2806	2.0	1.0
2807	2.0	1.0
2808	2.9	1.0
Total	33.9	21.0

As at 30, 2020, the inventory is valued at 33.9 million (31, 2019: 23.6 million), representing 31.3% of the total assets (31, 2019: 21.0 million); of which 2.6 million (31, 2019: 2.6 million) is held at the 2701, 2806, 2807 and 2808 sites.

Inventory	33.9	23.6
Inventory held at the 2701, 2806, 2807 and 2808 sites	2.6	2.6
Inventory held at other sites	31.3	21.0
Total	33.9	23.6
Inventory held at the 2701, 2806, 2807 and 2808 sites as a percentage of total inventory	7.7%	11.0%
Inventory held at other sites as a percentage of total inventory	92.3%	89.0%
Total inventory as a percentage of total assets	31.3%	21.0%
Total inventory as a percentage of total assets held at the 2701, 2806, 2807 and 2808 sites	7.7%	11.0%
Total inventory as a percentage of total assets held at other sites	92.3%	89.0%
Total inventory as a percentage of total assets held at the 2701, 2806, 2807 and 2808 sites as at 30, 2017	11.0%	11.0%

#### 4.2.2 Accounts Receivables

As at Dec 31, 2020, accounts receivable are \$352.6 million (as at Dec 31, 2019: \$310.5 million), of which \$322.5 million, or 91.5%, are due within 14.5% of the end of the reporting period. As at Dec 31, 2019, accounts receivable are \$310.5 million, of which \$282.5 million, or 91.0%, are due within 14.5% of the end of the reporting period. Accounts receivable are classified as current assets as they are expected to be realized within 12 months (as at Dec 31, 2019: 146 days).

#### 4.2.3 Other Receivables and Prepayments

As at Dec 31, 2020, other receivables and prepayments are \$88.4 million (as at Dec 31, 2019: \$68.7 million).

#### 4.2.4 Investment Properties

As at Dec 31, 2020, investment properties are \$107.1 million (as at Dec 31, 2019: \$110.9 million). Investment properties are classified as non-current assets as they are not intended for sale in the ordinary course of business. Investment properties are measured at fair value less costs to sell (see Note 302, 303 and 304) at the reporting date. Investment properties are measured at fair value using the market approach (2/11/ ) and the income approach. The fair value of investment properties is determined based on the market value of similar properties in the same location and condition. The fair value of investment properties is determined based on the market value of similar properties in the same location and condition. The fair value of investment properties is determined based on the market value of similar properties in the same location and condition.

As at Dec 31, 2020, investment properties are \$107.1 million (as at Dec 31, 2019: \$110.9 million). Investment properties are classified as non-current assets as they are not intended for sale in the ordinary course of business. Investment properties are measured at fair value less costs to sell (see Note 302, 303 and 304) at the reporting date. Investment properties are measured at fair value using the market approach (2/11/ ) and the income approach. The fair value of investment properties is determined based on the market value of similar properties in the same location and condition. The fair value of investment properties is determined based on the market value of similar properties in the same location and condition. The fair value of investment properties is determined based on the market value of similar properties in the same location and condition.

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### 4.2.8 Contract Liability

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

### 4.2.9 Other Payables

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

## 4.3 Liquidity and Capital Resources

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

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

### 4.3.1 Net Cash Generated from Operating Activities

Net cash generated from operating activities was 17.8 million (2019: 4.2 million). This increase was primarily due to an increase in net sales of 16.1 million (2019: 16.1 million) and a decrease in net operating expenses of 28.9 million (2019: 28.9 million). The increase in net sales was primarily due to an increase in sales volume of 14.5 million (2019: 14.5 million) and an increase in sales price of 1.6 million (2019: 1.6 million). The decrease in net operating expenses was primarily due to a decrease in depreciation and amortization of 10.0 million (2019: 10.0 million) and a decrease in employee benefits of 18.9 million (2019: 18.9 million).

### 4.3.2 Net Cash Used in Investing Activities

Net cash used in investing activities was 76.4 million (2019: 76.4 million). This increase was primarily due to an increase in the purchase of property, plant and equipment of 67.1 million (2019: 67.1 million) and a decrease in the disposal of property, plant and equipment of 1.3 million (2019: 1.3 million). The increase in the purchase of property, plant and equipment was primarily due to the purchase of property, plant and equipment for the expansion of production capacity and the purchase of property, plant and equipment for the expansion of sales network.

### 4.3.3 Net Cash Generated from Financing Activities

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

### 4.3.4 Significant Investment, Acquisition and Disposal

The Company has not made any significant investments, acquisitions or disposals during the year ended December 31, 2020.

## 4.4 Indebtedness

### 4.4.1 Bank Borrowings

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

### 4.4.2 Contingent Liability

As at December 31, 2020, the Company has no contingent liabilities.

### 4.4.3 Asset Pledge

The Company's bank borrowings are secured by a charge over the Company's assets. As at December 31, 2020, the Company's bank borrowings are secured by a charge over the Company's assets.

### 4.4.4 Lease Liabilities

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

### 4.4.5 Financial Instruments

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





## 5 PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

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

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

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

## 6 EVENTS AFTER THE REPORTING PERIOD

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







## 11.2.2 Interim Consolidated Statement of Financial Position

(As at the end of the reporting period)

ASSETS	June 30, 2020 (Unaudited)	June 30, 2019 (Audited)
<b>Current assets</b>		
Accounts receivable	216,156,858	176,030,550
Prepaid expenses	-	30,000,000
Accounts payable	352,645,140	310,520,612
Accounts receivable	76,843,282	63,317,366
Accounts receivable	11,516,259	5,366,020
Accounts receivable	33,858,107	23,568,236
Accounts receivable	-	12,688,704
<b>Total current assets</b>	<b>691,019,646</b>	<b>621,491,488</b>
<b>Non-current assets</b>		
Accounts receivable	51,281,869	51,281,869
Accounts receivable	94,068,266	89,943,193
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<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>June 30, 2020 (Unaudited)</b>	<b>June 30, 2019 (Audited)</b>
<b>Current liabilities</b>		
Accounts payable	332,500,000	250,000,000
Accounts receivable	576,686	-
Accounts payable - related parties	63,565,539	75,554,960
Accounts payable - other	10,772,528	8,562,126
Accounts payable - other related parties	23,923,352	36,063,277
Accounts payable - other related parties	44,736,621	33,430,060
Accounts payable - other related parties	93,516,092	133,348,712
Accounts payable - other related parties	66,053,557	79,741,922
<b>Total current liabilities</b>	<b>635,644,375</b>	<b>616,701,057</b>
<b>Non-current liabilities</b>		
Accounts payable	100,500,000	20,000,000
Accounts payable	186,013,332	183,808,151
Accounts payable	580,000	2,260,000
Accounts payable	2,000,000	2,000,000
Accounts payable	9,797,371	9,949,267
Accounts payable	25,949,596	21,124,118
<b>Total non-current liabilities</b>	<b>324,840,299</b>	<b>239,141,536</b>
<b>Total liabilities</b>	<b>960,484,674</b>	<b>855,842,593</b>
<b>Shareholders' equity</b>		
Shareholders' equity	75,500,000	75,500,000
Shareholders' equity	826,376,743	824,715,445
Shareholders' equity	(37,817,508)	(21,721,144)
Shareholders' equity	33,189,321	33,189,321
Shareholders' equity	289,210,662	252,800,715
<b>Total equity attributable to shareholders of the Parent company</b>	<b>1,186,459,218</b>	<b>1,164,484,337</b>
Shareholders' equity	127,964,021	97,024,925
<b>Total shareholders' equity</b>	<b>1,314,423,239</b>	<b>1,261,509,262</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2,274,907,913</b>	<b>2,117,351,855</b>

### 11.2.3 Interim Consolidated Statements of Cash Flow

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

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

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

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

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

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

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

### 11.3.1 Accounts Receivable

(All amounts are in Chinese Yuan unless otherwise specified)

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

The following table shows the aging of accounts receivable as of June 30, 2020 and June 30, 2019:

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

Accounts receivable are classified as financial assets measured at amortized cost.

### 11.3.2 Accounts Payable

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

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

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

### 11.3.3 Revenue and Cost of Sales

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

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

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

(All amounts are in US\$ thousands)

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

### 11.3.4 Earnings Per Share

(A) *Net income available to common shareholders*

(B) *Weighted average common shares outstanding*

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

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

*Weighted average common shares outstanding for the six months ended June 30, 2020, was 72,769,749, compared to 73,040,000 for the six months ended June 30, 2019. The decrease in weighted average common shares outstanding for the six months ended June 30, 2020, compared to the six months ended June 30, 2019, was primarily due to a decrease in weighted average common shares outstanding of 270,251, or 0.4%, for the six months ended June 30, 2020, compared to the six months ended June 30, 2019.*

(D) *Weighted average common shares outstanding*

*Weighted average common shares outstanding for the six months ended June 30, 2020, was 72,769,749, compared to 73,040,000 for the six months ended June 30, 2019. The decrease in weighted average common shares outstanding for the six months ended June 30, 2020, compared to the six months ended June 30, 2019, was primarily due to a decrease in weighted average common shares outstanding of 270,251, or 0.4%, for the six months ended June 30, 2020, compared to the six months ended June 30, 2019. The decrease in weighted average common shares outstanding for the six months ended June 30, 2020, compared to the six months ended June 30, 2019, was primarily due to a decrease in weighted average common shares outstanding of 270,251, or 0.4%, for the six months ended June 30, 2020, compared to the six months ended June 30, 2019.*

### 11.3.5 Income Tax Expense

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

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

The components of income tax expense are as follows:

	For the six months ended June 30,	
	2020 (Unaudited)	2019 (Unaudited)
Corporate income tax	39,403,983	52,661,149
State income tax expense	9,850,996	13,165,287
State income tax expense, net of federal tax benefit (25%)	579,650	1,158,271
State income tax expense, net of federal tax benefit (25%)	121,674	119,184
Other income tax expense	(490,212)	(431,227)
Other income tax expense, net of federal tax benefit (25%)	-	(318,561)
Other income tax expense, net of federal tax benefit (25%)	440,640	51,944
Other income tax expense, net of federal tax benefit (25%)	-	(6,624,980)
	<u>10,502,748</u>	<u>7,119,918</u>

### 11.3.6 Dividends

**12 DEFINITIONS**

<p>Article 17 -</p> <p>☒ <b>Beijing Yining Hospital Limited</b> -</p> <p>Article 17 -</p> <p>☒ <b>Beijing Yining Hospital Limited</b> -</p> <p>Article 17, 2015,</p>	<p>Article 17 -</p> <p>☒ <b>Beijing Yining Hospital Limited</b> (北京怡寧醫院有限公司),</p> <p>Article 17, 2015,</p>
<p>Article 15 -</p> <p>☒ <b>Cangnan Kangning Hospital Limited</b> -</p> <p>Article 15, 2012,</p>	<p>Article 15 -</p> <p>☒ <b>Cangnan Kangning Hospital Limited</b> (蒼南康寧醫院有限公司),</p> <p>Article 15, 2012,</p>
<p>Article 16 -</p> <p>☒ <b>Changchun Kanglin Psychological Hospital Limited</b> -</p> <p>Article 16, 2016,</p>	<p>Article 16 -</p> <p>☒ <b>Changchun Kanglin Psychological Hospital Limited</b> (長春康林心理醫院有限公司),</p> <p>Article 16, 2016,</p>
<p>Article 2120 -</p> <p>☒ <b>Changchun Kanglin Psychological Hospital Limited</b> -</p> <p>Article 2120, 2016,</p>	<p>Article 2120 -</p> <p>☒ <b>Changchun Kanglin Psychological Hospital Limited</b> (長春康林心理醫院有限公司),</p> <p>Article 2120, 2016,</p>
<p>Article 14 -</p> <p>☒ <b>Changchun Kanglin Psychological Hospital Limited</b> -</p> <p>Article 14, 2016,</p>	<p>Article 14 -</p> <p>☒ <b>Changchun Kanglin Psychological Hospital Limited</b> (長春康林心理醫院有限公司),</p> <p>Article 14, 2016,</p>
<p>Article 1.00 -</p> <p>☒ <b>Changchun Kanglin Psychological Hospital Limited</b> -</p> <p>Article 1.00, 2016,</p>	<p>Article 1.00 -</p> <p>☒ <b>Changchun Kanglin Psychological Hospital Limited</b> (長春康林心理醫院有限公司),</p> <p>Article 1.00, 2016,</p>
<p>Article 2 -</p> <p>☒ <b>Changchun Kanglin Psychological Hospital Limited</b> -</p> <p>Article 2, 2015,</p>	<p>Article 2 -</p> <p>☒ <b>Changchun Kanglin Psychological Hospital Limited</b> (長春康林心理醫院有限公司),</p> <p>Article 2, 2015,</p>
<p>Article 1 -</p> <p>☒ <b>Changchun Kanglin Psychological Hospital Limited</b> -</p> <p>Article 1, 2015,</p>	<p>Article 1 -</p> <p>☒ <b>Changchun Kanglin Psychological Hospital Limited</b> (長春康林心理醫院有限公司),</p> <p>Article 1, 2015,</p>

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Wenzhou Kangning Hospital Co., Ltd. (永嘉康寧醫院有限公司),  
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**Wenzhou Kangning Hospital Co., Ltd.**  
**GUAN Weili**

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