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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, 2019**

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, 2019 (the “**Reporting Period**”), together with the comparative figures for the six months ended June 30, 2018 (the “**Corresponding Period of Previous Year**”).

**FINANCIAL HIGHLIGHTS**

	<b>Six months ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
	<i>RMB' 000</i>	<i>RMB' 000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	208,531	174,459
– Hospital management services	108,181	87,408
– General hospital services	98,301	86,680
– Wholesale of pharmaceutical products	2,049	371
Adjusted gross profit <sup>(1)</sup>	102,616	80,386
Adjusted net profit <sup>(2)(3)</sup>	52,767	49,115
Adjusted gross profit margin	49.2%	46.1%
Adjusted net profit margin <sup>(3)</sup>	25.3%	28.2%
<b>Adjusted items</b>		
Expenses of share-based awards and other one-off employee benefit expenses <sup>(2)(i)</sup>	2,923	31,540
Amortization of identifiable intangible assets identified in acquisitions <sup>(2)(iii)</sup>	15,250	—
Gains/(losses) on fair value change resulting from value change of convertible bonds and foreign exchange gains/(losses) <sup>(2)(ii)</sup>	62,029	(44,641)
Investing and financing related expenses <sup>(2)(iv)</sup>	1,698	9,110

**Six months ended June 30,**  
**2019**                      **2018**  
*RMB' 000*                      *RMB' 000*  
*(Unaudited)*                      *(Unaudited)*

Revenue	208,531	174,459
Gross profit <sup>(1)</sup>	84,443	53,846
Net profit/(loss) <sup>(2)</sup>	94,925	(36,176)
Basic earnings/(losses) per share in RMB	0.594	(0.280)

*Notes:*

- (1) The gross profit of the Group for the Reporting Period amounted to RMB84.4 million. The adjusted gross profit is calculated as gross profit for the Reporting Period, excluding the impact from expenses of share-based awards and other one-off employee benefit expenses and amortization of identifiable intangible assets identified in acquisitions.
- (2) The Group recorded a net profit of RMB94.9 million for the Reporting Period. The adjusted net profit (the “**Adjusted Net Profit**”) is calculated as profit for the period excluding the impact from certain items which are considered as non-operating by the management, including (i) the relevant expenses of share-based awards and other one-off employee benefit expenses of RMB2.9 million; (ii) the gains on the foreign exchange and relevant fair value changes of RMB41.0 million arising from conversion of Hong Kong dollar denominated convertible bonds issued by the Company into RMB, and foreign exchange gains of RMB21.0 million mainly arising from cash and cash equivalents; (iii) amortization of identifiable intangible assets identified in acquisitions of RMB15.3 million; and (iv) professional service fees of RMB1.7 million resulting from investing and financing activities (collectively, the “**Adjustments of Expenses**”). For calculation of the Adjusted Net Profit, relevant tax impacts of the adjusted items were not considered.
- (3) The adjusted items for the Corresponding Period of Previous Year did not consider the impact of the amortization of identifiable intangible assets identified in acquisitions of RMB 6.1 million on the Adjusted Net Profit. If this item is considered, the Adjusted Net Profit and adjusted net profit margin for the Corresponding Period of Previous Year are as follows, to which the Group did not make prior period adjustments in respect of the figures disclosed in the Corresponding Period of Previous Year:

**Six months ended June 30,**  
**2019**                      **2018**  
*RMB' 000*                      *RMB' 000*  
*(Unaudited)*                      *(Unaudited)*

Adjusted Net Profit	52,767	55,230
Adjusted net profit margin	25.3%	31.7%

## **INTERIM DIVIDEND**

The Board has recommended that no interim dividend be declared in respect of the Reporting Period.

## **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 (the "**Audit Committee**").

## Interim Condensed Consolidated Statement of Comprehensive Income

		<b>Six months ended June 30,</b>	
		<b>2019</b>	<b>2018</b>
	<i>Note</i>	<i>RMB' 000</i>	<i>RMB' 000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Revenue</b>	4	208,531	174,459
Cost of revenue		<u>(124,088)</u>	<u>(120,613)</u>
<b>Gross profit</b>		84,443	53,846
Selling expenses		–	(105)
Administrative expenses		(33,722)	(32,723)
Other gains/(losses) – net	5	42,579	(41,344)
Other income		<u>515</u>	<u>1,788</u>
<b>Operating profit/(loss)</b>		93,815	(18,538)
Finance income		25,246	423
Finance expense		<u>(6,122)</u>	<u>(8,635)</u>
<b>Profit/(loss) before income tax</b>		112,939	(26,750)
Income tax expense	6	<u>(18,014)</u>	<u>(9,426)</u>
<b>Profit/(loss) for the period</b>		94,925	(36,176)
Other comprehensive income		<u>–</u>	<u>–</u>
<b>Total comprehensive income/(loss) for the period</b>		<u><u>94,925</u></u>	<u><u>(36,176)</u></u>
<b>Attributable to:</b>			
Owners of the Company		82,029	(38,269)
Non-controlling interests		<u>12,896</u>	<u>2,093</u>
<b>Total comprehensive income/(loss) for the period</b>		<u><u>94,925</u></u>	<u><u>(36,176)</u></u>
<b>Earnings/(losses) per share for profit/(loss) attributable to owners of the Company</b>			
– Basic earnings/(losses) per share (in RMB)	7	<u>0.594</u>	<u>(0.280)</u>
– Diluted earnings/(losses) per share (in RMB)	7	<u>0.005</u>	<u>(0.280)</u>

## Interim Condensed Consolidated Balance Sheet

	<b>June 30, 2019</b>	<b>December 31,</b>
<i>Note</i>	<i>RMB'000</i>	<i>2018</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	146,616	143,940
Right-of-use assets	4,696	—
Intangible assets	2,921,307	2,936,539
Land use right	39,015	39,487
Deferred income tax assets	1,170	933
Other receivables, deposits and prepayments	2,452	3,243
	<u>3,115,256</u>	<u>3,124,142</u>
<b>Total non-current assets</b>		
<b>Current assets</b>		
Inventories	7,831	8,664
Contract assets	11,454	—
Trade receivables	8 37,553	33,822
Other receivables, deposits and prepayments	2,152	2,895
Amounts due from related parties	235,835	191,040
Financial assets at fair value through profit or loss	184,233	249,767
Cash and cash equivalents	881,397	195,521
	<u>1,360,455</u>	<u>681,709</u>
<b>Total current assets</b>		
	<u>1,360,455</u>	<u>681,709</u>
<b>Total assets</b>	<u><u>4,475,711</u></u>	<u><u>3,805,851</u></u>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	123	123
Share premium	435,304	432,993
Treasury shares	—	— <sup>(1)</sup>
Reserves	914,779	910,458
Retained earnings/(accumulated losses)	62,857	(19,172)
	<u>1,413,063</u>	<u>1,324,402</u>
<b>Non-controlling interests</b>	<u>356,478</u>	<u>343,582</u>
<b>Total equity</b>	<u><u>1,769,541</u></u>	<u><u>1,667,984</u></u>

(1) The balance stated above was less than RMB500.

## Interim Condensed Consolidated Balance Sheet (continued)

		<b>June 30, 2019</b>	<b>December 31,</b>
	<i>Note</i>	<i>RMB'000</i>	<b>2018</b>
		<i>(Unaudited)</i>	<i>(Audited)</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		136,502	173,923
Convertible bonds	9	1,714,985	1,073,856
Lease liabilities		2,022	–
Deferred income tax liabilities		350,498	350,512
Accruals, other payables and provisions		437	1,466
		<u>2,204,444</u>	<u>1,599,757</u>
<b>Total non-current liabilities</b>			
<b>Current liabilities</b>			
Trade payables	10	16,095	16,885
Accruals, other payables and provisions		72,604	137,836
Amounts due to related parties		27,634	40,136
Contract liabilities		70	549
Current income tax liabilities		37,016	31,212
Borrowings		125,125	89,692
Lease liabilities		2,382	–
Financial liability at amortised cost		220,800	221,800
		<u>501,726</u>	<u>538,110</u>
<b>Total current liabilities</b>			
<b>Total liabilities</b>			
		<u>2,706,170</u>	<u>2,137,867</u>
<b>Total equity and liabilities</b>			
		<u>4,475,711</u>	<u>3,805,851</u>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED 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, Uglund 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; (ii) provision of management and consultation services to not-for-profit hospitals and (iii) wholesale of pharmaceutical products 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 ordinary shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited on March 16, 2017.

The interim condensed consolidated financial information is presented in Renminbi ('RMB') and rounded to nearest thousand yuan, unless otherwise stated.

### 2 Basis of preparation

This interim condensed consolidated financial information for the six months ended June 30, 2019 has been prepared in accordance with International Accounting Standard ('IAS') 34, 'Interim financial reporting'. The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report and thus should be read in conjunction with the annual financial report of the Group for the year ended December 31, 2018, which have been prepared in accordance with International Financial Reporting Standards ('IFRS'), and any public announcements made by the Company during the six months ended June 30, 2019.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended December 31, 2018, as described in those annual financial statements, except for the adoption of new and amended standards as set out below.

#### (a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period, and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting IFRS 16 Leases.

The impact of the adoption of the leasing standard and the new accounting policies are disclosed in Note 3 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

### 3 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from January 1, 2019 in note 3(b) below.

The Group has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on January 1, 2019.

#### (a) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 4.9%.

	<b>2019</b> <b>RMB'000</b>
Operating lease commitments disclosed as at December 31, 2018	1,612
Discounted using the lessee's incremental borrowing rate of at the date of initial application	1,485
(Less): short-term leases recognised on a straight-line basis as expense	(602)
(Less): low-value leases recognised on a straight-line basis as expense	(8)
	<hr/>
<b>Lease liability recognised as at January 1, 2019</b>	<b>875</b>
	<hr/> <hr/>
Of which are:	
Current lease liabilities	277
Non-current lease liabilities	598
	<hr/>
	<b>875</b>
	<hr/> <hr/>

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	<b>June 30,</b> <b>2019</b> <i>RMB'000</i>	<b>January 1,</b> <b>2019</b> <i>RMB'000</i>
Properties	<hr/> 4,696	<hr/> 1,109
<b>Total right-of-use assets</b>	<hr/> <b>4,696</b> <hr/>	<hr/> <b>1,109</b> <hr/>

The change in accounting policy affected the following items in the balance sheet on January 1, 2019:

- right-of-use assets – increased by RMB1,109,000
- prepayments – decreased by RMB234,000
- lease liabilities – increased by RMB875,000.

There is no impact on retained earnings on January 1, 2019.



(i) *Impact on segment disclosures and earnings per share*

Segment assets and segment liabilities for June 2019 increased as a result of the change in accounting policy, while EBITDA decreased according to the policy change. Lease liabilities are now included in segment liabilities. The following segments were affected by the change in policy:

	<b>EBITDA</b> <i>RMB'000</i>	<b>Segment assets</b> <i>RMB'000</i>	<b>Segment liabilities</b> <i>RMB'000</i>
General hospital services	–	417	312
Wholesale of pharmaceutical products	–	953	875
Unallocated	(25)	3,326	3,217
	<u>(25)</u>	<u>4,696</u>	<u>4,404</u>

Earnings per share decreased by RMB0.004 per share for the six months to June 30, 2019 as a result of the adoption of IFRS 16.

(ii) *Practical expedients applied*

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

(b) *The Group's leasing activities and how these are accounted for*

The Group leases a warehouse, a retail store, an equipment and various offices. Rental contracts are typically made for fixed periods of 2 to 6 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets mainly comprise IT-equipment.

#### **4 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 three different segments which are subject to different business risks and different economic characteristics.

The Group assesses the performance of the operating segments based on a measure of earnings before interests, income tax, depreciation and amortisation ('EBITDA'). The Group's operating and reportable segments for segment reporting purpose are as follows:

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

Revenue from this segment is generated in the PRC and derived from hospital services provided by Jiande Hospital of Traditional Chinese Medicine Co., Ltd. ('Jiande Hospital') and Jiande Xinlin Pharmacy Co., Ltd. ('Xinlin Pharmacy') for the six months ended June 30, 2019.

For general hospital services, revenue primarily derives from highly diversified individual patients and no single patient contributed 1% or more of the Group's respective revenue for the six months ended June 30, 2019 and 2018, respectively.

**(b) Hospital management services**

Revenue from this segment is generated in the PRC and derived from providing comprehensive management services and receiving management service fee by Weikang Investment Management Co., Ltd. ('Weikang Investment'), Tibet Dazi Honghe Ruixin Business Management Co., Ltd. ('Honghe Ruixin'), Cixi Honghe Medical Management Co., Ltd. ('Cixi Honghe') and Zhejiang Honghe Zhiyuan Medical Technology Co., Ltd. ('Zhejiang Honghe Zhiyuan') who changed its registered name from "Zhejiang Guangsha Medical Technology Co., Ltd ('Guangsha Medical')" to "Zhejiang Honghe Zhiyuan Medical Technology Co., Ltd." on April 28, 2019.

Pursuant to the hospital management framework agreement and the letter of intent signed by Weikang Investment and Shanghai Yangsi Hospital ('Yangsi Hospital') on January 1, 2013 and October 8, 2014, respectively, the long-term hospital management agreement signed by Honghe Ruixin and Yangsi Hospital on January 1, 2016 and the annual hospital management agreements signed by Weikang Investment and Honghe Ruixin with Yangsi Hospital on January 1, 2019 and 2018, Weikang Investment and Honghe Ruixin provide management and consultancy services to Yangsi Hospital with a period of 50 years from 2016 to 2065 and the management fee will be calculated based on pre-set formulas set out in the annual hospital management agreement accordingly.

Cixi Honghe, a subsidiary of Cixi Hongai Medical Management Co., Ltd. ('Cixi Hongai'), entered into a letter of intent with Cixi Union Hospital ('Cixi Hospital') on February 1, 2018 and signed a supplemental agreement of the letter of intent with Cixi Hospital on March 7, 2018. Pursuant to the letter of intent, Cixi Honghe has provided management and consultancy services to Cixi Hospital with a period of 50 years from 2018 to 2067.

On March 26, 2018, Cixi Honghe entered into a 5-year hospital management agreement with Cixi Hospital covering the period from 2018 to 2022. Pursuant to the hospital management agreement, Cixi Honghe can derive management fee based on the pre-set formulas set out in the 5-year hospital management agreement.

Zhejiang Honghe Zhiyuan, a subsidiary of Oriental Ally Holdings Limited ('Oriental Ally'), entered into a 50-year hospital management letter of intent with Zhejiang Jinhua Guangfu Oncological Hospital ('Jinhua Hospital'), covering the period from January 1, 2017 to December 31, 2066. Pursuant to the Jinhua Hospital letter of intent, Zhejiang Honghe Zhiyuan has agreed to provide consultancy and management services to Jinhua Hospital, and Jinhua Hospital has agreed to pay Zhejiang Honghe Zhiyuan management service fees. The detailed service content and pricing are concluded and effective in a separate 3-year hospital management agreement which was signed by Zhejiang Honghe Zhiyuan and Jinhua Hospital on June 30, 2017, covering the period from January 1, 2017 to January 1, 2020. Pursuant to the 3-year hospital management agreement, the management fee has been calculated based on the pre-set formulas.

**(c) Wholesale of pharmaceutical products**

Revenue from this segment is generated in the PRC and is derived from wholesale of pharmaceutical products at Zhejiang Dajia Medicines Co., Ltd. ('DJ Medicines').

**(d) Unallocated**

The “Unallocated” category mainly represents the headquarter financial information.

Segment information about the Group’s reportable segments is presented below:

	General hospital services <i>RMB'000</i>	Hospital management services <i>RMB'000</i>	Wholesale of pharmaceutical products <i>RMB'000</i>	Elimination <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
<b>(Unaudited)</b>						
<b>Six months ended June 30, 2019</b>						
Segment revenue	98,301	108,181	2,948	(899)	–	208,531
Inter-segment revenue	–	–	(899)	899	–	–
Revenue from external customers	<u>98,301</u>	<u>108,181</u>	<u>2,049</u>	<u>–</u>	<u>–</u>	<u>208,531</u>
Timing of revenue recognition						
– At a point in time	46,419	–	2,049	–	–	48,468
– Over time	<u>51,882</u>	<u>108,181</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>160,063</u>
	<u>98,301</u>	<u>108,181</u>	<u>2,049</u>	<u>–</u>	<u>–</u>	<u>208,531</u>
EBITDA	1,079	90,213	(578)	479	–	91,193
Depreciation	(3,673)	(1,016)	(285)	–	(542)	(5,516)
Amortization	(3,787)	(11,858)	(191)	–	(46)	(15,882)
Finance (expense)/income	<u>(851)</u>	<u>124</u>	<u>4</u>	<u>–</u>	<u>(2,126)</u>	<u>(2,849)</u>
Unallocated income-net					45,993	45,993
(Loss)/profit before tax	<u>(7,232)</u>	<u>77,463</u>	<u>(1,050)</u>	<u>479</u>	<u>43,279</u>	<u>112,939</u>
<b>(Unaudited)</b>						
<b>As at June 30, 2019</b>						
Segment assets	414,247	1,588,475	3,557	–	851,665	2,857,944
Goodwill	<u>301,995</u>	<u>1,306,506</u>	<u>9,266</u>	<u>–</u>	<u>–</u>	<u>1,617,767</u>
Total assets	<u>716,242</u>	<u>2,894,981</u>	<u>12,823</u>	<u>–</u>	<u>851,665</u>	<u>4,475,711</u>
Total liabilities	<u>143,038</u>	<u>358,906</u>	<u>2,148</u>	<u>–</u>	<u>2,202,078</u>	<u>2,706,170</u>

	General hospital services <i>RMB'000</i>	Hospital management services <i>RMB'000</i>	Wholesale of pharmaceutical products <i>RMB'000</i>	Elimination <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
<b>(Unaudited)</b>						
<b>Six months ended June 30, 2018</b>						
Segment revenue	86,680	87,408	16,100	(15,729)	–	174,459
Inter-segment revenue	–	–	(15,729)	15,729	–	–
	<u>86,680</u>	<u>87,408</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Revenue from external customers	<u>86,680</u>	<u>87,408</u>	<u>371</u>	<u>–</u>	<u>–</u>	<u>174,459</u>
Timing of revenue recognition						
– At a point in time	42,364	–	371	–	–	42,735
– Over time	44,316	87,408	–	–	–	131,724
	<u>86,680</u>	<u>87,408</u>	<u>371</u>	<u>–</u>	<u>–</u>	<u>174,459</u>
EBITDA	2,110	42,396	3,218	(771)	–	46,953
Depreciation	(3,320)	(1,034)	(114)	–	(54)	(4,522)
Amortization	(3,680)	(2,768)	(190)	–	(32)	(6,670)
Finance (expense)/income	(717)	304	12	–	(6,852)	(7,253)
Unallocated cost-net					(55,258)	(55,258)
(Loss)/profit before tax	<u>(5,607)</u>	<u>38,898</u>	<u>2,926</u>	<u>(771)</u>	<u>(62,196)</u>	<u>(26,750)</u>
<b>(Unaudited)</b>						
<b>As at June 30, 2018</b>						
Segment assets	394,197	735,749	13,123	(657)	206,783	1,349,195
Goodwill	299,588	1,117,529	9,265	–	–	1,426,382
Total assets	<u>693,785</u>	<u>1,853,278</u>	<u>22,388</u>	<u>(657)</u>	<u>206,783</u>	<u>2,775,577</u>
Total liabilities	<u>153,875</u>	<u>138,885</u>	<u>8,445</u>	<u>–</u>	<u>717,638</u>	<u>1,018,843</u>

## 5 Other gains/(losses) - net

	Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net fair value gains/(losses) on convertible bonds	41,031	(43,682)
Net fair value gains on financial assets at fair value through profit or loss	3,196	2,415
Others	(1,648)	(77)
	<u>42,579</u>	<u>(41,344)</u>

## 6 Income tax expense

Subsidiaries established and operating in Mainland China are subject to the PRC corporate income tax at the rates of 15% or 25% (six months ended June 30, 2018: 15% or 25%) for the six months ended June 30, 2019.

	Six months ended June 30,	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax:		
– PRC corporate income tax	18,265	12,793
Deferred income tax	(251)	(3,367)
	<u>18,014</u>	<u>9,426</u>

### (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, 2018: 16.5%) for the six months ended June 30, 2019. No Hong Kong profits 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, 2019 and 2018.

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

The income tax rate of Tibet Honghe Zhiyuan Business Management Co., Ltd. ('Honghe Zhiyuan') and Honghe Ruixin was 15% (six months ended June 30, 2018: 15%) for the six months ended June 30, 2019. The income tax rate of other subsidiaries was 25% (six months ended June 30, 2018: 25%) for the six months ended June 30, 2019.

### (d) Withholding Tax

The withholding tax rate of Bliss Success Holdings Limited and Impeccable Success Limited was 10% (six months ended June 30, 2018: 10%) pursuant to PRC Enterprise Income Tax based on the remittance of dividends from subsidiaries in the PRC in the foreseeable future, respectively.

New Pride Holdings Limited ('New Pride') obtained the Certificate of Resident Status of Hong Kong Special Administrative Region and its subsidiary, Weikang Investment, completed the tax filing as the withholding agent of New Pride. After the tax filing, New Pride can get the tax treaty benefits with the preferential tax rate of 5% for the dividends declared by Weikang Investment instead of 10% when Weikang Investment settles the dividends in 2019. As at June 30, 2019, Weikang Investment has not yet settled the dividends declared in previous years.

The withholding tax rate of the dividends from other New pride's subsidiaries has been 10%.

## 7 Earnings/(losses) per share

### (a) Basic earnings/(losses) per share

Basic earnings/(losses) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended June 30, 2019 and 2018.

	<b>Six months ended June 30,</b>	
	<b>2019</b> <i>(Unaudited)</i>	<b>2018</b> <i>(Unaudited)</i>
Total profit/(loss) attributable to owners of the Company (RMB' 000)	82,029	(38,269)
Weighted average number of ordinary shares in issue (in thousands)	<u>138,121</u>	<u>136,457</u>
Basic earnings/(losses) per share (in RMB)	<u><u>0.594</u></u>	<u><u>(0.280)</u></u>

### (b) Diluted earnings/(losses) per share

Diluted earnings/(losses) per share is calculated by adjusting the profit/(loss) attributable to owners of the Company to assume conversion of the convertible bonds issued at March 5, 2018 and August 7, 2018 and adjusting the weighted average number of ordinary shares in issue considering conversion of the convertible bonds.

	<b>Six months ended June 30,</b>	
	<b>2019</b> <i>(Unaudited)</i>	<b>2018</b> <i>(Unaudited)</i>
Total profit/(loss) attributable to owners of the Company (RMB' 000)	82,029	(38,269)
Fair value change of the convertible bonds (RMB' 000)	<u>(80,994)</u>	<u>—</u>
Total profit/(loss) used to determine diluted earnings/(losses) per share (RMB' 000)	<u>1,035</u>	<u>(38,269)</u>
Weighted average number of ordinary shares in issue (in thousands)	138,121	136,457
Adjustment for calculation of diluted earnings per share :		
– Convertible bonds (in thousands)	<u>64,694</u>	<u>—</u>
Weighted average number of ordinary shares in issue and potential ordinary shares (in thousands)	<u>202,815</u>	<u>136,457</u>
Diluted earnings/(losses) per share (in RMB)	<u><u>0.005</u></u>	<u><u>(0.280)</u></u>

## 8 Trade receivables

	<b>As at June 30, 2019</b> <i>RMB' 000</i> <i>(Unaudited)</i>	<b>As at December 31, 2018</b> <i>RMB' 000</i> <i>(Audited)</i>
Trade receivables	40,112	34,822
Less: provision for impairment of trade receivables	<u>(2,559)</u>	<u>(1,000)</u>
Trade receivables – net	<u><u>37,553</u></u>	<u><u>33,822</u></u>

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

As at June 30, 2019 and December 31, 2018, the ageing analysis based on invoice date of the trade receivables was as follows:

	<b>As at June 30, 2019</b>	<b>As at December 31, 2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
1 – 90 days	30,453	28,843
91 – 180 days	2,606	2,150
181 days – 1 year	5,197	2,795
Over 1 year	1,856	1,034
	<u>40,112</u>	<u>34,822</u>

## 9 Convertible bonds

The movement of the convertible bonds are as follows:

	<b>Convertible Bonds</b>			
	<b>March 5, 2018</b>	<b>August 7, 2018</b>	<b>February 27, 2019</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at January 1, 2019</b>	430,241	643,615	–	1,073,856
Issuance of convertible bonds during the period	–	–	682,160	682,160
Difference between fair value and principal amount at initial recognition	2,318	(7,633)	120	(5,195)
Fair value change resulting from change in convertible bonds value	(35,931)	(44,686)	39,953	(40,664)
Accumulated amortization of difference between fair value and principal amount at initial recognition in the previous year	(642)	636	–	(6)
Aggregate difference yet to be recognised in (losses)/ gains at June 30, 2019	<u>(1,290)</u>	<u>6,234</u>	<u>(110)</u>	<u>4,834</u>
<b>As at June 30, 2019</b>	<u>394,696</u>	<u>598,166</u>	<u>722,123</u>	<u>1,714,985</u>

### (i) Convertible bonds issued on March 5, 2018

None of convertible bonds was converted into ordinary shares of the Company during the six months ended June 30, 2019.

As at June 30, 2019, the fair value of the convertible bonds was approximately HKD450,156,000, equivalent to approximately RMB395,986,000, which is determined by an independent qualified valuer.

### (ii) Convertible bonds issued on August 7, 2018

None of convertible bonds was converted into ordinary shares of the Company during the six months ended June 30, 2019.

As at June 30, 2019, the fair value of the convertible bonds was approximately HKD672,911,000, equivalent to approximately RMB591,932,000, which is determined by an independent qualified valuer.



**(iii) Convertible bonds issued on February 27, 2019**

On February 27, 2019, the Company issued convertible bonds in an aggregate principal amount of HKD800,000,000 (equivalent to approximately RMB682,160,000) in registered form in the denomination of HKD1.00 each. The convertible bonds will mature in five years from their issuance or can be converted into ordinary shares of the Company at the holder's option at the conversion price of HKD20.00 per conversion share (subject to adjustments to the conversion price). Upon maturity, the Company shall redeem in whole the convertible bonds with the redemption amount calculated in accordance with the following formula: principal amount of outstanding convertible bonds + principal amount of outstanding convertible bonds  $\times$  6%  $\times$  5.

The convertible bonds are designated as financial liabilities at fair value through profit or loss. The fair value of the convertible bonds on February 27, 2019 was HKD800,140,300, which is determined by an independent qualified valuer and approximated its principal amount.

Financial liabilities at fair value through profit or loss are measured at fair value at initial recognition with transaction cost charged to the profit or loss accounts. Subsequently, the fair values are remeasured, gains and losses from changes therein are recognised in the profit or loss account.

None of convertible bonds was converted into ordinary shares of the Company during the six months ended June 30, 2019.

As at June 30, 2019, the fair value of the convertible bonds was approximately HKD821,036,000, equivalent to approximately RMB722,233,000, which is determined by an independent qualified valuer.

**10 Trade payables**

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

	<b>As at June 30, 2019 RMB'000 (Unaudited)</b>	<b>As at December 31, 2018 RMB'000 (Audited)</b>
Within 90 days	11,520	10,474
91 to 180 days	1,820	4,807
181 days to 1 year	1,505	713
Over 1 year	1,250	891
	<u>16,095</u>	<u>16,885</u>

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

**11 Dividends**

The board of directors of the Company does not declare any dividends for the six months ended June 30, 2019 (six months ended June 30, 2018: nil).

## **BUSINESS REVIEW AND PROSPECTS**

In June 2019, ten national ministries and commissions jointly issued the Opinion on Promoting the Sustainable, Healthy and Standardized Development of Private Medical Institutions (《關於促進社會辦醫持續健康規範發展的意見》) in which requirements and provisions on various aspects, such as market entry, approval, mobility of talents and access to medical insurance, were explicitly stated, representing the highest level, most comprehensive and most authoritative policy-based support and standard in recent years for investment of private capital into the medical services sector, which created excellent policy assurance and normative guidelines for the effective implementation of the Group's development strategies. In July, the state government released the Healthy China Action Plan (2019 – 2030) (《健康中國行動(2019-2030)》) which provided huge market space for medical service enterprises, including the Group. Meanwhile, the pilot zones for “4+7” mass procurement of drugs being successively introduced at nationwide and regional levels have been expanded during the year, implementation of the hierarchical diagnosis and treatment (分級診療) has been continued, basic level diagnosis and classified treatment have been strengthened and developed, and payment by medical insurance represented by pilot cities formally established at national level for DRGS payment has entered into an era of refinement. All of these policies brought enormous historic development opportunities to private operations in the medical services sector.

Guided by the development strategy of “successful acquisition, well management, scale expansion (收到、管好、上量)”, the Group was dedicated to develop into a top-class value-creating medical group in the PRC under the “Three Conforming” (三符合) conditions of “conforming to the development patterns in the medical industry, the models of modern corporate governance and the construction standards for hospitals affiliated to universities”, and the Group's business recorded positive development during the Reporting Period.

### **The Group continued optimizing the merger and acquisition system, and conserving efforts for expansion through mergers and acquisitions**

The Group will continue to summarize the advanced experience at corporate and industry levels seriously, and adopt integrated measures, including strengthening the capabilities of an investment team, evaluating preliminary stages of mergers and acquisitions systematically, improving and enhancing the investment standards and criteria for the Group's projects, optimizing the merger and acquisition pipelines, and enhancing the investment standards and regulating framework, and to comprehensively rearrange resources that are reserved from existing projects, actively develop channels for pursuing projects, enhance the precision and timeliness of project evaluation, fully utilize the investment resources of Legend Holdings Corporation (as a long-term strategic investor of the Group) and Hony Capital, reinforce the efficient process for project screening and decision-making at corporate operational level, and ensure the achievement of breakthrough in investing in, merging with and acquiring more medical institutions of precious value.

During the first half of 2019, under the guidance of our overall strategy, the Group actively optimized the personnel structure of our investment team, studied and determined the regional investment strategies of the Group. Relying on the Group's investment principles and strategies in emphasizing operational capabilities, we established a standardized process for investment and determined the criteria of “three external focuses, three internal focuses and one core” for investment projects. Under the guidance of the aforesaid investment principles and framework, we actively pursued investments, mergers and acquisitions, including conducting systematic in-depth studies in and communicating with a number of potential acquisition targets previously identified, considering factors such as changes in the current medical investment market in China, acquisition consideration and overall development and strategies of the Group from an integrated perspective,

tracking potential acquisition targets and extending the time for in-depth research and studies. While conducting in-depth research and studies on the potential acquisition targets, the Group had conducted research studies on the proposed disposal of hospitals by two large-scale domestic medical groups and completed site inspections, initial screening and project verification on 33 other target hospitals located in Beijing, Shanghai, Zhejiang, Jiangsu, Guangdong, Fujian, Hunan, Hubei, Henan, Hebei, Shandong, etc. A reserve for investment projects has been established and the work at later stages of such projects will be actively pursued in the second half of 2019, which aim to achieve mergers, acquisitions and investment projects with regional coverage and special features favourable to the sustainable development of the Group, and establish a solid foundation to realize the strategic objectives of “successful acquisition, well management, scale expansion (收到、管好、上量)”.

At present, the number of hospital beds in the hospitals owned, managed or founded by the Group remains the same as that as at the end of 2018.

### **The Group continued improving the operation system and enhancing the value of hospitals**

The Group carried out integrated measures for the hospitals owned, managed and founded by the Group (the “**Group Hospitals**”) such as strategic positioning and streamlining, reinforcing cultural development, sending to the Group Hospitals ten key management tools, nurturing three categories of staffs and sending eight key systems to the Group Hospitals, assisting and guiding the Group Hospitals in attracting middle and high end talents, which formed a foundation for the rapid and healthy development of each Group Hospital.

During the Reporting Period, the Group fully adjusted the model of development for Group Hospitals, strengthened the Group’s approach to management control in “integrating investment and operation”, provided support and value-added services to Group Hospitals in various critical segments, which enhanced the entire operation, management and control standards of the Group and the Group Hospitals, enhanced the core hospital value of “improving level of medical skills, integrated service capabilities and patients’ treatment experience”. The basic business capability as represented by the volume of out-patient visits, in-patient visits and surgical operations were enhanced comprehensively by adopting integrated measures. The talent pools for various departments were strengthened by constantly nurturing and recruiting talents through multi-level, multi-channel, multi-tactic and multi-content measures. By increasing investments in basic medical facilities and special diagnostic technologies, the standard and level of basic medical projects and projects with special advantages were improved. Through systematic studies of the remuneration structure of employees of each of the Group Hospitals, making scientific adjustments according to the pace of development in the industry, motivation and creativity of the employees were enhanced. Through enhancing academic exchange and development of integrated businesses, the brand influence of the Group and the Group Hospitals were increased at multiple levels, which had effectively improved the overall operating efficiency and benefits of all Group Hospitals. It is expected that the overall operating efficiency and results of the Group Hospitals will continue to increase during the second half of 2019.

During the Reporting Period, the state government and various local governments have fully reinforced their control over the payment of medical insurance fees, in the context of a significant increase in competitive pressure in the medical industry, the volume of out-patient visits, in-patient visits and surgical operations of the Group Hospitals increased substantially during the first half of 2019, and achieved significant growth when compared with the Corresponding Period of Previous Year. During the first half of 2019, the Group Hospitals of the Group recorded approximately 1,311,487 out-patient visits, representing a 25% increase when compared with 1,047,000 out-patient visits for the Corresponding Period of Previous Year. The number of in-patient visits was approximately 45,499 during the Reporting Period, representing an increase of 153% when compared with 18,000 in-patient visits in the Corresponding Period of Previous Year. The number of surgical operations was approximately 8,641 during the Reporting Period, representing an increase of 233% when compared with 2,596 in the Corresponding Period of Previous Year. Since 2018 and especially since 2019, the Group has achieved remarkable results in improving the integrated operation and management of the Group Hospitals, which has laid a solid foundation for the healthy, stable and rapid growth of each Group Hospital in the future. It is expected that the volume of out-patient visits, in-patient visits and surgical operations of the Group Hospitals in 2019 will exceed that of 2018.

The Group will continue to increase management efforts to practically enhance our operating results, the key measures to be adopted include:

- (1) to continue strengthening the Group's scientific and efficient mechanism, model, standards and capabilities of the approach of "integrating investment and operation", to make a firm step forward in developing into a top-class value-creating medical group in the PRC under the "Three Conforming" (三符合) conditions and achieve substantive results;
- (2) to continue strengthening the building of merger and acquisition team for the Group's investment, continue expanding the reserves of available high-quality medical institutions that are acquisition targets, continue tracking closely key merger and acquisition projects, completing the relevant mergers and acquisitions with high standard, high quality, high efficiency and low costs, and striving to pursue high-quality merger and acquisition projects;
- (3) to establish a vertically consistent management system and enhance the operating and management efficiency by continuing to adjust the organizational structure of hospitals under the management of the Group;
- (4) to continue implementing practices by high-quality professional and technical experts at multiple sites in the Group Hospitals in accordance with national policies to achieve the sharing of core technology resources and the full utilization of the most valuable high-end human resources;
- (5) to continue reinforcing the building of key academic departments (profession or project), exploring development model and attaining milestone achievements;
- (6) to continue promoting the close integration of internet technology and medical diagnosis and treatment technology to achieve remote image diagnosis and pathological diagnosis resource sharing among the Group Hospitals, improve the efficiency of high-quality expert resources, and effectively reduce operating costs;
- (7) to increase the profit of and achieve new profit growth point in the Group Hospitals' business through continuing to develop advanced and specialized service projects, upgrade medical equipment on a timely basis, and promote out-patient service on holidays and specialized out-patient service;

- (8) to continue exploring diversified brand building strategies including academic exchange and market expansion strategies to further enhance the influence and branding of the hospitals;
- (9) to continue reducing operating costs effectively through improving the supply chain management capabilities across the Group Hospitals;
- (10) to continue strengthening the information-based construction within the Group and the Group Hospitals, integrating industry resources, and implementing strategic cooperation with high-quality information-based medical enterprises;
- (11) to continue promoting the application of management tools comprehensively, including the initiation and implementation of high-quality “academic assessments” and “annual business plans” completed by the Group and various Group Hospitals, in order to make sufficient and necessary preparation for high-quality breakthrough by the Group in 2020;
- (12) to lay a good foundation for the development of the Group’s financing by continuously strengthening the effective connection with the capital markets and increasing the brand awareness and influence of the Group in the capital markets; and
- (13) to continue regulating and managing the listed companies, strengthening the communication with regulators such as The Stock Exchange of Hong Kong Limited, and promoting integrated corporate governance to the next level.

## FINANCIAL REVIEW

### Results of Operations

During the Reporting Period, our revenue was RMB208.5 million, representing an increase of approximately 19.5% when compared with RMB174.5 million of the Corresponding Period of Previous Year, which was mainly attributable to an increase in management service fees derived from Cixi Union Hospital\* (慈溪協和醫院) (“**Cixi Hospital**”) and Zhejiang Jinhua Guangfu Oncological Hospital\* (浙江金華廣福腫瘤醫院) (“**Jinhua Hospital**”) and an increase in the amount of revenue from the provision of general hospital services by Jiande Hospital of Traditional Chinese Medicine Co., Ltd.\* (建德中醫院有限公司) (“**Jiande Hospital**”) to individual patients.

During the Reporting Period, our revenue from general hospital services increased to RMB98.3 million from RMB86.7 million in the Corresponding Period of Previous Year. Revenue for the Reporting Period increased mainly due to an increase in the amount of revenue from the provision of general hospital services by Jiande Hospital to individual patients.

Our revenue from the hospital management services segment included our revenue from the provision of hospital management services to Shanghai Yangsi Hospital\* (上海楊思醫院), Cixi Hospital and Jinhua Hospital. During the Reporting Period, the revenue from this segment was RMB108.2 million, representing an increase of 23.8% when compared with RMB87.4 million of the Corresponding Period of Previous Year. The increase in revenue was mainly attributable to the 158% increase in the management service fees derived by us from Cixi Hospital amounting to RMB9.8 million when compared with RMB3.8 million in the Corresponding Period of Previous Year, and RMB19.7 million of management service revenue from Jinhua Hospital in the Reporting Period upon acquisition of Oriental Ally Holdings Limited in July 2018.

Our Adjusted Gross Profit was RMB102.6 million for the Reporting Period excluding the impacts of expenses of share-based awards and other one-off employee benefit expenses as well as amortization of identifiable intangible assets identified in acquisitions, representing an increase of approximately 27.6% when compared with RMB80.4 million for the Corresponding Period of Previous Year, which was mainly attributable to an increase in management service fees derived from Cixi Hospital and Jinhua Hospital.

We have recorded an increase of approximately RMB112.3 million in operating profit from an operating loss of RMB18.5 million for the Corresponding Period of Previous Year to an operating profit of RMB93.8 million for the Reporting Period. This is mainly due to the increase in management service revenue derived from Jinhua Hospital and Cixi Hospital, and the increase in net fair value gains on the convertible bonds of the Group.

We recorded adjusted administrative expenses of RMB32.0 million for the Reporting Period, excluding the impact of professional service fees resulting from investing and financing activities and other one-off employee benefit expenses, representing an increase of 72.0% when compared with RMB18.6 million for the Corresponding Period of Previous Year, primarily due to an increase in employee benefit expenses for the Reporting Period when compared with the Corresponding Period of Previous Year.

We recorded adjusted finance expense (net) of RMB1.9 million for the Reporting Period, excluding the impact of foreign exchange gains mainly relating to cash and cash equivalents, representing a decrease of RMB5.4 million when compared with RMB7.3 million for the Corresponding Period of Previous Year, which was primarily due to an increase of RMB3.8 million in finance income for the Reporting Period when compared with the Corresponding Period of Previous Year and a decrease in loan interest expenses by RMB1.6 million when compared with the previous year.

For the Reporting Period, we have recorded an Adjusted Net Profit of RMB52.8 million, representing a decrease of approximately 4.3% when compared to the Adjusted Net Profit of RMB55.2 million for the Corresponding Period of Previous Year (after excluding the amortization of identifiable intangible assets identified in acquisitions in the Corresponding Period of Previous Year). Without taking into account the impact of the adjusted items, such decrease was mainly due to the increase in income tax expenses of RMB8.6 million when compared with the Corresponding Period of Previous Year (which is mainly due to the significant increase in the operating profit of the Group) and the increase in employee benefit expenses of RMB16.4 million when compared with the Corresponding Period of Previous Year, and such increase in expenses being partially offset by the increase in management service fees charged to Cixi Hospital and Jinhua Hospital.

## **Liquidity and Capital Resources**

As at June 30, 2019, our total equity was RMB1,769.5 million (as at December 31, 2018: RMB1,668.0 million). As at June 30, 2019, we had current assets of RMB1,360.5 million (as at December 31, 2018: RMB681.7 million) and current liabilities of RMB501.7 million (as at December 31, 2018: RMB538.1 million). As at June 30, 2019, our current ratio was 2.71, when compared with 1.27 as at December 31, 2018.

Our current assets increased by approximately RMB678.8 million from RMB681.7 million as at December 31, 2018 to RMB1,360.5 million as at June 30, 2019, primarily due to an improvement in our operating results and an increase in our cash balance upon our issuance of HKD800 million of convertible bonds on February 27, 2019. Our current liabilities decreased by RMB36.4 million from RMB538.1 million as at December 31, 2018 to RMB501.7 million as at June 30, 2019, primarily due to a decrease in accruals and other payables.

During the Reporting Period, our cash was mainly used as working capital. As at June 30, 2019, we had bank borrowings of RMB261.6 million (as at December 31, 2018: RMB263.6 million), and we had cash and cash equivalents of RMB881.4 million (as at December 31, 2018: RMB195.5 million). Our Directors believed that, after taking into account the financial resources available to us, including internally generated funds and the net proceeds from the global offering of the Company, we had sufficient working capital for our requirements. As at June 30, 2019, the Group did not have any other material or contingent liabilities or guarantees.

## **EVENTS AFTER THE REPORTING PERIOD**

Mr. Wei Kai (魏凱) had resigned as the non-executive Director of the Company and a member of the Audit Committee due to other work commitments with effect from July 24, 2019. Mr. Li Peng (李蓬) (“**Mr. Li**”) was appointed as non-executive Director of the Company with effect from July 24, 2019, who will hold office only until the first general meeting of the Company after his appointment and shall then be eligible for re-election at that general meeting, and thereafter subject to retirement by rotation at least once every three years at the annual general meeting in accordance with the memorandum and articles of association of the Company. The Board had appointed Mr. Li as a member of the Audit Committee with effect from July 24, 2019.

On July 24, 2019, the Company and Jinhua Hospital, a hospital managed by our Group, entered into a loan agreement. Pursuant to the loan agreement, the Company had conditionally agreed to grant a loan to Jinhua Hospital through the PRC subsidiaries of the Company, for a term of 36 months from the date of the relevant drawdown of the loan. The loan amount was RMB80 million, and the loan interest rate is 5.23% per annum which is subject to adjustment according to the applicable benchmark interest rates as published by the People’s Bank of China from time to time.

Save as disclosed, there is no material subsequent event undertaken by the Company or by the Group after June 30, 2019 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 Reporting Period, 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.

## **AUDIT COMMITTEE**

The unaudited results and the condensed consolidated financial statements of the Group for the Reporting Period have been reviewed by the Audit Committee. The Audit Committee consists of two independent non-executive Directors, Mr. Zhou Xiangliang (周向亮)(Chairman) and Mr. Shi Luwen (史錄文), and a non-executive Director, Mr. Li Peng (李蓬). 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 Reporting Period.

## **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](http://www.hkexnews.hk)) and the Company ([www.hcclhealthcare.com](http://www.hcclhealthcare.com)). The interim report of the Company for the Reporting Period will be dispatched to the shareholders of the Company and made available for viewing on the above websites in due course.

By Order of the Board  
**Hospital Corporation of China Limited**  
**Shan Guoxin**  
*Executive Director and Chief Executive Officer*

Beijing, China  
August 28, 2019

*As at the date of this announcement, the directors of the Company are Mr. SHAN Guoxin and Mr. LU Wenzuo being the executive Directors; Mr. ZHAO John Huan, Mr. LI Peng, 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.*

\* *For identification purpose only*