



温州康寧書院股份有限公司

Wenzhou Kangning Academy Co., Ltd.

(A joint stock limited liability company incorporated in the

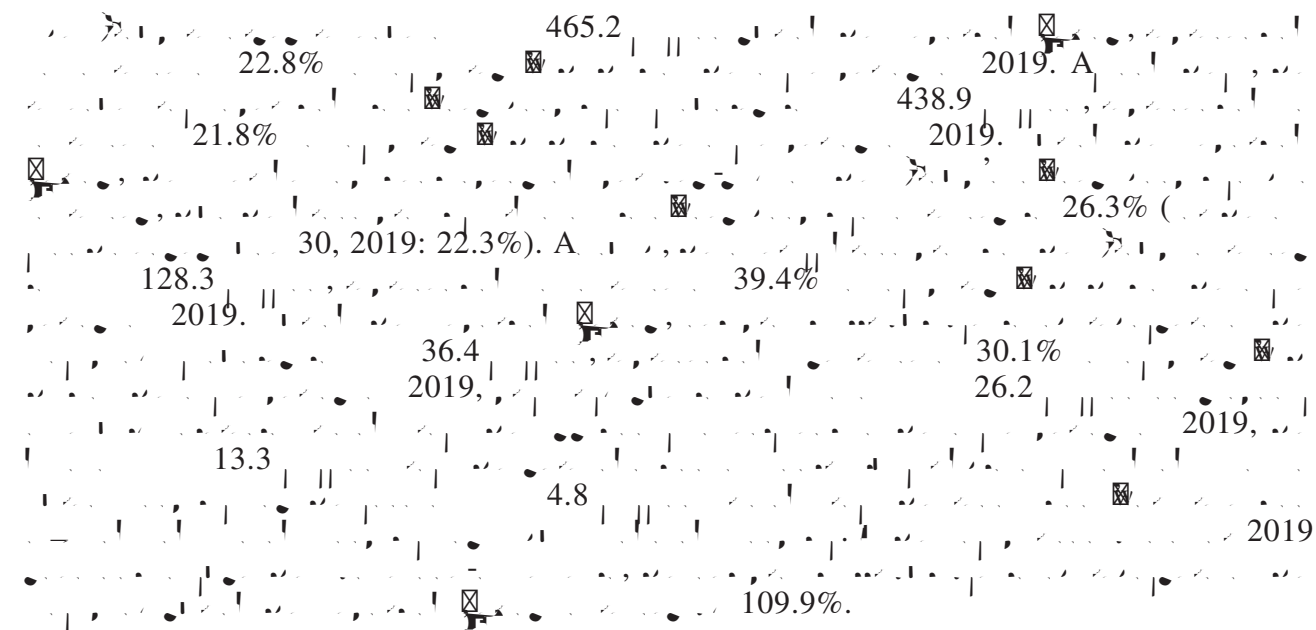
2 FINANCIAL HIGHLIGHTS

2.1 Principal Financial Data and Indicators

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

4 MANAGEMENT DISCUSSION AND ANALYSIS

4.1 Financial Review



4.1.1 Revenue and Cost of Revenue

For the six months ended June 30, 2020 (RMB'000) (Unaudited) 2019 (RMB'000) (Audited)

	For the six months ended June 30, 2020 (RMB'000) (Unaudited)	2019 (RMB'000) (Audited)
Total revenue	438,886	360,210
Cost of revenue	19,116	15,281
Gross profit	7,148	3,419
	465,150	378,910

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

378.8 2019, 25.1% 19.9% 4.2% 86.3% (30, 2019: 84.1%).

60.1 2019, 4.7% 18.7% 13.7% (30, 2019: 15.9%).

2019, 28.1% 77.0% 30, 2019: 73.2%); 4.7% 2019, 23.0% 30, 2019: 26.8%), 14.2% (30, 2019: 16.8%), 78.8% (30, 2019: 79.7%).

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

323.5 15.6% 2019, () 28.1% 2019; () ; ()

34.7% (30, 2019: 36.4%). 34.0% (30, 2019: 32.5%).

4.1.2 Gross Profit and Gross Profit Margin

					128.3
			39.4%		
2019.					115.4
			43.8%		
2019.					

		For the six months ended June 30,	
		2020	2019
		(Unaudited)	()
		29.7%	25.1%
		14.9%	14.5%
		26.3%	22.3%
		47.1%	62.8%
Consolidated gross profit margin		27.6%	24.3%

					27.6% () 30, 2019: 24.3%),
					4.6
					2019,

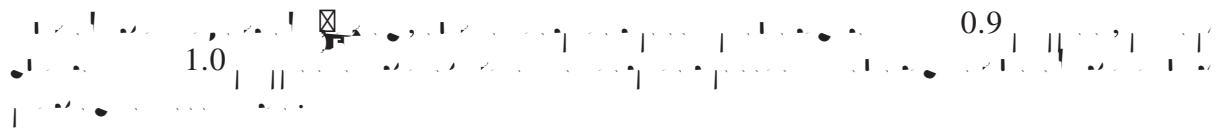
4.1.3 Tax and Surcharge

					2.0
					30, 2019: 0.8)

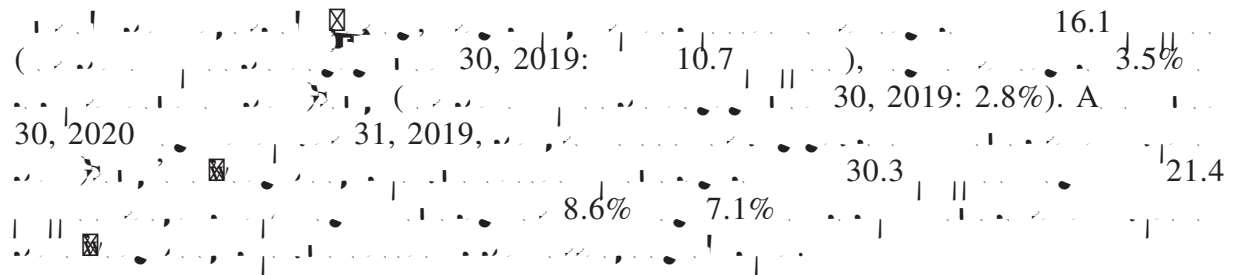
4.1.4 Selling Expenses

					3.7
					30, 2019: 4.5)
					2019.
					0.8
					0.8%
					30, 2019: 1.2%).

4.1.5 Administrative Expenses



4.1.9 Credit Impairment Losses



4.1.10 Non-Operating Income (Expenses) and Other Gains



4.1.11 Income Tax Expense

30, 2019:	7.1	10.5	(	47.5%
30, 2019,	26.7%	13.5%		
2019,				

4.2 Financial Position

4.2.1 Inventory

A 30, 2020,	33.9	(	
31, 2019:	23.6	(	
	31.3	(	
	2.6	(	
	2701,	2806,	2807
			2808

2701,	2806,	2807
2808		

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	75%
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	30, 2017
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4.2.2 Accounts Receivables

At December 31, 2020, Accounts Receivable was 352.6 million (December 31, 2019: 310.5 million), an increase of 14.5% (December 31, 2019: 322.5 million). The increase was primarily due to the increase in the number of units sold in 2020 compared to 2019, and the increase in the average selling price per unit. The Accounts Receivable turnover ratio was 133 times (December 31, 2019: 146 times).

4.2.3 Other Receivables and Prepayments

At December 31, 2020, Other Receivables and Prepayments was 88.4 million (December 31, 2019: 68.7 million).

4.2.4 Investment Properties

At December 31, 2020, Investment Properties was 107.1 million (December 31, 2019: 110.9 million), a decrease of 3.8 million (302, 303, 304) (2/11/2020). The decrease was primarily due to the decrease in the number of units sold in 2020 compared to 2019, and the decrease in the average selling price per unit.

The Investment Properties turnover ratio was 133 times (December 31, 2019: 146 times).

At December 31, 2020, Investment Properties was 107.1 million (December 31, 2019: 110.9 million), a decrease of 3.8 million (302, 303, 304) (2/11/2020).

The Investment Properties turnover ratio was 133 times (December 31, 2019: 146 times).

At December 31, 2020, Investment Properties was 107.1 million (December 31, 2019: 110.9 million), a decrease of 3.8 million (302, 303, 304) (2/11/2020).

The Investment Properties turnover ratio was 133 times (December 31, 2019: 146 times).

At December 31, 2020, Investment Properties was 107.1 million (December 31, 2019: 110.9 million), a decrease of 3.8 million (302, 303, 304) (2/11/2020).

29, 2043, 
 462.9()24 (2/ 11/) (15)

4.2.8 Contract Liability

A. 30, 2020, 10.8 (10.8%); 31, 2019: 8.6 (8.6%).

4.2.9 Other Payables

A. 30, 2020, 93.5 (31, 2019: 133.3).

4.3 Liquidity and Capital Resources

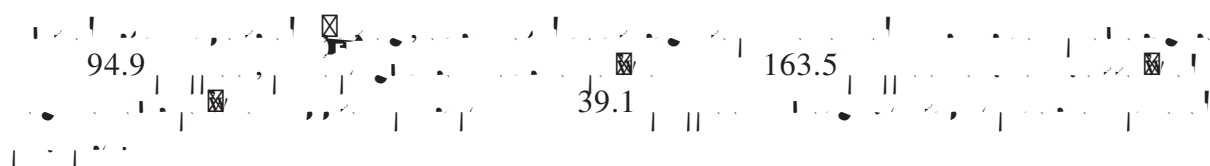
	For the six months ended June 30,	
	2020	2019
	<i>(RMB'000)</i>	<i>('000)</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Operating income	17,799	4,157
Finance income/(costs)	(76,436)	(75,880)
Other income/(costs)	94,945	(25,941)
Income before income tax	36,424	(98,423)

4.3.1 Net Cash Generated from Operating Activities

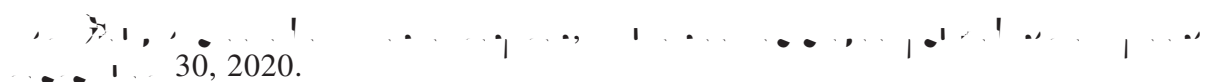
4.3.2 Net Cash Used in Investing Activities

67.1 76.4

4.3.3 Net Cash Generated from Financing Activities

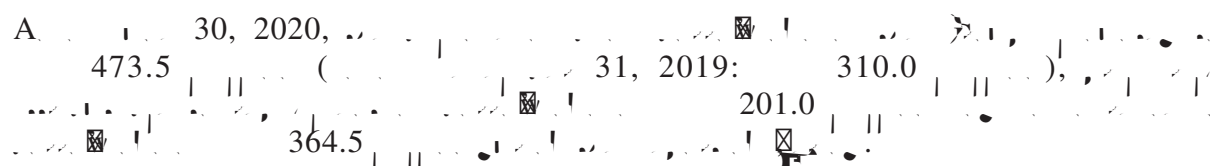


4.3.4 Significant Investment, Acquisition and Disposal



4.4 Indebtedness

4.4.1 Bank Borrowings



4.4.2 Contingent Liability



4.4.3 Asset Pledge



4.4.4 Lease Liabilities



4.4.5 Financial Instruments



4.4.6 Exposure to Fluctuation in Exchange Rates

[illegible][illegible]

4.4.7 Gearing Ratio

A. 30, 2020, 42.2% (31, 2019: 40.4%).

4.4.8 Employees and Remuneration Policy

A. 30, 2020: 3,136 (31, 2019: 2,845). 149.5 (30, 2019: 128.1). 98.2

2018. 13, 2018 (.., 2017 AGM-). 2017. 29, 2018. 30, 2018.

A. 2017 A. 8.
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☒ :

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30, 2020

7 REVIEW OF INTERIM RESULTS

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Ai () () () A ()

8 INTERIM DIVIDEND

30, 2020 () 30, 2019: ()

9 COMPLIANCE WITH CG CODE

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10 ACCOUNTING STANDARDS

2017, A () 622 () () Companies Ordinance→).

11 FINANCIAL REPORT

11.1 Accounting Policies

A () “Ministry of Finance”) 15, 2006.

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() 2019. 2019

2016.

11.2 Interim Financial Statement

As at June 30, 2020, the Company's interim consolidated financial statements were prepared on a going concern basis. The Company's interim consolidated financial statements were prepared on a going concern basis.

11.2.1 Interim Consolidated Income Statement

(Amounts in thousands of US dollars)

	For the six months ended	
	June 30,	2019
	2020	2019
	(Unaudited)	(Unaudited)
1. Revenue	465,150,452	378,910,291
Cost of sales	(336,864,754)	(286,882,183)
Gross profit	(1,999,246)	(831,972)
Selling, general and administrative expenses	(3,697,157)	(4,476,806)
Research and development expenses	(54,639,015)	(52,890,346)
Depreciation and amortization	(2,637,407)	(2,304,024)
Impairment losses	(11,846,196)	(10,198,874)
Other income	(14,086,629)	(11,068,131)
Income before income taxes	2,454,371	1,925,426
Income taxes	5,443,616	6,567,461
Net income	(923,557)	23,549,073
Other comprehensive income	(1,019,927)	(2,525,317)
Comprehensive income	(16,112,650)	(10,730,916)
Other comprehensive loss	-	(18,587)

11.2.2 Interim Consolidated Statement of Financial Position

(Amounts in thousands of US dollars)

ASSETS	June 30, 2020 (Unaudited)	June 30, 2019 (Audited)
Current assets		
Accounts receivable	216,156,858	176,030,550
Prepaid expenses and other current assets	–	30,000,000
Accounts payable	352,645,140	310,520,612
Accrued expenses and other current liabilities	76,843,282	63,317,366
Accrued interest	11,516,259	5,366,020
Income taxes receivable	33,858,107	23,568,236
Other non-current assets	–	12,688,704
Total current assets	691,019,646	621,491,488
Non-current assets		
Goodwill	51,281,869	51,281,869
Intangible assets	94,068,266	89,943,193
Other non-current assets	(94,068,266)	156,358,193

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

11.2.3 Interim Consolidated Statements of Cash Flow

(All figures are in thousands of US dollars)

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

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

63,935

11.2.4 Interim Consolidated Statement of Changes in Shareholders' Equity

(Amounts in thousands of U.S. dollars)

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

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

11.3.1 Accounts Receivable

(Amount in thousands of RMB)

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

The accounts receivable are classified by the due date as follows:

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

Accounts receivable are recognized at the fair value of the consideration expected to be received.

11.3.2 Accounts Payable

(All figures are in thousands of dollars)

The following table shows the components of accounts payable as of June 30, 2020 and June 30, 2019.

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

11.3.3 Revenue and Cost of Sales

(All figures are in thousands of dollars)

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

Revenue and cost of sales from main operations

(Amount in thousands of Philippine pesos)

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

11.3.4 Earnings Per Share

(A) 11/1/2018 to 11/1/2019

() 11/1/2018 to 11/1/2019

	For the six months ended June 30,	
	2020 (Unaudited)	2019 ()
Net income	36,409,947	52,064,124
Weighted average number of shares outstanding	72,769,749	73,040,000
Earnings per share	0.50	0.71

() 11/1/2018 to 11/1/2019

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11.3.5 Income Tax Expense

(Amounts in thousands of dollars)

	For the six months ended June 30,	
	2020 (Unaudited)	2019
Income tax expense	23,778,834	14,824,769
Deferred income tax expense	(13,276,086)	(7,704,851)
	<u>10,502,748</u>	<u>7,119,918</u>
Income tax expense	39,403,983	52,661,149
Deferred income tax expense	9,850,996	13,165,287
Income tax expense	579,650	1,158,271
Deferred income tax expense	121,674	119,184
Income tax expense	(490,212)	(431,227)
Deferred income tax expense	—	(318,561)
Income tax expense	440,640	51,944
Deferred income tax expense	—	(6,624,980)
	<u>10,502,748</u>	<u>7,119,918</u>

11.3.6 Dividends

12 DEFINITIONS

A₁ 北京怡寧醫院有限公司, A₁ 17, 2015,	(北京怡寧醫院有限公司), 17, 2015,
蒼南康寧醫院有限公司, 15, 2012,	(蒼南康寧醫院有限公司), 15, 2012,
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	(台州市路橋慈寧醫院有限公司,
	(台州市路橋怡寧醫院有限公司)),
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	(青田康寧醫院有限公司),
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April 28, 2020

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