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

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

- 1.1 The Board is pleased to announce the Group's unaudited interim results for the Reporting Period, together with comparative figures for the six months ended June 30, 2021.
- 1.2 The financial report (the “*財務報告*”) of the Group for the Reporting Period is prepared in accordance with China Accounting Standards for Business Enterprises.
- 1.3 During the Reporting Period, the Group had certain matters that required retrospective correction because of previous period accounting errors. The financial data as of June 30, 2021 has been restated accordingly. For details, please refer to the section headed “SIGNIFICANT EVENTS - Correction of accounting errors in previous periods” in this announcement.

2021年12月31日

2021年12月31日

2021
RMB'000
(Unaudited)
(Restated)

Revenue
Profit before income tax
Income tax expenses
Net profit
Net profit attributable to shareholders of the Company
Profit or loss attributable to non-controlling interests

X 607,737
/ 53,745
/ 17,506
/ 36,238
/ 35,003
X 1,235

As at
December 31,
2021
RMB'000
(Audited)

Total assets
Total liabilities
Total equity
Equity attributable to shareholders of the Company
Non-controlling interests

/ - / 2,377,968
/ - / 1,106,880
/ X / X 1,271,088
/ - / X 1,199,073
/ X 72,015

In the first half of 2022, the complicated situation caused by the profound changes unseen in a century and the recurrent COVID-19 pandemic (the “二〇二〇”) has led to a steep increase in uncertainties in global social and economic development. Faced with multiple pressures such as the continuing economic downturn and the accelerated reform of diversified and combined medical insurance payment methods, the Group, under the guidance of macro policies, adheres to Kangning’s 100-year development strategy and further enhances medical quality and service standards by continuously strengthening and improving the internal management system, the overall business has maintained a good development momentum, with the following progress:

In the first half of 2022, the development of the Group’s owned hospitals business demonstrated strong resilience. During the Reporting Period, the Group’s well-established and owned hospitals such as Wenzhou Kangning Hospital, Cangnan Kangning Hospital, Qingtian Kangning Hospital, Yongjia Kangning Hospital and Yueqing Kangning Hospital maintained steady growth. In particular, Cangnan Kangning Hospital, Qingtian Kangning Hospital and Yongjia Kangning Hospital further boost the development and growth potential after relocation; the overall business development of existing new hospitals, which is in the climbing stage, grew steadily, of which Huainan Kangning Hospital, Nanjing Yining Hospital, Chun’an Kangning Hospital, Hangzhou Cining Hospital and Wenzhou Cining Hospital saw a significant increase in business scale compared with the same period last year. The four hospitals with regional operation and management in Taizhou continued to have satisfactory performance. Only the development of Shenzhen Yining Hospital, Heze Yining Hospital and Guanxian Yining Hospital has been slowed down under the influence of the Pandemic and other factors. Meanwhile, the performance of Beijing Yining Hospital and Hangzhou Yining Hospital have gradually improved during the Reporting Period by adjusting their operation and management models.

With the further implementation of the development strategy of “Healthy China” and the deepening of an aging society, big health industry has started a new round of rapid growth. In the first half of 2022, the Group will further expand the layout of the mental health and elderly medical industries. During the Reporting Period, the Group invested and acquired the controlling interest in Jinyun Shuning Hospital (a psychiatric hospital), and wholly acquired Yueqing Yining Hospital to provide medical and aged care for the elderly. In addition, Wenzhou Ouhai Yining Elderly Hospital of the Group has officially opened, mainly providing geriatric diagnosis and treatment, Alzheimer’s disease treatment and rehabilitation services for the elderly.

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

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:

	2021	2020
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
	(Restated)	(Restated)
Revenue from operating owned hospitals	561,345	561,345
Revenue from other healthcare related businesses	27,023	27,023
Other revenue not related to healthcare business	19,369	19,369
	<u>607,737</u>	<u>607,737</u>

Revenue and cost of revenue from operating its owned hospitals

Revenue from operating its owned hospitals consists of fees (“*tu*”) 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:

	2022	2021
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
	(Restated)	(Restated)
Billing Revenue from owned hospitals	577,993	577,993
Less: medical insurance settlement differences	1,574	1,574
loss of income from special medical services ⁽¹⁾	15,074	15,074
Revenue from operating owned hospitals – net	561,345	561,345

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 "Special Medical Services") pursuant to relevant policies.

For the Reporting Period, the Group's Billing Revenue from its owned hospitals amounted to RMB689.6 million, representing an increase of 19.3% as compared with that of the same period of 2021, 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 RMB4.1 million, representing a decrease of RMB11.0 million as compared with that of the same period of 2021, mainly due to the increased reimbursement ratio of medical expenses on cross-regional patients for some local medical insurance authorities and an increase in the proportion of medical assistance.

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:

		2021 (RMB'000) (Unaudited) (Restated)
Revenue	X	449,713
Cost of revenue	X	295,515
Gross profit		154,198
Revenue	X	128,280
Cost of revenue		122,123
Gross profit	X	6,157
Revenue		577,993
Cost of revenue	X	417,638
Gross profit	X	160,355

During the Reporting Period, revenue from operating the Group's owned hospitals amounted to RMB689.6 million, representing an increase of RMB111.6 million as compared with that of the same period of 2021, mainly due to the increase in the revenue of Yongjia Kangning Hospital, Qingtian Kangning Hospital, Yueqing Kangning Hospital, Wenzhou Cining Hospital, Taizhou Kangning Hospital and Nanjing Yining Hospital and the mergers and acquisitions of Pingyang Changgeng Yining Hospital, Yueqing Yining Hospital and Jinyun Shuning Hospital, as compared with that of the same period of last year. During the Reporting Period, the gross profit of the Group's owned hospitals increased by 17.0% as compared with that of 2021, mainly due to the increase in inpatient bed-days and average inpatient spending per bed-day.

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:

	2021 (Unaudited) (Restated)	
Inpatient bed as at period end	8,328	
Effective inpatient service bed-day capacity	1,507,368	
Utilization rate (%)	87.3	
Number of inpatient bed-days	1,315,493	
Treatment and general healthcare services revenue attributable to inpatients (RMB'000)	427,770	
Average inpatient spending per bed-day on treatment and general healthcare services (RMB)	325	
Pharmaceutical sales revenue attributable to inpatients (RMB'000)	72,211	
Average inpatient spending per bed-day on pharmaceutical sales (RMB)	55	
	499,981	
	380	
Number of outpatient visits	177,881	
Treatment and general healthcare services revenue attributable to outpatients (RMB'000)	21,943	
Average outpatient spending per visit on treatment and general healthcare services (RMB)	123	
Pharmaceutical sales revenue attributable to outpatients (RMB'000)	56,069	
Average outpatient spending per visit on pharmaceutical sales (RMB)	315	
	78,012	
	438	
	449,713	
	128,280	

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

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

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

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

		2021 (RMB'000) (Unaudited) (Restated)
Pharmaceuticals and consumables used		149,254
Employee benefits and expenses		146,561
Depreciation of right-of-use assets		18,892
Depreciation and amortization	X X	39,899
Canteen expenses		24,513
Testing fees		13,396
Others		25,124
	X X	417,639

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

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

Revenue from other healthcare related business

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

Revenue from the property business

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

During the Reporting Period, total gross profit of the Group on operating income basis amounted to RMB197.8 million, representing an increase of 28.8% as compared with that of the same period of 2021. The gross profit of our owned hospitals businesses amounted to RMB181.0 million, representing an increase of 26.0% as compared with that of the same period of 2021. The table below sets forth a breakdown of the gross profit margin of different businesses for the periods indicated:

	2021 (Unaudited) (Restated)
Treatment and general healthcare services	31.8%
Pharmaceutical sales	4.8%
Owned hospitals businesses	25.6%
Property and other businesses	21.3%
	<u>25.3%</u>

During the Reporting Period, consolidated gross profit margin of the Group increased to 26.8% (for the six months ended June 30, 2021 (restated): 25.3%), of which the gross profit margin of treatment and general healthcare services slightly decreased by 0.1 percentage points as compared with that of the same period of 2021. The gross profit margin of pharmaceutical sales increased by 3.0 percentage points as compared with that of the same period of 2021.

During the Reporting Period, the tax and surcharge of the Group amounted to RMB2.0 million (for the six months ended June 30, 2021: RMB2.2 million).

During the Reporting Period, the selling expenses of the Group amounted to RMB6.1 million (for the six months ended June 30, 2021: RMB4.9 million). The selling expenses accounted for 0.9% of the Group's revenue from operating its owned hospitals (for the six months ended June 30, 2021: 0.9%).

- -X / 2021 / 2021

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

	2021 (RMB'000) (Unaudited) (Restated)
Employee benefits and expenses	X, - 42,156
Depreciation and amortization	, - 8,632
Consultancy expenses	, - 5,971
Travelling expenses	, - 1,226
Others	, - 18,076
	<u>76,061</u>

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

- - / 2021 / 2021

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

Our finance income includes interest income from bank deposits, and the finance expenses include the losses on foreign exchange, 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:

	2021 (RMB'000) (Unaudited) (Restated)
Interest income	-1,684
Foreign exchange losses	23
Borrowing interest expenses	11,674
Interest expense on lease liabilities	6,677
Others	548
	<u>17,238</u>

During the Reporting Period, the net finance expenses of the Group amounted to RMB21.6 million, representing an increase of RMB4.4 million as compared with that of the same period of 2021, mainly due to the increase in bank loans of the Group, resulting in the increase in borrowing interest expense of RMB3.9 million as compared with that of the same period of 2021.

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

	2021 (RMB'000) (Unaudited)
Share of losses of investments accounted for using the equity method	-755
Gains arising from disposal of long-term equity investment	6,119
	<u>5,364</u>

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

六、其他非经常性损益

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

七、资产处置收益

During the Reporting Period, gains arising from disposal of assets amounted to RMB0.4 million (for the six months ended June 30, 2021: nil) which was due to disposal gains arising from termination of lease of Quzhou Yining Hospital.

八、非经常性损益明细表

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

	2021 (RMB'000) (Unaudited) (Restated)	
Government grants		297
Donations received		4,235
Other non-operating income		308
	<u>X X</u>	<u>4,840</u>
Losses on scrapping of non-current assets	-	71
Donation expenses	-	473
Expenses for medical disputes		1,209
Other non-operating expenses		459
	<u></u>	<u>2,212</u>

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

- - 2021 年 6 月 30 日

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

- 2021 年 6 月 30 日

- - 2021 年 6 月 30 日

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

- - 2021 年 6 月 30 日

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

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

- - 2021 年 6 月 30 日

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

- - 其他非流动资产 144.1

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

- - 使用权资产 144.1

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

- - 应付账款 144.1

As of June 30, 2022, accounts payables decreased to RMB52.2 million (as of December 31, 2021: RMB69.2 million).

- - 预收账款及合同负债 144.1

As of June 30, 2022, receipts in advance and contract liabilities increased to RMB46.9 million (as of December 31, 2021: RMB16.3 million).

- - 其他应付款 144.1

As of June 30, 2022, other payables increased to RMB75.4 million (as of December 31, 2021: RMB66.5 million), mainly due to the increase in other payables for Yueqing Yining Hospital of RMB6.6 million and for Quzhou Yining Hospital of RMB5.2 million.

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

	2021 (RMB'000) (Unaudited)
Net cash generated from operating activities	37,316
Net cash used in investing activities	(60,918)
Net cash generated from financing activities	93,139
Net increase in cash and cash equivalents	69,515

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

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

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

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

- 截至2022年6月30日

- 本集团的银行借款

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

- 截至2022年6月30日

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

- 本集团的温州康宁医院

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, 2022, the balance of such pledged loan was RMB200.0 million.

- 截至2022年6月30日

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

- 本集团的金融工具

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.

- 本集团将部分金融资产

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

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

- 截至2022年6月30日

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

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

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. (《溫州康寧醫院股份有限公司 2018 年股權激勵計劃》, the “Wenzhou Kangning Hospital Co., Ltd. 2018 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 persons, with 1,818,529 incentive shares granted. The participants of the second phase of the actual grant comprised a total of 23 persons, with 180,516 incentive shares granted. The participants (including connected persons) of the third phase of the actual grant comprised a total of 13 persons, with 540,229 incentive shares granted. As of the date of this announcement, a total of 8 participants exited, corresponding to a total of 79,274 incentive shares. As of the date of this announcement, the participants of the actual grant under the Equity Incentive Scheme comprised 193 persons, 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 announcement. 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.

(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

(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.

For the six months ended June 30, 2022, the changes in the Incentive Shares granted under the Equity Incentive Scheme are as follows:

Changes in the Incentive Shares granted under the Equity Incentive Scheme										
Category	Grant Date	Grant Price (CNY)	Exercise Date	Exercise Price (CNY)	Number of Shares	Change	Number of Shares	Change	Number of Shares	Change
<i>Directors</i>										
Ms. WANG Lianyue	June 18, 2021	35.95	June 28, 2022	10.47	248,328	-	248,328	-	-	-
Ms. WANG Hongyue (resigned)	June 18, 2021	35.95	June 28, 2022	10.47	95,511	-	95,511	-	-	-
<i>Supervisors</i>										
Mr. SUN Fangjun	June 18, 2021	35.95	June 28, 2022	10.47	14,327	-	14,327	-	-	-
Mr. XIE Tiefan	June 18, 2021	35.95	June 28, 2022	10.47	4,776	-	4,776	-	-	-
<i>Others</i>										
Mr. XU Yi (spouse of Ms. WANG Hongyue)	June 18, 2021	35.95	June 28, 2022	10.47	28,653	-	28,653	-	-	-
Ms. WANG Biyu (niece of Ms. WANG Lianyue and Ms. WANG Hongyue)	June 18, 2021	35.95	June 28, 2022	10.47	4,776	-	4,776	-	-	-
Ms. XU Qunyan (younger sister of Mr. XU Yi)	June 18, 2021	35.95	June 28, 2022	10.47	4,776	-	4,776	-	-	-
Mr. GUAN Weilu (younger brother of Mr. GUAN Weili)	June 18, 2021	35.95	June 28, 2022	10.47	19,102	-	19,102	-	-	-
Mr. SUN Hongbo (nephew of Ms. WANG Lianyue and Ms. WANG Hongyue)	June 18, 2021	35.95	June 28, 2022	10.47	30,563	-	30,563	-	-	-
Ms. ZHANG Linghui (sister-in-law of Mr. GUAN Weili)	June 18, 2021	35.95	June 28, 2022	10.47	4,776	-	4,776	-	-	-
Senior management	August 20, 2018	38.80	June 28, 2022	10.47	133,715	-	133,715	-	-	-
Core technical personnel	August 20, 2018	38.80	June 28, 2022	10.47	1,684,814	-	1,684,814	-	-	-
	August 26, 2019	36.00	June 28, 2022	10.47	142,311	-	142,311	-	-	-
Other employees (total)	August 26, 2019	36.00	June 28, 2022	10.47	38,204	-	38,204	-	-	-
					<u>2,454,632</u>	<u>-</u>	<u>2,454,632</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total					<u>2,454,632</u>	<u>-</u>	<u>2,454,632</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

6.3.1.1 Correction of the questionable accounts receivable collected to liabilities

6.3.1.2 Reversal of donations from charities to patients to non-operating income

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

6.3.1.3 Revaluation of adjustments to income and relevant accounts receivable and provision for bad debts from variable consideration reversal amounts

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

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

6.3.1.5 Other error corrections not directly related to the independent investigation matters

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

(All amounts in RMB Yuan unless otherwise stated)

		
Presentation of donation expenses and income for the same charitable organization on a net basis	Non-operating income Non-operating expenses	-500,000.00 -500,000.00
Correction of a step-by-step corporate combination not under the common control to a business combination under a package deal arrangement	Goodwill Capital surplus Non-controlling interests	7,594,255.97 7,776,668.38 -182,412.41
Correction of errors in subsequent measurements based on the latest available audit reports of associates	Long-term equity investments Capital surplus Adjustment of profit and loss from previous years	4,090,422.02 4,914,906.11 -824,484.09

Correction of errors in contracts which satisfy the nature of leases in accordance with leasing standards	Right-of-use assets Advances to suppliers Lease liabilities Accounts payable Cost of sales Finance expenses Adjustment of profit and loss from previous years	4,670,519.15 -191,050.02 4,918,751.75 30,915.91 -8,458.45 118,805.72 -359,851.26
Correction of intermediary fees prior to IPO filing from prepayments to general and administrative expenses	Advance payments General and administrative expenses Adjustment of profit and loss from previous years	-4,541,010.39 3,126,703.82 -1,414,306.57
Correction of errors in provision for bad debts of other receivables from cancelled subsidiaries	Provision for bad debts of other receivables Adjustment of profit and loss from previous years	-30,010.00 30,010.00
Adjustment of related party transactions	Accounts receivable Revenue	-10,000.00 -10,000.00
Correction of cost of sales settled across periods	Accounts payable Other payable Adjustment of profit and loss from previous years	2,262,661.27 -2,800,724.33 538,063.06
Regarding the above errors related to subsidiaries, they had an impact on the net assets of the Company calculated on an ongoing basis at the point of acquisition of the non-controlling shareholders of the relevant subsidiaries, and on the non-controlling interests of the Company as of the balance sheet date	Capital surplus Adjustment of profit and loss from previous years Non-controlling interests	1,631,656.52 3,670,301.65 -5,301,958.17
Other reclassification errors	Other receivables Other payables Lease liabilities Non-current liabilities due within one year	-12,332,834.67 -12,332,834.67 -860,000.00 860,000.00

(1) Consolidated Income Statement

(All amounts in RMB Yuan unless otherwise stated)

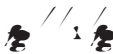
	2019 12/31	2018 12/31	2017 12/31
Revenue	607,736,706.59	-15,074,689.77	622,811,396.36
Of which: Revenue from main businesses	561,344,645.23	-15,074,689.77	576,419,335.00
Cost of sales	566,389,581.01	-6,418,585.09	572,808,166.10
Of which: Cost of sales	454,141,400.56	-8,458.44	454,149,859.00
General and administrative expenses	76,061,449.25	3,126,704.10	72,934,745.15
Financial expenses	17,237,698.27	118,805.72	17,118,892.55
Credit impairment losses	-2,313,298.25	9,655,636.47	-11,968,934.72
Non-operating income	51,115,693.18	-8,656,104.68	59,771,797.86
Add: Non-operating income	4,840,495.28	4,235,525.65	604,969.63
Less: Non-operating expenses	2,211,519.98	-500,000.00	2,711,519.98
Income tax expenses	53,744,668.48	-3,920,579.03	57,665,247.51
Less: Income tax expenses	17,506,450.86	984,353.58	16,522,097.28
Profit before income tax	36,238,217.62	-4,904,932.17	41,143,149.79
Of which: Total comprehensive income attributable to owners of the parent company	36,238,217.62	-4,904,932.17	41,143,149.79
Total comprehensive income attributable to non-controlling interests	1,234,871.73	3,004,899.73	-1,770,028.00

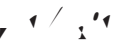
(2) *Consolidated Balance Sheet*

(All amounts in RMB Yuan unless otherwise stated)

Accounts receivable	284,596,120.10	-132,492,458.21	417,088,578.31
Less: Provision for bad debts of accounts receivable	9,277,549.75	-34,893,554.69	44,171,104.44
Accounts receivable, net	275,318,570.35	-97,598,903.52	372,917,473.87
Prepayments	12,565,753.92	-4,732,060.38	17,297,814.30
Other receivables	47,645,819.54	-12,332,836.88	59,978,656.42
Less: Provision for bad debts of other receivables	2,441,789.57	-30,010.00	2,471,799.57
Other receivables, net	45,204,029.97	-12,302,826.88	57,506,856.85
	<u>669,134,939.17</u>	<u>-114,633,790.78</u>	<u>783,768,729.95</u>
Long-term equity investments	127,062,370.79	4,090,421.66	122,971,949.13
Right-of-use assets	281,164,991.67	4,670,519.15	276,494,472.52
Goodwill	92,554,246.83	-417,348.78	92,971,595.61
Deferred tax assets	35,823,255.19	-7,302,786.81	43,126,042.00
	<u>1,636,151,265.00</u>	<u>9,052,407.38</u>	<u>1,627,098,857.62</u>
	<u>2,305,286,204.18</u>	<u>-105,581,383.40</u>	<u>2,410,867,587.57</u>
Accounts payable	71,305,808.39	2,293,577.19	69,012,231.20
Other payables	35,087,424.48	-697,695.46	35,785,119.94
Non-current liabilities due within in one year	65,122,900.00	860,000.00	64,262,900.00
	<u>556,624,561.17</u>	<u>2,455,881.73</u>	<u>554,168,679.44</u>

Lease liabilities	231,269,027.43	4,058,751.75	227,210,275.68
	<u>488,661,172.65</u>	<u>4,058,751.75</u>	<u>484,602,420.90</u>
	<u>1,045,285,733.82</u>	<u>6,514,633.48</u>	<u>1,038,771,100.34</u>
Capital surplus	829,085,404.95	15,029,893.60	814,055,511.35
Retained earnings	239,961,660.67	-121,641,539.03	361,603,199.70
Total equity attributable to owners of the parent company	1,180,947,515.62	-106,611,645.40	1,287,559,161.02
Non-controlling interests	79,052,954.74	-5,484,370.58	84,537,325.32
	<u>1,260,000,470.36</u>	<u>-112,096,015.98</u>	<u>1,372,096,486.34</u>
	<u>2,305,286,204.18</u>	<u>-105,581,382.50</u>	<u>2,410,867,586.68</u>






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






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

11/11/2022 11:11:11

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

11/11/2022 11:11:11

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

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Save as disclosed in the "Significant Events" in this interim results announcement, no major subsequent events occurred to the Group during the Reporting Period.

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The Audit Committee has reviewed this interim results announcement and the Group's financial information for the six months ended June 30, 2022, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made.

The Audit Committee consists of two independent non-executive Directors, Ms. ZHONG Wentang (the chairperson of the Audit Committee), Mr. LIU Ning, and one non-executive Director, Mr. LI Changhao.

11/11/2022 11:11:11

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

11/11/2022 11:11:11

The Company has complied with all code provisions in the CG Code during the Reporting Period.

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 new Companies Ordinance (《公司條例》) (Chapter 622 of the laws of Hong Kong) (the “*Companies Ordinance*”).

The financial statements are prepared in accordance with the Accounting Standard for Business Enterprises – Basic Standard (《企業會計準則 - 基本準則》) and specific accounting standards and relevant rules issued by the Ministry of Finance of the PRC (the “*Accounting Standards*”) 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 (《企業會計準則第 32 號 - 中期財務報告》) 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 2021. The interim financial statements shall be read together with the financial statements for the year ended 2021 of the Group.

The financial statements are prepared on a going concern basis.

The Companies Ordinance has commenced operation in 2016. Some notes in the financial statements have been reflected the new requirements of the Companies Ordinance.

The Interim Financial Statement of the Group prepared in accordance with the China Accounting Standard for Business Enterprises is set out as follows:

(All amounts in RMB unless otherwise stated)

		2021 (Unaudited) (Restated)
Revenue	X	607,736,707
Including: Revenue	X	607,736,707
Interest income	-	-
Premium income	-	-
Fees and commissions income	-	-
Cost of sales	X	566,389,581
Including: Cost of sales	X	454,141,400
Interest expenses	-	-
Fees and commissions expenses	-	-
Surrenders	-	-
Net claims expenses	-	-
Net provisions for insurance contracts reserve	-	-
Insurance policy dividend paid	-	-
Reinsurance costs	-	-
Taxes and surcharges	-	2,244,722
Selling and distribution expenses	X	4,898,586
General and administrative expenses	-	76,061,449
Research and development expenses	X	11,805,726
Financial expenses	-	17,237,698
Including: Interest expenses	-	18,351,839
Interest income	-	-1,684,441

		2021 (Unaudited) (Restated)
Add: Other income	X	5,362,467
Investment income (losses represented with “-” signs)		5,364,428
Including: Investment income from associates and joint ventures		-754,563
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)		1,354,970
Credit impairment losses (losses represented with “-” signs)		-2,313,298
Asset impairment losses (losses represented with “-” signs)		—
Gains from disposal of assets (losses represented with “-” signs)		—
	X	51,115,693
Add: Non-operating income	X	4,840,495
Less: Non-operating expenses	X	2,211,520
		53,774,668
Less: Income tax expenses		17,506,451
(I) Classified by continuity of operations		36,238,217
1. Net profit from continuing operations (net losses represented with “-” signs)		36,238,217
2. Net profit from discontinued operations (net losses represented with “-” signs)		—
(II) Classified by ownership of the equity		
1. Net profit attributable to shareholders of the parent company (net losses represented with “-” signs)	X	35,003,346
2. Profit or loss attributable to non-controlling interests (net losses represented with “-” signs)	X	1,234,872

	2021	
	(Unaudited)	
	(Restated)	
Other comprehensive income attributable to shareholders of the parent company, net of tax		
(I) Other comprehensive income that cannot be reclassified to profit and loss		
1. Changes arising from remeasurement of defined benefit plan	-	-
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method	-	-
3. Changes in fair value of other equity instrument investments	-	-
4. Changes in fair value due to the enterprise's own credit risk	-	-
(II) Other comprehensive income that can be reclassified to profit and loss		
1. Other comprehensive income that can be reclassified to profit or loss under the equity method	-	-
2. Changes in fair value of other debt investments	-	-
3. Amount of financial assets reclassified into other comprehensive income	-	-
4. Credit impairment provisions for other debt investments	-	-
5. Reserves for cash flow hedges	-	-
6. Exchange difference on translation of financial statements in foreign currencies	-	-
7. Others	-	-
Other comprehensive income attributable to non-controlling interests, net of tax	-	-
		36,238,218
Attributable to shareholders of the parent company	X	35,003,346
Attributable to non-controlling interests	X	1,234,872
(I) Basic (RMB per share)	- X	0.48
(II) Diluted (RMB per share)	- X	0.48

(All amounts in RMB Yuan unless otherwise stated)

		December 31, 2021 (Audited)
Cash at bank and on hand	X , X	188,734,846
Settlement deposits	-	-
Placements with banks and other financial institutions	-	-
Financial assets held for trading	, ,	10,000,000.00
Derivative financial assets	-	-
Notes receivable	-	-
Accounts receivable	, X, X	311,757,875
Receivables financing	-	-
Advances to suppliers	, - , X	11,858,427
Premium receivable	-	-
Reinsurance accounts receivable	-	-
Provision for reinsurance contract receivable	-	-
Other receivables	- , - , - X	29,938,366
Financial assets purchased for resale	-	-
Inventories	XX XX	56,519,301
Contract assets	-	-
Assets held for sale	-	-
Current portion of non-current assets	-	-
Other current assets	- , -	806,686,366

		December 31, 2021 (Audited)
Granted loans and advances		—
Debt investments		—
Other debt investments		—
Long-term accounts receivable		—
Long-term equity investments		129,847,779
Investment in other equity instruments		—
Other non-current financial assets	X	65,812,275
Investment properties		—
Fixed assets		721,846,772
Construction in progress		43,795,718
Productive biological assets		—
Oil and gas assets		—
Right-of-use assets	X	257,412,270
Intangible assets		227,991,785
Development expenditure		—
Goodwill	X	135,741,377
Long-term prepaid expenses		150,501,038
Deferred tax assets		14,336,965
Other non-current assets		21,066,387
	X	1,768,352,366
		2,377,967,867

		December 31, 2021 (Audited)
Short-term borrowings	X	254,050,000.00
Borrowings from central bank		—
Placements from banks and other financial institutions		—
Financial liabilities held for trading		—
Derivative financial liabilities		—
Notes payable		—
Accounts payable	X	69,162,002
Receipts in advance		16,275,603
Contract liabilities		3,241
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	X	60,488,184
Taxes payable	X	30,235,329
Other payables	X	66,523,265
Fees and commissions payable		—
Reinsurance accounts payable		—
Liabilities held for sale		—
Current portion of non-current liabilities	X	48,240,752
Other current liabilities		—
		<u>544,978,376</u>

		December 31, 2021 (Audited)
Provision for insurance contracts		—
Long-term borrowings		280,950,000.00
Bonds payable		—
Including: Preferred shares		—
Perpetual bonds		—
Lease liabilities		231,733,761
Long-term payables		—
Long-term employee benefits payables		—
Provisions		—
Deferred income		9,341,683
Deferred tax liabilities	X X	39,875,790
Other non-current liabilities		—
		<u>561,901,234</u>
		<u>1,106,879,610</u>
Share capital		74,600,300
Other equity instruments		—
Including: Preferred shares		—
Perpetual bonds		—
Capital surplus	X	838,165,396
Less: Treasury stock		—
Other comprehensive income		—
Special reserves		—
Surplus reserve	X	38,399,577
Provision for general risks		—
Retained earnings		247,907,761
Total equity attributable to shareholders of the parent company	X X	1,199,073,033
Non-controlling interests	X	72,015,224
		<u>1,271,088,257</u>
		<u>2,377,967,867</u>

(All amounts in RMB Yuan unless otherwise stated)

		2021 (Unaudited)
Cash received from sales of goods or rendering of services	X, , XX	539,688,900
Net increase in customer deposits and interbank deposits	-	-
Net increase in borrowings from central bank	-	-
Net increase in placements from other financial institutions	-	-
Cash received from original insurance contract premium	-	-
Net cash received from reinsurance business	-	-
Net increase in deposits and investments from policyholders	-	-
Cash received from interests, fees and commissions	-	-
Net increase in placements from banks and other financial institutions	-	-
Net increase in cash from repurchase business	-	-
Net cash received from securities brokerage services	-	-
Refund of taxes and levies	-	-
Cash received relating to other operating activities	X, X, -	10,297,037
	- , - , -	549,985,937
Cash paid for goods and services	X, - , X	218,754,957
Net increase in customer loans and advances	-	-
Net increase in deposits with central bank and other banks	-	-
Cash paid for compensation under original insurance contract	-	-
Net increase in placements with banks and other financial institutions	-	-
Cash paid for interests, fees and commissions	-	-
Cash paid for policyholders' dividends	-	-
Cash paid to and on behalf of employees	-	207,867,279
Payments of taxes and surcharges	-	27,309,627
Cash paid relating to other operating activities	X, - , X	58,738,353
	X, - , -	512,670,216
	XX, - , X	37,315,721

		2021 (Unaudited)
Cash received from disposal of investments	-	-
Cash received from returns on investments	-	-
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	-	16,043,548
Net cash received from disposal of subsidiaries and other business units	-	14,240,472
Cash received relating to other investing activities	-	41,676,480
Sub-total of cash inflows of investing activities	-	71,960,500
Cash paid to acquire fixed assets, intangible assets and other long-term assets	X	83,456,941
Cash paid to acquire investments	-	30,000,000
Net increase in pledged loans	-	-
Net cash paid to acquire subsidiaries and other business units	-	16,771,568
Cash paid relating to other investing activities	-	2,650,000
	X	132,878,509
	X	-60,918,009
Cash received from capital contributions	-	2,445,056
Including: Cash received from capital contributions by non-controlling shareholders of subsidiaries	-	-
Cash received from borrowings	X	283,000,000
Cash received relating to other financing activities	XX	-
Sub-total of cash inflows of financing activities	-	285,445,056
Cash repayments of borrowings	-	144,892,970
Cash payments for distribution of dividends, profit or interest expenses	-	11,987,325
Including: Cash payments for distribution of dividends and profit by subsidiaries to non-controlling shareholders	-	-
Cash paid relating to other financing activities	X	35,426,182
	-	192,306,477
	-	93,138,579

	2021 (Unaudited)
Net cash provided by operating activities	21,035
Net cash used in investing activities	(69,515,256)
Net cash provided by financing activities	200,092,665
Add: Cash and cash equivalents at the beginning of the period	269,607,921
Cash and cash equivalents at the end of the period	

(All amounts in RMB Yuan unless otherwise stated)

Item	2017		2016		2015		2014		2013		2012	
	Amount	Unit	Amount	Unit	Amount	Unit	Amount	Unit	Amount	Unit	Amount	Unit
I. Balance as at the end of the previous year	1,000,000,000.00		1,000,000,000.00		1,000,000,000.00		1,000,000,000.00		1,000,000,000.00		1,000,000,000.00	
Plus: Changes in accounting policies												
Correction of accounting errors in previous periods												
Business combinations under common control												
Others												
II. Balance as at the beginning of the current year	1,000,000,000.00		1,000,000,000.00		1,000,000,000.00		1,000,000,000.00		1,000,000,000.00		1,000,000,000.00	
III. Increases/decreases in the current period ("—" for decreases)												
(I) Total comprehensive income												
(II) Owner contribution and capital decrease												
1. Common stock contributed by owners												
2. Capital invested by holders of other equity instruments												
3. Amounts of share-based payments recognized in owners' equity												
4. Others												

附注五、利润分配表													
截至2019年12月31日止年度													
项目	2019年12月31日	2018年12月31日	2017年12月31日	2016年12月31日	2015年12月31日	2014年12月31日	2013年12月31日	2012年12月31日	2011年12月31日	2010年12月31日	2009年12月31日	2008年12月31日	2007年12月31日
(III) 分配利润	-	-	-	-	-	-	-	-	-	-	-	-	-
1. 提取盈余公积	-	-	-	-	-	-	-	-	-	-	-	-	-
2. 提取一般风险准备	-	-	-	-	-	-	-	-	-	-	-	-	-
3. 向所有者(或股东)分配利润	-	-	-	-	-	-	-	-	-	-	-	-	-
4. 其他	-	-	-	-	-	-	-	-	-	-	-	-	-
(IV) 内部结转	-	-	-	-	-	-	-	-	-	-	-	-	-
1. 盈余公积补亏	-	-	-	-	-	-	-	-	-	-	-	-	-
2. 盈余公积转增资本(或股本)	-	-	-	-	-	-	-	-	-	-	-	-	-
3. 盈余公积转增资本(或股本)	-	-	-	-	-	-	-	-	-	-	-	-	-
4. 盈余公积转增资本(或股本)	-	-	-	-	-	-	-	-	-	-	-	-	-
5. 盈余公积转增资本(或股本)	-	-	-	-	-	-	-	-	-	-	-	-	-
6. 其他	-	-	-	-	-	-	-	-	-	-	-	-	-

[illegible]

Items	Amount for the previous period													
	Other equity instruments				Equity attributable to owners of the parent company									
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risk	Retained earnings	Subtotal	Non-controlling interests	Total owners' equity
I. Balance as at the end of the previous year	74,600,300				819,509,066	23,311,144			36,593,229		205,665,236	1,113,056,687	92,665,009	1,205,721,696
Plus: Changes in accounting policies												-		-
Correction of accounting errors in previous periods												-		-
Business combinations under common control												-		-
Others												-		-
II. Balance as at the beginning of the current year	74,600,300	-	-	-	819,509,066	23,311,144	-	-	36,593,229	-	205,665,236	1,113,056,687	92,665,009	1,205,721,696
III. Increases/decreases in the current period ("-" for decreases)	-				9,576,339	-23,311,144	-	-	706,921	-	34,296,425	67,890,829	-13,612,054	54,278,775
(I) Total comprehensive income											35,003,346	35,003,346	1,234,872	36,238,218
(II) Owner contribution and capital decrease	-	-	-	-	9,488,982	-	-	-	-	-	-	9,488,982	-14,846,926	-5,357,944
1. Common stock contributed by owners					2,445,056							2,445,056	-14,846,926	-12,401,870
2. Capital invested by holders of other equity instruments												-		-
3. Amounts of share-based payments recognized in owners' equity					5,512,658							5,512,658		5,512,658
4. Others					1,531,268							1,531,268		1,531,268
(III) Distribution of profits	-	-	-	-	-	-	-	-	706,921	-	-706,921	-	-	-
1. Withdrawal of surplus reserves									706,921		-706,921	-		-
2. Withdrawal of provision for general risk												-		-

Amount for the previous period														
Equity attributable to owners of the parent company														
Items	Share capital	Preferred shares	Other equity instruments		Capital reserve	Less:		Special reserve	Surplus reserve	Provision for general risk	Retained earnings	Subtotal	Non-controlling interests	Total owners' equity
			Perpetual bonds	Others		Treasury stock	Other comprehensive income							
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)												-		-

	December 31, 2021 (Audited)				
	Balance of carrying amount		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Percent of provision (%)	
Accounts receivable with provision for bad debts on the individual basis	7,247,978	2.26	4,590,286	63.33	2,657,692
Including:					
Amount due from patients	7,247,978	2.26	4,590,286	63.33	2,657,692
Accounts receivable with provision for bad debts on the grouping basis	313,875,732	97.74	4,775,549	1.52	309,100,183
Including:					
Overdue days grouping	313,875,732	97.74	4,775,549	1.52	309,100,183
Total	321,123,710	100.0	9,365,835	-	311,757,875

The aging analysis of accounts payable based on the billing date is as follows:

	December 31, 2021 (Audited)	
Within one year	48,941,028	65,938,475
One to two years	2,552,833	2,767,906
Two year to three years	299,070	168,510
Above three years	369,748	287,111
Total	52,162,679	69,162,002

2020 2019 2018 2017 2016

Analysis of revenue and cost of sales

	2021 (Unaudited) (Restated)	Revenue	Cost
Main businesses	X	561,344,645	417,638,725
Other businesses	XX	46,392,061	36,502,676
Total	X	607,736,706	454,141,401

Breakdown of revenue:

	2021 (Unaudited) (Restated)
Revenue from main businesses	X
Including: Pharmaceutical sales	XX
Treatments and general healthcare services	XX
Revenue from other businesses	XX
Including: Wholesale and retail revenue of pharmaceutical and equipment	X
Management service	X
Rental income	
Real estate sales	
Others	X
Total	X

2020 2019 2018 2017 2016

Basic earning per Share

	2020	2021
	(Unaudited)	(Unaudited)
	(Restated)	(Restated)
Consolidated net profit attributable to the ordinary Shareholders of the parent company	35,003,346	35,003,346
Weighted average number of outstanding ordinary Shares of the Company	72,222,300	72,222,300
Basic earning per Share	0.48	0.48
Including: Basic earning per Share from continuing operations	0.48	0.48
Basic earning per Share from discontinued operations	—	—

Diluted earning per Share

Diluted earning 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):

	2020	2021
	(Unaudited)	(Unaudited)
	(Restated)	(Restated)
Consolidated net profit attributable to the ordinary Shareholders of the parent company (diluted)	35,003,346	35,003,346
Weighted average number of outstanding ordinary Shares of the Company(diluted)	72,655,834	72,655,834
Diluted earning per Share	0.48	0.48
Including: Diluted earning per Share from continuing operations	0.48	0.48
Diluted earning per Share from discontinued operations	—	—

Table of income tax expenses

	2021 (Unaudited) (Restated)
Current income tax expenses	13,554,984
Deferred income tax expenses	3,951,467
Total	17,506,451

Reconciliation between total profit and income tax expenses

	2021 (Unaudited) (Restated)
Total profit	53,744,668
Income tax expenses calculated at the statutory tax rates	13,135,593
Impact of different tax rates applicable to subsidiaries	112,500
Adjustment to impact of income tax of past periods	314,248
Impact of non-taxable income	-1,149,859
Impact of non-deductible costs, expenses and losses	2,580,264
Impact of deductible losses of the deferred income tax assets unrecognized in the previous period	-229,878
Impact of deductible temporary differences or deductible losses for which deferred income tax assets are not recognized in the current period	13,000,650
Additional deduction of research and development expenses	-1,358,322
Impact of business combination involving enterprise not under common control	3,607,040
Others	-5,291,705
Income tax expenses	17,506,451

On October 26, 2022, the Board did not recommend the payment of a final dividend for the year ended December 31, 2021. The proposal not to declare dividend was approved by the Shareholders at the annual general meeting for the year 2021 of the Company on December 16, 2022.

On March 26, 2021, the Board did not recommend the payment of a final dividend for the year ended December 31, 2020. The proposal not to declare dividend was approved by the Shareholders at the annual general meeting for the year 2020 of the Company on June 18, 2021.

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

“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”	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
“CG Code”	the Corporate Governance Code contained in Appendix 14 to the Hong Kong Listing Rules
“Chun’an Kangning Hospital”	Chun’an Kangning Huangfeng Hospital Co., Ltd.(淳安康寧黃鋒醫院有限公司), a company established in the PRC with limited liability on April 16, 2020, 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 Stock Exchange of Hong Kong Limited (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
“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 Stock Exchange of Hong Kong Limited
“Hangzhou Cining Hospital”	Hangzhou Cining Hospital Co., Ltd. (杭州慈寧醫院有限公司), a company established in the PRC with limited liability on November 18, 2017, one of the Company’s indirect wholly owned subsidiaries
“Hangzhou Yining Hospital”	Hangzhou Yining Hospital Co., Ltd. (杭州怡寧醫院有限公司), a company established in the PRC with limited liability on August 25, 2016, one of the Company’s indirect non-wholly owned subsidiaries
“Heze Yining Hospital”	Heze Yining Psychiatric Hospital Co., Ltd. (荷澤怡寧精神病醫院有限公司), a company established in the PRC with limited liability on April 6, 2017, one of the Company’s indirect non-wholly owned subsidiaries

“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
“Jinyun Shuning Hospital”	Jinyun Shuning Hospital Co., Ltd. (縉雲舒寧醫院有限公司), a company established in the PRC with limited liability on February 15, 2019, one of the Company’s non-wholly owned subsidiaries
“Lucheng Yining Hospital”	Wenzhou Lucheng Yining Hospital Co., Ltd. (溫州鹿城怡寧醫院有限公司), a company established in the PRC with limited liability on April 2, 2020, one of the Company’s direct non-wholly owned subsidiaries
“Luqiao Cining Hospital”	Taizhou Luqiao Cining Hospital Co., Ltd. (台州市路橋慈寧醫院有限公司, previously known as Taizhou Luqiao Yining Hospital Co., Ltd. (台州市路橋怡寧醫院有限公司)), a company established in the PRC with limited liability on December 12, 2016, one of the Company’s indirect non-wholly owned subsidiaries
“Nanjing Yining Hospital”	Nanjing Yining Hospital Co., Ltd. (南京怡寧醫院有限公司), a company established in the PRC with limited liability on June 22, 2018, one of the Company’s indirect non-wholly owned subsidiaries
“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
“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
“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
“RMB”	the lawful currency of the PRC
“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 (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
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in the Companies Ordinance (Chapter 622 of the laws of Hong Kong)
“Taizhou Kangning Hospital”	Taizhou Kangning Hospital Co., Ltd. (台州康寧醫院有限公司), a company established in the PRC with limited liability on June 30, 2016, one of the Company’s indirect non-wholly owned subsidiaries
“the Reporting Period”	the six months ended June 30, 2022
“Wenzhou Guoda”	Wenzhou Guoda Investment Co., Ltd. (溫州國大投資有限公司), a company established in the PRC with limited liability on February 9, 2002. On June 24, 2021, the Company entered into an equity transfer agreement with Mr. Guan Weili, the actual controller, pursuant to which Mr. Guan Weili acquired 75% equity interest in Wenzhou Guoda held by the Company. Please refer to the announcement of the Company date June 24, 2021 for details
“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 the PRC with limited liability on March 8, 2021, one of the 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

“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”