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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2017

The board of directors (the "**Directors**") (the "**Board**") of Hospital Corporation of China Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**", "**we**" or "**our**") for the year ended December 31, 2017 ("**year under review**") together with the comparative figures for the year 2016.

FINANCIAL HIGHLIGHTS

	For the year ended December 31,	
	2017	**2016**
	RMB'000	*RMB'000*
Revenue		
—Continuing operations	149,158	130,882
—Discontinued operations	21,517	30,503
Gross profit margin		
—Continuing operations	58.9%	62.3%
—Discontinued operations	4.6%	6.8%
Adjusted Gross Profit Margin		
—Continuing operations [(1)]	84.8%	81.1%
—Discontinued operations	4.6%	6.8%
(Loss)/Profit for the year		
—Continuing operations	(3,684)	40,702
—Discontinued operations	12,882	779
Adjusted (Loss)/Profit for the year		
—Continuing operations [(2)]	82,078	82,155
—Discontinued operations [(3)]	(432)	779
(Losses)/Earnings per share (RMB)	(0.108)	0.243
Adjusted earnings per share (RMB)	0.483	0.662
Adjusted items		
—Continuing operations		
Share-based compensation expenses (in cost of revenue)	37,986	22,876
Cash bonus (in cost of revenue)	735	1,765
Listing expenses (in administrative expenses)	25,631	18,204
Foreign exchange losses (in finance income and costs, other (losses)/gains)	21,410	(1,392)
—Discontinued operations		
Gain on disposal of the discontinued operations	(13,314)	—

Notes:

(1) The gross profit of the continuing operations of the Company for the year ended December 31, 2017 amounted to RMB87.8 million. The adjusted gross profit is calculated as gross profit for the year, excluding the impact from share-based compensation and cash bonus incurred as cost of revenue.

(2) The adjusted profit of the continuing operations of the Company is calculated as net profit for the continuing operations for the year excluding the impact from listing expenses and foreign exchange losses.

(3) The adjusted loss of the discontinued operations of the Company is calculated as net profit for the discontinued operations for the year excluding the impact from the disposal of the discontinued operations.

CEO'S STATEMENT

Dear Shareholders,

2017 was a milestone year for the Group. The Company's shares (the "**Shares**") were listed on The Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on March 16, 2017 (the "**Listing Date**") (the "**Listing**"), which laid a solid foundation for the future development of the Company.

The full implementation of the "Heathy China Strategy (健康中國戰略)" brings biggest growth opportunities to the medical services industry. As a leader in hospital management and practitioner of medical investment innovation model, the Company focuses on the most-demanding medical markets of frequently re-occurring diseases, common diseases and chronic diseases. By establishing a management system that organically integrates modern enterprise systems and medical laws, the Group has achieved an overall increase in group value. The Group consolidates the core competitiveness of its hospitals, so that they can maintain long-term competitive advantages in terms of strategy, talent, management, technology, capital and brand, and achieve the goals of performance creation, employee growth and social responsibility. Meanwhile, through continuous investment in hospital mergers and acquisitions, the Group achieved rapid expansion of scale. Focusing on the economically developed and densely populated areas and through the integration and interoperability of medical resources in various regions, the Group created a leading standard of medical and health service network.

We believe that with the support from the shareholders of the Company (the "**Shareholders**") and combined efforts from our employees, the Company will pursue rapid business growth in all aspects and be committed to becoming a trustworthy, respected and outstanding hospital management group to create greater value to Shareholders.

Acknowledgment

I would like to take this opportunity to express my sincere gratitude to our Directors, management and employees for their dedication and contribution to our Group during the past year. I would also like to express my appreciation for the trust and enduring support from our Shareholders as well as business partners and friends from the banking and investment sectors.

Zhang Xiaogpeng
Executive Director and Chief Executive Officer

Beijing, China
March 29, 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the year ended December 31, 2017 *RMB'000*	2016 *RMB'000*
Continuing operations			
Revenue	4	149,158	130,882
Cost of revenue	5	(61,320)	(49,343)
Gross profit		87,838	81,539
Administrative expenses	5	(53,706)	(26,373)
Other income		3,742	2,982
Other (losses)/gains – net	6	(120)	1,125
Operating profit		37,754	59,273
Finance income	7	2,701	677
Finance costs	7	(21,227)	—
Finance (costs)/income – net		(18,526)	677
Profit before income tax		19,228	59,950
Income tax expense	8	(22,912)	(19,248)
(Loss)/Profit from continuing operations		(3,684)	40,702
Profit from discontinued operation	11	12,882	779
Profit for the year		9,198	41,481
Other comprehensive income		—	—
Total comprehensive income for the year		9,198	41,481
Attributable to:			
Owners of the Company		(13,749)	24,068
Non-controlling interests		22,947	17,413
Total comprehensive income for the year		9,198	41,481
Total comprehensive income for the year attributable to owners of the Company arises from:			
Continuing operations		(24,055)	23,445
Discontinued operations		10,306	623
		(13,749)	24,068
(Losses)/Earnings per share for profit from continuing operations attributable to owners of the Company:			
—Basic and diluted (losses)/earnings per share (in RMB)	9	(0.189)	0.237
(Losses)/Earnings per share for profit attributable to owners of the Company:			
—Basic and diluted (losses)/earnings per share (in RMB)	9	(0.108)	0.243

CONSOLIDATED BALANCE SHEET

	Notes	As of December 31, 2017	2016
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		18,383	22,630
Intangible assets		1,059,402	1,082,071
Deferred tax assets		—	276
Other receivables, deposits and prepayments		483,506	—
Total non-current assets		1,561,291	1,104,977
Current assets			
Available-for-sale financial assets		17,396	—
Inventories		—	1,847
Trade receivables		—	4,575
Other receivables, deposits and prepayments		80,202	8,570
Amounts due from related parties	10	45,840	38,276
Cash and cash equivalents		260,787	129,332
Total current assets		404,225	182,600
Total assets		1,965,516	1,287,577
EQUITY			
Equity attributable to owners of the Company			
Share capital		123	65
Share premium		404,021	—
Treasury shares		(3)	(2)
Reserves		1,070,628	1,058,416
Retained earnings		39,344	60,597
		1,514,113	1,119,076
Non-controlling interests		48,012	41,867
Total equity		1,562,125	1,160,943

CONSOLIDATED BALANCE SHEET (CONTINUED)

		As of December 31,	
	Notes	**2017**	**2016**
		RMB'000	*RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings		214,618	—
Deferred income tax liabilities		35,633	36,465
Accruals and other payables		3,311	19,442
Total non-current liabilities		253,562	55,907
Current liabilities			
Borrowings		23,846	—
Trade payables		—	4,631
Accruals and other payables		113,662	57,838
Amounts due to related parties		3,186	3,855
Current income tax liabilities		9,135	4,403
Total current liabilities		149,829	70,727
Total liabilities		403,391	126,634
Total equity and liabilities		1,965,516	1,287,577

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation

The consolidated financial statements of Hospital Corporation of China Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and requirements of the Hong Kong Companies Ordinance Cap. 622. The financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets and financial assets measured at fair value.

The preparation of financial statements in comformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The financial position and performance of the Group was particularly affected by the sale of Fuahua Hospital in August 2017 (Note 11).

These financial statements are presented in Renminbi ('RMB'), unless otherwise stated.

2 Changes in accounting policy and disclosures

2.1 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12, and
- Disclosure initiative – amendments to IAS 7.

The adoption of these amendments did not have any impact on the amounts recognised in prior periods and will also not affect the current year.

2.2 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

IFRS 9	Financial Instruments	January 1, 2018
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	January 1, 2018
Amendments to IFRS 4	Insurance Contracts "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018 or when the entity first applies IFRS 9
Amendment to IFRS 1	First time adoption of IFRS	January 1, 2018
Amendment to IAS 28	Investments in associates and joint ventures	January 1, 2018
Amendments to IAS 40	Transfers of investment property	January 1, 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRS 16	Leases	January 1, 2019 Early adoption is permitted only if IFRS 15 is adopted at the same time.
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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:

(a) General hospital services

Revenue from this segment is derived from hospital services provided at Fuhua Hospital. Fuhua Hospital was disposed and ceased to be a subsidiary of the Group on and after August 29, 2017. The segment information for the year ended December 31, 2017 represented the operating results of Fuhua Hospital for the period from January 1, 2017 to August 29, 2017.

(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.

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

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*
For the year ended December 31, 2017				
Revenue from external customers	21,517	149,158	—	170,675
EBITDA	18,831	85,058	—	103,889
Depreciation	(450)	(2,053)	(389)	(2,892)
Amortization	(767)	(2,306)	(39)	(3,112)
Finance income on deposit	5	743	1,958	2,706
Unallocated expenses excluding depreciation and amortization			(63,744)	(63,744)
Profit before tax	17,619	81,442	(62,214)	36,847
As at December 31, 2017				
Segment assets	—	326,404	688,196	1,014,600
Goodwill	—	950,916	—	950,916
Total assets	—	1,277,320	688,196	1,965,516
Total liabilities	—	113,824	289,567	403,391
Other Segment information for the year ended December 31, 2017				
Depreciation, amortization and impairment	(1,179)	(4,359)	(428)	(5,966)
Additions of non-current assets excluding goodwill and deferred income tax assets	517	765	483,035	484,317

	General hospital services	Hospital management services	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2016				
Revenue from external customers	30,503	130,882	—	161,385
EBITDA	1,909	83,607	—	85,516
Depreciation	(634)	(1,864)	(1,188)	(3,686)
Amortization	(1,151)	(2,306)	(3)	(3,460)
Finance income on deposit	13	410	—	423
Unallocated expenses excluding depreciation and amortization			(18,706)	(18,706)
Profit before tax	137	79,847	(19,897)	60,087
As at December 31, 2016				
Segment assets	25,814	267,690	35,209	328,713
Goodwill	7,948	950,916	—	958,864
Total assets	33,762	1,218,606	35,209	1,287,577
Total liabilities	9,005	73,580	44,049	126,634
Other Segment information for the year ended December 31, 2016				
Depreciation, amortization and impairment	(1,895)	(4,170)	(1,191)	(7,256)
Additions of non-current assets excluding goodwill and deferred income tax assets	661	2,030	180	2,871

4 Revenue

	Year ended December 31,	
	2017	**2016**
	RMB'000	*RMB'000*
Hospital management services		
— Management services fee (a)	147,574	129,563
— Other services fee	1,584	1,319
	149,158	130,882

All revenue are generated in the PRC. There is a single client, Yangsi Hospital, contributed to 86.5% and 80.3% of the Group's revenue for the periods ended December 31, 2017 and 2016.

(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 Expenses by nature

	Year ended December 31,	
	2017	**2016**
	RMB'000	*RMB'000*
Amortisation and depreciation	4,787	5,361
Business tax and other transaction taxes	1,379	1,871
Employee benefits expenses	60,971	45,124
Operating lease rental expenses	2,050	1,793
Utilities and office expenses	855	1,083
Travelling and entertainment expenses	1,235	915
Expenses in relation to the listing	25,631	18,204
Professional fees	12,775	—
Auditor's remuneration	3,969	—
Other expenses	1,374	1,364
	115,026	75,716

6 Other (losses)/gains - net

	Year ended December 31,	
	2017	**2016**
	RMB'000	*RMB'000*
Foreign exchange (losses)/gains	(183)	1,125
Others	63	—
	(120)	1,125

7 Finance income and costs

	Year ended December 31, 2017 RMB'000	2016 RMB'000
Finance income		
Interest income on short-term bank deposits	2,220	410
Interest income on short-term structured deposits	312	—
Interest income on deposits held at call with financial institutions	169	—
Foreign exchange gains-net	—	267
Finance income	2,701	677
Finance costs		
Foreign exchange losses-net	(21,227)	—
Finance costs expensed	(21,227)	—
Net finance (costs)/income	(18,526)	677

8 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% for the years ended December 31, 2017 and 2016.

	Year ended December 31, 2017 RMB'000	2016 RMB'000
Current income tax:		
－PRC corporate income tax	25,559	19,237
Deferred income tax	2,090	(631)
	27,649	18,606

Income tax is attributable to:

	Year ended December 31, 2017 RMB'000	2016 RMB'000
Profit from continuing operations	22,912	19,248
Profit from discontinued operations	4,737	(642)
	27,649	18,606

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

	Year ended December 31,	
	2017	**2016**
	RMB'000	*RMB'000*
Profit from continuing operations before income tax	19,228	59,950
Profit from discontinued operations before income tax	17,619	137
Calculated at taxation rate of 25%	9,212	15,022
Effect of different tax rates available to different subsidiaries of the Group	(12,546)	(9,288)
Expenses not tax deductible	25,441	10,411
Tax effect of unrecognized tax losses	203	330
Utilization of tax losses in previous years	—	(678)
Withholding tax	5,339	2,809
Income tax expense	27,649	18,606

(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% (2016: 16.5%) for the year ended December 31, 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 years ended December 31, 2017 and 2016.

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

The income tax rate of Weikang Investment, Fuhua Hospital and Honghe Yixin was 25% (2016: 25%) for the year ended December 31, 2017. The income tax rate of Honghe Zhiyuan and Honghe Ruixin was 9% (2016: 9%) for the year ended December 31, 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, and then 15% from January 1, 2018 in accordance with the Measures for the Implementation of Preferential Enterprise Income Tax Policies of Tibet Anomous 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.

9 (Losses)/Earnings per share

(a) Basic (losses)/earnings per share

Basic (losses)/earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares.
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding shares held for employee share scheme.

	Year ended December 31,	
	2017	**2016**
(Loss)/Profit attributable to the owners of the Company		
From continuing operations	(24,055)	23,445
From discontinued operations	10,306	623
	(13,749)	24,068
Weighted average number of ordinary shares in issue (in thousands)	127,165	98,943
Basic (losses)/earnings per share		
From continuing operations	(0.189)	0.237
From discontinued operations	0.081	0.006
	(0.108)	0.243

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 have 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 entire year. Accordingly, diluted (losses)/earnings per share are the same as the basic (losses)/earnings per share.

10 Amounts due from related parties with trade in nature

As at December 31, 2017 and 2016, the amounts due from related parties with trade in nature are unsecured, interest free, receivable/repayable on demand and are denominated in RMB.

	As at December 31,	
	2017	**2016**
	RMB'000	*RMB'000*
Amounts due from related parties		
—Trade in nature		
Yangsi Hospital	42,304	38,175

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

	As at December 31,	
	2017	**2016**
	RMB'000	*RMB'000*
Within 30 days	42,304	38,175
30 to 90 days	—	—
90 to 180 days	—	—
More than 180 days	—	—
	42,304	38,175

11 Discontinued operation

(a) *Description*

On August 23, 2017, Weikang Investment entered into the equity transfer agreement with Shanghai Hongfa Enterprise (Group) Co., Ltd. an independent third panty of the Company, in relation to the disposal of the entire equity interest in Fuhua Hospital with effect from August 29, 2017 and Fuhua Hospital is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

(b) *Financial performance and cash flow information*

The financial performance and cash flow information presented are for the period from January 1, 2017 to August 29, 2017 and the year ended December 31, 2016.

	Period ended August 29, 2017 *RMB'000*	**Year ended December 31, 2016** *RMB'000*
Revenue	21,517	30,503
Depreciation	(450)	(634)
Amortization	(767)	(1,151)
Impairment	38	(110)
Other expenses	(20,913)	(28,471)
(Loss)/Profit before income tax	(575)	137
Income tax expense	143	642
(Loss)/Profit after income tax of discontinued operation	(432)	779
Gain on sale of the subsidiary after income tax	13,314	—
Profit from discontinued operation	12,882	779
Net cash (outflow)/inflow from operating activities	(370)	6,015
Net cash inflow/(outflow) from investing activities (2017 includes an inflow of RMB39,214,000 from the sale of Fuhua Hospital)	38,583	(553)
Net cash inflow/(outflow) from financing activities	482	(3,084)
Net increase in cash generated by the subsidiary	38,695	2,378

(c) Details of the sale of the subsidiary

	Year ended December 31, 2017 *RMB'000*	2016 *RMB'000*
Consideration received		
Cash	43,000	—
Total disposal consideration	43,000	—
Carrying amount of net assets sold	(24,806)	—
Gain on sale before income tax	18,194	—
Income tax expense on gain	(4,880)	—
Gain on sale after income tax	13,314	—

The carrying amounts of assets and liabilities as at the date of sale (August 29, 2017) were:

	As at August 29, 2017 *RMB'000*
Property, plant and equipment	2,131
Intangible assets	11,644
Goodwill	7,948
Deferred income tax assets	266
Trade receivables	5,005
Inventories	1,770
Other receivables, deposits and prepayments	178
Cash and cash equivalents	3,786
Total assets	32,728
Deferred income tax liabilities	(2,912)
Accruals and other payables	(2,208)
Trade payables	(2,869)
Current tax liabilities	67
Total liabilities	(7,922)
Net assets	24,806

12 Dividends

Pursuant to a resolution of the board of directors' meeting of Weikang Investment on October 30, 2017, a dividend, including withholding tax, of RMB24,905,000 to its majority shareholders and RMB6,226,000 to its minority shareholders was declared. The after-tax dividend to its minority shareholders of RMB4,981,000 had been settled on October 31, 2017.

Pursuant to a resolution of the board of directors' meeting of Honghe Ruixin on October 25, 2017, a dividend, including withholding tax, of RMB42,306,000 to its majority shareholders and RMB10,576,000 to its minority shareholders was declared. The after-tax dividend to its minority shareholders of RMB8,461,000 had been settled on October 31, 2017.

BUSINESS OVERVIEW

Through management training, budget management, operations analysis, daily reporting management, professional monitoring and other measures, we have provided all-around and multi-angle guidance to hospitals we acquired to refine their management and operation capabilities and motivate the work enthusiasm of employees. By consolidating and enhancing the core competitiveness of these hospitals, we enhanced the influence of our hospital brands, created values and achieved a mutually beneficial environment for each member of our platform. In 2017, Yangsi Hospital has initially formed a regional medical service center model combining various services including preventive healthcare, chronic disease management, hospital medical care, community medical care, family hospital beds and the combination of medical care and health care. It has invested in high-pressure oxygen, hemodialysis, new types of computed tomography, cardiac intervention and other new technologies, equipment and services, and established additional healthcare facilities of 2,000 square meters and further expanded the scope of our VIP services. The out-patients and inpatients visits of the hospitals continued to increase, and reached a record high and exceeded the annual goal.

As a hospital management group with merger and acquisition as its expansion model, we focus on the diagnosis and treatment of common diseases, frequently re-occurring diseases and chronic diseases, insist on investing in hospitals with Class II or Class III hospital-equivalent scale located in the regions with sizeable populations and attractive economic conditions. In 2017, we have strengthened our core investment capacity, expanded the sources of projects, and focused on potential projects in the economically developed southeast coastal areas. The Group has successfully completed the merger and acquisition of Jiande (as defined below), and announced the signing of a letter of intents for the merger and acquisition of two hospitals located in Zhejiang province and Guangdong province respectively.

INDUSTRY OVERVIEW

Chinese healthcare industry has integrated into the global industrial chain and has huge room for development. And Chinese healthcare industry has also become one of the largest and fastest growing markets in the world. Chinese medical service industry covers medical service institutions, healthcare and aged care institutions and health insurances. Hospitals are the main body of the entire medical service industry. Factors driving the rapid growth of the industry include the aging of the population, the improvement of residents' income and health awareness, the improvement of the security system and the medical network and the government's great investments.

The imbalance in the distribution of medical resources (the relative abundance of medical resources in economically developed areas and the lack of medical resources in rural areas) has further exacerbated the current situation of a supply shortage. Particularly, the lack of quality medical resources is a prominent issue in the mismatched supply and demand. The phenomenon of difficulties in finding vacant beds in scaled Class III hospitals has become very common. The Chinese government has introduced a series of policies in recent years to guide the healthy development of the medical service industry, including:

- the implementation of the "Healthy China Strategy (健康中國戰略)" proposed in the report of the 19th National Congress of the Communist Party of China, which drives opportunities for a systematic development in the Chinese medical industry;

- The polices of "Zero mark-ups on Drugs (藥品零加成)" and "Two-invoice system (兩票制)" have promoted changes in the fee structure of hospitals, reduced dependence on drugs and improved the transparency in pharmaceutical circulation;

- the "Comprehensive Reform of Separating Operations from Pharmacy (醫藥分開綜合改革)" implemented in certain provinces, it has realized the value of the technical work of medical personnel and compensated for part of the operating costs of medical institutions through the improving the fee standards of medical service;

- the "Hierarchical Diagnosis and Treatment System (分級診療)" has promoted the establishment of the basic primary diagnosis and two-way referral system, and the "Allocation of Medical Personnel and Medical Resources to Primary Care (雙下沉)" contributes to the efficient allocation of healthcare resources and promotes the service ability of primary level medical institutions; and

- the "Opinions of the State Council on Promoting the Development of the Healthcare Service Industry (國務院關於促進健康服務業發展的若干意見)", which has clearly stated the development direction of "providing guidance for non-public medical institutions in the process of developing to a high level and scale, and encouraging the development of professional hospital management groups".

RECENT DEVELOPMENTS

Time	Event
March 16, 2017	The Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited.
August 23, 2017	Shanghai Weikang Investment Management Co., Ltd. (上海維康投資管理有限公司), 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) in relation to the disposal of the entire equity interest in Shanghai Fuhua Hospital Co., Ltd. (上海福華醫院有限公司) ("**Fuhua Hospital**").
October 27, 2017	New Pride Holdings Limited (捷穎控股有限公司), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement in relation to the acquisition of the entire equity interest in Jiande Hexu Enterprise Management Co., Ltd. (建德和煦企業管理有限公司) ("**Jiande**").
December 22, 2017	The Company entered into a legally binding letter of intent with, among others, an individual, being the vendor, in relation to the acquisition of 70% equity interest in a management company which will indirectly own 100% equity interest in a hospital in Guangzhou.
February 8, 2018	New Pride Holdings Limited (捷穎控股有限公司), a wholly-owned subsidiary of the Company entered into a sale and purchase agreement in relation to the acquisition of the entire equity interest in Cixi Hongai Medical Management Co., Ltd. (慈溪弘愛醫療管理有限公司) ("**Cixi**").
March 2, 2018	The issue of the convertible bonds of the Company in the aggregate principal amount of HK$468,000,000 has been duly approved at the extraordinary general meeting.

REVIEW OF 2017 ANNUAL PERFORMANCE

Results of Operations

Revenue, Cost of Revenue and Gross Profit

The following table sets forth the revenue and cost of revenue of the continuing and discontinued operations for the years indicated:

	For the year ended December 31,		
	2017	**2016**	*Percentage of*
	RMB'000	*RMB'000*	*change*
Revenue			
—Continuing operations	149,158	130,882	14.0%
—Discontinued operations	21,517	30,503	(29.5%)
Cost of revenue			
—Continuing operations	(61,320)	(49,343)	24.3%
—Discontinued operations	(20,527)	(28,423)	(27.8%)
Gross profit			
—Continuing operations	87,838	81,539	7.7%
—Discontinued operations	990	2,080	(52.4%)
Gross profit margin			
—Continuing operations	58.9%	62.3%	(3.4%)
—Discontinued operations	4.6%	6.8%	(2.2%)

The Group is principally engaged in two different segments, namely general hospital services representing the discontinued operations of Fuhua Hospital, hospital management services representing the management services provided to Shanghai Yangsi Hospital, and unallocated representing headquarter expenses. Our revenue (including continuing and discontinued operations) for the year ended December 31, 2017 was RMB170.7 million, representing a 5.8% year-on-year increase. Such 5.8% increase was primarily attributable to the 14.0% growth in revenue in the continuing operations and offset by the 29.5% decrease in revenue from discontinued operations due to the disposal of Fuhua Hospital. The 14.0% increase in revenue from continuing operations was attributable to the increase of our management service fees income during the year under review (2016: RMB129.6 million, 2017: RMB147.6 million). The increase in management service fees income was due to the continued effort of the Company in improving the service quality and operating efficiency of Shanghai Yangsi Hospital through a standardized and streamlined management system that covers the expansion of services scope, provision of training and incentive, and implementation of performance review mechanism.

Revenue from discontinued operations was derived from hospital services provided at Fuhua Hospital, which decreased by 29.5% from RMB30.5 million in 2016 to RMB21.5 million in 2017. Fuhua Hospital was disposed by the Group and ceased to be a subsidiary of the Company on August 29, 2017, hence the revenue derived from discontinued operations for the year under review represented the operating results of Fuhua Hospital from January 1, 2017 to August 29, 2017.

The cost of revenue (including continuing and discontinued operations) increased by 5.2% from RMB77.8 million in 2016 to RMB81.8 million in 2017. The cost of revenue (including continuing and discontinued operations) amounted to 48.2% and 48.0% of our revenue (including continuing and discontinued operations) for the years ended December 31, 2016 and 2017, respectively, which represents a stable proportion of the direct cost and financial health.

Administrative expenses

The administrative expenses of continuing operations were RMB26.4 million and RMB53.7 million for the year ended December 31, 2016 and 2017, respectively, and amounted to 20.2% and 36.0% as a percentage of the revenue of the corresponding year. The increase was mainly attributable to the RMB3.4 million increase in employee benefits expenses (2016: RMB1.4 million, 2017: RMB4.8 million), RMB7.4 million increase in Listing expenses (2016: RMB18.2 million, 2017: 25.6 million) and RMB12.8 million of professional fees incurred mainly due to the potential acquisitions and acquisitions of hospitals and hospital management company (2016: nil, 2017: 12.8 million).

Other income

We recorded other income of RMB3.0 million and RMB3.7 million for the years ended December 31, 2016 and 2017, respectively, representing a 25.5% year-on-year increase. The increase was attributable to (i) the RMB0.8 million increase in government grants and subsidies granted by the People's Government of Sanlin town in Shanghai in 2017 (2016: RMB1.7 million, 2017: RMB2.5 million) for the tax contribution of Shanghai Weikang Investment Management Co., Ltd. (上海維康投資管理有限公司), and (ii) the RMB1.2 million of interest income on monetary funds and wealth management products (2016: nil), which were offset by the decrease in government grants of subsidies from Finance Bureau of Dazi Country in Tibet Autonomous Region for the tax contribution of Tibet Dazi Honghe Ruixin Business Management Co., Ltd. (西藏達孜弘和瑞信企業管理有限公司) (2016: RMB1.3 million, 2017: nil).

Other (losses)/gains – net

We recorded other gains of RMB1.1 million in 2016 and other losses of RMB0.1 million in 2017, representing a RMB1.2 million year-on-year decrease. It was due to the foreign exchange losses of RMB0.2 million in 2017 (2016: foreign exchange gain of RMB1.1 million) from (i) the settlement of transactions involving currency other than Renminbi and (ii) the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies.

Finance income and finance cost

Finance income and costs are mainly comprised of the foreign exchange gains and losses from the cash and cash equivalent and borrowings during the year. Our finance income increased from RMB0.7 million in 2016 to RMB2.7 million in 2017 mainly due to the RMB2.3 million increase in interest income from short-term bank deposits, short-term structure deposits and deposits at calls, as we deposited our unutilized proceeds from Listing into these products during the year under review. We recorded net foreign exchange losses of RMB21.2 million (2016: nil) due to (i) the translation of RMB, our operating currencies, to U.S. dollars for the payment of professional fees and acquisition of subsidiary during the year, and (ii) the translation of the deposits denominated in US dollars or Hong Kong dollars into Renminbi, the deposit was primarily comprised of the unutilized proceeds from Listing and the exercise of the over-allotment option.

Income tax expense

Our income tax expense (including continuing and discontinued operations) was RMB18.6 million and RMB27.6 million for the years ended December 31, 2016 and 2017, respectively, amounted to 31.0% and 75.0% of the profit before income tax (including continuing and discontinued operations) in the respective year. The RMB9.0 million increase in income tax expenses was mainly attributable to the (i) RMB2.5 million increase in withholding tax and (ii) RMB15.0 million increase in expenses in our subsidiaries outside China and increase in share-based compensation expenses which are not tax deductible expenses, which were offset by the RMB9.1 million decreased in the tax effect on income tax expenses due to the RMB23.2 million year-on-year decrease in profit before income tax (including continuing and discontinued operations) in 2017.

Profit for the year

The following table sets forth the net profit and profit attributable to owners of the Company from our continuing and discontinued operations for the years indicated:

	For the year ended December 31,	
	2017	**2016**
	RMB'000	*RMB'000*
(Loss)/Profit for the year		
—Continuing operations	(3,684)	40,702
—Discontinued operations	12,882	779
Profit attributable to owners of the Company		
—Continuing operations	(24,055)	23,445
—Discontinued operations	10,306	623

Our profit for the year (including continuing and discontinued operations) decreased by RMB32.3 million from RMB41.5 million for the year ended December 31, 2016 to RMB9.2 million for the year ended December 31, 2017. We recorded a net loss attributable to owners of the Company (including continuing and discontinued operations) of RMB13.7 million for the year under review, as compared to the net profit attributable to owners of the Company (including continuing and discontinued operations) of approximately RMB24.1 million in 2016. This decrease in profit for the year and a net loss attributable to owners of the Company are mainly attributable to the following extraordinary items incurred during the year under: (a) the administrative expenses of RMB38.0 million resulting from the share-based awards; (b) the accrued professional service fees and other expense relating to the Listing of RMB25.6 million; (c) an exchange loss of RMB21.4 million recorded as finance costs and other losses due to (i) the translation of RMB, our operating currencies, to U.S. dollars for the payment of professional fees and acquisition of subsidiary during the year, and (ii) the translation of the deposits denominated in U.S. dollars or Hong Kong dollars into Renminbi, the deposit was primarily comprised of the unutilized proceeds from Listing and the exercise of the over-allotment option; and (d) the expenses and accrued professional service fees of RMB11.2 million resulting from the acquisition of Jiande and the potential acquisitions of hospitals and hospital management companies. The Company considers that the above-mentioned extraordinary items are not indicative of the operating performance of the Company's business in the year under review. The Company also considers that the expenses related to the Listing and the share-based awards are non-recurring expenses, and anticipates that fluctuations in Renminbi exchange rate and expenses related to potential acquisitions of hospitals and hospital management companies may continue to have an impact on the financial results of the Group in the future.

Discussion of certain items from the consolidated balance sheets

Cash and cash equivalents

We had cash and cash equivalents of RMB129.3 million and RMB260.8 million as of December 31, 2016 and 2017, respectively. The RMB131.5 million increase in 2017 was primarily attributable to the (i) consideration of RMB43.0 million received in respect of the disposal of Fuhua Hospital, (ii) proceeds from borrowings of RMB238.9 million, (iii) proceeds from the global offering of the Shares and the exercise of the over-allotment option of HK$465.6 million, and (iv) proceeds from disposal of available-for-sale financial assets of RMB159.8 million; which were offset by the (a) payment for acquisition of Jiande of RMB477.7 million, (b) payment for available-for-sale financial assets of RMB176.1 million, (c) payment as deposit for a proposed acquisition of RMB80.0 million, (d) payment of share issuance costs of RMB25.7 million and (e) payment of dividend and withholding tax of RMB17.5 million.

Other receivables, deposits and prepayments

Our other receivables, deposits and prepayments increased significantly by RMB555.1 million from RMB8.6 million as of December 31, 2016 to RMB563.7 million as of December 31, 2017, primarily due to a RMB483.0 million prepayments for acquisition of Jiande.

Available-for-sale financial assets

We maintained no available-for-sale financial assets as of December 31, 2016. Our available-for-sale financial assets as of December 31, 2017 comprised of RMB17.4 million of monetary funds with floating rates. The table below sets forth the changes of the monetary funds with floating rates for the year ended December 31, 2017.

	Year ended December 31, 2017
	RMB'000
Opening balance	—
Addition	176,100
Settlements	(159,845)
Gains recognized in profit or loss	1,141
Closing balance	17,396

We acquired our monetary funds from several financial institutions during the year under review. We acquired monetary funds from five separate financial institutions which were effective on June 12, 2017, July 27, 2017, August 3, 2017, August 3, 2017 and September 6, 2017 respectively, and part of them was redeemed during the year ended December 31, 2017.

Accruals and other payables

Our accruals and other payables were RMB77.3 million and RMB117.0 as of December 31, 2016 and 2017, respectively. The accruals and other payables increased by RMB39.7 million were mainly attributable to the RMB33.3 million increase in payables relating the share-based payments in connection with the grant of share-based awards to our management.

LIQUIDITY AND CAPITAL RESOURCES

Our total equity as of December 31, 2017 was RMB1,562.1 million (2016: RMB1,160.9 million). As of December 31, 2017, we had current assets of RMB404.2 million (2016: RMB182.6 million) and current liabilities of RMB149.8 million (2016: RMB70.7 million). The current ratio was 2.70 as of December 31, 2017 as compared to 2.58 as of December 31, 2016, representing an enhanced ability to cover short-term liabilities.

Our primary uses of cash in 2017 were for working capital, payment in respect of the acquisition of subsidiary and payment for available-for-sale financial asset. We financed our liquidity requirements mainly with cash flows generated from our financing activities and operating activities. In the year under review, we had net cash generating from operating activities of RMB47.1 million, consisting of RMB31.9 million in net cash inflows generated from our operations before changes in working capital, net cash inflows of RMB31.3 million relating to changes in working capital, cash outflow on income tax paid of RMB18.4 million and interests received of RMB2.2 million. Our net cash inflows generated from operating activities before changes in working capital were primarily attributable to our profit before income tax (including continuing and discontinued operations) of RMB36.8 million, adjusted for non-cash and non-operating items, including primarily to add back share-based compensation expenses of RMB4.6 million, depreciation of property, plant and equipment of RMB2.9 million, amortization of intangible assets of RMB3.1 million, foreign exchange loss of RMB6.4 million and gain on sale of Fuhua Hospital of RMB18.2 million. Our net cash inflows relating to changes in working capital were primarily attributable to the increase in accruals and other payables of RMB34.8 million primarily contributed by the share-based payments liabilities of RMB52.8 million (2016: RMB19.4 million).

In the year under review, we had net cash outflow from investing activities of RMB539.3 million, primarily comprised of payment for acquisition of subsidiary of RMB477.7 million, payments for available-for-sale financial asset of RMB176.1 million, payment for deposit on acquisition of subsidiary of RMB80.0 million, offset by (i) proceeds from disposal of available-for-sale financial assets of RMB159.8 million and (ii) proceeds from sale of subsidiary of RMB39.2 million.

Cash and Borrowings

We had cash and cash equivalents of RMB129.3 million and RMB260.8 million as of December 31, 2016 and 2017, respectively. Our borrowing was RMB238.5 million as of December 31, 2017, comprised of a bank loan obtained for the settlement of consideration paid for the acquisition of Jiande, which is denominated in Hong Kong dollars and bears a floating interest rate. The bank loan is pledged by the 100% equity interest of Jiande and Jiande Heyue Enterprise Management Co., Ltd.* (建德和悅企業管理有限公司) and 70% equity interest of each of the subsidiaries of Jiande and the operating hospital of Jiande. The Company had no borrowings as of December 31, 2016. The table below sets forth the maturity profile of our borrowings in the years indicated:

	Bank borrowings	
	2017	**2016**
	RMB'000	*RMB'000*
Within 1 year	23,846	—
Between 1 and 2 years	47,693	—
Between 2 and 5 years	166,925	—
Over 5 years	—	—
	238,464	—

As of December 31, 2017, the gearing ratio of the Company was 15.3%. 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 December 31, 2017, the Group did not have any material contingent liabilities or guarantees.

FUTURE PROSPECT

In the coming year, we will continue to (i) implement multi-dimensional development strategy and establish regional healthcare service centers, (ii) consolidate medical resources to form a nationwide healthcare services network; and (iii) enhance intra-group synergy to optimize the allocation of resources. In particular, the Board will actively seek opportunities to further penetrate the existing geographic markets by engaging in strategic acquisition of Class II or Class III hospitals or hospitals with Class II or Class III hospital-equivalent scale that possess competitive advantages and are located in regions in China with a sizeable population and well-developed economic activities.

We will implement a standardized and streamlined management system in the hospitals we acquire, which involves adjusting their development strategies, improving their corporate governance structure and incentive mechanisms, reinforcing the training of medical professionals with a view to improve the quality of the medical services provided and enhancing the value of the hospitals. We will develop a medical service platform with an extensive geographic coverage focused on the diagnosis and treatment of common diseases, frequently re-occurring diseases and chronic diseases, supported by our efficient hospital management mechanism, to realize economic benefits.

We intend to form a nationwide medical services network leveraging our highly replicable business model. We will focus our expansion in regions with sizeable populations and attractive economic conditions, including Yangtze River Delta, Bohai Rim and Pearl Delta regions, and select hospitals that have demonstrated advanced performance in specialist medical services, as we believe these criteria will ensure rapid growth and facilitate our establishment of a nationwide healthcare services network. We plan to acquire or invest in Class II or Class III hospitals or hospitals with Class II or Class III hospital-equivalent scale located in the regions mentioned above. We target to acquire or invest in one or two hospitals that are comparable to Yangsi Hospital in terms of factors including profitability, medical skills, number of patients and growth potential in each year subsequent to the Listing.

Following policy reforms on China's healthcare sector, we strive to become a professional and large-scale hospital operation and management group. While we promote synergies within our Group, we centralize strategic planning and development at our group level and enhance brand management, aiming to establish a unified investment and financing platform, supply chain platform and personnel training platform to enable us to benefit from the economies of scale and brand recognition, as well as to enhance our ability to consolidate resources through mergers and acquisitions.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended December 31, 2017.

HUMAN RESOURCES

As of December 31, 2017, we had a total of 32 employees (December 31, 2016: 112). The decrease was due to disposal of Fuhua Hospital We provide wages, employee-related insurance and employee benefits to our employees. Remuneration packages for our employees mainly consist of base salary, welfare and bonus. For the year ended December 31, 2017, the total employee benefits expenses (including Directors' remuneration) were RMB61.0 million (2016: RMB45.1 million).

We set performance targets for our employees based on their position and department and regularly review their performance. The results of these reviews are used in their salary determinations, bonus awards and promotion appraisals. Our employee-related insurance consists of employee pension insurance, maternity insurance, unemployment insurance, work-related injury insurance, medical insurance and housing accumulation funds as required by Chinese laws and regulations.

We provide ongoing training for our employees. Our doctors and other medical professionals regularly receive technical training in their relevant fields. Our administrative and management staff also receive systematic training on management skills and business operations

USE OF NET PROCEEDS FROM LISTING

The Shares were listed on the Stock Exchange on the Listing Date. The net proceeds received by the Company from the global offering and the exercise of the over-allotment option after deducting underwriting commissions and all related expenses was HK$465.6 million. The net proceeds received from the global offering has been and will be used in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" of the Prospectus. An analysis of the utilization of the net proceeds from the Listing Date up to December 31, 2017 is set out below:

	Percentage to the total amount	**Net Proceeds** *HK$ million*	**Utilized Amount** *HK$ million*	**Unutilized Amount** *HK$ million*
Strategic acquisition of hospitals in China	50%	232.80	232.80	—
Further investment in the hospitals we own or manage from time to time (except for not-for-profit hospitals)				
－Purchase of medical and other equipment	11%	51.22	—	51.22
－Upgrading and improvement of medical facilities	7%	32.59	—	32.59
Employee training programs at the hospitals we own or manage from time to time, efforts to recruit talents and academic research activities				
－Human resources expenses	6%	27.94	3.59	24.35
－Employing medical professionals and experts in business management	5%	23.28	—	23.28
－Conducting academic research activities and developing employee training programs with a focus on management training and professional training	4%	18.62	—	18.62
Upgrading and improving our information technology system	7%	32.59	0.36	32.23
Provide funding for our working capital, rental and property related expenses and other general corporate purposes	10%	46.56	46.00	0.56
	100%	465.60	282.75	182.85

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

During the year ended December 31, 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is dedicated to maintaining and ensuring high standards of corporate governance practices and the corporate governance principles of the Company are adopted in the best interest of the Company and its Shareholders. The Company had adopted the applicable code provisions and, where appropriate, adopted the recommended best practices as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") since the Listing Date. The Board considered that the Company has complied with all applicable code provisions set out in the CG Code since the Listing Date until December 31, 2017.

COMPLIANCE WITH THE 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) 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. Having made specific enquiry to all Directors, the Company confirms that all Directors have complied with the Model Code.

AUDIT COMMITTEE

The Company has established the audit committee (the "**Audit Committee**") with written terms of reference. 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 Group's final results for the year ended December 31, 2017, including the accounting principles and practices adopted by the Group have been reviewed by all the members of the Audit Committee. 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.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there is no material subsequent event undertaken by the Company or by the Group after December 31, 2017 and up to the date of this announcement.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2017 as set out in this preliminary announcement have been agreed by the Company's auditor, PricewaterhouseCoopers (the "**Auditor**"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Auditor 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 the Auditor on this preliminary announcement.

ANNUAL GENERAL MEETING AND ANNUAL REPORT

The annual general meeting of the Company ("AGM") will be held on Wednesday, May 23, 2018. The notice of the AGM together with the annual report of 2017 and all other relevant documents will be despatched to Shareholders and published on the Company's website at www.hcclhealthcare.com and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk in due course.

CLOSURE OF REGISTER OF MEMBERS

For ascertaining Shareholders' right to attend and vote at the AGM, the register of members of the Company will be closed from May 15, 2018 to May 18, 2018, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the forthcoming AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on May 14, 2018 for registration.

By Order of the Board
Hospital Corporation of China Limited
Zhang Xiaopeng
Executive Director and Chief Executive Officer

Hong Kong, March 29, 2018

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.