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Hospital Corporation of China Limited
弘和仁愛醫療集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3869)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2017

The board of directors (the "**Directors**") (the "**Board**") of Hospital Corporation of China Limited (the "**Company**") is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**", "**we**" or "**our**") for the six months ended June 30, 2017, together with the comparative figures for the corresponding period in 2016.

FINANCIAL HIGHLIGHTS

	Six months ended June 30,	
	2017	**2016**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Revenue	88,209	76,097
Adjusted Gross Profit [1]	60,399	52,050
Adjusted Net Profit [2]	45,202	36,856
Adjusted Gross Profit margin	68.5%	68.4%
Adjusted Net Profit margin	51.2%	48.4%
Adjusted earnings per share (in RMB)[3]	0.297	0.292
Adjusted items		
Share-based compensation expenses (in cost of revenue)	17,686	1,302
Cash bonus (in cost of revenue)	735	—
Listing expenses (in administrative expenses)	20,821	10,992
Foreign exchange losses (in finance expense)	8,393	—

Notes:

(1) The gross profit of the Group for the six months ended June 30, 2017 amounted to RMB42.0 million. The adjusted gross profit is calculated as gross profit for the period, excluding the impact from share-based compensation expenses and cash bonus incurred under the incentive scheme of the Company ("**Adjusted Gross Profit**").

(2) The Group recorded a net loss of RMB2.4 million for the six months ended June 30, 2017. The adjusted net profit is calculated as profit for the period, excluding the impact from non-recurring expenses including (i) share-based compensation expenses, (ii) cash bonus incurred under the incentive scheme of the Company, (iii) listing expenses, and (iv) foreign exchange losses related to the bank deposit of the net proceeds from the Listing (as defined below) (collectively, the "**Non-recurring Expenses**") (the "**Adjusted Net Profit**").

(3) The losses per share of the Group for the six months ended June 30, 2017 amounted to RMB 0.103. The adjusted earnings per share is calculated as net profit attributable to the owners of the Company for the period per share, excluding the impact from the Non-recurring Expenses.

INTERIM DIVIDEND

The Board has recommended that no interim dividend be declared in respect of the six months ended June 30, 2017.

FINANCIAL INFORMATION

The financial information set out below in this announcement represents an extract from the interim condensed consolidated financial information, which is unaudited but has been reviewed by the Group's external auditor, PricewaterhouseCoopers, and by the audit committee of the Company.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended June 30, 2017 RMB'000 (Unaudited)	Six months ended June 30, 2016 RMB'000 (Audited)
REVENUE	4	88,209	76,097
Cost of revenue		(46,231)	(25,349)
Gross profit		41,978	50,748
Selling expenses		—	(1)
Administrative expenses		(28,252)	(16,038)
Other (losses)/gains - net	5	(232)	522
Other income		1,623	569
Operating Profit		15,117	35,800
Finance income		662	49
Finance expense		(8,393)	—
PROFIT BEFORE TAX		7,386	35,849
Income tax expense	6	(9,819)	(11,287)
(LOSS)/PROFIT FOR THE PERIOD		(2,433)	24,562
Other comprehensive income		—	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(2,433)	24,562
Attributable to:			
Owners of the Company		(12,291)	16,462
Non-controlling interests		9,858	8,100
		(2,433)	24,562
(Losses)/earnings per share from (loss)/profit attributable to owners of the Company			
Basic and diluted (losses)/earnings per share (in RMB)	7	(0.103)	0.167

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at June 30, 2017 *RMB'000* *(Unaudited)*	As at December 31, 2016 *RMB'000* *(Audited)*
NON-CURRENT ASSETS			
Property, plant and equipment		21,438	22,630
Intangible assets		1,080,325	1,082,071
Deferred income tax assets		244	276
Other receivables, deposits and prepayments		548	—
Total non-current assets		1,102,555	1,104,977
CURRENT ASSETS			
Available-for-sale financial asset		80,933	—
Inventories		1,485	1,847
Trade receivables	8	5,172	4,575
Other receivables, deposits and prepayments		708	8,570
Amounts due from related parties		41,778	38,276
Cash and cash equivalents		456,556	129,332
Structured deposits		30,000	—
Total current assets		616,632	182,600
TOTAL ASSETS		1,719,187	1,287,577
EQUITY			
Equity Attributable to owners of the Company			
Share capital		123	65
Share premium		404,021	—
Treasury shares		(3)	(2)
Reserves		1,060,802	1,058,416
Retained earnings		48,306	60,597
		1,513,249	1,119,076
Non-controlling interests		51,725	41,867
Total equity		1,564,974	1,160,943

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	As at June 30, 2017 *RMB'000* *(Unaudited)*	As at December 31, 2016 *RMB'000* *(Audited)*
NON-CURRENT LIABILITIES			
Deferred income tax liabilities		37,375	36,465
Accruals, other payables and provisions		2,866	19,442
Total non-current liabilities		40,241	55,907
CURRENT LIABILITIES			
Amounts due to related parties		4,697	3,855
Trade payables	9	3,622	4,631
Accruals, other payables and provisions		100,191	57,838
Current income tax liabilities		5,462	4,403
Total current liabilities		113,972	70,727
Total Liabilities		154,213	126,634
TOTAL EQUITY AND LIABILITIES		1,719,187	1,287,577

Notes to the condensed consolidated interim financial information

1 General information

Hospital Corporation of China Limited ('the Company') was incorporated in the Cayman Islands on February 21, 2014 as an exempted company with limited liability under the Companies Law (Cap.22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company, together with its subsidiaries (collectively referred to as 'the Group'), are principally engaged in (i) operation and management of its privately owned hospital, Shanghai Fuhua Hospital Co., Ltd. ('Fuhua Hospital') and (ii) provision of management and consultation services to a not-for-profit hospital, Shanghai Yangsi Hospital ('Yangsi Hospital') in the People's Republic of China (the 'PRC').

The Company is controlled by Vanguard Glory Limited ('Vanguard Glory'), a subsidiary of Hony Capital Fund V, L.P., which is considered as the ultimate holding company of the Company.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited on March 16, 2017.

The condensed consolidated interim financial information is presented in Renminbi ('RMB'), unless otherwise stated.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended June 30, 2017 has been prepared in accordance with International Accounting Standard ('IAS') 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2016, which have been prepared in accordance with International Financial Reporting Standards ('IFRS').

3 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ('CODM'). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company that make strategic decisions.

The CODM considers the business from both the service and product perspective. When the Group companies have similar economic characteristics, and the segments are similar in each of the following respects: (i) the nature of the products and services; (ii) the nature of the production processes; (iii) the type or class of customer for their products and services; (iv) the methods used to distribute their products or provide their services; and (v) if applicable, the nature of the regulatory environment, the Group's operating segments are aggregated. In the view of CODM, the Group is principally engaged in two different segments which are subject to different business risks and different economic characteristics and the Group's operating and reportable segments for segment reporting purpose are as follows:

The Group assesses the performance of the operating segments based on a measure of earnings before interests, income tax, depreciation and amortisation ('EBITDA').

(a) ***General hospital services***

Revenue from this segment is derived from hospital services provided at Fuhua Hospital.

(b) ***Hospital management services***

The Group provides comprehensive management services to Yangsi Hospital under hospital management agreements and receives management service fee.

(c) ***Unallocated***

The 'Unallocated' category represents the headquarter expenses.

Segment information about the Group's reportable segment is presented below:

	General hospital services *RMB'000*	**Hospital management services** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
(Unaudited)				
Six months ended June 30, 2017				
Revenue from external customers	17,238	70,971	—	88,209
EBITDA	1,033	41,630	—	42,663
Depreciation	(361)	(1,023)	(324)	(1,708)
Amortization	(575)	(1,153)	(18)	(1,746)
Finance income on deposit	5	526	131	662
Headquarter expenses excluding depreciation and amortization			(32,485)	(32,485)
(Loss)/Profit before tax	102	39,980	(32,696)	7,386
(Unaudited)				
As at June 30, 2017				
Segment assets	26,155	309,714	424,454	760,323
Goodwill	7,948	950,916	—	958,864
Total assets	34,103	1,260,630	424,454	1,719,187
Total liabilities	8,829	80,431	64,953	154,213
(Unaudited)				
Other Segment information for the six months ended June 30, 2017				
Depreciation, amortization and impairment	(807)	(2,176)	(342)	(3,325)
Additions of non-current assets excluding goodwill and deferred income tax assets	268	796	—	1,064

	General hospital services *RMB'000*	Hospital management services *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
(Audited)				
Six months ended June 30, 2016				
Revenue from external customers	13,011	63,086	—	76,097
EBITDA	(209)	49,995	—	49,786
Depreciation	(289)	(880)	(598)	(1,767)
Amortization	(575)	(1,153)	—	(1,728)
Finance income on deposit	6	43	—	49
Headquarter expenses excluding depreciation and amortization			(10,491)	(10,491)
(Loss)/Profit before tax	(1,067)	48,005	(11,089)	35,849
(Audited)				
As at June 30, 2016				
Segment assets	26,074	272,278	23,845	322,197
Goodwill	7,948	950,916	—	958,864
Total assets	34,022	1,223,194	23,845	1,281,061
Total liabilities	16,965	48,425	30,116	95,506
(Audited)				
Other Segment information for the six months ended June 30, 2016				
Depreciation, amortization and impairment	(1,437)	(2,033)	(598)	(4,068)
Additions of non-current assets excluding goodwill and deferred income tax assets	369	1,954	—	2,323

4 Revenue

	Six months ended June 30,	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
General healthcare services		
- Pharmaceutical sales	12,980	9,286
- Treatments and general healthcare services	4,258	3,725
Hospital management services		
- Management services fee (a)	70,207	62,430
- Other services fee	764	656
	88,209	76,097

All revenue are generated in the PRC. For its general hospital services, revenue primarily derives from individual patients for the periods ended June 30, 2017 and 2016. For its management services fee, there is a single client, Yangsi Hospital, contributed to 79.6% and 82.0% of the Group's revenue for the periods ended June 30, 2017 and 2016, respectively.

(a) Management services fee

On January 1, 2013, Weikang Investment Management Co., Ltd. ('Weikang Investment') entered into a hospital management framework agreement ('HMFA') with Yangsi Hospital. Pursuant to the HMFA, Weikang Investment provides management and consultancy services to Yangsi Hospital with a period of 6 years from 2013 to 2018 and the detailed service content and pricing are concluded and effective in separate hospital management agreement ('HMA') on an annually basis.

On September 23, 2014, the executive committee of Yangsi Hospital passed a resolution to extend the HMFA period to 2064. Accordingly, on October 8, 2014, Yangsi Hospital further signed a letter of intent with Weikang Investment pursuant to the resolution.

On January 1, 2016, Weikang Investment and Tibet Dazi Honghe Ruixin Business Management Co., Ltd. ("Honghe Ruixin") further entered into a long-term hospital management agreement ("LTHMA") with Yangsi Hospital. Pursuant to the LTHMA, Weikang Investment and Honghe Ruixin will provide management and consultancy services to Yangsi Hospital with a period of 10 years from 2016 to 2025.

On January 1, 2016 and 2017, Weikang Investment and Honghe Ruixin signed the annual HMA with Yangsi Hospital respectively and derives management fee based on pre-set formulas set out in the annual HMA respectively.

5 Other (losses)/gains-net

	Six months ended June 30, 2017 RMB'000 (Unaudited)	2016 RMB'000 (Audited)
Foreign exchange (losses)/gains	(195)	523
Medical compensation	(14)	—
Others	(23)	(1)
	(232)	522

6 Income tax expense

Subsidiaries established and operating in Mainland China are subject to the PRC corporate income tax at the rates of 9% and 25% (six months ended June 30, 2016: 9% and 25%) for the six months ended June 30, 2017.

	Six months ended June 30, 2017 RMB'000 (Unaudited)	2016 RMB'000 (Audited)
Current income tax:		
- PRC corporate income tax	8,877	8,316
Deferred income tax	942	2,971
	9,819	11,287

(a) Cayman Islands Income Tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong Profits Tax

Hong Kong profits tax rate was 16.5% (six months ended June 30, 2016: 16.5%) for the six months ended June 30, 2017. No Hong Kong profit tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax for the periods ended June 30, 2017 and 2016.

(c) *PRC Corporate Income Tax ('CIT')*

The income tax rate of Weikang Investment, Fuhua Hospital and Honghe Yixin was 25% (six months ended June 30, 2016: 25%) for the six months ended June 30, 2017. The income tax rate of Honghe Zhiyuan and Honghe Ruixin was 9% (six months ended June 30, 2016: 9%) for the six months ended June 30, 2017.

Honghe Zhiyuan and Honghe Ruixin are eligible for a preferential 9% income tax rate for the period from January 1, 2015 to December 31, 2017, in accordance with the Measures for the Implementation of Preferential Enterprise Income Tax Policies of Tibet Autonomous Region (西藏自治區企業所得稅政策實施辦法) promulgated by the Tibet Autonomous Regional Government on May 1, 2014.

(d) *Withholding Tax*

The withholding tax rate of New Pride and Bliss Success was 10% pursuant to PRC Enterprise Income Tax based on the remittance of dividends from Honghe Ruixin and Weikang Investment in the foreseeable future, respectively.

7 (Losses)/Earnings per share

(a) *Basic (Losses)/Earnings Per Share*

Basic (losses)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue for the year excluding ordinary shares purchased by the Company.

	Six months ended June 30,	
	2017	**2016**
	(Unaudited)	*(Audited)*
Total (loss)/profit attributable to owners of the Company (RMB'000)	(12,291)	16,462
Weighted average number of ordinary shares in issue (in thousands)	118,860	98,430
Basic (losses)/earnings per share (in RMB)	(0.103)	0.167

In determining the weighted average number of ordinary shares, the one share issued upon incorporation and 9,699 shares issued in 2016 were treated as if they have been in issue since February 21, 2014.

In addition, the weighted average number of ordinary shares in issue was adjusted by additional 300 shares which were issued to Midpoint Honour on March 31, 2016.

On December 4, 2016, the Company repurchased and subsequently cancelled 14 out of 300 ordinary shares. The remaining 286 shares held by Midpoint Honour were treated as treasury share due to the amendments of the Subscription Agreement on December 4, 2016 and January 23, 2017.

On January 3, 2017, the Company allotted and issued 9,986 ordinary shares of a par value of HK$0.001 each to the then existing shareholders in proportion to their respective shareholdings in the Company at a consideration equal to the par value of HK$0.001 each and credited as fully paid, and 9,986 ordinary shares of a par value of US$1.00 each of the Company were repurchased at a price of HK$0.001 each and cancelled.

On March 16, 2017, capitalization issue of 99,850,014 shares was effective. Accordingly, the weighted average number of ordinary shares in issue has been adjusted retrospectively as if it was effective from the date of the beginning.

On March 16, 2017, the Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited with the global offering of ordinary shares of HK$0.001 each of the Company, including, a public offering in Hong Kong of 3,333,600 shares and an international offering of 30,000,400 shares.

On April 13, 2017, the Company issued 5,000,000 ordinary shares pursuant to the full exercise of the over-allotment option.

(b) Diluted (Losses)/Earnings Per Share

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

8 Trade receivables

	As at June 30, 2017 *RMB'000* *(Unaudited)*	**As at December 31, 2016** *RMB'000* *(Audited)*
Trade receivables	5,681	5,213
Less: provision for impairment of trade receivables	(509)	(638)
Trade receivables – net	5,172	4,575

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

As at June 30, 2017 and December 31, 2016, the ageing analysis based on invoice date of the trade receivables was as follows:

	As at June 30, 2017 RMB'000 (Unaudited)	As at December 31, 2016 RMB'000 (Audited)
1 - 90 days	2,751	4,514
91 - 180 days	2,542	—
181 days – 1 year	388	—
Over 1 year	—	699
	5,681	5,213

9 Trade payables

An ageing analysis, based on invoice date, of trade payables as at the consolidated balance sheet dates are as follows:

	As at June 30, 2017 RMB'000 (Unaudited)	As at December 31, 2016 RMB'000 (Audited)
Less than 90 days	3,595	4,604
91 to 180 days	—	—
181 days to 1 year	—	—
Over 1 year	27	27
	3,622	4,631

The carrying amounts of trade payables are denominated in RMB. The carrying amounts approximate their fair values due to their short-term maturities.

10 Dividends

The board of directors of the Company does not declare any dividends for the six months ended June 30, 2017 (six months ended June 30, 2016: nil).

BUSINESS REVIEW AND PROSPECTS

The shares of the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on March 16, 2017 (the "**Listing**"). During the first half of 2017, we actively explored development opportunities emerge from the core of the national structural reforms within the healthcare system, amidst the macro environment brought by the comprehensive and deepening reform efforts in the Chinese healthcare system. We continue to uphold our development strategy of expansion through undergoing mergers and acquisitions and digging into the existing business operations to unearth value-adding and innovative services models, as a result, we have achieved promising results from the enhanced medical service quality and operating efficiency of the Group.

Our revenue increased by 15.9% from RMB76.1 million for the six months ended June 30, 2016 to RMB88.2 million for the same period of 2017. Our Adjusted Net Profit for the six months ended June 30, 2017 was RMB45.2 million, representing an increase of 22.6% from the corresponding period in 2016. The sustaining steady business development of the Group lays a firm foundation for our future expansions in building a national medical services network.

Driven by various factors such as universal medical insurance coverage, growth in per capita disposable income, aging population in China and the Group's adherence to the basic principle of satisfying the healthcare needs of the general public, the Group concentrates on common diseases, frequently re-occurring diseases and chronic diseases. In addition, the Group also expands our scope of services to provide healthcare management services, rehabilitation services, in-home medical services and geriatric services. With the guidance of the effective strategies of the Group, the medical institutions manage or operate by us proactively set out plans to improve the quality and scope of the medical services they offer. In response to the growing demand from the aging population and the upgrade in consumption pattern in China, the Group encourages the medical institutions it manages or operates to explore the opportunities in in-home medical services and high value-added services such as home care, rehabilitation services and VIP services. Our existing businesses maintained steady growth and competitive advantages, and together with our ability to capture the market opportunities, the Group has achieved significant results.

In addition, the Group actively reinforced the expansion of our business through mergers and acquisitions during the first half of 2017. We have entered into a letter of intent on August 10, 2017 to purchase 70% equity interest in each of (i) a for-profit general services hospital in Zhejiang; (ii) a company that is principally engaged in the supply of medicines; and (iii) a company that owns certain properties. The Group targets to become an influential leader in the Chinese healthcare services industry by actively acquiring medical institutions in the future. Such expansion will create synergy effects within the Group deriving from the managements' ability in operating medical institutions and accordingly, these medical institutions in the network can benefit from shared medical resources, which in turn assist us in building an innovative and value-adding business model.

FINANCIAL REVIEW

Results of Operations

Our revenue increased by 15.9% from RMB76.1 million for six months ended June 30, 2016 to RMB88.2 million for the same period of 2017, among which, our revenue from the hospital management services segment and the general hospital services segment for the six months ended June 30, 2017 have increased by 12.5% and 32.5% to RMB71.0 million (first half of 2016: RMB63.1 million) and RMB17.2 million (first half of 2016: RMB13.0 million) as compared to the corresponding period of 2016, respectively.

The Group's Adjusted Gross Profit increased by 16.0% from RMB52.1 million for the six months ended June 30, 2016 to RMB60.4 million for the six months ended June 30, 2017. The increase the Adjusted Gross Profit of RMB8.3 million was mainly due to an RMB12.1 million increase in revenue partly offset by an RMB3.8 million increase in cost of revenue (excluding share-based compensation expenses and cash bonus incurred under the incentive scheme of the Company).

The Group's Adjusted Net Profit increased by 22.6% from RMB36.9 million for the six months ended June 30, 2016 to RMB45.2 million for the same period of 2017. The increase of RMB8.3 million in the Adjusted Net Profit was mainly due to an RMB12.1 million increase in revenue partly offset by an RMB3.8 million increase in expenses and cost of revenue excluding Non-recurring Expenses. The Non-recurring Expenses of the Group include (i) share-based compensation expenses related to share-based payment schemes, (ii) cash bonus under the incentive scheme of the Company, (iii) listing expenses, and (iv) foreign exchange losses related to bank deposits of the net proceeds from the Listing.

The Non-recurring Expenses of the Group increased by 287.5% from RMB12.3 million for the six months ended June 30, 2016 to RMB47.6 million for the same period of 2017, leading to a significant drop in net profit. The Group has recorded a 109.9% decrease in net profit from RMB24.6 million for the six months ended June 30, 2016 to a net loss of RMB2.4 million for the same period of 2017.

Liquidity and Capital Resources

Our total equity as at June 30, 2017 was RMB1,565.0 million (as at December 31, 2016: RMB1,160.9 million). As at June 30, 2017, we had current assets of RMB616.6 million (as at December 31, 2016: RMB182.6 million) and current liabilities of RMB114.0 million (as at December 31, 2016: RMB70.7 million). The current ratio was 5.41 as at June 30, 2017 as compared to 2.58 as at December 31, 2016.

Our current assets had increased by RMB434.0 million for the six months ended June 30, 2017 mainly due to the increase of RMB327.2 million in cash and cash equivalents, increased of RMB80.9 million in available-for-sale financial asset and increase of RMB30.0 million in structured deposits. The significant increase in cash and cash equivalents, available-for-sale financial asset and structured deposits was mainly contributed by the net proceeds of HK$465.6 million from the Listing.

Our primary uses of cash in the first half of 2017 were for working capital and purchase of available-for-sale financial asset and structured deposits. As at June 30, 2017, we did not have any borrowings or banking facilities and we had cash and cash equivalents of RMB456.6 million (as at December 31, 2016: RMB129.3 million). Our Directors believe that, after taking into account the financial resources available to us, including internally generated funds and the net proceeds of the Listing, we have sufficient working capital for our requirements. As at June 30, 2017, the Group did not have any material contingent liabilities or guarantees.

EVENTS AFTER THE REPORTING PERIOD

The Company has entered into a letter of intent (the "**Letter of Intent**") to purchase 70% equity interests in each of (1) a for-profit general services hospital in Zhejiang, (2) a company that is principally engaged in the supply of medicines, and (3) a company that owns certain properties. Details of which are set out in an announcement published by the Company on August 10, 2017.

On August 23, 2017, Shanghai Weikang Investment Management Co., Ltd. (上海維康投資管理有限公司)("**Weikang Investment**"), being a subsidiary owned indirectly as to 80% by the Company, entered into an equity transfer agreement with Shanghai Hongfa Enterprise (Group) Co., Ltd. (上海宏發企業(集團)有限公司) (the "**Purchaser**") pursuant to which Weikang Investment agreed to dispose, and the Purchaser agreed to acquire, the entire equity interest in Shanghai Fuhua Hospital Co., Ltd. for a total consideration of RMB43,000,000. Details of which are set out in an announcement published by the Company on August 23, 2017.

Save as disclosed, there is no material subsequent event undertaken by the Company or by the Group after June 30, 2017 and up to the date of this announcement.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"). The Board considered that during the period from March 16, 2017 (the "**Date of Listing**") to June 30, 2017, the Company has complied with the applicable code provisions set out in the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

COMPLIANCE WITH MODEL CODE

The Company has adopted a code of conduct regarding the transactions of securities of the Company by the Directors and the relevant employees (who likely possess inside information of the Company) (the "**Securities Dealing Code**") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all Directors and all of them have confirmed that they have complied with the Model Code and the Securities Dealing Code for the period from the Date of Listing to June 30, 2017.

AUDIT COMMITTEE

The unaudited results and the condensed consolidated financial statements of the Group for the six months ended June 30, 2017 have been reviewed by the audit committee of the Company (the "**Audit Committee**"). The Audit Committee consists of two independent non-executive Directors, Mr. Zhou Xiangliang (Chairman) and Mr. Shi Luwen, and a non-executive Director, Mr. Lin Sheng. The Audit Committee is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and all other applicable legal requirements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period from the Date of Listing to June 30, 2017.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.hcclhealthcare.com). The interim report of the Company for the six months ended June 30, 2017 will be dispatched to the Shareholders and made available on the above websites in due course.

On behalf of the Board of
Hospital Corporation of China Limited
Zhang Xiaopeng
Executive Director and Chief Executive Officer

Hong Kong, August 29, 2017

As at the date of this announcement, the directors of the Company are Mr. ZHANG Xiaopeng and Mr. LU Wenzuo being the executive Directors; Mr. ZHAO John Huan, Mr. LIN Sheng, Ms. LIU Lu and Ms. WANG Nan being the non-executive Directors; Ms. CHEN Xiaohong, Mr. SHI Luwen and Mr. ZHOU Xiangliang being the independent non-executive Directors.