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康宁

溫州康寧醫院股份有限公司

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

(.)

A N N U A L R E P O R T A N D C E M E N T F O R T H E E N D E D D E C E M B E R 3 1 , 2 0 1 5

1 I N T R O D U C T I O N

1.1 The board of directors (the Board) of Wenzhou Kangning Hospital Co., Ltd. (the Company) is pleased to announce the consolidated annual report of the Company, a subsidiary of Wenzhou Kangning Hospital (the Parent) for the financial year ended December 31, 2015 (the Reporting Period) in accordance with the accounting standards for financial reporting applicable in the People's Republic of China, as issued by the Ministry of Finance of the People's Republic of China.

1.2 The financial statements of the Company for the Reporting Period (the Financial Statements) are prepared in accordance with the International Financial Reporting Standards (the IFRS).

3 B I E (E) A D T L K

3.1 B

In 2015, the Government has achieved the national capability for high quality, facilities, and service. The national average of the number of beds per 1,000 population has increased from 1,760 in 2014 to 2,010 in 2015, and high utilization of beds has increased.

While continuing to improve the quality of services, the government has also made progress in the development of the health system. In 2015, the government has implemented the 'Healthy China 2030' strategy, which aims to improve the health of the Chinese people. The government has also implemented the 'Healthy China 2030' strategy, which aims to improve the health of the Chinese people. The government has also implemented the 'Healthy China 2030' strategy, which aims to improve the health of the Chinese people.

The Government has also achieved the goal of increasing the number of high-quality medical facilities. In 2015, the government has implemented the 'Healthy China 2030' strategy, which aims to improve the health of the Chinese people. The government has also implemented the 'Healthy China 2030' strategy, which aims to improve the health of the Chinese people. The government has also implemented the 'Healthy China 2030' strategy, which aims to improve the health of the Chinese people.

3.2 B

On January 22, 2016, the Government has implemented the 'Healthy China 2030' strategy, which aims to improve the health of the Chinese people. The government has also implemented the 'Healthy China 2030' strategy, which aims to improve the health of the Chinese people. The government has also implemented the 'Healthy China 2030' strategy, which aims to improve the health of the Chinese people.

* For identification purposes only

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* For identification purposes only

3.3 Business Model

Likewise, the Company will fill the age-appropriate public medical facilities and address health care facilities through the investment of 2016. In addition, the Company has established Li Hai Kang Ning Hospital Co., Ltd.* (臨海康寧醫院有限公司) (LHKNH), Wenzhou Yining Elderly Hospital Co., Ltd.* (溫州怡寧老年醫院有限公司) (WZYNH), Guangzhou Yining Hospital Co., Ltd.* (廣州怡寧醫院有限公司) (GZYNH), and Shenzhen Yining Hospital Co., Ltd.* (深圳怡寧醫院有限公司) (SZYNH) and Wezhou Yining Geriatric Hospital Co., Ltd.* (溫州怡寧老年醫院有限公司) (WZYNH) and Shezhou Yining Hospital Co., Ltd.* (深圳怡寧醫院有限公司) (SZYNH), all of which have been established since November 10, 2015 (the date of incorporation) and have been established as private medical facilities for geriatric, child geriatric, psychiatric, and clinical specialties. The Company will continue to invest in the first half of 2016. As of the end of the reporting period, the Company has established Pingyang Kang Ning Hospital (平陽康寧醫院), Quzhou Yining Hospital (衢州怡寧醫院) and Shenzhen Yining Hospital (深圳怡寧醫院), all of which have been established in the first half of 2016.

Meanwhile, the Company has launched the "100 People Entrepreneurship Plan" (百人創業計劃), and will continue to invest in the construction of a digital medical equipment center and address health care facilities through the Group's high-quality channels in 2016. In addition, the Company will continue to adhere to the belief that health care is a service-oriented industry and will continue to invest in the Wezhou Medical University, Pingyang Medical School of Wezhou Medical University, and the construction of a professional research and development center for the Group.

4 MANAGEMENT DISCUSSION AND ANALYSIS

4.1 Financial Review

4.1.1 Revenue

The Group's revenue is derived mainly from the following (i) revenue from the investment of 2016 and (ii) revenue from the operation of health care facilities.

* For identification purposes only

4.1.6 Finance Income

In 2015, finance income increased RMB7.6 billion, an increase of 917.8%, mainly because the company received financial subsidies from the Beijing Yiyigonghe Hospital, which increased the charge of HK\$ against RMB (RMB). The charge of RMB9.8 billion, which was offset by the charge of RMB4.0 billion.

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

In 2015, the share of loss of investments accounted for using the equity method was RMB6.3 billion (2014: nil), which was an increase of 49% over the share of loss of investments accounted for using the equity method in 2014, which was RMB12.8 billion.

4.1.8 Income Tax Expense

In 2015, income tax expense increased RMB18.5 billion, an increase of 6.8%, mainly due to the increase in the effective tax rate in 2015 and 2014, which was 26.4% and 25.3%, respectively.

4.1.9 Net Profit

In 2015, the attributable net profit of the Company (the "Net Profit") was RMB55.7 billion, an increase of 8.8% over the net profit of RMB51.3 billion in 2014.

4.2 Financial Instruments

4.2.1 Inventory

As of December 31, 2015, the balance of inventory was RMB7.5 billion (as of December 31, 2014: RMB7.9 billion), mainly consisting of raw materials.

4.2.2 Trade Receivables

As of December 31, 2015, the balance of trade receivables increased RMB123.1 million (as of December 31, 2014: RMB84.5 million), mainly due to: (i) the increase in revenue from the sale of medical equipment and health care facilities and (ii) the increase in the amount of trade receivables from medical insurance companies, such as A, which is 79.5% of trade receivables from the Group, which are aged within 90 days.

4.2.3 Other Receivables, Deposits and Prepayments

As of December 31, 2015, the receivables due, deposits, and prepayments increased RMB91.0 million (as of December 31, 2014: RMB41.2 million), mainly due to: (i) the increase of RMB25.8 million in deposits, such as the deposit of Weizhi, Yiyig Gejiac Hospital; (ii) the increase of RMB13.0 million in prepayments for the purchase of shares of Pingyang Kangning Hospital Co., Ltd.* (平陽康寧醫院有限公司) (平陽康寧醫院有限公司); and (iii) an increase of RMB12.0 million in deposits of the Chengde Reji Hospital Co., Ltd. and the Chengde Reji Hospital Co., Ltd.

4.2.4 Trade Payables

As of December 31, 2015, trade payables decreased RMB20.0 million (as of December 31, 2014: RMB23.8 million), mainly due to 84.5% aged within 90 days.

4.2.5 Accruals and Other Payables

As of December 31, 2015, accruals and other payables increased RMB166.4 million (as of December 31, 2014: RMB60.0 million), mainly due to RMB90.5 million of financial payables for accrued interest on the loan of the Ya Jia Fei Hospital, and the increase of the accrued interest on the loan of the Ya Jia Fei Hospital, aggregated with the accrued interest on the loan of the Ya Jia Fei Hospital. Please refer to 4.3.4 below for details.

4.2.6 Net Current Assets

As of December 31, 2015, net current assets of the Group increased RMB664.0 million (as of December 31, 2014: RMB86.2 million), mainly due to an increase in net current assets of RMB590.7 million, which are the cash flow from the initial public offering, offset by an increase in liabilities of RMB50.0 million, such as the dividend payable to CITIC Bank, which is due within 90 days.

* For identification purposes only

4.3 经营活动产生的现金流量

The table below sets out the analysis of the cash flows generated by the Company's operating activities:

	2015 RMB'000	2014 RMB'000
Net cash generated from operations	(5,063)	33,328
Net cash used in investing activities	(382,367)	(60,663)
Net cash flow from/(to) financing activities	708,785	(2,977)
Net increase/(decrease) in cash and cash equivalents	321,355	(30,312)

4.3.1 Net Cash from Operating Activities

In 2015, net cash generated from operations amounted to RMB5.1 million. We had net cash generated from operations before change in working capital of RMB87.0 million, which included change in working capital of RMB70.2 million and adjustment of RMB17.3 million. Change in working capital included cash flow of RMB66.4 million, which included change in working capital of RMB58.2 million in accordance with the following: (i) increase in lease payable, decrease in prepayments, decrease in other receivables and (ii) decrease in other payables. We had net cash used in investing activities of RMB25.7 million in accordance with the following:

4.3.2 Net Cash Used in Investing Activities

In 2015, net cash used in investing activities amounted to RMB382.4 million, which included: (i) purchase of property, plant and equipment of RMB113.6 million, which included (1) acquisition of Beijing Yigig Hui, Li hai Kagig Hui and Wezh Yigig Geiaic Hui, and (2) acquisition of Beijing Yigig Hui, Li hai Kagig Hui and Wezh Yigig Geiaic Hui, and (ii) initial investment of RMB251.3 million.

4.4 主要负债

4.4.1 Bank Borrowings

As of December 31, 2015, the balance of bank borrowings of the Group, amounted to RMB50.0 billion (as of December 31, 2014: nil), all denominated in RMB.

4.4.2 Contingent Liabilities

As of December 31, 2015, the Group had contingent liabilities regarding a guarantee which it had given as a guarantor, as well as other financial instruments of the Group.

4.4.3 Asset Pledge

As of December 31, 2015, none of the Group's assets had been pledged.

4.4.4 Contractual Obligations

The contractual obligations of the Group, in accordance with the applicable laws and regulations, are as follows: As of December 31, 2015, the firm aggregate liability lease, and the irrevocable lease agreements are RMB209.0 billion.

4.4.5 Financial Instruments

Financial instruments of the Group, consist of trade receivables, accounts receivable, and other receivables, the receivables and other receivables, and bank borrowings. The management has assessed the credit risk of the receivables, and has determined that the credit risk of the receivables is low. The management has assessed the credit risk of the bank borrowings, and has determined that the credit risk of the bank borrowings is low.

4.4.6 Exposure to Fluctuation in Exchange Rates

The Group, due to its various international operations, is exposed to exchange rate fluctuations, and the fluctuation in exchange rates of Hong Kong dollar against RMB. The Group, therefore, has hedged its exchange risk.

The Group has entered into derivative financial instruments to hedge against its exposure to exchange rates. The management has established a policy to hedge its exposure to exchange rates through the use of derivative financial instruments. The Group has entered into derivative financial instruments to hedge its exposure to exchange rates, and the management has established a policy to hedge its exposure to exchange rates.

4.4.7 Gearing Ratio

As of December 31, 2015, the Group's gearing ratio (total interest-bearing liabilities divided by total assets) was 11.8% (2014: 11.8%).

5 REGULATORY MATTERS

5.1 REGULATORY MATTERS

The Company has been (the "Company") established in Hong Kong as a limited liability company under the Companies Ordinance (the "Companies Ordinance"). As of December 31, 2015, the Company has been issued with 1,000,000 shares of HK\$693.2 million (equivalent to 1,000,000 shares of RMB580.7 million) authorized capital. The Company is a public company listed on the Stock Exchange of Hong Kong Limited (the "SEHK"). As of December 31, 2015, the Company has been issued with 1,000,000 shares of HK\$693.2 million (equivalent to 1,000,000 shares of RMB580.7 million) authorized capital. The Company is a public company listed on the Stock Exchange of Hong Kong Limited (the "SEHK").

5.2 REGULATORY MATTERS

The financial statements of the Company for the year ended December 31, 2015 (the "Financial Statements") were audited by the independent member of the audit firm, the Chartered Accountants in Hong Kong, the PricewaterhouseCoopers ("PwC"). The financial statements of the Company for the year ended December 31, 2015 (the "Financial Statements") were audited by the independent member of the audit firm, the Chartered Accountants in Hong Kong, the PricewaterhouseCoopers ("PwC").

The financial statements of the Company for the year ended March 15, 2016 (the "Financial Statements") were audited by the independent member of the audit firm, the Chartered Accountants in Hong Kong, the PricewaterhouseCoopers ("PwC").

It has been decided at the AGM, all share a dividend of 10% accrued to the shareholders of the Company (the "Shareholders") in the Company's 2015-2016 Financial Year, to be paid to the Shareholders (including the Shareholders of the Company's wholly owned subsidiary, the "Shareholders") at the office of the Company, 17/F, Hing Kai Building, 183 Queen's Road East, Wanchai, Hong Kong, on the date 4:30 p.m. on Monday, 13, 2016.

The amount of final dividend payable to the Shareholders shall be calculated based on the balance sheet of the Company (the "Balance Sheet") as at December 31, 2015 and the final cash dividend payable to the Shareholders shall be based on RMB0.25 per share (inclusive of tax). In accordance with the provisions of the Articles of Association of the Company, the Shareholders shall be entitled to receive the final dividend of the Company (including the Shareholders of the Company's wholly owned subsidiary, the "Shareholders") at the office of the Company, 17/F, Hing Kai Building, 183 Queen's Road East, Wanchai, Hong Kong) before 4:30 p.m. on Monday, 17, 2016. For the purpose of the dividend, the Shareholders shall be entitled to receive the final dividend of the Company on Monday, 19, 2016 (being a business day).

The Company's final dividend shall be declared in RMB. The dividend of the Company shall be paid in RMB and the dividend of the Company shall be paid in Hong Kong dollars. The exchange rate of the Company's final dividend shall be the exchange rate of Hong Kong dollars to RMB as recorded by the People's Bank of China in the financial statement of the Company, on the date of declaration of the Company's final dividend.

In accordance with the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法) and its implementing regulations which came into effect on January 1, 2008, the Company is required to withhold and pay tax on behalf of the Shareholders on the dividend of the Company. As the Shareholders are registered in the Hong Kong Securities Clearing Company Limited, the dividend of the Company shall be deemed to be held by the Shareholders. The effect of the withholding tax on the dividend of the Company shall be withheld from the dividend payable to the Shareholders. If the Shareholders are not the registered shareholders of the Company, the dividend of the Company shall be deemed to be held by the Shareholders. The Company shall be deemed to be held by the Shareholders on behalf of the Shareholders. The dividend of the Company shall be deemed to be held by the Shareholders on behalf of the Shareholders.

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5.4 5.4

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7 FI A CIAL (E) (T)

7.1 A, P, i / W, i i i, W, i i i, C, a c, s

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7.2 A, P, i / W, i i i, W, i i i, C, a c, s

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7.3 Financial Statements

7.3.1 Consolidated Statement of Comprehensive Income

	December 31, 2015 RMB'000	December 31, 2014 RMB'000
Revenue	343,674	296,296
Cost of revenue	<u>(213,289)</u>	<u>(181,313)</u>
Gross profit	<u>130,385</u>	<u>114,983</u>
Operating expenses:		
- Selling expenses	3,074	689
- Administrative expenses	(144)	(151)
- Research and development expenses	(1,970)	(2,092)
- Depreciation and amortization	(62,520)	(45,611)
- Finance costs	<u>68,825</u>	<u>67,818</u>
- Financial income	11,625	749
- Financial expense	<u>(4,002)</u>	
Finance income	<u>7,623</u>	<u>749</u>
Share of profit/loss of associates		
Share of profit of associates accounted for in the consolidated financial statements	<u>(6,278)</u>	
Income tax expense	70,170	68,567
Income tax expense	<u>(18,548)</u>	<u>(17,369)</u>
Other comprehensive income	<u>51,622</u>	<u>51,198</u>
Total comprehensive income	<u><u>51,622</u></u>	<u><u>51,198</u></u>
Attributable to:		
- Equity holders of the Company	55,709	51,198
- Non-controlling interests	<u>(4,087)</u>	
Each share (in RMB)	<u><u>1.03</u></u>	<u><u>1.02</u></u>

7.3.2 Consolidated Balance Sheets

	As at December 31, 2015 RMB'000	December 31, 2014 RMB'000
Assets		
Property, plant and equipment	233,200	160,799
Land use rights	20,738	21,210
Intangible assets	90,581	1,229
Investment in associates	8,422	
Deferred income tax assets	10,071	4,641
Derivative financial instruments	48,324	13,904
	<u>411,336</u>	<u>201,783</u>
Current assets		
Inventory	7,506	7,911
Trade receivables	123,067	84,532
Other receivables, deposits, prepayments, etc.	42,690	27,340
Accounts payable	20,044	13,502
Term deposits	251,334	
Cash and cash equivalents	368,457	37,271
	<u>813,098</u>	<u>170,556</u>
	<u>1,224,434</u>	<u>372,339</u>
Equity		
Share capital	73,040	50,000
Capital reserves	797,510	159,153
Surplus reserves	11,342	5,708
Retained earnings	77,824	46,229
	<u>959,716</u>	<u>261,090</u>
Non-controlling interests	2,513	
	<u>962,229</u>	<u>261,090</u>

As of December 31,
 2015 2014
 RMB'000 RMB'000

LIABILITIES

Deferred long-term payables	14,284	14,156
Long-term payables	98,821	12,688
	113,105	26,844
Trade payables	19,976	23,829
Accounts payable	63,209	47,340
Guaranteed liabilities	11,559	13,236
Bank borrowings	50,000	
Guaranteed long-term payables	4,356	
	149,100	84,405
	262,205	111,249
	1,224,434	372,339

7.4 Financial Information

7.4.1 General Information

The Company was established as a joint stock company in the People's Republic of China by Wenzhou Kangning Mental Health Hospital (温州市康宁精神康复医院) in the PRC on February 7, 1996. The address of the Company's registered office is Shanghai Road, Hangzhou Residential District, Wenzhou, Zhejiang, the PRC.

On October 15, 2014, the Company was incorporated as a limited liability company in the People's Republic of China by Wenzhou Kangning Hospital Co., Ltd. (温州康宁医院股份有限公司).

The Company is registered in Hangzhou, Zhejiang, the PRC.

The Company had issued its shares in the Shanghai Stock Exchange on November 20, 2015.

The consolidated financial statements are prepared in RMB and expressed in the PRC Renminbi Yuan.

7.4.2 Basis of Preparation

The consolidated financial statements of the Group, have been prepared in accordance with the IFRS. The consolidated financial statements have been prepared on the historical cost basis.

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group, from the effective date of the financial statements as of January 1, 2015:

Amended IAS 19 Contributions, amended, liability defined benefit, plan

Amended financial instruments IFRS 2010-2012 Cycle, IFRS 8, 'Operating Segments', IAS 16, 'Property, plant and equipment', IAS 38, 'Intangible Assets' and IAS 24, 'Related Party Disclosures'.

Amended financial instruments IFRS 2011-2013 Cycle, IFRS 3, 'Business Combinations', IFRS 13, 'Fair Value Measurement'.

Amended IAS 27 'Earnings per Share', consolidated financial statements.

The directors of the Company, advised that the adoption of the revised IFRS had no material impact on the Group's financial statements.

(b) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the provisions of Part 9, Accounting and Audit of the Hong Kong Companies Ordinance (Cap. 622) came into effect regarding financial statements, amendments, the accounting, the audit and disclosure of financial statements of the consolidated financial statements.

(c) *New standards and interpretations not yet adopted*

As at the end of the reporting period, the Group has not adopted the following new standards and interpretations issued by the International Accounting Standards Board (IASB) in January 2015 and has not been advised by the IASB on the effective date of the new standards and interpretations. The Group has not adopted the following new standards and interpretations issued by the IASB in January 2015 and has not been advised by the IASB on the effective date of the new standards and interpretations:

IFRS 9, 'Financial Instruments'

IFRS 15, 'Revenue from Contracts with Customers'

IFRS 16, 'Leases'

The effective dates of the IFRSs and IFRICs have not yet been determined, and the Group has not yet decided whether to adopt them.

7.4.3 Trade Receivables

	At the end of 2015 <i>RMB'000</i>	At the end of 2014 <i>RMB'000</i>
Trade receivables	130,738	89,537
Less: allowance for doubtful trade receivables	<u>(7,671)</u>	<u>(5,005)</u>
Trade receivables net	<u><u>123,067</u></u>	<u><u>84,532</u></u>

The carrying amount of the Group's trade receivables as at the end of the reporting period is RMB123,067,000, which is fully collectible.

As of December 31, 2014 and 2015, the aggregate of the identifiable intangible assets

	As of December 31, 2015	December 31, 2014
	RMB'000	RMB'000
Aggregate of identifiable intangible assets:		
Patents, trademarks	9,580	9,927
1-3 years	74,718	45,694
4-6 years	19,635	13,082
7-12 years	19,937	14,635
1-2 years	5,075	4,574
2-3 years	1,426	1,544
Others	367	81
	<u>130,738</u>	<u>89,537</u>

According to the Government, the identifiable intangible assets, all patents, trademarks, and others.

As of December 31, 2014 and 2015, the Government, the identifiable intangible assets, including patents, trademarks and others, with a carrying amount of RMB73,442,000 and RMB113,297,000, respectively. The carrying amount of the identifiable intangible assets is based on the fair value of the identifiable intangible assets, which are determined by the independent valuation firm, based on the historical cost of the identifiable intangible assets.

The carrying amount of the identifiable intangible assets, including patents, trademarks and others, is based on the fair value of the identifiable intangible assets, which are determined by the independent valuation firm, based on the historical cost of the identifiable intangible assets.

	As of December 31, 2015	December 31, 2014
	RMB'000	RMB'000
Leases	110,355	71,136
1-2 years	2,800	2,269
2-3 years	142	3
Others		34
	<u>113,297</u>	<u>73,442</u>

As of December 31, 2014 and 2015, the receivable of RMB6,168,000 and RMB7,861,000, respectively, are due, respectively. The amount of the receivable of RMB5,005,000 and RMB7,671,000 as of December 31, 2014 and 2015, respectively. The aging of the receivable is as follows:

	As of December 31, 2015	December 31, 2014
	RMB'000	RMB'000
Less than 1 year	3,935	2,275
1-2 years	2,275	2,305
2-3 years	1,284	1,541
Over 3 years	367	47
	<u>7,861</u>	<u>6,168</u>

The amount of the Group's receivable is as follows:

	As of December 31, 2015	December 31, 2014
	RMB'000	RMB'000
As of January 1,	5,005	3,699
Plus of receivable	4,907	2,957
Receivable is effective and collectible	(2,241)	(1,304)
Write-back, recorded		(347)
	<u>7,671</u>	<u>5,005</u>

The receivable of the Group is as follows: The receivable has been included in the administrative expenses, respectively, in the consolidated statement of comprehensive income. All of the receivable is due, respectively.

The amount of the receivable of the Group is as follows: The Group holds the call option.

7.4.4 Other Receivables, Deposits and Prepayments

	As at December 31, 2015 RMB'000	December 31, 2014 RMB'000
Other receivables ^(a)	14,337	1,408
Deposits ^(b)	17,268	16,823
Accounts receivable ^(c)	12,304	
Prepaid expenses	30,007	16,686
Prepaid purchase expenses ^(d)	13,000	
Prepaid circulation expenses	2,594	1,216
Prepaid advertising expenses	2,539	1,511
Prepaid IPO expenses		3,477
Others	43	123
Less: Other receivables	<u>(1,078)</u>	
Total	<u>91,014</u>	<u>41,244</u>
Goodwill	42,690	27,340
Non-Goodwill	<u>48,324</u>	<u>13,904</u>
Total	<u>91,014</u>	<u>41,244</u>

The carrying amount of the Goodwill, other receivables, deposits and prepaid expenses is audited in RMB and is in accordance with the applicable accounting standards.

(a) Included in other receivables as of December 31, 2015 amount is RMB9,210,000, which is related to the Ya Jia Fei Hui. Such amount will be paid by the Group, by Ya Jia Fei Hui, in the future.

(b) Included in deposits as of December 31, 2014 and 2015 amount is RMB12,688,000, which is related to the circulation of the Group, and the circulation of the Group. The deposits will be paid by the Group, after the circulation of the Group, in the future.

(c) The Company entered into an agreement with Sichuan Hengji Pacific Capital Limited (四川恒吉太平洋资本有限公司) in March 2015 and, in accordance with the agreement, the Company placed a deposit of RMB12,000,000 with Sichuan Hengji Pacific Capital Limited. Subsequently, the agreement was cancelled and the Company entered into an agreement with Sichuan Hengji Pacific Capital Limited, which is related to the Company's business.

f Sichuan Hengji) and the Company, as of June 29, 2015. Pursuant to the agreement, the Company agreed to absorb the losses of the subsidiary and the debt, and the subsidiary should be liquidated by Chengde Jihong Group, within 12 months of the date of June 29, 2015, bearing a 5% interest rate. The agreement was approved by the shareholders of Sichuan Hengji.

On July 28, 2015, Chengde Jihong changed its name to Chengde Reishi Chemical Company Limited.

(d) The Company entered into an agreement with Pingang Mining Specialized Fund Co., Ltd. (Pingang Mining Fund Co., Ltd.) in October 2015 to purchase a portion of Pingang Mining. The total consideration for the purchase was RMB18,000,000. As of December 31, 2015, RMB13,000,000 was paid to Pingang Mining.

7.4.5 Accruals and Other Payables

	As of December 31, 2015	December 31, 2014
	RMB'000	RMB'000
Accrued employee benefits	18,637	17,939
Receivable advances	3,194	3,416
Realizable	3,004	3,362
Grain receivable received from the subsidiary (a)	12,688	12,688
Other payable for purchase of land and buildings	20,831	19,916
Other payable	412	641
Advances received from the subsidiary (b)	3,110	1,500
Long-term payable for capital contribution (c)	90,489	
Accrued liability for interest	11,606	
Other	2,415	566
Total	166,386	60,028
Current	63,209	47,340
Current liability for capital contribution (c)	4,356	
Non-current	98,821	12,688
Total	166,386	60,028

The carrying amount of financial assets held, available for sale is denominated in RMB. The carrying amount of available-for-sale derivatives held is denominated in RMB.

- (a) The amount of assets provided by the company for the purchase of financial instruments is denominated in RMB. The amount will be provided to the company after the discharge of all obligations of the company, including the liability of the company to the company's shareholders and creditors.
- (b) The company's debt denominated in RMB is denominated in RMB.

7.4.6 Revenue

	December 31, 2015 RMB'000	December 31, 2014 RMB'000
Tea and beverage sales	240,103	206,790
Pharmaceutical sales	87,740	77,384
Accommodation services	2,270	1,828
Management services fee	13,561	10,294
	<u>343,674</u>	<u>296,296</u>

7.4.7 Expenses by Nature

	December 31, 2015 RMB'000	December 31, 2014 RMB'000
Employee benefits expense	99,988	82,750
Pharmaceutical and chemical expenses	86,483	75,419
Depreciation and amortization	21,706	15,067
Office and general administrative expenses	8,563	10,055
Office and general administrative expenses, including medical and health care facilities	7,388	6,612
Car expenses	11,280	8,404
Utilities expense	5,820	5,381
Entertainment and advertising fees	3,388	3,900
Professional fees, including audit fees	4,907	2,610
Professional fees, including legal fees	1,078	
Traveling expense	2,481	3,086
Printing and packaging	1,970	2,092
Dairies and other	1,814	1,834
Commission, including sales commission	345	1,147
Licensing expense	5,177	
Arbitration expense		
Arbitration expense	1,532	315
Non-arbitration expense		
Others	13,859	10,344
	<u>277,779</u>	<u>229,016</u>

7.4.8 Income Tax Expense

The income tax expense of the Group for the years ended December 31, 2014 and 2015 is analyzed as follows:

	December 31, 2015 RMB'000	December 31, 2014 RMB'000
Comprehensive income:		
PRC corporate income tax	23,978	19,054
Deferred income tax	(5,430)	(1,685)
	<u>18,548</u>	<u>17,369</u>

The amount of the Group's financial income tax expense differs from the theoretical amount that would arise if the applicable tax rates of the PRC, the Cayman Islands, and other jurisdictions were applied to the Group's taxable income.

	December 31, 2015 RMB'000	December 31, 2014 RMB'000
Pre-financial income tax	70,170	68,567
Calculated at the rate of 25%	17,543	17,142
Excess tax deductible	2,507	227
Income tax benefits	(167)	
Other adjustments	(1,335)	
	<u>18,548</u>	<u>17,369</u>

PRC corporate income tax

The income tax expense of the Group is calculated based on the PRC taxable income. The PRC has been calculated at the rate of 25% which is available, if the tax is based on the applicable legal income tax and, according to the effective date, effective tax rate is applicable.

7.4.9 Earnings per Share

Basic earnings per share

The calculation of basic earnings per share is based on the number of ordinary shares outstanding of the Company, of RMB51,198,000 and RMB55,709,000 for the year ended December 31, 2014 and 2015, respectively, and the weighted average number of ordinary shares outstanding of the period, respectively.

Weighted average number of ordinary shares

	December 31, 2015	December 31, 2014
	<i>No. of shares</i>	<i>No. of shares</i>
Ordinary shares issued at the beginning of the period	50,000,000	50,000,000
Effect of share issue	<u>4,253,370</u>	<u> </u>
Weighted average number of ordinary shares	<u><u>54,253,370</u></u>	<u><u>50,000,000</u></u>

The Company's weighted average number of ordinary shares is based on the number of ordinary shares outstanding on October 15, 2014. The calculation of basic earnings per share for the year ended December 31, 2014 is based on 50,000,000 ordinary shares outstanding, the number of shares outstanding at the beginning of the year. The calculation of basic earnings per share for the year ended December 31, 2015 is based on 54,253,370 ordinary shares

Diluted earnings per Share

The Company did not have any potential dilutive shares outstanding for the year. Accordingly, diluted earnings per share is the same as basic earnings per share.

7.4.10 Final Dividends

On March 11, 2015, the Board declared a final dividend of RMB18,480,000 for the year ended December 31, 2014. The dividend was paid to the shareholders on June 1, 2015 and the Company's financial statements for the year ended June 30, 2015.

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 of December 31, 2015. The dividend is expected to be paid to the shareholders on or before June 30, 2016, and will be reflected in the financial statements for the year ended December 31, 2016.

	December 31, 2015 RMB'000	December 31, 2014 RMB'000
Final dividend of RMB0.25 (2014: RMB0.35), payable to shareholders	<u>18,260</u>	<u>18,480</u>

7.4.11 Commitments

Capital commitments

	December 31, 2015 RMB'000	December 31, 2014 RMB'000
Contracted but not provided for construction	36,635	86,130
Leasehold improvements	60,529	1,784
Other commitments	<u>10,935</u>	<u>794</u>
	<u>108,099</u>	<u>88,708</u>

Operating lease commitments

The Group has operating lease commitments for office buildings and other non-current assets, which are non-cancellable, and are agreed to be

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	A, s 1 D 2015 RMB'000	31, 2014 RMB'000
N la e ha 1 ea	28,593	26,654
La e ha 1 ea a d la e ha 5 ea ☒	74,546	80,867
La e ha 5 ea ☒	<u>105,831</u>	<u>129,116</u>
	<u>208,970</u>	<u>236,637</u>

Investment in subsidiaries

	A, s 1 D 2015 RMB'000	31, 2014 RMB'000
N la e ha 1 ea	43,000	8,600
La e ha 1 ea a d la e ha 5 ea ☒	15,600	2,400
	<u>58,600</u>	<u>11,000</u>

7.4.12 Principal Subsidiaries

The following table provides a summary of the principal subsidiaries of the Company as at December 31, 2015:

Subsidiary Name	Registered Office	Legal Form	Capital	Company's Shareholding (%)	Company's Interest (%)	Company's Interest (%)
Cangnan Kangning Hospital Co., Ltd. (蒼南康寧醫院有限公司)	The PRC	Private Limited Liability Company in PRC	RMB1,000,000	100%	100%	
Qingtao Kangning Hospital Co., Ltd. (青田康寧醫院有限公司)	The PRC	Private Limited Liability Company in PRC	RMB1,000,000	100%	100%	
Yongjia Kangning Hospital Co., Ltd. (永嘉康寧醫院有限公司)	The PRC	Private Limited Liability Company in PRC	RMB1,000,000	100%	100%	
Yueqing Kangning Hospital Co., Ltd. (樂清康寧醫院有限公司)	The PRC	Private Limited Liability Company in PRC	RMB1,000,000	100%	100%	
Shenzhen Yining Hospital Co., Ltd. (深圳市怡寧醫院有限公司)	The PRC	Private Limited Liability Company in PRC	RMB16,600,000		52%	48%
Wenzhou Kangning Judicial Forensic Center (溫州康寧司法鑒定所)	The PRC	Specialized Forensic Identification Center in PRC	RMB500,000	100%	100%	
Linhai Kangning Hospital Co., Ltd. (臨海康寧醫院有限公司)	The PRC	Private Limited Liability Company in PRC	RMB2,000,000	80%	80%	20%
Wenzhou Yining Geriatric Hospital Co., Ltd. (溫州怡寧老年醫院有限公司) ^(a)	The PRC	Private Limited Liability Company in PRC	RMB10,000,000	100%	100%	
Pingyang Kangning Hospital Co., Ltd. (平陽康寧醫院有限公司) ^(b)	The PRC	Private Limited Liability Company in PRC	RMB6,000,000	100%	100%	
Shenzhen Yining Medical Investment Co., Ltd. (深圳怡寧醫療投資有限公司) ^(c)	The PRC	Investment Limited Liability Company in PRC	Nil	100%	100%	
Qingzhou Yining Hospital Co., Ltd. (衢州怡寧醫院有限公司) ^(d)	The PRC	Private Limited Liability Company in PRC	Nil	60%	60%	40%
Hangzhou Honglan Information Technology Co., Ltd. (杭州宏瀾信息科技有限公司) ^(e)	The PRC	Online Medical Consulting in PRC	Nil	100%	100%	
Liaofang Yining Hospital Management Co., Ltd. (廊坊市怡寧醫院管理有限公司) ^(f)	The PRC	Hospital Management Consulting in PRC	Nil	100%	100%	

All the above liabilities are established in the PRC as limited liability companies, a limited liability company, Weizhi, Kaigong Judicial Finance Center, which is a limited liability company, etc.

- (a) Weizhi, Yiyi Genetic Hospital Co., Ltd. established November 2, 2015 with a registered capital of RMB10,000,000. It, aid-in capital of RMB10,000,000 as of December 31, 2015.
- (b) Pingang Kaigong Hospital Co., Ltd. established November 2, 2015 with a registered capital of RMB6,000,000. It, aid-in capital of RMB6,000,000 as of December 31, 2015.
- (c) Shezhe Yiyi Medical Insurance Co., Ltd. established September 23, 2015 with a registered capital of RMB10,000,000. It, aid-in capital of RMB10,000,000 as of December 31, 2015.
- (d) Qizhi, Yiyi Hospital Co., Ltd. established November 20, 2015 with a registered capital of RMB30,000,000. It, aid-in capital of RMB30,000,000 as of December 31, 2015.
- (e) Hangzhou Hengfa Intelligent Co., Ltd. established November 20, 2015 with a registered capital of RMB5,000,000. It, aid-in capital of RMB5,000,000 as of December 31, 2015.
- (f) Lafang Yiyi Hospital Management Co., Ltd. established December 2, 2015 with a registered capital of RMB10,000,000. It, aid-in capital of RMB10,000,000 as of December 31, 2015.

Board of the Board
 董事會
 GUAN Weili
 Chairman

Zhejiang, the PRC
 March 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. WONG Raymond Fook Lam.