3 B SINESS RE IE AND O TLOOK

3.1 B R

The year 2016 was the first full year after the Group’s listing. It was also our “Year of Strategic Layouts” during which we have implemented a number of medium- and long-term development strategies, laying the foundation for the Group’s long-term development. Specific progress has been made as follows:

In 2016, the Group’s own hospital business continued to develop. Linhai Kangning Hospital Co., Ltd. (“**L a Ka H p a**”) and Wenzhou Yining Geriatric Hospital Co., Ltd. (“**G a H p a**”) commenced Td(m)Tj0.79 0 p obtained the license for setting up healthcare facilities and is under renovation. Furthermore, as a minority shareholder, the Group has also invested in Chongqing Hechuan Kangning Hospital Co., Ltd. (a psychiatric specialty hospital located in Hechuan District, Chongqing) and Shandong Yining Hospital Co., Ltd. and Hanzghou Honglan Information Technology Co., Ltd. (“**Ha H a I ma**”) (an operator of online psychological health consultation platform).

The Group continued to increase investment in scientific research and talent forging. In 2016, the Group founded the Psychiatry School of Wenzhou Medical University jointly with Wenzhou Medical University and recruited 90 undergraduates and 6 graduate students, laying the talent foundation for the Group’s long-term development. Meanwhile, we have engaged Dr. Daolong Zhang, the famous psychiatrist in the United States, as the chief medical officer of the Group, to provide

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3.3 B O k

The Group's financial position and operating results are mainly subject to the following risks:

(i) Risk relating to high reimbursement amount from public medical insurance. From 2014 to 2016, reimbursement amount from public medical in

4 MANAGEMENT DISC SSION AND ANAL SIS

4.1 F a a R

The Group achieved revenue of RMB415.4 million for 2016, representing an increase of 20.9% as compared with 2015. The revenue from operating the Group's owned hospitals and the management service fees from managing healthcare facilities both increased. Because of lower utilization rate of new facilities, the gross profit margin of our owned hospitals decreased to 33.1%, and the gross profit margin of healthcare facilities management business was 49.6%. As such, the overall gross profit margin of the Group for 2016 decreased to 34.2% (2015: 37.9%). For the year 2016, net profit attributable to shareholders of the Company amounted to RMB68.8 million, representing an increase of 23.6% as compared with 2015.

4.1.1 R a

The Group generates revenue mainly through the following three ways: (i) revenue from operating its owned hospitals, (ii) management service fees from managing healthcare facilities, and (iii) other revenue.

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

	F a	
	D m 31,	
	2016	2015
	(RMB'000)	*(RMB'000)*
Revenue from operating the owned hospitals	**391,505**	327,843
Management service fee income	**18,943**	13,561
Other revenue	**4,961**	2,270
Total revenue	**415,409**	343,674

Note: In the 2015 Annual Results Announcement, the revenue of the judicial forensic services was categorized into the revenue of the ancillary hospital services of operating the Group's owned hospitals, which is categorized into other revenue of the Group from 2016.

During the Reporting Period, total revenue of the Group amounted to RMB415.4 million, representing a year-on-year increase of 20.9%, primarily due to (i) the increase of revenue from operating the owned hospitals by 19.4%, (ii) the increase of management service fee income by 39.7% and (iii) the increase of revenue from other business by RMB2.7 million. Revenue from operating the owned hospitals accounted for 94.2% of total revenue (2015: 95.4%) and management service fee income accounted for 4.6% of total revenue (2015: 3.9%).

Revenue and cost of revenue from operating the owned hospitals

Revenue from operating the owned hospitals consists of fees charged for the outpatient visits and the inpatient services at the Group's various hospitals, including treatment and general healthcare services and pharmaceutical sales. The table below sets forth a breakdown of our revenue, cost of revenue and gross profit for the owned hospitals for the periods indicated:

	For the year ended December 31,	
	2016	2015
	(RMB'000)	*(RMB'000)*
Treatment and general healthcare services		
Revenue	**285,599**	240,103
Cost of revenue	**174,853**	133,627
Gross profit	**110,746**	106,476
Pharmaceutical sales		
Revenue	**105,906**	87,740
Cost of revenue	**86,970**	71,023
Gross profit	**18,936**	16,717
Owned hospitals		
Revenue	**391,505**	327,843
Cost of revenue	**261,823**	204,650
Gross profit	**129,682**	123,193

During the Reporting Period, revenue from the Group's owned hospitals amounted to RMB391.5 million, representing an increase of 19.4% as compared with 2015.

The table below sets forth a breakdown of revenue of the Group's owned hospital by inpatients and outpatients for the periods indicated, with relevant operating data:

	F a **D m 31,**	
	2016	2015
Inpatients		
Inpatient bed as at period end	**2,577**	2,010
Effective inpatient service bed-day capacity	**943,182**	733,650
Utilization rate *(%)*	**86.5%**	93.9%
Number of inpatient bed-days	**815,883**	689,244
Treatment and general healthcare services revenue attributable to inpatients *(RMB'000)*	**268,555**	225,244
Average inpatient spending per bed-day on treatment and general healthcare services *(RMB)*	**329**	327
Pharmaceutical sales revenue attributable to inpatients *(RMB'000)*	**48,262**	39,764
Average inpatient spending per bed-day on pharmaceutical sales *(RMB)*	**59**	58
T a pa ***(RMB'000)***	**316,816**	265,008
T a a a pa p p - a ***(RMB)***	**388**	384
Outpatients		
Number of outpatient visits	**145,696**	129,355
Treatment and general healthcare services revenue attributable to outpatients *(RMB'000)*	**17,044**	14,859
Average outpatient spending per visit on treatment and general healthcare services *(RMB)*	**117**	115
Pharmaceutical sales revenue attributable to outpatients *(RMB'000)*	**57,644**	47,976
Average outpatient spending per visit on pharmaceutical sales *(RMB)*	**396**	371
T a pa ***(RMB'000)***	**74,688**	62,835
T a a a pa p p ***(RMB)***	**513**	486
T a am a a a a ***(RMB'000)***	**285,599**	240,103
T a p a ma a a ***(RMB'000)***	**105,906**	87,740

During the Reporting Period, inpatient revenue amounted to RMB316.8 million, representing an increase of 19.5% as compared with 2015, primarily due to (i) the increase of inpatient days by 18.4% and (ii) the increase of average inpatient spending per bed-day by 1.0%. Inpatient revenue accounted for 80.9% of our revenue from operating our owned hospitals (2015: 80.8%).

During the Reporting Period, outpatient revenue amounted to RMB74.7 million, representing an increase of 18.9% as compared with 2015, primarily due to (i) the increase of outpatient visits by 12.6% and (ii) the increase of average outpatient spending per visit by 5.5%. Outpatient revenue accounted for 19.1% of our revenue from operating our owned hospitals (2015: 19.2%).

During the Reporting Period, due to the increase of both inpatient and outpatient business, revenue from treatment and general healthcare services increased by 18.9% as compared with 2015, accounting for 72.9% of our revenue from operating our owned hospitals (2015: 73.2%); and revenue from pharmaceutical sales increased by 20.7% as compared with that of 2015, accounting for 27.1% of our revenue from operating our owned hospitals (2015: 26.8%).

Cost of revenue of the Group's owned hospitals primarily consisted of pharmaceuticals and consumables used, employee benefits and expenses, leasing expenses, depreciation and 5pfoutcnly s s

During the Reporting Period, the cost of revenue of the Group's owned hospitals increased to RMB261.8 million, representing an increase of 27.9% as compared with that of the same period of 2015, which was higher than the increase of revenue. It was mainly due to: (i) the increase of 21.6% in pharmaceutical expenses relating to increase in revenue from pharmaceutical sales; (ii) the increase of 26.8% in employee benefits and expenses and outsourcing fee arising from the increase in beds in operation of our owned hospitals; (iii) newly added leasing expenses and depreciation and amortization of RMB4.3 million of Linhai Kangning Hospital and Wenzhou Yining Geriatric Hospital which were newly put into operation in 2016.

From the cost structure perspective, pharmaceutical and consumables used is still the main part of cost of revenue of the owned hospitals, accounting for 39.7% (2015: 41.8%). The second part is employee benefits and expenses and outsourcing fee, which accounted for 35.5% of cost of revenue of the owned hospitals (2015: 35.8%). Leasing expenses, together with depreciation and amortization, accounted for 11.7% of cost of revenue of owned hospitals (2015: 9.8%).

Management service fee income

The Group's management service fee income is primarily derived from rendering management services to other healthcare facilities. The table below sets forth the breakdown of our management service fee income, cost of revenue and gross profit for the periods indicated:

	For the year ended December 31,	
	2016	2015
	(RMB'000)	*(RMB'000)*
Revenue	**18,943**	13,561
Cost of revenue	**9,554**	7,006
Gross profit	**9,389**	6,555

In 2016, management service fee income of the Group amounted to RMB18.9 million, representing an increase of 39.7% as compared with that of 2015 and accounting for 4.6% of the total revenue of the Group in 2016 (2015: 3.9%), due to the contribution of the management service fee in relation to the newly-entrusted Pujiang Hospital and Chun'an Hospital starting from April 1, 2016.

Cost of the Group for rendering management services primarily include benefits and expenses for management staff assigned and amortization of operation rights acquired for obtaining management rights.

During the Reporting Period, cost of revenue of management services of the Group increased to RMB9.6 million, representing an increase of 36.4% as compared with that of 2015, which is lower than the increase of revenue, mainly because in April 2016, the Group has acquired the operation rights of Pujiang Hospital and Chun'an Hospital for 30 years, where both hospitals achieved higher efficiency under the Group's management. Accordingly, gross profit margin of the management service business increased to 49.6% (2015: 48.3%).

Other Revenue

Other revenue of the Group includes judicial forensic service income, property leasing income and others. In 2016, revenue from other businesses increased to RMB5.0 million, representing an increase of RMB2.7 million as compared to that of 2015, mainly because the Group had acquired Wenzhou Guoda Investment Co., Ltd. ("**G a I m**") in August 2016. Part of the properties held by Wenzhou Guoda Investment were leased out and rental income of RMB2.0 million was obtained during the period from August to December of 2016.

4.1.2 G⊠ P⊠ a G⊠ P⊠ Ma⊠

During the Reporting Period, total gross profit of the Group amo 2Td( )Tj0.336 0 TTj0.282 0 Td(Td(m)Tj0.7

4.1.4 S E p

During the Reporting Period, the selling expenses of the Group amounted to RMB3.1 million (2015: RMB2.0 million), representing an increase of 59.6% as compared with that of 2015 and accounting for 0.8% of the total revenue of 2016 (2015: 0.6%), mainly due to the sales commission paid for the sales of Phase II of Business Center of Wenzhou Higher Education Mega Center by Wenzhou Guoda Investment.

4.1.5 A m a E p

During the Reporting Period, administrative expenses of the Group primarily consist of benefits and expenses for the management and administrative staff, leasing expenses of the hospitals pr0c407s0 Td(p)Tj0.459 0 Td(n)TjTj0.459 0 Td(n)TjTj0.459 0 Td(87l6d59 0 Td(n)T15 0 Td(i)

4.1.6 F a I m - N

Our finance income includes interest income from bank deposits and the gains on foreign exchange, and the finance expenses include the interest expenses on bank loans and the financial expense in relation to long-term payables. The table below sets forth a breakdown of our financial inc(f)Tj( )Tj2Tj(f)f(4,(c(f)Tj( )j( )Tj3.792 0 Td(e)Tj(x)Tj(p)Tj(e)Tj(n)TTj( )Tj1.793 0 Td 0 T

4.2.5 I m P p

As of December 31, 2016, the balance of investment properties increased by RMB72.2 million, mainly due to part of the properties held by Wenzhou Guoda Investment which we have acquired were leased out. The following table sets out the details of our investment properties during the Reporting Period:

Investment property	Phase I Works of Business Center of Wenzhou Higher Education Mega Center (3F & 4F)
Address	Southeaf fTf(h)TjC05 Tm(A9 Tj(Td(a)Tj( )Tj(C)Tj(e)Tj(n)Tj(t)Tj(e)Tj019 0 Tc

4.2.8 A a p m m

As of December 31, 2016, advanced proceeds received from the customers increased to RMB67.4 million (as of December 31, 2015: Nil), mainly due to a number of properties of Wenzhou Guoda Investment, Phase II of business center of Wenzhou Higher Education Mega Center, have been sold, and the receipts in advance from the customers is RMB67.4 million. Because the properties have not been delivered, the receipts in advance have not been settled yet.

4.2.9 A a a O Pa a

As of December 31, 2016, accruals and other payables increased to RMB172.9 million (as of December 31, 2015: RMB166.4 million).

4.3 L a Cap a R

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

	F a	
	D m 31,	
	2016	2015
	(RMB'000)	*(RMB'000)*
Net cash generated from/(used in) operating activities	**49,867**	(5,063)
Net cash (used in) investing activities	**(92,788)**	(382,367)
Net cash generated from financing activities	**69,080**	708,785
Net increase in cash and cash equivalents	**26,159**	321,355

4.3.1 N Ca m Op a A

In 2016, net cash from operating activities amounted to RMB49.9 million. We had net cash of RMB106.7 million generated from operating activities before changes in working capital, primarily consisting of profit before tax of RMB92.1 million and adjustments for depreciation of property, plant and equipment of RMB24.8 million. Changes in working capital resulted in cash outflow of RMB40.2 million. We had cash outflow of RMB16.7 million attributable to our income tax paid.

4.3.2 N Ca I A

In 2016, net cash u

4.3.3 N Ca m F a A

In 2016, net cash generated from financing activities amounted to RMB69.1 million, primarily due to a loan of RMB160.0 million from a bank, which offset repayment of the loan of RMB67.5 million from a bank and cash dividend of RMB18.3 million.

4.3.4 S, , a , a m , A 9( )T ETEMC p a a (-3 a (-3 a (-3 a ( )T ( )T ( )T (

4.3.6 P m I a P O

The Board closely monitored the use of proceeds from the initial public offering with reference to those as disclosed in the prospectus of the Company dated November 10, 2015 (the "**P p**") and confirmed that there was no material change in the proposed use as previously disclosed in the Prospectus. As of December 31, 2016, the Group applied the net proceeds in the followings:

- RMB254.3 million for expanding and ramping up our healthcare institutions network and operating capacity;
- RMB36.8 million for renovation and upgrades for Wenzhou Kangning Hospital;
- RMB17.5 million for research, teaching and personnel training purposes;
- RMB5.0 million to develop online platform for medical consultation and upgrade IT infrastructure; and
- RMB8.6 million for working capital and other general corporate purposes.

4.4 I

4.4.1 Bal B

As of December 31, 2016, the balance of bank borrowings of the Group amounted to RMB216.7 million (as of December 31, 2015: RMB50.0 million), primarily attributable to the additional borrowings of RMB130.0 million designated for construction purposes and borrowings of RMB56.7 million for development of Phase II properties by Wenzhou Guoda Investment in 2016. Bank borrowings due within one year amounted to RMB66.7 million, whilst bank borrowings due over one year amounted to RMB150.0 million, of which borrowings made at fixed interests rates amounted to RMB180.0 million (as of December 31, 2015: RMB50.0 million).

4.4.2 C L a

As of December 31, 2016, the Group had no contingent liabilities or guarantees that would have a material impact on the financial position or operation of the Group.

4.4.3 A P

Wenzhou Guoda Investment, a subsidiary of our Group, had pledged its properties under development, Phase II of Business Center of Wenzhou Higher Education Mega Center, in favor of the Wenzhou Branch of China Minsheng Bank for bank loan and as of December 31, 2016, the balance of the borrowing amounted to RMB20 million. Wenzhou Guoda Investment had pledged its properties, Phase I of Business Center of Wenzhou Higher Education Mega Center, in favour of China Zheshang Bank for bank loan and as of December 31, 2016, the balance of the borrowing amounted to RMB36.7 million.

4.4.4 C a a O a

The contractual obligation of the Group primarily consists of operating lease arrangements. As of December 31, 2016, the future aggregate minimum lease payments under non-cancellable lease agreements were RMB189.4 million.

4.4.5 F a a I m

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

4.4.6 E p F a E a Ra

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

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

4.4.7

In accordance with the Enterprise Income Tax Law of the People's Republic of China and its implementation regulations which came into effect on January 1, 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise Shareholders whose names appear on the register of members for H Shares when distributing the cash dividends. Any H Shares not registered under the name of an individual Shareholder, including HKSCC Nominees Limited, other nominees, agents or trustees, or other organizations or groups, shall be deemed as Shares held by non-resident enterprise Shareholders. Therefore, on this basis, enterprise income tax shall be withheld from dividends payable to such Shareholders. If holders of H Shares intend to change its Shareholder status, please enquire about the relevant procedures with your agents or trustees. The Company will strictly comply with the law or the requirements of the relevant government authority and withhold and pay enterprise income tax on behalf of the relevant Shareholders based on the register of members for H Shares as of the Record Date.

If the individual holders of H Shares are Hong Kong or Macau residents or residents of the countries which had an agreed tax rate of 10% for the cash dividends to them with the PRC under the relevant tax agreement, the Company should withhold and pay individual income tax on behalf of the relevant Shareholders at a rate of 10%. Should the individual holders of H Shares be residents of the countries which had an agreed tax rate of less than 10% with the PRC under the relevant tax agreement, the Company shall withhold and pay individual income tax on behalf of the relevant Shareholders at a rate of 10%. In that case, if the relevant individual holders of H Shares wish to reclaim the extra amount withheld due to the application of 10% tax rate, the Company can apply for the relevant agreed preferential tax treatment provided that the relevant Shareholders submit the evidence required by the notice of the tax agreement to Computershare. The Company will assist with the tax refund after the approval of the competent tax authority. Should the individual holders of H Shares be residents of the countries which had an agreed tax rate of over 10% but less than 20% with the PRC under the tax agreement, the Company shall withhold and pay the individual income tax at the agreed actual rate in accordance with the relevant tax agreement. In the case that the individual holders of H Shares are residents of the countries which had an agreed tax rate of 20% with PRC, or which has not entered into any tax agreement with PRC, or otherwise, the Company shall withhold and pay the individual income tax at a rate of 20%.

5.3 P a , Sa a R mp L S

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

5.4 R A a R

The Company's audit committee has reviewed the Group's annual results for the financial year ended December 31, 2016 and has opined that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made by the Company.

The Company's audit committee consists of two independent non-executive directors of the Company, Mr. HUANG Zhi (the chairman of the audit committee) and Mr. GOT Chong Key Clevin, and one non-executive director of the Company, Ms. HE Xin. Among them, Mr. HUANG Zhi has the appropriate professional qualifications (a certified public accountant accredited by the Chinese Institute of Certified Public Accountants).

6 COMPLIANCE ITH CORPORATE GO ERNANCE CODE

The Company complied with all code provisions in the Corporate Governance Code (the "**C p a G a C**") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**H K L R**

8 IMPORTANT E ENTS AFTER THE REPORTING PERIOD

There is no important events after the Reporting Period to the date of this announcement.

9 FINANCIAL REPORT

9.1 S p P a C p

The figures in respect of this announcement of the Group's results for the year ended December 31, 2016 have been agreed by the Company's external auditor, PricewaterhouseCoopers ("**P C**"), to the amounts set out in the Group's audited consolidated financial statements for the year ended December 31, 2016. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PwC on this announcement.

9.2 A p

Compared to the last audited financial statements of the Group, there are no significant changes to accounting policies.

9.3 F a a S a m

9.3.1 C a S a m C mp I m

	a D m 31,	
	2016	2015
	RMB'000	*RMB'000*
Revenue	**415,408**	343,674
Cost of revenue	**(273,240)**	(213,289)
G p	**142,168**	130,385
Other income	**13,304**	3,074
Other gain/losses	**4,220**	(144)
Selling expenses	**(3,144)**	(1,970)
Administrative expenses	**(78,531)**	(62,520)
Op a p	**78,017**	68,825
Finance income	**26,068**	11,625
Finance expenses	**(5,745)**	(4,002)
F a m -	**20,323**	7,623
Share of loss of investments accounted for using the equity method	**(6,201)**	(6,278)
P m a	**92,139**	70,170
Income tax expense	**(26,588)**	(18,548)
N p	**65,551**	51,622
P a a :		
— Equity holders of the Company	**68,832**	55,709
— Non-controlling interests	**(3,281)**	(4,087)
	65,551	51,622
Earnings per share		
Basic and diluted (in RMB)	**0.94**	1.03

9.3.2 C a Ba a S

	A D m 31,	
	2016	2015
	RMB'000	*RMB'000*
ASSETS		
N - a		
Property, plant and equipment	**384,597**	233,200
Investment properties	**72,192**	—
Land use rights	**20,266**	20,738
Intangible assets	**114,132**	90,581
Investment in associates	**22,429**	8,422
Deferred income tax assets	**20,300**	10,071
Available-for-sale financial assets	**50,000**	—
Deposits and prepayments	**27,437**	48,324
T a - a	**711,353**	411,336
C a		
Properties under development	**153,523**	—
Inventories	**9,305**	7,506
Trade receivables	**142,93(a) 0 1 459.21( )T( )T(1100 0**	

A D m 31,		
	2016	2015
	RMB'000	*RMB'000*
L a		
N - a		
Borrowings	**149,950**	—
Deferred government grants	**10,633**	14,284
Long-term payables	**86,739**	98,821
Deferred tax liabilities	**16,420**	—
T a - a	**263,742**	113,105
C a		
Advanced proceeds received from customer	**67,376**	—
Trade payables	**43,271**	19,976
Accruals and other payables	**68,708**	63,209
Current income tax liabilities	**27,735**	11,559
Borrowings	**73,700**	50,000
Current portion of long-term payables	**17,480**	4,356
T a a	**298,270**	149,100
T a a	**562,012**	262,205
T a a a	**1,603,382**	1,224,434

9.4 N F a a S a m

9.4.1 G a I ma

The Company was established as a joint stock cooperative enterprise under the name of Wenzhou Kangning Mental Convalescent Hospital in the PRC on February 7, 1996. The address of the Company's registered office is at Shengjin Road, Huanglong Residential District, Wenzhou, Zhejiang, the PRC.

On October 15, 2014, the Company was converted into a joint stock limited company and renamed as Wenzhou Kangning Hospital Co., Ltd..

The Group is engaged in operating pstdtdTj( )Tj(e(.)Ti)Tj(i(t)c2(.).)T()Tj(c)Tj(t)Tj(o)Tj(b)Tj(e)Tj(r)TjTj(p)T

9.4.2 Ba P☒p a☒a

T

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, the financial assets currently held by the Group rather than receivables mainly include equity instruments currently classified as available-for-sale (AFS) for which a fair value through other comprehensive income(“**F OCI**”) election is available, accordingly the Group does not expect the new guidance to have a significant impact on its financial statements.

There will be no impact on the Group’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the management’s risk management practices. The Group had no hedging instrustments as of December 31, 2016 nor anticipate any such transaction in foreseeable future. Accordingly, the Group does not expect a significant impact from this new rule.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It would apply mainly to the Group’s financial assets classified at amortised cost, such as trade receivable and other receivable. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, the Group expects that it will adopt the simplified approach granted by IFRS 9 and currently do not believe there would be any material impact to the Group.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group’s disclosures about its financithe

Management is currently assessing the effects of applying the new standard on the Group’s financial statements and not yet able to estimate the detailed impact of the new rules on the Group’s financial statements. However the Group currently does not expect any material changes in revenue recognition model for its healthcare segment. The property investment and development segment is more likely to be affected. The Group will make more detailed assessment during the next twelve months.

IFRS 15 is mandatory for financial years commencing on or after January 1, 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

IFRS 16, ‘Leases’, which will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The standard will affect primarily the accounting for Group’s operating leases as a lessee. The accounting for lessors will not significantly change. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB189,430,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group’s profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The new standard is mandatory for financial years commencing on or after January 1, 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

9.4.3 T a R a

	A D m 31,	
	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**151,043**	130,738
Less: provision for impairment of trade receivables	**(8,105)**	(7,671)
Trade receivables - net	**142,938**	123,067

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

As of December 31, 2015 and 2016, the aging analysis of the trade receivables was as follows:

	A D m 31,	
	2016	2015
	RMB'000	*RMB'000*
Aging analysis based on the billing date:		
Bills not presented	**13,165**	9,580
1 - 3 months	**80,159**	74,718
4 - 6 months	**19,481**	19,635
7 - 12 months	**24,748**	19,937
1 - 2 years	**10,836**	5,075
2 - 3 years	**2,211**	1,426
Over 3 years	**443**	367
	151,043	130,738

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

As [illegible]

Management considered that based on past payment history those amounts could recovered in reasonable time. The aging analysis of these trade receivables was as follows:

	A D m 31,	
	2016	2015
	RMB'000	*RMB'000*
Less than 1 year	**119,860**	110,355
1 - 2 years	**6,901**	2,800
2 - 3 years	**2,065**	142
	128,826	113,297

As of December 31, 2015 and 2016, trade receivables of RMB7,861,000 and RMB9,052,000 were impaired. The amounts of the provision were RMB7,671,000 and RMB8,105,000 as of December 31, 2015 and 2016, respectively. The aging of these trade receivables is as follows:

	A D m 31,	
	2016	2015
	RMB'000	*RMB'000*
Less than 1 year	**4,528**	3,935
1 - 2 years	**3,935**	2,275
2 - 3 years	**589**	1,284
Over 3 years		367
	9,052	7,861

Movements of the Group's provision for impairment of trade receivables are as follows:

	2016	2015
	RMB'000	*RMB'000*
At January 1,	**7,671**	5,005
Provision for receivables	**3,770**	4,907
Receivables written off as uncollectible	**(3,336)**	(2,241)
At December 31,	**8,105**	7,671

The provision for receivables impairment has been included in "administrative expenses" in the consolidated statements of comprehensive income. Amounts are generally written off, when there is no expectation of recovering additional cash.

The maximum exposure to credit risk as of the year end is the carrying amount of trade receivables. The Group does not hold any collateral as security.

9.4.4 O R a , D p a P p a m

	A D m 31,	
	2016	2015
	RMB'000	*RMB'000*
Other receivables (a)	**14,940**	14,337
Deposits (b)	**24,854**	17,268
Amount due by third parties (c)	**20,935**	12,304
Prepayments for rental	**32,873**	30,007
Prepayments for purchase of property		13,000
Prepayments for construction in progress	**8,610**	2,594
Prepayments for goods and services	**217**	2,539
Prepayments for A share IPO expenses	**3,796**	—
Prepayments for land appreciation tax	**3,864**	—
Others	**363**	43
Less: provision for impairment of other receivables	**(1,210)**	(1,078)
Total	**109,242**	91,014
Current	**81,805**	42,690
Non-Current	**27,437**	48,324
Total	**109,242**	91,014

The carrying amounts of the Group's other receivables, deposits and prepayments are denominated in RMB and approximate to their fair values.

(a) Included in other receivables as of December 31, 2016 was an advance payment amounting to RMB2,960,000 (As of December 31, 2015: RMB9,210,000) to Yanjiao Furen Hospital. Such advances will be repaid to the Group by Yanjiao Furen Hospital when and as its cash flow allows as agreed by both parties.

(b) Included in deposits as of December 31, 2015 and 2016 was a deposit of RMB 12,688,000 to the contractor of the new hospital construction work as the guarantee for fulfillment of obligations under the construction contract.

9.4.5 A a a O Pa a

	A D m 31,	
	2016	2015
	RMB'000	*RMB'000*
Accrued employee benefits	**19,422**	18,637
Receipts i0 1 Tf11 0r4–e		

9.4.7 E p Na

	a D m 31,	
	2016	2015
	RMB'000	*RMB'000*
Employee benefit expenses	**121,778**	99,988
Pharmaceutical and consumables used	**106,617**	86,483
Depreciation and amortization	**31,085**	21,706
Operating lease rental expenses	**13,475**	8,563
Operating lease rental expenses prepaid for pipeline healthcare facilities	**12,887**	7,388
Canteen expenses	**14,018**	11,280
Utilities expenses	**7,561**	5,820
Examination and testing fees	**6,062**	3,388
Provision for impairment of trade receivables	**3,770**	4,907
Provision for impairment of other receivables	**132**	1,078
Travelling expenses	**3,789**	2,481
Promotion and marketing	**3,144**	1,970
Donation to charities	**4,479**	1,814
Outsourcing fee	**6,125**	—
Compensation paid to patients	**74**	345
Listing expenses		5,177
Auditor's remuneration		
– Audit services	**1,824**	1,532
– Non-audit services		—
Others	**18,095**	13,859
	354,915	277,779

9.4.8 I m Ta E p

The income tax expense of the Group for the years ended December 31, 2015 and 2016 is analysed as follows:

	a D m 31,	
	2016	2015
	RMB'000	*RMB'000*
Current income tax:		
– PRC corporate income tax	**32,875**	23,978
Deferred income tax	**(6,287)**	(5,430)
	26,588	18,548

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of the PRC, the principal place of the Group's operations, as follows:

	a D m 31,	
	2016	2015
	RMB'000	*RMB'000*
Profit before income tax	**92,139**	70,170
Calculated at the tax rate of 25%	**23,035**	17,543
Expenses not tax deductible	**2,394**	2,507
Income not subject to tax		(167)
Over-provision in prior years	**(320)**	(1,335)
Tax losses for which no deferred income tax asset was recognised	**1,479**	—
	26,588	18,548

PRC Corporate Income Tax ("CIT")

The income tax provision of the Group in respect of operations in the PRC has been calculated at the tax rate of 25% on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof, unless preferential tax rates were applicable.

9.4.9 Ea p S a

Basic earnings per share

The calculation of basic earnings per share is based on profit attributable to ordinary equity shareholders of the Company of RMB55,709,000 and RMB68,832,000 for the years ended December 31, 2015 and 2016 respectively and the weighted average number of ordinary shares in issue as at the end of each reporting period, is calculated as follows:

a a m a a

	a D m 31,	
	2016	2015
	N . a	No. of shares
Ordinary shares issued at beginning of the period	**73,040,000**	50,000,000
Effect of issuance of shares		4,253,370
Weighted average number of ordinary shares at the end of year	**73,040,000**	54,253,370

The Company was converted into a joint stock limited company on October 15, 2014. The calculation of earnings per share for the year ended December 31, 2015 is based on 54,253,370 ordinary shares of the Company in issue upon the conversion as if those shares were outstanding from the beginning of the year. The calculation of earnings per share for the year ended December 31, 2016 is based on 73,040,000 ordinary shares.

Diluted earnings per Share

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

9.4.10 ***F a D***

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 proposed dividend is not reflected as a dividend payable in the consolidated financial statements as of December 31, 2015, and will be reflected as an appropriation of retained earnings for the year ending December 31, 2016.

On March 24, 2017, the Board declared a final dividend of RMB18,260,000 for the year ended December 31, 2016 which i

Operating lease commitments

The Group leases 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:

	A D m ⊠31,	
	2016	2015
	RMB'000	*RMB'000*
Not later than 1 year	**27,197**	28,593
Later than 1 year and not later than 5 years	**86,649**	74,546
Later than 5 years	**75,584**	105,831
	189,430	208,970

Investment in subsidiaries

	A D m ⊠31,	
	2016	2015
	RMB'000	*RMB'000*
Not later than 1 year	**35,100**	43,000
Later than 1 year and not later than 5 years	**7,650**	15,600
Over 5 years	**17,200**	—
	59,950	58,600

9.4.12 [illegible]

The following is a list of the principal subsidiaries of the Company as of December 31, 2016:

Nam[illegible]	[illegible]	[illegible]	[illegible]	[illegible] (%)	[illegible] (%)	[illegible] (%)
Cangnan Kangning Hospital Co., Ltd.（蒼南康寧醫院）	The PRC, Limited liability company	Psychiatric hospital in PRC	Paid-in capital of RMB1,000,000	100%	100%	—
Qingtian Kangning Hospital Co., Ltd.（青田康寧醫院）	The PRC, Limited liability company	Psychiatric hospital in PRC	Paid-in capital of RMB1,000,000	100%	100%	—
Yongjia Kangning Hospital Co., Ltd.（永嘉康寧醫院）	The PRC, Limited liability company	Psychiatric hospital in PRC	Paid-in capital of RMB1,000,000	100%	100%	—
Yueqing Kangning Hospital Co., Ltd.（樂清康寧醫院）	The PRC, Limited liability company	Psychiatric hospital in PRC	Paid-in capital of RMB1,000,000	100%	100%	—
Shenzhen Yining Hospital Co., Ltd.（深圳怡寧醫院有限公司）	The PRC, Limited liability company	Psychiatric hospital in PRC	Paid-in capital of RMB34,200,000	—	52%	48%
Wenzhou Kangning Judicial Forensic Center（溫州康寧司法鑒定所）	The PRC, sole proprietorship enterprise	Forensic psychiatric identification in PRC	Paid-in capital of RMB500,000	100%	100%	—
Linhai Kangning Hospital Co.,Ltd.（臨海康寧醫院有限公司）	The PRC, Limited liability company	Psychiatric hospital in PRC	Paid-in capital of 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, Limited liability company	Geriatric hospital in PRC	Paid-in capital of RMB10,000,000	—	100%	—
Pingyang Kangning Hospital Co., Ltd.（平陽康寧醫院有限公司) (b)	The PRC, Limited liability company	Psychiatric hospital in PRC	Paid-in capital of RMB6,000,000	—	100%	—
Shenzhen Yining Medical Investment Co., Ltd.（深圳怡寧醫療投資有限公司）(c)	The PRC, limited liability company	Investment holdings in PRC	Paid-in capital of RMB10,000,000	100%	100%	—

Nam	[illegible]	[illegible]	[illegible]	[illegible] (%)	[illegible] (%)	[illegible] (%)
Quzhou Yining Hospital Co., Ltd.（衢州怡寧醫院有限公司）(d)	The PRC, Limited liability company	Psychiatric hospital in PRC	Paid-in capital of RMB8,000,000	—	60%	40%
Langfang Yining Hospital Management Co., Ltd.（廊坊市怡寧醫院管理有限公司）(e)	The PRC, Limited liability company	Hospital management consulting in PRC	Paid-in capital of RMB10,000,000	100%	100%	—
Zhejiang Huangfeng Hospital Management Co., Ltd.（浙江黃鋒醫院管理有限公司）(f)	The PRC, Limited liability company	Hospital management consulting in PRC	Paid-in capital of RMB10,500,000	51.22%	51.22%	48.78%
Zhejiang Kangning Hospital Management Co., Ltd.（浙江康寧醫院管理有限公司）(g)	The PRC, Limited liability company	Hospital management consulting in PRC	Paid-in capital of RMB50,000,000	100.0%	100.00%	—
Hangzhou Yining Hospital Co., Ltd.（杭州怡寧醫院有限公司）(h)	The PRC, Limited liability company	Psychiatric hospital in PRC	Paid-in capital of RMB10,000,000	—	100.00%	—
Nanchang Kangning Hospital Co., Ltd.（南昌康寧醫院有限公司）(i)	The PRC, Limited liability company	Psychiatric hospital in PRC	Nil	51%	51%	49%
Wenzhou Guoda Investment Co., Ltd.（溫州國大投資有限公司）(j)	The PRC, Limited liability company	Real estate sale in PRC	Paid-in capital of RMB21,560,000	—	75%	25%
Taizhou Kangning Hospital Co., Ltd.（台州康寧醫院有限公司）(k)	The PRC, Limited liability company	Psychiatric hospital in PRC	Nil	—	51%	49%
Sihui Kangning Hospital Co., Ltd.（四會康寧醫院有限公司）(l)	The PRC, Limited liability company	Psychiatric hospital in PRC	Paid-in capital of RMB2,550,000	—	51%	49%
Taizhou Luqiao Yining Hospital Co., Ltd.（台州市路橋怡寧醫院有限公司）(m)	The PRC, Limited liability company	Psychiatric hospital in PRC	Nil	—	51%	49%

All the subsidiaries are established in the PRC as limited liability company except Wenzhou Kangning Judicial Forensic Center, which is a sole proprietorship enterprise.

(a) Wenzhou Yining Geriatric Hospital Co., Ltd. was set up on November 2, 2015 with a registered capital of RMB10,000,000. Its paid in capital was RMB10,000,000 as of December 31, 2016.

(b) Pingyang Kangning Hospital Co.,Ltd. was set up on November 2, 2015 with a registered capital of RMB6,000,000. Its paid in capital was RMB6,000,000 as of December 31, 2016.

(c) Shenzhen Yining Medical Investment Co., Ltd. was set up on September 23, 2015 with a registered capital of RMB10,000,000. Its paid in capital was RMB10,000,000 as of December 31, 2016.

(d) Quzhou Yining Hospital Co., Ltd. was set up on November 20, 2015 with a registered capital of RMB30,000,000. Its paid in capital was RMB8,000,000 as of December 31, 2016.

(e) Langfang Yining Hospital Management Co., Ltd. was set up on December 2, 2015 with a registered capital of RMB10,000,000. Its paid in capital was RMB10,000,000 as of December 31, 2016.

(f) Zhejiang Huangfeng Hospital Management Co., Ltd. was set up on February 5, 2016 with a registered capital of RMB20,500,000. Its paid in capital was RMB10,500,000 as of December 31, 2016,

(g) Zhejiang Kangning Hospital Management Co., Ltd. was set up on July 1, 2016 with a registered capital of RMB50,000,000. Its paid in capital was RMB50,000,000 as of December 31, 2016.

(h) Hangzhou Yining Hospital Co., Ltd. was set up on August 25, 2016 with a registered capital of RMB10,000,000. Its paid in capital was RMB10,000,000 as of December 31, 2016.

(i) Nanchang Kangning Hospital Co., Ltd. was set up on April 7, 2016 with a registered capital of RMB20,000,000. Its paid in capital was nil as of December 31, 2016.

(j) Wenzhou Guoda Investment Co., Ltd. was set up on February 9, 2002 with a registered capital of RMB11,000,000. Its paid in capital was RMB21,560,000 as of December 31, 2016.

(k) Taizhou Kangning Hospital Co., Ltd. was set up on June 30, 2016 with a registered capital of RMB10,000,000. Its paid in capital was nil as of December 31, 2016.

(l) Sihui Kangning Hospital Co., Ltd. was set up on August 19, 2016 with a registered capital of RMB10,000,000. Its paid in capital was RMB2,550,000 as of December 31, 2016.

(m) Taizhou Luqiao Yining Hospital Co., Ltd. was set up on December 12, 2016 with a registered capital of RMB10,000,000. Its paid in capital was nil as of December 31, 2016.

By order of the Board
Ka H p a C ., L .
G AN
Chairman

Zhejiang, the PRC
March 27, 2017

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.