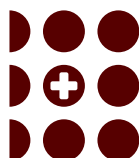


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康宁

Wenzhou Kangning Hospital Co., Ltd.

溫州康寧醫院股份有限公司

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

(Stock Code: 2120)

Wenzhou Kangning Hospital Co., Ltd.
(a joint stock limited company incorporated in the People's Republic of China)

溫州康寧醫院股份有限公司

- 1.1 The board of directors (the "Board") of Wenzhou Kangning Hospital Co., Ltd. (the "Company") is pleased to announce the interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended June 30, 2016 (the "Reporting Period") which compare the figures for the six months ended June 30, 2015.
- 1.2 The condensed consolidated financial information of the Group for the Reporting Period (the "Financial Information") is prepared in accordance with the International Financial Reporting Standards (the "IFRS").

	2015	
	RMB'000	RMB'000
		(Audited)
Revenue		160,743
Profit before income tax		37,086
Income tax expense		(9,732)
Total comprehensive income		27,354
Total comprehensive income attributable to equity holders of the Company		29,130
Non-controlling interest		(1,776)
		As of
		December 31,
		2015
	RMB'000	RMB'000
		(Audited)
Total assets		1,224,434
Total liabilities		262,205
Total equity		962,229
Equity attributable to owners of the Company		959,716
Non-controlling interest		2,513

In the first half of 2016, the People's Republic of China (the "PRC") continued to promote the reform of medical healthcare system. While continuing to enhance the operational capabilities of a network of healthcare facilities, the implemented ceaseless mid- and long-term development strategies also laid a foundation for the long-term development of the Company. Details of the progress have been made are as follows:

In April and May 2016, Linhai Kangning Hospital (臨海康寧醫院) and Wenzhou Yining Geriatric Hospital (溫州怡寧老年醫院) (collectively "the hospitals") commenced operation, and achieved satisfactory results in the field of utilization rate of hospital beds in a short period. On March 31, 2016, the officially managed Pujiang Huangfeng Psychiatric Special Hospital (浦江黃鋒精神專科醫院) (collectively "the hospitals") and Chun'an Huangfeng Kang'en Hospital (淳安黃鋒康恩醫院) (collectively "the hospitals") have been engaged in cooperation to provide capital and provide management and

control and service. For details, please refer to the Company's 2015 annual report published on April 29, 2016. As of the end of June 2016, the number of the Group's healthcare facilities increased to 13, and the number of beds in operation increased to 3,000.

We also have been focusing on a key factor for the long-term development of the Company. During the Reporting Period, the Company entered into a framework agreement with Wenzhou Medical University (温州医科大学) in relation to the proposed establishment and operation of the Pechia School of Wenzhou Medical University (温州医科大学精神医学学院). The school was established on March 20, 2016 and is scheduled to have 60 undergraduate students and 30 graduate students majoring in psychiatry, and 30 undergraduate students majoring in applied psychology will be enrolled in August 2016.

In order to further promote merger and acquisition as a key for the future development of the Company, on February 22, 2016, the Company entered into a partnership agreement with, among others, Shanghai Jinpu Jianfeng Equity Investment Management Co., Ltd. (上海金浦健服股权投资管理有限公司, 简称“金浦健服”) in relation to the Company's contribution of RMB50.0 million for the establishment of the Chongqing Jinpu Healthcare Service Industrial Equity Investment Fund L.P. (重庆金浦医疗健康服务产业股权投资基金合伙企业(有限合伙)), the (简称“金浦医疗基金”). On the same date, the Company and Jinpu Jianfeng, the managing partner of the Investment Fund, entered into a strategic cooperation agreement in relation to, among others, certain rights of the Company as a limited partner of the Investment Fund. For details, please refer to the Company's announcement dated February 23, 2016. The Investment Fund was established in the PRC on March 22, 2016.

In addition, during the Reporting Period, Didi Psychology (的的心理-), an online psychological consultation platform which the Company initiated in and developed, was officially launched and progressed as made in making. As of June 30, 2016, 92 psychiatrists and 227 psychological consultants were officially registered, upon examination and approval, and 1,578 cases of psychological consultation were completed through the platform. We will further optimize the functions of Didi Psychology and enhance the experience.

Looking into the future, we will also speed up the preparation for the opening of Pingyang Kangning Hospital (平陽康寧醫院), Qichou Yining Hospital (衢州怡寧醫院) and Shenzhen Yining Hospital (深圳怡寧醫院), aiming for them to commence operation in the second half of 2016. Meanwhile, we have received notice of response to the Entrepreneurial Program for 100 People- (百人創業計劃-) which was launched at the beginning of 2016. We will also accelerate the expansion of the healthcare facilities network of the Group through integrating existing resources.

The Group achieved revenue of RMB189.1 million during the Reporting Period, representing an increase of 17.6% as compared with that of the same period of 2015. The revenue from operating the Group's owned hospitals and hospital management service fees from managing healthcare facilities both increased. The gross profit margin of owned hospitals decreased to 36.0%, and the gross profit margin of healthcare facilities management increased to 51.1%. The overall gross profit margin of the Group during the Reporting Period decreased to 36.7% (the month ended June 30, 2015: 40.6%) due to the utilization rate of new facilities. During the Reporting Period, net profit attributable to shareholders amounted to RMB28.2 million, representing a decrease of 3.2% as compared with that of the same period of 2015.

4.1.1 Revenue and cost of revenue

The Group generated revenue mainly through the following two aspects: (i) revenue from operating owned hospitals, and (ii) management service fees from managing healthcare facilities.

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

	2015	
	(RMB'000)	(RMB'000)
		(Audited)
Revenue from operating the Group's		
owned hospitals	111,475	155,169
Management service fee income	77,624	5,574
Total revenue	189,099	160,743

During the Reporting Period, total revenue of the Group amounted to RMB189.1 million, representing an increase of 17.6% as compared with that of the same period of 2015, primarily due to (i) the increase of revenue from operating the Group's owned hospitals by 16.2% and (ii) the increase of management fee income by 58.5%. Revenue from operating the Group's owned hospitals accounted for 95.3% of total revenue (Month ended June 30, 2015: 96.5%) and management fee income accounted for 4.7% of total revenue (Month ended June 30, 2015: 3.5%).

Revenue and cost of revenue from operating the Group's owned hospitals

Revenue from operating the Group's owned hospitals consist of fees charged for the outpatient visit and the inpatient service at the various hospitals including treatment and general healthcare service, pharmaceutical sales and ancillary hospital service. The table below shows a breakdown of total revenue and cost of revenue from operating the Group's owned hospitals for the period indicated:

	2015 (RMB'000)	2015 (RMB'000) (Audited)
Treatment and general healthcare service	111,945	
Pharmaceutical sales	42,227	
Ancillary hospital service	997	
Total revenue	155,169	
Cost of revenue	94,115	
Group profit	61,054	

During the Reporting Period, revenue from the Group's owned hospitals amounted to RMB180.3 million, representing an increase of 16.2% as compared with that of the same period of 2015.

The table below shows a breakdown of the expense of the Group's owned hospital by inpatient and outpatient for the period indicated, with the accompanying data:

	2015	2014
Inpatient		
Inpatient bed days period ended	1,913	1,913
Effective inpatient service bed-days capacity	346,253	346,253
Utilization rate (%)	95.0%	95.0%
Number of inpatient bed-days	328,893	328,893
Team and general healthcare service expense attributable to inpatient (RMB'000)	104,964	104,964
Average inpatient spending per bed-day on team and general healthcare service (RMB)	319	319
Pharmaceutical expense attributable to inpatient (RMB'000)	18,963	18,963
Average inpatient spending per bed-day on pharmaceutical (RMB)	58	58
Total inpatient (RMB'000)	123,927	123,927
Outpatient		
Number of outpatient visits	60,944	60,944
Team and general healthcare service expense attributable to outpatient (RMB'000)	6,981	6,981
Average outpatient spending per visit on team and general healthcare service (RMB)	115	115
Pharmaceutical expense attributable to outpatient (RMB'000)	23,264	23,264
Average outpatient spending per visit on pharmaceutical (RMB)	382	382
Total outpatient (RMB'000)	30,245	30,245

2015

(RMB) 497

(RMB'000) 111,945

(RMB'000) 42,227

During the Reporting Period, inpatient revenue amounted to RMB143.7 million, representing an increase of 16.0% as compared with that of the same period of 2015, primarily due to (i) the increase of inpatient bed-days by 12.7% and (ii) the increase of average inpatient length of stay by 2.9%. Inpatient revenue accounted for 79.7% of all revenue from operating activities (the month ended June 30, 2015: 79.9%).

During the Reporting Period, outpatient revenue amounted to RMB35.3 million, representing an increase of 16.6% as compared with that of the same period of 2015, primarily due to (i) the increase of outpatient visits by 13.0% and (ii) the increase of average outpatient length of stay by 3.0%. Outpatient revenue accounted for 19.6% of all revenue from operating activities (the month ended June 30, 2015: 19.5%).

During the Reporting Period, due to the increase of both inpatient and outpatient business, revenue from treatment and general healthcare services increased by 15.6% as compared with that of the same period of 2015, accounting for 71.8% of all revenue from operating activities (the month ended June 30, 2015: 72.1%); and revenue from pharmaceutical sales increased by 17.4% as compared with that of the same period of 2015, accounting for 27.5% of all revenue from operating activities (the month ended June 30, 2015: 27.2%).

Cost of expense of the opened hospital of the Group primarily consisted of pharmaceutical and consumable, fixed, employee benefit and expense, leasing expense, depreciation and amortization, canceen expense and testing fee. The table below sets forth a breakdown of cost of expense for operating the Group's opened hospital for the period indicated:

	2016 (RMB'000)	2015 (RMB'000) (Audited)
Pharmaceutical and consumable, fixed	41,266	
Employee benefit and expense	33,343	
Leasing expense	3,352	
Depreciation and amortization	6,706	
Canceen expense	4,399	
Testing fee	1,590	
Other	3,459	
Cost of expense	94,115	

During the Reporting Period, the cost of expense of the Group's opened hospital increased to RMB115.3 million, representing an increase of 22.5% as compared with that of the same period of 2015, which was higher than the increase of expense. It was mainly due to: (i) the increase of 16.5% in pharmaceutical expense relating to increase in expense from pharmaceutical sales; (ii) the increase of 19.5% in employee benefit and expense arising from the increase in bed in operation of a opened hospital; (iii) newly added leasing expense and depreciation and amortization of RMB0.9 million of Linhai Kangning Hospital which was newly put in operation in 2016.

From the cost components, the cost is specifically pharmaceutical and consumable, and it is still the main part of cost of the expense of the opened hospital, accounting for 41.7% (the month ended June 30, 2015: 43.8%). The second part is employee benefit and expense, which accounted for 34.6% of cost of the expense of the opened hospital (the month ended June 30, 2015: 35.4%). Leasing expense together with depreciation and amortization, accounted for 10.3% of cost of the expense of opened hospital (the month ended June 30, 2015: 10.7%).

Management service fee income

The Group's management service fee income is primarily derived from providing management service to other healthcare facilities. The table below is the breakdown of management service fee income and cost for the period indicated:

	2015 (RMB'000)	2015 (RMB'000) (Audited)
Revenue	11,171	5,574
Cost of revenue	9,781	1,390
Gross profit	1,390	4,184

During the Reporting Period, management service fee income of the Group amounted to RMB8.8 million, representing an increase of 58.5% as compared with that of the same period of 2015 and accounting for 4.7% of the total revenue of the Group, due to the contribution of the management service fee in relation to the newly-opened Beijing Yining Hospital (北京怡寧醫院) in the second half of 2015 and Rijiang Hospital and Chunan Hospital starting from April 1, 2016. As of June 30, the Group managed 6 healthcare facilities with 700 beds in operation.

Cost of the Group for providing management service is primarily include benefit and expense for management staff assigned and amortization of operation right acquired for obtaining management right.

Cost of services of management fee increased to RMB4.3 million, representing an increase of 210.7% as compared with that of the same period of 2015, accelerating the increase of services, mainly because in April 2015, the commenced management of Yanjiao Furen Hospital of Traditional Chinese and Western Medicine (燕郊輔仁中西醫結合醫院) (燕郊輔仁中西醫結合醫院). The Group acquired 19 beds and 9 months of operation right of this hospital and recognized RMB93.1 million of intangible assets of RMB2.4 million was amortized for the operation right during the Reporting Period (9 months ended June 30, 2015: 1.2 million). Accordingly, gross profit margin decreased to 51.1% (9 months ended June 30, 2015: 75.1%).

4.1.2 Gross Profit and Gross Profit Margin

During the Reporting Period, total gross profit of the Group amounted to RMB69.5 million, representing an increase of 6.5% as compared with that of the same period of 2015. Overall gross profit margin decreased to 36.7% (9 months ended June 30, 2015: 40.6%), mainly due to (i) the decrease in gross profit margin of the Group-owned hospital and a full of local utilization rate of beds of Linhai Kangning Hospital and Geriatric Hospital which were newly opened in April and May 2016, respectively; and (ii) since Yanjiao Furen Hospital was newly acquired, the did not recognize an management fee according to the management agreement which had a negative impact on the gross profit margin of the management and service business.

Additionally, the gross profit margin of pharmaceutical sales was 17.6% for the Reporting Period (9 months ended June 30, 2015: 18.3%).

4.1.3 Other Income

Other income of the Group consisted of government grants and interest income. During the Reporting Period, other income amounted to RMB3.0 million, representing an increase of 3,096.8% as compared with that of the same period of 2015, primarily due to the increase in interest income from deposits.

4.1.4 Selling Expenses

During the Reporting Period, the selling expenses of the Group amounted to RMB1.0 million (the month ended June 30, 2015: RMB0.5 million), representing an increase of 97.3% as compared with that of the same period of 2015, mainly due to the increase in promotion expenses of the newly-opened Linhai Kangning Hospital and Geiaic Hospital in April and May 2016, respectively.

4.1.5 Administrative Expenses

Administrative expenses of the Group primarily consist of benefits and expenses for the management and administrative staff, expenses of the newly-built hospital prior to the commencement of operation, depreciation, amortization and others. The table below sets forth a breakdown of administrative expenses for the period indicated:

	2016 (RMB'000)	2015 (RMB'000) (Audited)
Employee benefits and expenses	8,542	8,542
Leasing expenses	7,765	7,765
Depreciation and amortization	2,096	2,096
Selling expenses	772	772
Consultancy expenses	200	200
Donation	823	823
Provision for impairment of receivables	2,961	2,961
Others	3,430	3,430
Total administrative expenses	26,589	26,589

During the Reporting Period, administrative expenses of the Group amounted to RMB39.6 million (Month ended June 30, 2015: RMB26.6 million), representing a substantial increase of 49.0% as compared to the same period of 2015, primarily due to: (i) an increase of RMB6.7 million in employee benefits and expenses as a result of the increase in (1) administration, research and information technology staff and (2) administrative staff for the opening of Linhai Kangning Hospital and Gejiac Hospital; (ii) an increase of RMB1.3 million in the consolidated expenses for meeting the listing requirements after the listing of the Company; and (iii) expenses primarily related to developing and promoting Didi P2P chology – online platform increased by RMB3.4 million. During the Reporting Period, the proportion of administrative expenses to total revenue of the Group increased to 20.9% (Month ended June 30, 2015: 16.5%).

4.1.6 Finance Income/Expenses – Net

Our finance income includes interest income from bank deposits and the gain on foreign exchange, and the finance expenses include the interest expenses on bank loans and the financial expenses in relation to long-term payable. The table below sets forth a breakdown of our financial income and expenses for the period indicated:

	2015 (RMB'000)	2014 (RMB'000) (Audited)
Interest income	137	307
Exchange gain	1,334	-
Finance income	1,471	307
Finance expenses	2,498	(1,334)
Finance income/expenses net	1,027	(1,027)

During the Reporting Period, the net finance income of the Group increased to RMB7.7 million, primarily attributable to (i) the increase of RMB0.6 million in the net income of the proceeds from the initial public offering deposited in the bank, and (ii) the increase in the exchange gain of RMB9.6 million arising from the higher exchange rate of Hong Kong dollar against RMB due to the fact that the proceeds from the initial public offering were deposited in Hong Kong dollar. Finance expense mainly comprised the finance expense of RMB2.8 million measured at the effective interest rate from the long-term payable in relation to the entrusted management of Yanjiao Foshan Hospital, representing an increase of 108.4% as compared with the same period of 2015, primarily because the related interest rate of the entrusted management of Yanjiao Foshan Hospital in April 2015 and the same period of 2015 only included the monthly of interest calculation accordingly.

4.1.7 Share of Losses of Investments Accounted for Using the Equity Method

During the Reporting Period, the share of losses of investments accounted for using the equity method amounted to RMB2.2 million (for the month ended June 30, 2015: nil), representing a 49% equity increase in Beijing Yining Hospital, which commenced operation in September 2015 and recorded losses after a cost of RMB4.5 million during the Reporting Period.

4.1.8 Income Tax Expense

During the Reporting Period, income tax expense increased to RMB10.5 million, representing an increase of 8.2% as compared with the same period of 2015, primarily due to the fact that deferred income tax assets were not recognized for losses of Hangzhou Honglan Information Technology Co., Ltd. (杭州宏澜信息科技有限公司) (杭 州 宏 澜 信 息 科 技 有 限 公 司) of the period. For the month ended June 30, 2015 and 2016, actual tax rates were 26.2% and 28.6%, respectively. The increase in actual tax rate for the Reporting Period was mainly due to the increase in fees not deducted before.

4.1.9 Total Comprehensive Income

During the Reporting Period, total comprehensive income attributable to owners of the Company amounted to RMB28.2 million, representing a decrease of 3.2% as compared with the same period of 2015, primarily due to the following reasons:

- (i) The expense of developing and promoting the online pathological consultation platform increased by RMB3.4 million;
- (ii) Geiaic Hospital, which commenced operation in March 2016, recorded loss after tax of RMB3.3 million;
- (iii) Linhai Kangning Hospital, which commenced operation in April 2016, recorded loss after tax of RMB3.0 million;
- (iv) Change of loss of intangible assets accounted for using the equity method increased by RMB2.2 million, due to a loss of RMB4.5 million of Beijing Yining Hospital; and
- (v) Cost and expense relating to managing Yanjiao Furen Hospital increased by RMB3.2 million.

4.2.1 Inventory

As of June 30, 2016, inventory balance increased to RMB9.3 million (as of December 31, 2015: RMB7.5 million), primarily due to the increase in pharmaceutical inventory of newly-opened Linhai Kangning Hospital and Geiaic Hospital.

4.2.2 Trade Receivables

As of June 30, 2016, the balance of trade receivables slightly increased to RMB129.5 million (as of December 31, 2015: RMB123.1 million), primarily due to: (i) the increase in accounts receivable in the same period in line with the business growth of a healthcare facilities; and (ii) the increase in the amount of trade receivables attributable to medical insurance program. Approximately 70.0% of the trade receivables of the Group are either bills not presented or aged within 3 months.

4.2.3 Other Receivables, Deposits and Prepayments

As of June 30, 2016, other receivables, deposits and prepayments increased to RMB109.7 million (as of December 31, 2015: RMB91.0 million), primarily due to deposits of RMB38.1 million relating to the acquisition of equity interest in Wenzhou Guoda Investment Company (溫州國大投資有限公司) (温州国大投资有限公司) and the creditworthiness held by Guoda Investment Company's certain credit. For details, please refer to the Company's announcement dated June 2, 2016.

4.2.4 Available-for-sale Financial Assets

As of June 30, 2016, available-for-sale financial assets balance increased by RMB50.0 million, primarily due to contribution to the Investment Fund. For details, please refer to the Company's announcement dated February 23, 2016.

4.2.5 Trade Payables

As of June 30, 2016, trade payables increased to RMB30.3 million (as of December 31, 2015: RMB20.0 million), of which approximately 90.6% aged within 90 days.

4.2.6 Accruals and Other Payables

As of June 30, 2016, accruals and other payables decreased to RMB164.3 million (as of December 31, 2015: RMB166.4 million).

The table below sets forth the information extracted from the condensed consolidated cash flow statement of the Group for the period indicated:

	2016 (RMB'000)	2015 (RMB'000) (Audited)
Net cash generated from/(used in) operating activities	38,000	(14,018)
Net cash used in investing activities	(60,982)	(60,982)
Net cash generated from financing activities	77,553	77,553
Net (decrease)/increase in cash and cash equivalents	2,553	2,553

4.3.1 Net Cash Generated from/(Used in) Operating Activities

During the month ended June 30, 2016, net cash generated from operating activities amounted to RMB38.0 million. We had net cash generated from operating activities before change in working capital of RMB44.5 million, primarily consisting of profit before tax of RMB36.8 million and adjustment for depreciation of property, plant and equipment of RMB10.2 million. Change in working capital resulted in cash inflow of RMB7.1 million. We had cash outflow of RMB13.6 million attributable to income tax paid.

4.3.2 Net Cash Used in Investing Activities

During the Reporting Period, net cash used in investing activities amounted to RMB159.0 million, primarily due to: (i) purchase of property, plant and equipment and intangible assets of RMB71.4 million, consisting of (1) amount paid and prepaid to Jinhua Wenhe Kangning Hospital, (2) amount paid to Jinhua Gejiac Hospital prior to its opening and (3) amount for purchasing property of Pingyang Kangning Hospital; and (ii) RMB50.0 million for the contribution to the Investment Fund.

4.3.3 Net Cash Generated from Financing Activities

During the Reporting Period, net cash generated from financing activities amounted to RMB22.1 million, primarily due to a loan of RMB50.0 million from China CITIC Bank, which offset repayment of the loan of RMB30.0 million from China CITIC Bank.

4.3.4 Significant Investment, Acquisition And Disposal

On February 22, 2016, the Company entered into a strategic cooperation agreement to contribute RMB50.0 million to the Intemen Fund, which shall invest in healthcare and other modern service industries. In principle, the Intemen Fund's investment in the healthcare service industry shall be no less than 80% of its total amount available for investment. Please refer to the announcement of the Company dated February 23, 2016 for details.

On June 2, 2016, the Company entered into an agreement with Wenzhou Medical University Asset Management Company Limited* (温州医科大学资产经营有限公司, the "Company") and Wenzhou Medical University in relation to (i) the acquisition of 51% of the equity interest in Guda Intemen by the Company from the Vendor and (ii) the acquisition by the Company of Wenzhou Medical University's credit rights in relation to certain mortgaged or pledged Guda Intemen. The Company shall pay the consideration for the acquisition of equity interest of approximately RMB17.5 million and pay the consideration for the acquisition of credit rights of approximately RMB20.6 million. Please refer to the announcement of the Company dated June 2, 2016 for details.

Save as disclosed above, the Group had no other significant investment, acquisition or disposal during the month ended June 30, 2016.

4.4.1 Bank Borrowings

As of June 30, 2016, the balance of bank borrowings of the Group amounted to RMB70.0 million (as of December 31, 2015: RMB50.0 million), primarily attributable to the additional borrowings of RMB50.0 million designated for construction purposes and the repayment of borrowings of RMB30.0 million of long capital in the meantime during the Reporting Period. The bank borrowings decreased by one year amounting to RMB20.0 million, while bank borrowings increased by one year amounting to RMB50.0 million.

* For identification purposes only

4.4.2 *Contingent Liabilities*

As of June 30, 2016, the Group had no contingent liabilities or guarantees that could have a material impact on the financial position or operation of the Group.

4.4.3 *Asset Pledge*

As of June 30, 2016, none of the Group's assets had been pledged.

4.4.4 *Contractual Obligations*

The contractual obligation of the Group primarily consists of operating lease arrangements. As of June 30, 2016, the firm aggregate minimum lease payments under non-cancellable lease agreements were RMB194.7 million.

4.4.5 *Financial Instruments*

Financial instruments of the Group consist of trade receivables, available-for-sale financial assets, amounts due from related parties, other receivables, term deposits, cash and cash equivalents, bank borrowings, trade and other payables. The Company's management manages and monitors these positions to ensure effective measures are implemented on a timely manner.

4.4.6 *Exposure to Fluctuation in Exchange Rates*

The Group deposits certain of its financial assets in foreign currencies which mainly involve fluctuations in the exchange rate of Hong Kong dollar against Renminbi. The Group is exposed to foreign exchange risk accordingly.

During the month ended June 30, 2016, the Group has not used any derivative financial instruments to hedge against its exposure to currency risk. The management of the Company manages the currency risk by closely monitoring the movement of the foreign exchange rate and will consider hedging against significant foreign currency positions should the need arise.

4.4.7 *Gearing Ratio*

As of June 30, 2016, the Group's gearing ratio (total interest-bearing liabilities divided by total assets) was 12.7% (as of December 31, 2015: 11.8%).

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

The Company's audit committee has reviewed the Group's financial statements for the month ended June 30, 2016 and has opined that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made by the Company.

The Company's audit committee consists of two independent non-executive directors of the Company, Mr. HUANG Zhi (the chairman of the audit committee of the Company) and Mr. GOT Chong Kei Clein, and one non-executive director of the Company, Mr. HE Xin. Among them, Mr. HUANG Zhi has the appropriate professional qualification (a certified public accountant accredited by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會)).

The Board does not recommend the payment of an interim dividend for the month ended June 30, 2016 (for the month ended June 30, 2015: nil).

The Company has complied with all code provisions in the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the Reporting Period.

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2015, as described in those annual financial statements except for the adoption of amendments to IFRS effective for the financial year ending December 31, 2016 and the accounting policy for available-for-sale financial assets, which is newly applied to a new transaction in 2016.

The Condensed Consolidated Interim Financial Information of the Group prepared in accordance with the IFRS is as follows:

8.2.1 Interim Condensed Consolidated Statement of Comprehensive Income

	2015 RMB'000	2015 RMB'000 (Audited)
Revenue	160,743	160,743
Cost of revenue	(95,505)	(95,505)
	65,238	65,238
Other income	93	93
Other losses	(113)	(113)
Selling expenses	(516)	(516)
Administrative expenses	(26,589)	(26,589)
	38,113	38,113
Finance income/(expenses), net	(1,027)	(1,027)
Share of losses of investees accounted for using the equity method	-	-
	37,086	37,086
Income tax expense	(9,732)	(9,732)
	27,354	27,354
Other comprehensive income	-	-
	27,354	27,354
Attributable to:		
Equity holders of the Company	29,130	29,130
Non-controlling interests	(1,776)	(1,776)
Basic and diluted earnings per share (in RMB)	0.57	0.57

8.2.2 Interim Condensed Consolidated Balance Sheet

	December 31, 2015	
	RMB'000	RMB'000 (Audited)
Assets		
Property, plant, and equipment	233,200	
Land, lease right	20,738	
Intangible assets	90,581	
Investments in associates	8,422	
Deferred income tax assets	10,071	
Available-for-sale financial assets		
Deposits and prepayments	48,324	
	<u>411,336</u>	
Liabilities		
Provisions	7,506	
Trade receivables	123,067	
Other receivables, deposits and prepayments	42,690	
Amounts due from related parties	20,044	
Term deposits	251,334	
Cash and cash equivalents	368,457	
	<u>813,098</u>	
	<u>1,224,434</u>	
Equity		
Equity attributable to owners of the Company		
Share capital	73,040	
Capital reserve	797,510	
Surplus reserve	11,342	
Retained profits	77,824	
	<u>959,716</u>	
Non-controlling interests	2,513	
	<u>962,229</u>	

2015年12月31日
RMB'000
 人民币千元

December 31,
 2015
RMB'000
 (Audited)

流动资产		
货币资金	11,111	11,111
应收账款	14,284	14,284
长期股权投资	98,821	98,821
流动资产合计	113,105	113,105
非流动资产		
货币资金	50,000	50,000
交易性金融资产	19,976	19,976
应收利息和其他应收款	63,209	63,209
递延所得税资产	11,559	11,559
长期股权投资	4,356	4,356
非流动资产合计	149,100	149,100
资产总计	262,205	262,205
负债和所有者权益		
负债		
应付账款	1,224,434	1,224,434

8.2.3 Interim Condensed Consolidated Statements of Changes In Equity

Notes	Selected Financial Statement Figures						
	Investment income	Interest income	Dividend income	Other income	Operating income	Other comprehensive income	Total income
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Investment income	1,777	1,547	11,777	1,177	1,177	1,177	1,177
Interest income	▲	▲	▲	7,77	7,77	7,77	7,77
Dividend income	▲	▲	▲	▲	▲	11,177	11,177
Other income	▲	▲	▲	▲	▲	7,77	7,77
Operating income	▲	▲	▲	▲	▲	7,77	7,77
Other comprehensive income	▲	▲	▲	▲	▲	7,77	7,77
Total income	▲	▲	▲	▲	▲	7,77	7,77
Investment income	▲	▲	▲	▲	▲	7,77	7,77
Interest income	▲	▲	▲	▲	▲	7,77	7,77
Dividend income	▲	▲	▲	▲	▲	7,77	7,77
Other income	▲	▲	▲	▲	▲	7,77	7,77
Operating income	▲	▲	▲	▲	▲	7,77	7,77
Other comprehensive income	▲	▲	▲	▲	▲	7,77	7,77
Total income	▲	▲	▲	▲	▲	7,77	7,77

		Attributable to owners of the Company					
Note	Share Capital	Capital Reserve	Surplus	Retained Earnings	Total	Non-controlling interests	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2014	50,000	159,153	5,708	46,229	261,090	-	261,090
Issuance of shares	-	-	-	29,130	29,130	(1,776)	27,354
Total transaction with owners recognized directly in equity	-	-	-	29,130	29,130	(1,776)	27,354
Capital contribution by shareholders	15	2,800	75,600	-	78,400	-	78,400
Employee share option scheme: Value of employee service	16	-	1,031	-	1,031	-	1,031
Dividend relating to 2014	25	-	-	(18,480)	(18,480)	-	(18,480)
Capital contribution by non-controlling interests	-	-	-	-	-	2,400	2,400
At December 31, 2014	2,800	76,631	-	(18,480)	60,951	2,400	63,351
Total	52,800	235,784	5,708	56,879	351,171	624	351,795

8.2.4 Interim Condensed Consolidated Statement of Cash Flows

	2015	
	RMB'000	RMB'000
		(Audited)
Cash generated from operations	11,111	2,670
Income tax paid	(11,111)	(16,688)
		(14,018)
Purchase of property, plant and equipment	(11,111)	(49,279)
Purchase of intangible assets	(11,111)	(10)
Proceeds from disposal of non-current assets	11,111	
Purchase of available-for-sale assets	(11,111)	
Payments of interest	(11,111)	
Amounts due to related parties	(11,111)	(12,000)
Interest received	11,111	307
		(60,982)
Proceeds of borrowing	11,111	
Payments of borrowing	(11,111)	
Payments for H share IPO costs		(5,247)
Payments for A share IPO costs		
Proceeds from capital contribution by shareholders		78,400
Deposits received from a non-controlling interest		2,000
Share capital received from a non-controlling interest		2,400

	2015 RMB'000	2015 RMB'000 (Audited)
Trade receivables		77,553
Prepaid expenses		2,553
Cash and cash equivalents at beginning of the period		37,271
Exchange gain on cash and cash equivalents		
Cash and cash equivalents at end of the period		39,824

8.3.1 Trade receivables

	December 31, 2015 RMB'000	RMB'000 (Audited)
Trade receivables		130,738
Less: provision for impairment of trade receivables		(7,671)
Trade receivables, net		123,067

The carrying amount of the Group's trade receivables are denominated in RMB and approximate their fair value.

As of June 30, 2016 and December 31, 2015, the ageing analysis of the trade receivable is as follows:

	December 31, 2015	
	RMB'000	RMB'000 (Audited)
Aging analysis based on the billing date:		
Bill not presented		9,580
1. 3 months		74,718
4. 6 months		19,635
7. 12 months		19,937
1. 2 years		5,075
2. 3 years		1,426
Over 3 years		367
		<u>130,738</u>

According to the Group's experience, all bills are payable upon presentation.

8.3.2 Other receivables, deposits and prepayments

	December 31, 2015	
	RMB'000	RMB'000 (Audited)
Other receivable (a)		14,337
Deposits (b)		17,268
Amounts held as advance (c)		12,304
Prepayments for rental		30,007
Deposits for income tax in the territory (d)		
Prepayments for purchase of property		13,000
Prepayments for contribution in progress		2,594
Prepayments for goods and services		2,539
Other		43
Less provision for impairment of other receivable		<u>(1,078)</u>
Total		<u>91,014</u>

	2016	December 31, 2015
	RMB'000	RMB'000
		(Audited)
Guarantee	42,690	
Non-Guarantee	48,324	
Total	91,014	

The carrying amount of the Group's receivable deposits and prepayments are denominated in RMB and approximate their fair value.

- Included in the receivable of June 30, 2016 was an advance payment amounting to RMB3,321,000 (as of December 31, 2015: RMB9,210,000) to Yanjiao Fertilizer Holdings. Such advance will be repaid to the Group by Yanjiao Fertilizer Holdings when and as its cash flow allows and agreed by both parties.
- Included in deposits of June 30, 2016 and December 31, 2015 was a deposit of RMB12,688,000 to the contractor of the new hospital construction to guarantee the advance for fulfillment of obligation of the Group under the construction contract. The deposit will be repaid to the Group after the construction is completed and all Group's obligation has been discharged.
- The Company entered into an agreement with Sichuan Hongji Pharmaceutical Company Limited (Sichuan Hongji), an independent third party in March 2015 and planned to develop certain business with Sichuan Hongji. The Company placed a deposit of RMB12,000,000 to Sichuan Hongji as for the capital contribution. Subsequently, the agreement was cancelled and a supplemental agreement was entered into by Sichuan Hongji, Chengdu Jihong Hospital Company Limited (Chengdu Jihong), a wholly owned subsidiary of Sichuan Hongji and the Company on June 29, 2015. Pursuant to the supplemental agreement, the three parties agreed to abandon the business plan and the deposit should be repaid by Chengdu Jihong to the Group within 12 months commencing from June 29, 2015, bearing an interest rate of 5% per annum. The amount is guaranteed by the shareholder of Sichuan Hongji.

On July 28, 2015, Chengdu Jihong changed its name to Chengdu Renji Hospital Company Limited.

- (d) In June 2016, the Company entered into an agreement with the Vendo and Wenho Medical Unit. Pursuant to the agreement, the Company has agreed to acquire 51% of the equity interest in Guoda Investment from the Vendo and cede 10% right from Wenho Medical Unit. Following completion of the public bidding process which is mandated for the aforementioned assets, the Company has successfully bid for the equity interest and cede 10% right and an aggregate consideration of RMB38,096,000, representing RMB17,492,000 for the equity interest and RMB20,604,000 for the cede 10% right. As of June 30, 2016, the transfer of the ownership and illiquid assets of the appraisal and registration with the relevant government authorities in the PRC. The acquisition and subsequent completion in August 2016.

8.3.3 Revenue

	2015
RMB'000	RMB'000
	(Audited)
Tea men and general healthcare service	111,945
Pharmaceutical sales	42,227
Ancillary hospital service	997
Management service fee	5,574
	<u>160,743</u>

All revenue is generated in the PRC where all assets of the Group are located. The Group has a highly diversified patient portfolio, aside from Pingang Changgeng Hospital Co., Limited, from which the Group earns management service fee of RMB6,254,000 and RMB5,574,000 respectively in the month ended June 30, 2016 and 2015, no single patient or client contributed 1% or more of the Group's revenue during the period.

8.3.4 Income tax expense

The income tax expense of the Group for the months ended June 30, 2016 and 2015 is analyzed as follows:

	2016	2015
	RMB'000	RMB'000
		(Audited)
Group income tax:		
PRC corporate income tax	10,344	
Deferred income tax	(612)	
	<u>9,732</u>	

The amount of the Group's profit before income tax differs from the theoretical amount that would arise, assuming the Group is a resident of the PRC, the principal place of the Group's operations as follows:

	2016	2015
	RMB'000	RMB'000
		(Audited)
Profit before income tax	37,086	
Calculated at the rate of 25%	9,272	
Expense not deductible	460	
Income not subject to tax		
Other provision in prior years		
Tax loss for which no deferred income tax asset is recognized		
	<u>9,732</u>	

The income tax provision of the Group in respect of operations in the PRC has been calculated at the rate of 25% on the estimated taxable profit, based on the existing legislation, interpretation and practice in respect thereof, unless preferential tax rates are applicable.

8.3.5 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on profit attributable to ordinary equity holders of the Company of RMB28,207,000 and RMB29,130,000 for the months ended June 30, 2016 and 2015 respectively and the weighted average number of ordinary shares in issue at the end of each reporting period, calculated as follows:

	2016	2015
	No. of shares	No. of shares
	(Audited)	(Audited)
Ordinary shares issued at beginning of the period	50,000,000	50,000,000
Effect of increase of shares	1,423,000	1,423,000
Weighted average number of ordinary shares at the end of period	<u>51,423,000</u>	<u>51,423,000</u>

The calculation of earnings per share for the months ended June 30, 2016 is based on 73,040,000 (for the months ended June 30, 2015: 51,423,000) ordinary shares.

(b) Diluted earnings per share

The Company did not have any potential dilutive shares throughout the period. Accordingly, diluted earnings per share are the same as the basic earnings per share.

8.3.6 Commitments

(a) Capital commitments

	2015	December 31, 2015
	RMB'000	RMB'000 (Audited)
Contracted but not provided for construction building	36,635	36,635
Leasehold improvements	60,529	60,529
Prepayment, plan and equipment	10,935	10,935
		108,099

(b) Operating lease commitments

The Group lease certain office buildings and hospitals under non-cancellable operating lease agreements. The Group has the aggregate minimum lease payments under non-cancellable operating leases as follows:

	2015	December 31, 2015
	RMB'000	RMB'000 (Audited)
Not later than 1 year	28,593	28,593
Later than 1 year and not later than 5 years	74,546	74,546
Later than 5 years	105,831	105,831
		208,970

8.3.7 Dividends

On March 24, 2016, the Board declared a final dividend of RMB18,260,000 for the year ended December 31, 2015 which is calculated based on 73,040,000 issued shares as at December 31, 2015. The proposed dividend was approved by the shareholders at the annual general meeting on June 14, 2016. The dividend is reflected as a dividend payable in the condensed consolidated interim financial information for the month ended June 30, 2016.

On March 11, 2015, the Board declared a final dividend of RMB18,480,000 for the year ended December 31, 2014. The proposed dividend was approved by the shareholders' meeting on June 1, 2015 and the Company paid out the dividend on July 23, 2015.

Board of the Board


Chairman

Zhejiang, the PRC

August 29, 2016

As of the date of this announcement, the Company's executive directors are Mr. GUAN Weili, Ms. WANG Lianyue and Ms. WANG Hongyue; the non-executive directors are Mr. YANG Yang and Ms. HE Xin; and the independent non-executive directors are Mr. CHONG Yat Keung, Mr. HUANG Zhi and Mr. GOT Chong Key Clevin.