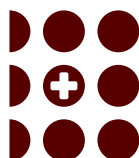


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康宁

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

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

(Stock Code: 2120)

Interim Results Announcement
For the Six Months Ended June 30, 2016

1 INTRODUCTION

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

2 PRINCIPAL FINANCIAL DATA AND INDICATORS

	For the six months ended June 30,	
	¥ 2016 RMB'000 (Unaudited)	2015 RMB'000 (Audited)
Revenue	189,096	160,743
Profit before income tax	36,817	37,086
Income tax expense	(10,531)	(9,732)
Total comprehensive income	26,286	27,354
Total comprehensive income attributable to equity holders of the Company	28,207	29,130
Non-controlling interests	(1,921)	(1,776)
	As of June 30, ¥ 2016 RMB'000 (Unaudited)	As of December 31, 2015 RMB'000 (Audited)
Total assets	1,294,342	1,224,434
Total liabilities	308,802	262,205
Total equity	985,540	962,229
Equity attributable to one of the Company	970,819	959,716
Non-controlling interests	14,721	2,513

3 BUSINESS REVIEW AND OUTLOOK

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

In April and May 2016, Linhai Kangning Hospital (臨海康寧醫院) and Wenzhou Yining Geriatric Hospital (溫州怡寧老年醫院) ("Geriatric Hospital") successfully commenced operation, and achieved a significant milestone in the utilization rate of hospital beds in a short period. On March 31, 2016, we officially managed Pujiang Huangfeng Psychiatric Special Hospital (浦江黃鋒精神專科醫院) ("Pujiang Hospital") and Chun'an Huangfeng Kang'en Hospital (淳安黃鋒康恩醫院) ("Chun'an Hospital") through entering into agreements with respective local government and providing management and

control and service facilities plan effective of the Company's 2015 annual report published on April 29, 2016. As of the end of June 2016, the number of the Group's health care facilities increased to 13, and the number of beds in operation increased to 3,000.

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

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

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

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

4 MANAGEMENT DISCUSSION AND ANALYSIS

4.1 Financial Review

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

4.1.1 Revenue from operating owned hospitals

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

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

	For the six months ended June 30,	
	2016	2015
	(in RMB'000)	(RMB'000)
	(Unaudited)	(Audited)
Revenue from operating the Group's owned hospitals	180,259	155,169
Management service fee income	8,837	5,574
Total revenue	189,096	160,743

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

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

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

	For the six months ended June 30,	
	2016	2015
	(in RMB'000)	(RMB'000)
	(Unaudited)	(Audited)
Treatment and general healthcare services	129,416	111,945
Pharmaceutical sales	49,563	42,227
Ancillary hospital services	1,280	997
Total revenue	180,259	155,169
Cost of revenue	115,293	94,115
Group profit	64,966	61,054

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

The table below shows a breakdown of the revenue of the Group's consolidated hospital inpatient and outpatient for the period indicated, in the following data:

	For the six months ended June 30,	
	2016	2015
Inpatient		
Inpatient bed days at period end	2,300	1,913
Effective inpatient service bed-days capacity	418,600	346,253
Utilization rate (%)	88.6%	95.0%
Number of inpatient bed-days	370,702	328,893
Treatment and general healthcare service revenue attributable to inpatient (RMB'000)	121,743	104,964
Average inpatient spending per bed-day on treatment and general healthcare service (RMB)	329	319
Pharmaceutical sales revenue attributable to inpatient (RMB'000)	21,980	18,963
Average inpatient spending per bed-day on pharmaceutical sales (RMB)	59	58
Total inpatient revenue (– B'000)	143,723	123,927
Total average inpatient spending per bed-day (– B)	388	377
Outpatient		
Number of outpatient visits	68,875	60,944
Treatment and general healthcare service revenue attributable to outpatient (RMB'000)	7,673	6,981
Average outpatient spending per visit on treatment and general healthcare service (RMB)	112	115
Pharmaceutical sales revenue attributable to outpatient (RMB'000)	27,583	23,264
Average outpatient spending per visit on pharmaceutical sales (RMB)	400	382
Total outpatient revenue (– B'000)	35,256	30,245

	For the six months ended	
	June 30,	
	2016	2015
Total average outpatient spending per visit (– B)	512	497
Total treatment and general healthcare services revenue (– B'000)	129,416	111,945
Total pharmaceutical sales revenue (– B'000)	49,563	42,227

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

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

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

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

	For the six months ended	
	June 30,	
	2016	2015
	(– B'000)	(RMB'000)
	(Unaudited)	(Audited)
Pharmaceutical and consumable, fixed	48,086	41,266
Employee benefit and expense	39,834	33,343
Leasing expense	4,785	3,352
Depreciation and amortization	7,103	6,706
Canceen expense	6,544	4,399
Testing fee	2,180	1,590
Other	6,761	3,459
	<hr/>	<hr/>
Cost of expense	115,293	94,115
	<hr/> <hr/>	<hr/> <hr/>

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

From the cost components of operating expenses, pharmaceutical and consumables, and interest are the main parts of cost of the operation of the hospital, accounting for 41.7% (the month ended June 30, 2015: 43.8%). The second part is employee benefits and expenses, which accounted for 34.6% of cost of the operation of the hospital (the month ended June 30, 2015: 35.4%). Leasing expenses, depreciation and amortization, accounting for 10.3% of cost of the operation of the hospital (the month ended June 30, 2015: 10.7%).

Management service fee income

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

	For the six months ended June 30,	
	2016	2015
	(in RMB'000)	(RMB'000)
	(Unaudited)	(Audited)
Revenue	8,837	5,574
Cost of revenue	4,319	1,390
Group profit	4,518	4,184

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

Cost of the Group for ending management service is primarily included benefits and expenses for management staff assigned and amortization of operation right acquired for obtaining management right.

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

4.1.2

During the Reporting Period, total gross profit of the Group amounted to RMB69.5 million, representing an increase of 6.5% as compared with that of the same period of 2015. Overall gross profit margin decreased to 36.7% (the month ended June 30, 2015: 40.6%), mainly due to (i) the decrease in gross profit margin of the Group-owned hospitals as a result of the operation of beds of Linhai Kangning Hospital and Geriatric Hospital which have newly opened in April and May 2016, respectively; and (ii) since Yanjiao Furen Hospital was set up to make profit, it did not recognize any management fee according to the management agreement which had a negative impact on the gross profit margin of the management and fee business.

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

4.1.3

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

4.1.4 Selling expenses

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

4.1.5 Administrative expenses

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

	For the six months ended	
	June 30,	
	2016	2015
	(in RMB'000)	(RMB'000)
	(Unaudited)	(Audited)
Employee benefits and expenses	15,247	8,542
Leasing expenses	8,477	7,765
Depreciation and amortization	3,468	2,096
Selling expenses	1,492	772
Consultancy expenses	1,532	200
Donation	1,935	823
Provision for impairment of receivables	1,189	2,961
Others	6,274	3,430
	<hr/>	<hr/>
Total administrative expenses	39,614	26,589
	<hr/> <hr/>	<hr/> <hr/>

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

4.1.6 Finance Income and Finance Expenses

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

	For the six months ended	
	June 30,	
	2016	2015
	(in RMB'000)	(RMB'000)
	(Unaudited)	(Audited)
Income income	898	307
Exchange gain	9,592	-
Finance income	10,488	307
Finance expense	(2,780)	(1,334)
Finance income/expense net	7,710	(1,027)

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

4.1.7 **Other Income**

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

4.1.8 **Income Tax**

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

4.1.9 Other Income

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

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

4.2 Financial Position

4.2.1 Assets

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

4.2.2 Liabilities

As of June 30, 2016, the balance of trade receivable slightly increased to RMB129.5 million (as of December 31, 2015: RMB123.1 million), primarily due to: (i) the increase in operating revenue of the same period in line with the business growth of our healthcare facilities; and (ii) the increase in the amount of trade receivable attributable to medical insurance program. Approximately 70.0% of the trade receivable of the Group is either billable or presented as aged within 1 month.

4.2.3 其他流动资产

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

4.2.4 可供出售金融资产

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

4.2.5 应付账款

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

4.2.6 其他应付款

At June 30, 2016, accrual and other payable decreased to RMB164.3 million (at December 31, 2015: RMB166.4 million).

4.3 Liquidity and Capital Resources

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

	For the six months ended	
	June 30,	
	2016	2015
	(in RMB'000)	(RMB'000)
	(Unaudited)	(Audited)
Net cash generated from/(used in) operating activities	37,984	(14,018)
Net cash used in investing activities	(159,031)	(60,982)
Net cash generated from financing activities	22,062	77,553
Net (decrease)/increase in cash and cash equivalents	(98,985)	2,553

4.3.1 Changes in Cash and Cash Equivalents

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

4.3.2 Changes in Cash and Cash Equivalents

During the Reporting Period, net cash used in investing activities amounted to RMB159.0 million, primarily due to: (i) purchase of property, plant and equipment and intangible assets of RMB71.4 million, consisting of (1) amount paid and prepayment to Wenhong Kangning Hospital, (2) amount paid to establish Geiaic Hospital project opening and (3) amount for purchasing property of Pingfang Kangning Hospital; and (ii) RMB50.0 million for the contribution to the Investment Fund.

4.3.3 2016年12月31日，A

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

4.3.4 2016年2月22日，A 2016年2月23日

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

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

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

4.4 Indebtedness

4.4.1 Balance Sheet

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

* For identification purposes only

4.4.2 *Contingent Liabilities*

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

4.4.3 *Assets Pledged*

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

4.4.4 *Lease Agreements*

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

4.4.5 *Financial Instruments*

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

4.4.6 *Foreign Currency Risk*

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

During the month-ended June 30, 2016, the Group has not entered into derivative financial instruments to hedge against its exposure to currency risk. The management of the Company manages the currency risk by closely monitoring the movements of the foreign currencies and will consider hedging against significant foreign currency exposures should the need arise.

4.4.7 *Capital Structure*

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

5 PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

6 REVIEW OF INTERIM RESULTS

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

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

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

7 COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

8 FINANCIAL REPORT

8.1 Accounting policies

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

8.2 Condensed Consolidated Interim Financial Information

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

	Six months ended June 30,	
	¥ 2016	2015
	— <i>B'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Revenue	189,096	160,743
Cost of revenue	(119,612)	(95,505)
Gross profit	69,484	65,238
Other income	2,973	93
Other losses	(519)	(113)
Selling expenses	(1,018)	(516)
Administrative expenses	(39,614)	(26,589)
Operating profit	31,306	38,113
Finance income/(expenses)	7,710	(1,027)
Share of losses of investees accounted for using the equity method	(2,199)	-
Profit before income tax	36,817	37,086
Income tax expense	(10,531)	(9,732)
Profit for the period	26,286	27,354
Other comprehensive income	-	-
Total comprehensive income for the period	26,286	27,354
Attributable to:		
· Equity holders of the Company	28,207	29,130
· Non-controlling interests	(1,921)	(1,776)
Basic and diluted earnings per share (in RMB)	0.39	0.57

	June 30, 2016 B'000 (Unaudited)	December 31, 2015 RMB'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	313,716	233,200
Land use rights	20,502	20,738
Intangible assets	107,590	90,581
Investments in associates	6,223	8,422
Deferred income tax assets	13,455	10,071
Available-for-sale financial assets	50,000	-
Deposits and prepayments	72,339	48,324
Total non-current assets	583,825	411,336
Current assets		
Inventories	9,313	7,506
Trade receivables	129,463	123,067
Other receivables, deposits and prepayments	37,313	42,690
Amounts due from related parties	5,658	20,044
Term deposits	256,401	251,334
Cash and cash equivalents	272,369	368,457
Total current assets	710,517	813,098
Total assets	1,294,342	1,224,434
EQUITY		
Equity attributable to owners of the Company		
Share capital	73,040	73,040
Capital reserve	798,666	797,510
Surplus reserve	11,342	11,342
Retained profits	87,771	77,824
	970,819	959,716
Non-controlling interests	14,721	2,513
Total equity	985,540	962,229

	June 30, 2016 B'000 (Unaudited)	December 31, 2015 RMB'000 (Audited)
Liabilities		
Non-current liabilities		
Bank borrowings	50,000	-
Deferred government grants	14,156	14,284
Long-term payable	102,530	98,821
	<hr/>	<hr/>
Total non-current liabilities	166,686	113,105
Current liabilities		
Bank borrowings	20,000	50,000
Trade payable	30,334	19,976
Accounts and other payable	57,419	63,209
Dividend payable	18,260	-
Guarantee income liabilities	11,747	11,559
Guarantee provision of long-term payable	4,356	4,356
	<hr/>	<hr/>
Total current liabilities	142,116	149,100
	<hr/>	<hr/>
Total liabilities	308,802	262,205
	<hr/>	<hr/>
Total equity and liabilities	1,294,342	1,224,434
	<hr/> <hr/>	<hr/> <hr/>

8.2.3

		Unaudited						
		Attributable to owners of the Company						
	Notes	Share Capital B'000	Capital reserve B'000	Surplus reserve B'000	Retained Earnings B'000	Total B'000	Non- controlling interests B'000	Total Equity B'000
Balance at 1 January 2016		73,040	797,510	11,342	77,824	959,716	2,513	962,229
Total comprehensive income for the period ended 30 June 2016		-	-	-	28,207	28,207	(1,921)	26,286
Total transactions with owners, recognised directly in equity								
Acquisition of a subsidiary		-	-	-	-	-	11,729	11,729
Capital contribution by non- controlling interests		-	-	-	-	-	2,400	2,400
Employee share option scheme: Value of employee services	16	-	1,156	-	-	1,156	-	1,156
Dividend relating to 2015	25	-	-	-	(18,260)	(18,260)	-	(18,260)
Total transactions with owners, recognised directly in equity		-	1,156	-	(18,260)	(17,104)	14,129	(2,975)
Balance at 30 June 2016		73,040	798,666	11,342	87,771	970,819	14,721	985,540

Attributable to the Company							
Note	Share Capital RMB'000	Capital Reserve RMB'000	Surplus RMB'000	Retained Earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
Balance at 1 January 2015	50,000	159,153	5,708	46,229	261,090	.	261,090
Total comprehensive income for the period ended 30 June 2015				29,130	29,130	(1,776)	27,354
Total amount of non-recognised direct interests							
Capital contribution by shareholders	15	2,800	75,600		78,400		78,400
Employee share option scheme: Value of employee service	16		1,031		1,031		1,031
Dividend relating to 2014	25			(18,480)	(18,480)		(18,480)
Capital contribution by non-controlling interests						2,400	2,400
Total transactions with owners, recognised directly in equity	<u>2,800</u>	<u>76,631</u>	<u>.</u>	<u>(18,480)</u>	<u>60,951</u>	<u>2,400</u>	<u>63,351</u>
Balance at 30 June 2015	<u>52,800</u>	<u>235,784</u>	<u>5,708</u>	<u>56,879</u>	<u>351,171</u>	<u>624</u>	<u>351,795</u>

	Six months ended June 30,	
	2016	2015
	B'000	RMB'000
	(Unaudited)	(Audited)
Cash flows from operating activities		
Cash generated from operations	51,619	2,670
Income tax paid	(13,635)	(16,688)
	37,984	(14,018)
Net cash generated from/(used in) operating activities		
Cash flows from investing activities		
Purchase of property, plant and equipment	(64,254)	(49,279)
Purchase of intangible assets	(7,119)	(10)
Proceeds from sale of construction in progress	2,040	-
Purchase of available-for-sale assets	(50,000)	-
Payments of advances	(38,096)	-
Amortization of deferred tax	(2,500)	(12,000)
Interest received	898	307
	(159,031)	(60,982)
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds of borrowing	50,000	-
Payments of borrowing	(30,000)	-
Payments for H share IPO costs	-	(5,247)
Payments for A share IPO costs	(338)	-
Proceeds from capital contribution by shareholders	-	78,400
Deposits received from a non-controlling interest	-	2,000
Share capital received from a non-controlling interest	2,400	2,400

	Six months ended June 30,	
	¥ 2016	2015
	— <i>B'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Net cash generated from financing activities	22,062	77,553
Net (decrease)/increase in cash and cash equivalents	(98,985)	2,553
Cash and cash equivalents at beginning of the period	368,457	37,271
Exchange gain on cash and cash equivalents	2,897	.
Cash and cash equivalents at end of the period	272,369	39,824

8.3 Notes to the Condensed Consolidated Interim Financial Information prepared in accordance with the IFRS

8.3.1 Trade receivables

	June 30,	December 31,
	¥ 2016	2015
	— <i>B'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade receivables	137,879	130,738
Loss provision for impairment of trade receivables	(8,416)	(7,671)
Trade receivables net	129,463	123,067

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

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

	June 30, 2016 RMB'000 (Unaudited)	December 31, 2015 RMB'000 (Audited)
Aging analysis based on the billing date:		
Bill not presented	28,478	9,580
1-3 months	43,877	74,718
4-6 months	24,207	19,635
7-12 months	28,493	19,937
1-2 years	9,394	5,075
2-3 years	2,484	1,426
over 3 years	946	367
	137,879	130,738

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

8.3.2 Other receivables

	June 30, 2016 RMB'000 (Unaudited)	December 31, 2015 RMB'000 (Audited)
Other receivable (a)	9,090	14,337
Deposits (b)	16,671	17,268
Amount due by related parties (c)	15,103	12,304
Prepayments for rental	25,843	30,007
Deposits for investments in subsidiaries (d)	38,096	-
Prepayments for purchase of property	-	13,000
Prepayments for contribution in progress	3,616	2,594
Prepayments for goods and services	1,970	2,539
Others	473	43
Less provision for impairment of other receivable	(1,210)	(1,078)
Total	109,652	91,014

	June 30, 2016 <i>B'000</i> (Unaudited)	December 31, 2015 <i>RMB'000</i> (Audited)
Current	37,313	42,690
Non-Current	72,339	48,324
Total	109,652	91,014

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

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

On June 28, 2015, Chengde Jihong changed its name to Chengde Renji Hospital Company Limited.

- (d) In June 2016, the Company entered into an agreement with the Vendor and Wenhor Medical Unit. Pursuant to the agreement, the Company has agreed to acquire 51% of the equity interest in Grada Investment from the Vendor and contribute 10% of the equity interest in Grada Investment from Wenhor Medical Unit. Following completion of the public bidding process which it mandated for the aforementioned transaction, the Company has accepted the highest bid for the equity interest and contribution of RMB38,096,000, representing RMB17,492,000 for the equity interest and RMB20,604,000 for the contribution. As of June 30, 2016, the transfer of the ownership and all other aspects of the approval and registration with the relevant government authorities in the PRC. The acquisition was completed in August 2016.

8.3.3

	Six months ended June 30,	
	2016	2015
	B'000	RMB'000
	(Unaudited)	(Audited)
Tea men and general healthcare service	129,416	111,945
Pharmaceutical sales	49,563	42,227
Ancillary hospital service	1,280	997
Management service fee	8,837	5,574
	189,096	160,743

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

8.3.4 /

The income and expense of the Group for the month ended June 30, 2016 and 2015 is analysed as follows:

	Six months ended June 30,	
	¥ 2016	2015
	— B'000	RMB'000
	(Unaudited)	(Audited)
Group income and expense:		
PRC corporate income tax	13,915	10,344
Deferred income tax	(3,384)	(612)
	<u>10,531</u>	<u>9,732</u>

The amount of the Group's profit before income tax differs from the theoretical amount that would arise if, in the absence of the PRC, the principal place of the Group's operations was as follows:

	Six months ended June 30,	
	¥ 2016	2015
	— B'000	RMB'000
	(Unaudited)	(Audited)
Profit before income tax	36,817	37,086
Calculated at the rate of 25%	9,204	9,272
Expense not deductible	1,163	460
Income not subject to tax	(96)	-
One-time provision in prior years	(320)	-
Tax losses for which no deferred income tax asset is recognized	580	-
	<u>10,531</u>	<u>9,732</u>

The income tax provision of the Group in respect of operations in the PRC has been calculated at the rate of 25% on the estimated taxable profit, based on the existing legislation, in effect at the end of the reporting period, and practices in effect, unless a preferential rate is applicable.

8.3.5 Basic earnings per share

(a) Basic earnings per share

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

Weighted average number of ordinary shares

	Six months ended June 30,	
	2016	2015
	No. of shares (Unaudited)	No. of shares (Audited)
Ordinary shares issued at beginning of the period	73,040,000	50,000,000
Effect of issuance of shares	—	1,423,000
Weighted average number of ordinary shares at the end of period	<u>73,040,000</u>	<u>51,423,000</u>

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

(b) Diluted earnings per share

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

8.3.6

(a) Capital commitments

	June 30, 2016 <i>B'000</i> (Unaudited)	December 31, 2015 <i>RMB'000</i> (Audited)
Contracted but not provided for construction building	32,875	36,635
Leasehold improvements	45,800	60,529
Prepaid plan and equipment	8,292	10,935
	86,967	108,099

(b) Operating lease commitments

The Group lease certain office buildings and hospitals under non-cancellable operating lease agreements. The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	June 30, 2016 <i>B'000</i> (Unaudited)	December 31, 2015 <i>RMB'000</i> (Audited)
Not later than 1 year	28,593	28,593
Later than 1 year and not later than 5 years	71,270	74,546
Later than 5 years	94,811	105,831
	194,674	208,970

8.3.7 Dividend

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

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

Board of the Board
Wenzhou Kangning Hospital Co., Ltd.
GUAN Weili
Chairman

Zhejiang, the PRC
August 29, 2016

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