弘和仁愛

HOSPITAL CORPORATION

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

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 3869

2018 Interim Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director

Mr. Lu Wenzuo (陸文佐)

Non-executive Directors

Mr. Zhao John Huan (趙令歡) *(Chairman)*
Mr. Lin Sheng (林盛)
Ms. Liu Lu (劉路)
Ms. Wang Nan (王楠)

Independent Non-executive Directors

Ms. Chen Xiaohong (陳曉紅)
Mr. Shi Luwen (史錄文)
Mr. Zhou Xiangliang (周向亮)

AUDIT COMMITTEE

Mr. Zhou Xiangliang (周向亮) *(Chairman)*
Mr. Shi Luwen (史錄文)
Mr. Lin Sheng (林盛)

REMUNERATION COMMITTEE

Ms. Chen Xiaohong (陳曉紅) *(Chairman)*
Mr. Lin Sheng (林盛)
Mr. Zhou Xiangliang (周向亮)

NOMINATION COMMITTEE

Mr. Zhao John Huan (趙令歡) *(Chairman)*
Mr. Shi Luwen (史錄文)
Ms. Chen Xiaohong (陳曉紅)

COMPANY SECRETARY

Ms. Kwong Yin Ping Yvonne (鄺燕萍)

AUTHORISED REPRESENTATIVES

Mr. Lin Sheng (林盛)
Ms. Kwong Yin Ping Yvonne (鄺燕萍)

LISTING INFORMATION AND STOCK CODE

The Stock Exchange of Hong Kong Limited
(the "**Stock Exchange**")
Stock Code: 3869

HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA

Hospital Corporation of China Limited (the "**Company**", together with its subsidiaries, the "**Group**")
1602, Tower B, Jin Qiu International Building
No.6, Zhichun Road, Haidian District, Beijing
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2701, One Exchange Square
Central
Hong Kong

REGISTERED OFFICE

Maples Corporate Services Limited
PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

COMPANY'S WEBSITE

www.hcclhealthcare.com

AUDITOR

PricewaterhouseCoopers

HONG KONG LEGAL ADVISOR

Cleary Gottlieb Steen & Hamilton (Hong Kong)

COMPLIANCE ADVISOR

Halcyon Capital Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square, Grand Cayman
KY1-1102, Cayman Islands

FINANCIAL HIGHLIGHTS

	Six months ended June 30, 2018 RMB' 000 (Unaudited)	Six months ended June 30, 2017 RMB' 000 (Unaudited)
Revenue	**174,459**	88,209
– Hospital management services	**87,408**	70,971
– General hospital services	**86,680**	17,238
– Wholesale of pharmaceutical products	**371**	—
Adjusted Gross Profit (1)	**80,386**	60,399
Adjusted Net Profit (2)	**49,115**	45,202
Adjusted Gross Profit margin	**46.1%**	68.5%
Adjusted Net Profit margin	**28.2%**	51.2%
Adjusted basic earnings per share (in RMB) (3)	**0.345**	0.297
Adjusted items		
Share-based awards and other one off employee benefit expenses (2)(i)	**31,540**	18,421
Investing and financing related expenses (2)(ii) and (2)(iii)	**53,751**	29,214

	Six months ended June 30, 2018 RMB' 000 (Unaudited)	Six months ended June 30, 2017 RMB' 000 (Unaudited)
Revenue	**174,459**	88,209
Gross Profit (1)	**53,846**	41,978
Net Loss (2)	**(36,176)**	(2,433)
Loss per share (in RMB) (3)	**(0.280)**	(0.103)

Notes

(1) The gross profit of the Group for the six months ended June 30, 2018 (the "**Reporting Period**") amounted to RMB53.8 million. The adjusted gross profit is calculated as gross profit for the period, excluding the impact from the amortization and change in fair value of share-based awards as well as their related expenses ("**Adjusted Gross Profit**").

(2) The Group recorded a net loss of RMB36.2 million for the Reporting Period. The adjusted net profit (the "**Adjusted Net Profit**") is calculated as loss for the period excluding the impact from certain adjustments of expenses, which are considered non-recurring in nature by management, including (i) share-based awards and other one off employee benefit expenses of RMB31.5 million in relation to the Share Subscription Agreement signed by the Company and certain managements of the Company in March 2016, the Pre-IPO Share Appreciation Rights Scheme signed by the Company and certain managements of the Company in November 2016, the Service Contract signed by New Pride Holdings Limited, one of the Company's subsidiaries, and Mr. Lu Wenzuo in December 2016, the Agreement on the Grant of the Company's Share Award Scheme signed by Vanguard Glory Limited, the Company's parent company, and certain managements of the Company in October 2017, and other one off employee benefit expenses, (ii) fair value loss and exchange rate loss in relation to the convertible bonds issued by the Company of RMB43.7 million and exchange rate loss in relation to other items of RMB0.9 million, and (iii) professional service fees resulting from investing and financing activities of RMB9.1 million (collectively, the "**Adjustments of Expenses**"). For the calculation of the Adjusted Net Profit, relevant tax impacts of the adjusted items were not considered.

(3) The loss per share of the Group for the Reporting Period amounted to RMB0.280. The adjusted basic earnings per share is calculated as Adjusted Net Profit attributable to the owners of the Company for the period per share, in which relevant tax impacts of the adjusted items were not considered.

BUSINESS REVIEW AND PROSPECTS

Following China's steady economic growth, the per capita disposable income of Chinese residents has further increased. With the basic medical insurance becoming prevalent and the population ageing intensified, Chinese residents' willingness and ability to pay for medical services have increased notably. At the same time, China's medical policies reform has continued to advance, and policies in the direction of the three medical linkages among "medical care, medical insurance and medicines (三醫聯動)" have been gradually implemented. China's medical system is undergoing tremendous changes, and the development opportunities arising therefrom will create a good development environment for medical groups with rich experience, scale and economic advantages.

The Group closely followed the mainstream of the national healthcare reforms in response to the "Healthy China Plan" and seized the historic development opportunity of founding hospitals with non-governmental capital. During the Reporting Period, the Group's business development achieved promising results. Guided by the strategy of "acquiring, managing and scaling up (收到、管好、上量)":

The Group conducted continuous and rapid mergers and acquisitions to expand the business of the Group

Significant progress was made by the Group in mergers and acquisitions activities in the first half of 2018, the acquisition of Jiande Hospital of Traditional Chinese Medicine Co., Ltd.* (建德中醫院有限公司) ("**Jiande Hospital**") was completed and the provision of hospital management services to Cixi Union Hospital* (慈溪協和醫院) has commenced, both of these hospitals are class II general hospitals in Zhejiang. In early August 2018, we completed the acquisition of Oriental Ally Holdings Limited ("**Oriental Ally**"), whose indirect subsidiary Zhejiang Guangsha Medical Technology Co., Ltd.* (浙江廣廈醫療科技有限公司) currently provides hospital management services to Zhejiang Jinhua Guangfu Oncological Hospital* (浙江金華廣福腫瘤醫院), and is expected to provide hospital management services to Dongyang Guangfu Hospital* (東陽廣福醫院) and Yongkang Hospital* (永康醫院) in Zhejiang. The number of beds managed by hospitals owned or managed by the Group has expanded from approximately 800 at the beginning of the year to approximately 3,000 as at June 30, 2018. In the future, the Group will continue to focus on hospitals with advanced and specialized services located in areas with large population and good economic condition.

The Group continued to improve management to increase hospital value

The Group is committed to building a value-creating operation model of hospital investment and management that conforms to the development patterns of the medical industry, the principles of modern corporate governance and the construction standards of affiliated hospitals in universities. Through continuous strengthening of the culture development of the Group and its hospitals and strategic optimization and improvement of our employees' skill set, we promote healthy and rapid development from various aspects, and in turn continuously unlock the value of our hospitals. We will continue to increase the comprehensive investments in our hospitals, and actively support the hospitals in the development of new businesses, new technologies and new projects. While improving the quality of basic medical treatment, we will also focus on building and developing advanced and specialized services, and strive to build a medical group with industrial influence. Through the introduction of scientific management concepts, technologies and measures, we seek to comprehensively improve the management and governance of the Group and the hospitals in terms of their operational efficiency and brand influence, so that we will be able to effectively control operating costs, increase income and enhance profitability, as well as to create more social benefits and to realise corporate economic value. Regarding merger and acquisition activities, the Group will combine the cutting-edge experience of the Company and the industry, and will adopt comprehensive measures such as strengthening our investment team, integrating the resources from our professional teams, and improving our capabilities in project evaluation and judgment, in order to actively explore channels of new projects, to broaden our project source and to enhance our accuracy and timeliness in project evaluation, to ensure that we are able to complete more valuable acquisition projects, and to guarantee a solid project resource for the healthy and rapid development of the Group.

By adhering to our established strategies, we expanded our medical network and enhanced diversity in our medical services continuously. Our medical quality and management operating capabilities were improved. As at June 30, 2018, the Group managed and/or owned three hospitals in total.

In the first half of 2018, the Group recorded out-patient visits of approximately 1,047,000 persons, representing an increase of 8.7% as compared to the corresponding period in 2017 (the "**Corresponding Period**"). The number of in-patient visits was approximately 18,000 persons for the Reporting Period, representing an increase of 13.6% as compared to the Corresponding Period.

Number of visits	Yangsi Hospital			Cixi Union Hospital			Jiande Hospital		
	Reporting Period	Corresponding Period	Growth rate	Reporting Period	Corresponding Period	Growth rate	Reporting Period	Corresponding Period	Growth rate
Out-patients (in ten thousand persons)	80.1	73.5	9.0%	11.6	9.8	18.4%	13	13	0.0%
In-patients (persons)	12,078	10,617	13.8%	2,642	2,483	6.4%	3,792	3,196	18.6%

The Group will continue to step up its management efforts in its hospitals to practically improve operating results, including adopting the following key measures:

(1) continuous development of advanced and specialized services, talents training and equipment upgrading to improve the hospitals' business profit and generate new profit growth point;

(2) reinforcing supervision and inspection of hospitals by the academic committee of the hospitals, strengthening the management of hospital services and quality of medical services;

(3) exploring diversified marketing strategies such as academic marketing and sales marketing to enhance the influence and brand value of the hospitals;

(4) enhancing operating capabilities of the management team through provision of management training; and

(5) invigorating the development of hospitals through optimized performance evaluations and reformed incentive measures.

FINANCIAL REVIEW

RESULTS OF OPERATIONS

Revenue

Our revenue increased by approximately 97.8% from RMB88.2 million for the Corresponding Period to RMB174.5 million for the Reporting Period. The table below sets forth the Group's revenue by segment and by services category for the periods indicated:

	Six months ended June 30,	
	2018 *RMB' 000* *(Unaudited)*	2017 *RMB' 000* *(Unaudited)*
Revenue	174,459	88,209
– Hospital management services	87,408	70,971
– General hospital services	86,680	17,238
– Wholesale of pharmaceutical products	371	—

General hospital services

Revenue from our general hospital services segment increased significantly from RMB17.2 million for the Corresponding Period to RMB86.7 million for the Reporting Period. The revenue of the Group's general hospital services primarily derived from individual patients for the periods ended June 30, 2018 and 2017. The increase was mainly attributable to the acquisition of Jiande Hospital in January 2018, which is owned as to 70% indirectly by Jiande Hexu Enterprise Management Co., Ltd.* (建德和煦企業管理有限公司) ("**Jiande Hexu**"), and provides a larger revenue base than Shanghai Fuhua Hospital Co., Ltd.* (上海福華醫院有限公司) ("**Fuhua Hospital**") which was owned by the Group during the Corresponding Period but was later disposed in August 2017. During the Reporting Period, Jiande Hospital recorded 3,792 in-patient visits and approximately 130,000 out-patient visits, which is higher than the 314 in-patient visits and 30,632 out-patient visits recorded by Fuhua Hospital during the Corresponding Period.

Hospital management services

Revenue from our hospital management services segment, which consists of the provision of hospital management services to Yangsi Hospital and Cixi Union Hospital for the Reporting Period, increased by 23.1% from RMB71.0 million for the Corresponding Period to RMB87.4 million for the Reporting Period. The increase was mainly attributable to the increase of 19.1% in the management service fees received from Yangsi Hospital from RMB70.2 million for the Corresponding Period to RMB83.6 million for the Reporting Period, as well as the acquisition of Cixi Hongai Medical Management Co., Ltd.* (慈溪弘愛醫療管理有限公司) ("**Cixi Hongai**") in March 2018. During the Reporting Period and the Corresponding Period, the aggregate management service fee rate that we charged Shanghai Yangsi Hospital ("**Yangsi Hospital**") remained stable at 21.12%.

Wholesale of pharmaceutical products

Revenue from wholesale of pharmaceutical products is derived from the business of Zhejiang Dajia Medicines Co., Ltd.* (浙江大佳醫藥有限公司), which is indirectly owned as to 70% by Jiande Hexu and is principally engaged in the supply of pharmaceutical products to Jiande Hospital and third-party customers.

Adjusted Cost of Revenue

The Group's adjusted cost of revenue (calculated as cost of revenue for the period excluding the impact from share-based awards) for the Reporting Period was approximately RMB94.1 million, representing an increase of RMB66.3 million from RMB27.8 million for the Corresponding Period, mainly due to the addition of the cost of revenue of RMB78.9 million incurred by Jiande Hospital which was acquired by the Group in January 2018.

Adjusted Gross Profit

Our Adjusted Gross Profit increased by 33.1% from RMB60.4 million for the Corresponding Period to RMB80.4 million for the Reporting Period. The increase of the Adjusted Gross Profit of RMB20.0 million was mainly due to the increase of management service fees received from Yangsi Hospital, as well as the influence of the acquisition of Cixi Hongai and Jiande Hexu.

* *For identification purposes only*

Adjusted Administrative Expenses

We recorded an adjusted administrative expenses of RMB18.6 million for the Reporting Period, which is calculated as administrative expenses for the Reporting Period excluding the impact from professional service fees resulting from investing and financing activities and other one off employee benefit expenses of RMB14.1 million, representing an increase from RMB7.4 million for the Corresponding Period, primarily due to administrative expenses of RMB7.5 million incurred by Jiande Hospital which was acquired by the Group in January 2018.

Other Losses – Net

We recorded net other losses of RMB41.3 million for the Reporting Period comparing to that of RMB0.2 million for the Corresponding Period, mainly due to a fair value change resulting from change in convertible bonds value of RMB43.7 million.

Adjusted Financial Expenses (Net)

We recorded an adjusted financial expenses (net) of RMB7.3 million for the Reporting Period, which is calculated as financial expenses for the Reporting Period excluding the impact from exchange loss in relation to other items of RMB0.9 million, representing a turn from adjusted financial income (net) of RMB0.7 million for the Corresponding Period, mainly due to the financing interest expense incurred in relation to the bank borrowing used in the acquisition of Jiande Hexu.

Loss before Tax and Income Tax Expenses

As a result of the foregoing, the Group recorded a loss before tax of RMB26.8 million for the Reporting Period, comparing to the profit before tax of RMB7.4 million for the Corresponding Period.

The Group's income tax expenses for the Reporting Period was RMB9.4 million, representing a decrease of 4.0% from RMB9.8 million for the Corresponding Period due to the decrease in deferred income tax. The Group's income tax expenses amounted to 5.4% and 11.1% of the revenue for the Reporting Period and the Corresponding Period, respectively, representing a decrease of 5.7 percentage points.

Adjusted Net Profit

We recorded an Adjusted Net Profit of RMB49.1 million for the Reporting Period, representing an increase of 8.6% from the Adjusted Net Profit of RMB45.2 million for the Corresponding Period, primarily due to the increase of management service fees received from Yangsi Hospital as well as the influence of the acquisition of Cixi Hongai and Jiande Hexu.

LIQUIDITY AND CAPITAL RESOURCES

Our total equity as at June 30, 2018 was RMB1,756.7 million (as at December 31, 2017: RMB1,562.1 million). As at June 30, 2018, we had current assets of RMB544.5 million (as at December 31, 2017: RMB404.2 million) and current liabilities of RMB232.2 million (as at December 31, 2017: RMB149.8 million). The current ratio was 2.34 as at June 30, 2018 as compared to 2.70 as at December 31, 2017.

Our current assets have increased by RMB140.3 million from RMB404.2 million as at December 31, 2017 to RMB544.5 million as at June 30, 2018, primarily due to the improvement of operating performance. Besides, in order to improve capital efficiency, we purchased more financial assets of monetary funds with floating rates. Our current liabilities have increased by RMB82.4 million from RMB149.8 million as at December 31, 2017 to RMB232.2 million as at June 30, 2018 which was mainly due to increase in short term borrowings and amounts due to related parties of Jiande Hexu.

Our primary uses of cash in the Reporting Period were for investment in hospitals and as working capital. We had cash and cash equivalents of RMB264.8 million as at June 30, 2018 (as at December 31, 2017: RMB260.8 million), which are denominated in RMB. As at June 30, 2018, we had borrowings of RMB278.8 million (as at December 31, 2017: RMB238.5 million), comprised of secured bank loans, the details of which are included in Note 21 to the condensed consolidated financial information. The table below sets forth the maturity profile of our borrowings in the years indicated:

	Bank borrowings	
	2018	2017
	RMB'000	RMB'000
Within 1 year	86,418	23,846
Between 1 and 2 years	60,130	47,693
Between 2 and 5 years	132,287	166,925
	278,835	238,464

As of June 30, 2018, the net gearing ratio of the Company, which was calculated as interest bearing liabilities divided by total equity, was 15.9%. Our Directors believe 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 have sufficient working capital for our requirements. As at June 30, 2018, the Group did not have any material contingent liabilities or guarantees.

USE OF PROCEEDS FROM THE LISTING AND OTHER FUND RAISING ACTIVITIES

Proceeds from listing

The shares of the Company (the "**Shares**") were listed on the Stock Exchange on March 16, 2017 (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 in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated February 28, 2017 (the "**Prospectus**"). All unutilized amounts are deposited in licensed banks in Hong Kong and will be used in a manner that is consistent with that mentioned in the Prospectus and according to the needs of the Company from time to time. An analysis of the utilization of the net proceeds from the Listing Date up to June 30, 2018 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	5.88	45.34
– 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	10.30	17.64
– 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	0.55	32.04
Providing funding for our working capital, rental and property related expenses and other general corporate purposes	10%	46.56	46.56	—
	100%	465.60	296.09	169.51

Convertible Bonds

Given the needs of a substantial amount of funds for future acquisitions, on January 25, 2018, the Company entered into a subscription agreement with Vanguard Glory Limited (“**Vanguard Glory**”, who holds 70.19% issued share capital of the Company), pursuant to which the Company will issue, and Vanguard Glory will subscribe convertible bonds in the principal amount of HK$468 million (the “**Vanguard Convertible Bonds**”). With an initial conversion price of HK$18.00, the Vanguard Convertible Bonds can be converted into 26,000,000 ordinary shares of the Company.

The net proceeds (after deducting all relevant costs and expenses) from the Vanguard Convertible Bonds amounted to approximately HK$467 million. As at June 30, 2018, such net proceeds has been utilized as to approximately HKD405 million for the acquisition of Cixi Hongai in March 2018. The acquisition of equity interest in a hospital in Guangzhou is still in process. In order to improve the efficiency of capital use, HK$405 million was utilized in the acquisition of Cixi Hongai. The unutilized portion of the net proceeds of approximately HK$62 million as at June 30, 2018 had been placed into the Group’s bank accounts maintained with licensed banks in Hong Kong and is expected to be applied according to the use of proceeds as stated in the circular of the Company dated February 13, 2018. In case the abovesaid aquisition in Guangzhou will not proceed, the Company will use the unutilized portion of net proceeds in other aquisitions of hospitals or hospital management businesses by the Group. The Directors consider that this is fair and reasonable and is line with the interests of the Company and its shareholders as a whole. An analysis of the utilization of the net proceeds up to June 30, 2018 is set out below:

	Percentage to the total amount	Net proceeds HK$ million	Utilized amount HK$ million	Unutilized amount HK$ million
For acquisition of Cixi Hongai	45%	211	405	—
For potential acquisition of equity interest in a hospital in Guangzhou	55%	256	—	62
Total	100%	467	405	62

As at June 30, 2018, no Vanguard Convertible Bonds were converted to Shares. Details of the Vanguard Convertible Bonds have been disclosed in Note 22 to the condensed consolidated financial information in this interim report, as well as the announcement and circular of the Company dated January 25, 2018 and February 12, 2018, respectively.

EXPOSURE TO FOREIGN EXCHANGE RISK

Foreign currency risk is the risk that the value of a financial instrument fluctuates because of the changes in foreign exchange rates.

The Group mainly operates in the PRC with most of the transactions settled in RMB. Foreign exchange rate risk arises when recognized assets and liabilities are denominated in a currency that is not the entity's functional currency.

As at June 30, 2018, the Group was exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US dollars and HK dollars.

The Group has not used any derivative contracts to hedge against its exposure to currency risk. The Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future, as may be necessary.

PLEDGE OF GROUP ASSETS

Details of group assets pledged as security for bank borrowing as at June 30, 2018 are set out in Note 21 to the condensed consolidated financial information.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this interim report, as of June 30, 2018, the Group did not have any significant investment or future plans for material investments or capital assets.

EMPLOYEE AND REMUNERATION POLICIES

As at June 30, 2018, the Group had 420 full-time employees (as at June 30, 2017: 119). The increase was mainly due to the acquisition of Jiande 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 six months ended June 30, 2018, the total employee benefits expenses (including Directors' remuneration) were RMB76.6 million (first half of 2017: RMB31.7 million).

MATERIAL ACQUISITIONS, FINANCING ACTIVITY AND DISPOSALS

January 2018	New Pride Holdings Limited (捷穎控股有限公司) (“**New Pride**”), an indirect 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 at a total consideration of RMB483 million on October 27, 2017. The completion of this acquisition took place in January 2018.
January 25, 2018	The Company and Vanguard Glory entered into a subscription agreement, pursuant to which Vanguard Glory agreed to subscribe and the Company agreed to issue convertible bonds of the Company in an aggregate principal amount of HK$468,000,000. The transaction was approved by extraordinary general meeting of the Company held on March 2, 2018 and the convertible bonds were issued on March 5, 2018.
February 8, 2018	New Pride entered into an equity transfer agreement in relation to the acquisition of the entire equity interest in Cixi Hongai at a total consideration of RMB336 million. The completion of this acquisition took place in March 2018.
May 29, 2018	The Company entered into a share purchase agreement in relation to the acquisition of the entire issued share capital of Oriental Ally at a total consideration of RMB630 million (equivalent to approximately HK$773,879,717), which shall be satisfied by issue of convertible bonds in the aggregate principal amount of HK$773,879,717) to the seller. The completion of this acquisition took place in August 2018.

EVENTS AFTER THE REPORTING PERIOD

The Company acquired the entire issued share capital of Oriental Ally at the consideration of RMB630 million (equivalent to approximately HK$773,879,717), which shall be satisfied by the issue of convertible bonds in the principal amount of HK$773,879,717. The transaction was approved by extraordinary general meeting of the Company on July 10, 2018 and completion took place in August 2018.

Save as disclosed, there is no material subsequent event undertaken by the Company or by the Group after June 30, 2018 and up to the date of this report.

CONTINGENT LIABILITIES

As at June 30, 2018, the Group did not have any material contingent liabilities or guarantees.

INTERIM DIVIDEND

The board of Directors has recommended that no interim dividend be declared in respect of the six months ended June 30, 2018.

DIRECTORS AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATION

As at the date of this report, the interests or short positions of our Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) to be entered into the register required to be kept by the Company pursuant to Section 352 of the SFO, or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") were as follows:

Long positions in the Shares and underlying Shares of the Company

Name of Director	Capacity/Nature of interest	Number of Shares or underlying Shares	Approximate percentage of shareholding interest[4]
Mr. Zhao John Huan	Interest in controlled corporation	161,693,985 [1]	117.01%
	Deemed interests	2,500,000 [2]	1.81%
Ms. Liu Lu	Interest in controlled corporation	9,098,800 [3]	6.58%

Notes:

(1) This includes the Shares held by Mr. Zhao John Huan in respect of the convertible bonds for an aggregate principal amount of HK$1,241,879,717. For more details, please refer to the circular of the Company dated February 13, 2018.

(2) This includes the Shares held by Midpoint Honour Limited and pledged in favor of Hony Capital 2008 Management Limited which is indirectly controlled by Mr. Zhao John Huan.

(3) Ms. Liu Lu is a general partner of Hefei Kangyang Capital Management Partnership (Limited Partnership) (合肥康養資本管理合夥企業(有限合夥)), which holds 50% interests in Anhui Zhong'an Health Investment Management Co., Ltd. (安徽中安健康投資管理有限公司). Anhui Zhong'an Health Investment Management Co., Ltd. is the general partner of Anhui Zhong'an Health Elderly Care Services Industry Investment Partnership (Limited Partnership) (安徽省中安健康養老服務產業投資合夥企業(有限合夥)), which is a limited partnership formed under the laws of the PRC as an investment vehicle and holds 6.58% interests in the Company.

(4) Based on the total number of issued shares of the Company of 138,194,000 as at the date of this report.

Save as disclosed above, as of the date of this report, so far as is known to the Directors or chief executives of the Company, none of the Directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO, or (iii) as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the date of this report, the following persons (other than the Directors and chief executives of the Company) had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under Section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued Shares of the Company.

Long positions in the Shares and underlying Shares of the Company

Name of Shareholder	Capacity/Nature of interest	Number of Shares or underlying Shares	Approximate percentage of interest in the Company(5)
Vanguard Glory	Beneficial owner	123,000,000	89.01%
Hony Capital Fund V, L.P. (2)	Interest in controlled corporation	123,000,000	89.01%
Hony Capital Fund V GP, L.P. (2)	Interest in controlled corporation	123,000,000	89.01%
Hony Capital Fund V GP Limited (2)	Interest in controlled corporation	123,000,000	89.01%
Hony Group Management Limited (1) (2) (3)	Interest in controlled corporation; deemed interest	164,193,985	118.81%
Hony Managing Partners Limited (1) (2) (3)	Interest in controlled corporation; deemed interest	164,193,985	118.81%
Exponential Fortune Group Limited (1) (2) (3)	Interest in controlled corporation; deemed interest	164,193,985	118.81%
Hony Capital Fund VIII (Cayman), L.P. (3)	Beneficial owner	38,693,985	28.00%
Hony Capital Fund VIII GP (Cayman), L.P. (3)	Interest in controlled corporation	38,693,985	28.00%
Hony Capital Fund VIII GP (Cayman) Limited (3)	Interest in controlled corporation	38,693,985	28.00%

Name of Shareholder	Capacity/Nature of interest	Number of Shares or underlying Shares	Approximate percentage of interest in the Company[(5)]
Anhui Zhong'an Health Elderly Care Services Industry Investment Partnership (Limited Partnership) (安徽省中安健康養老服務產業投資合夥企業(有限合夥)) [(4)]	Beneficial owner	9,098,800	6.58%
Anhui Zhong'an Health Investment Management Co., Ltd. (安徽中安健康投資管理有限公司) [(4)] (**Anhui Zhong'an**)	Interest in controlled corporation	9,098,800	6.58%
Hefei Kangyang Capital Management Partnership (Limited Partnership) (合肥康養資本管理合夥企業(有限合夥)) [(4)]	Interest in controlled corporation	9,098,800	6.58%
Anhui Investment Group Holdings Co., Ltd. (安徽省投資集團控股有限公司) [(4)]	Interest in controlled corporation	9,098,800	6.58%
Mr. Niu Yang [(4)]	Interest in controlled corporation	9,098,800	6.58%

Notes:

(1) Aggregating the Shares held by Midpoint Honour and pledged in favor of Hony Capital 2008 Management Limited.

(2) Hony Capital Fund V, L.P. is an exempted limited partnership formed under the laws of the Cayman Islands as an investment vehicle. The general partner of Hony Capital Fund V, L.P. is Hony Capital Fund V GP, L.P., whose general partner is Hony Capital Fund V GP Limited. Hony Capital Fund V GP Limited is wholly owned by Hony Group Management Limited, 80% equity interest of which is held by Hony Managing Partners Limited, which in turn is wholly owned by Exponential Fortune Group Limited. Exponential Fortune Group Limited is held as to 49% by Mr. Zhao John Huan.

(3) Hony Capital Fund VIII (Cayman), L.P. is an exempted limited partnership formed under the laws of the Cayman Islands as an investment vehicle. The general partner of Hony Capital Fund VIII (Cayman), L.P. is Hony Capital Fund VIII GP (Cayman), L.P., whose general partner is Hony Capital Fund VIII GP (Cayman) Limited. Hony Capital Fund VIII GP (Cayman) Limited is wholly owned by Hony Group Management Limited, 80% equity interest of which is held by Hony Managing Partners Limited, which in turn is wholly owned by Exponential Fortune Group Limited. Exponential Fortune Group Limited is held as to 49% by Mr. Zhao John Huan.

(4) Anhui Zhong'an Health Elderly Care Services Industry Investment Partnership (Limited Partnership) is a limited partnership formed under the laws of the PRC as an investment vehicle. The general partner of Anhui Zhong'an Health Elderly Care Services Industry Investment Partnership (Limited Partnership) is Anhui Zhong'an. Anhui Zhong'an is jointly held as to 50% by Hefei Kangyang Capital Management Partnership (Limited Partnership) and as to 45% by Anhui Investment Group Holdings Co., Ltd.. Mr. Niu Yang is the general partner of Hefei Kangyang Capital Management Partnership (Limited Partnership).

(5) Based on the total number of issued shares of the Company of 138,194,000 as at the date of this report.

SHARE-BASED PAYMENT SCHEMES

Share Subscription Agreement

On March 31, 2016, the Company entered into a share subscription agreement (the "**Share Subscription Agreement**") with certain members of the management (collectively, the "**Management Subscribers**"), their respective investment holding companies, Midpoint Honour Limited (a shareholder of the Company collectively owned by the investment holding companies of the Management Subscribers) ("**Midpoint Honour**"), Hony Capital 2008 Management Limited (a management company established by Hony Capital and an affiliate of the Company), and Vanguard Glory, a shareholder of the Company.

Pursuant to the Share Subscription Agreement and its subsequent amendments, the Company allotted and issued 300 new shares to Midpoint Honour (the "**Subscription Shares**"), representing 3% of the Company's then issued ordinary shares for RMB31,152,000, and such Subscription Shares will be treated as treasury shares. Pursuant to the Share Subscription Agreement (as amended), Midpoint Honour is subject to lock-up restrictions and shall put back the Subscription Shares to us, when any one of the Management Subscribers resign with our consent, with a consideration equal to the subscription consideration plus interests where available (the "**Put Back Consideration**"). As a result, it is accounted for as a share option scheme in accordance with relevant accounting standards, under which the Management Subscribers were granted 300 share options and the Group receives services from the Management Subscribers. The exercise price of the granted options is equal to the Put Back Consideration. The granted share options were considered as equity-settled share-based payment to the subscriber. On March 15, 2018, pursuant to the Share Subscription Agreement (as amended), the first batch of unlocked treasury shares were vested to the respective Management Subscribers. Upon the resignation of Mr. Zhang Xiaopeng ("**Mr. Zhang**") as an executive Director on May 23, 2018, the Company decided not to exercise its right to repurchase the relevant Shares attributable to Mr. Zhang that were subject to lock-up restrictions under the Share Subscription Agreement. The share-based compensation expense related to the Share Subscription Agreement of RMB2,223,000 and RMB4,218,000 were recognized as "cost of revenue" for the six months ended June 30, 2017 and 2018, respectively.

Options are conditional on the employees completing the first year and second year's services, which are the vesting period. The options are exercisable starting 12 months or 24 months from the Listing Date.

Pre-IPO Share Appreciation Rights Scheme

At the end of June 2016, the key terms and conditions of a share appreciation rights scheme prior to the initial public offering (the "**Pre-IPO SARs Scheme**") were discussed with all employees concerned. The employees concerned were also informed that the Pre-IPO SARs Scheme was subject to board approval, which was obtained in November 2016.

On November 28, 2016, the Board of the Company approved the Pre-IPO SARs Scheme which enables the Company to grant share appreciation rights to Mr. Zhang Xiaopeng, Mr. Zang Chuanbo, Ms. Ding Yue, Ms. Kan Ruihan (collectively referred to as the "**Pre-IPO SARs Grantees**").

Pursuant to the Pre-IPO SARs Scheme, the Company granted 2,500,000 notional shares to the Pre-IPO SARs Grantees entitling them to receive cash payments based on the appreciation of the notional shares over a vesting period starting from June 30, 2016. Pursuant to the lock-up restrictions provided in the Pre-IPO SARs Scheme, from March 15, 2018, the first batch, which is 25% of the total notional shares were free to be vested. Upon the resignation of Mr. Zhang, the remaining 75% locked-up notional shares granted to him lapsed pursuant to the Pre-IPO SARs Scheme. Share-based compensation expenses related to the Pre-IPO SARs Scheme of RMB2,898,000 was recognized as "cost of revenue" for the six months ended June 30, 2018 (first half of 2017: RMB2,030,000).

Service Contract with Mr. Lu Wenzuo

Pursuant to a service contract between New Pride and Mr. Lu Wenzuo (the "**Service Contract**"), New Pride conditionally granted certain awards to Mr. Lu Wenzuo if he could work for Weikang Investment and provide hospital management services to Yangsi Hospital as the hospital administrator until December 31, 2017. On May 30, 2018, pursuant to an exercise notification from Mr. Lu Wenzuo to New Pride, Mr. Lu Wenzuo confirmed that he chose to settle the awards in shares rather than in cash. Pursuant to the Service Contract, the fair value of the debt component of the awards amounting to RMB40,500,000 was recognised as capital reserve upon the date of the exercise notification. Share-based compensation expense related to the share award of Mr. Lu Wenzuo of RMB7.3 million was recognized as "cost of revenue" for the six months ended June 30, 2018 (first half of 2017: RMB13.4 million).

Share Incentive Scheme

On October 24, 2017, Vanguard Glory entered into a share incentive scheme (the "**Share Incentive Scheme**") with each of Mr. Zhang Xiaopeng, Mr. Zang Chuanbo, Ms. Ding Yue, Ms. Sun Congshan, Mr. Zou Ran and Ms. Kan Ruihan (collectively referred to as the "**Share Incentive Grantees**") respectively. Pursuant to the Share Incentive Scheme, Vanguard Glory granted 6,412,201 share awards to the Share Incentive Grantees entitling them to subscribe Shares held by Vanguard Glory at the exercise price of HK$14.35 per share, subject to certain lock-up restrictions. RMB12,124,000 was recognized as "cost of revenue" for the six months ended June 30, 2018 (first half of 2017: nil). Pursuant to a termination agreement in regards of Mr. Zhang's resignation, all of the share awards granted by Vanguard Glory to Mr. Zhang would remain in effect after his resignation with an accelerated vesting schedule. The share-based compensation expenses in relation to the share awards granted to Mr. Zhang for the six months ended June 30, 2018 was recognised as capital reserve upon his resignation.

Post-IPO Share Appreciation Rights Scheme

We adopted a post-IPO share appreciation rights scheme (the "**Post-IPO SARs Scheme**") on December 13, 2016 to enable the Company to grant the Post-IPO Share Appreciation Rights (the "**Post-IPO SARs**") to Post-IPO SARs Eligible Participants (as defined below) as rewards or returns for their contribution or potential contribution to the Company and/or any of the subsidiaries. The Post-IPO SARs Scheme does not involve the grant of options over new securities of the Company. Under the scheme, directors, employees, advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture partners and service providers of the Company or any of the subsidiaries (the "**Post-IPO SARs Eligible Participants**") who, in the sole opinion of the Board, have contributed to the Company and/or any of the subsidiaries will be entitled to receive cash payments determined based on the appreciation of the notional Shares over a specified period pursuant to the Post-IPO SARs Scheme. The Post-IPO SARs Eligible Participants who accepted the offer do not have any voting rights or rights to dividends entitled by the Shareholders.

Details of the Post-IPO SARs Scheme were set out in the Prospectus. Since the Listing Date and up to the date of this interim report, no Post-IPO SARs had been granted under the Post-IPO SARs Scheme.

Save as disclosed above or otherwise in this interim report, the Company does not have other share option schemes.

PUBLIC FLOAT

Based on information that was publicly available to the Company and to the best knowledge of the Board, as at the date of this report, the Company maintained the public float requirement as prescribed under the Listing Rules of not less than 25%.

CHANGES TO DIRECTORS' INFORMATION

Save as disclosed below or otherwise in this interim report, the directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

As at the date of this report, apart from being a non-executive director and chairman of the Company, Mr. Zhao John Huan (趙令歡) is also a non-executive director of Lenovo Group Limited (Stock Code: 0992), a non-executive director of China Glass Holdings Limited (Stock Code: 3300), a director and an executive vice president of Legend Holdings Corporation (Stock Code: 3396), a non-executive director of Zoomlion Heavy Industry Science and Technology Co., Ltd. (Stock Code: 1157) and an executive director, the chairman of the board and the chief executive officer of Best Food Holding Company Limited (Stock Code: 1488), which are listed on the Stock Exchange. He is also a director of Shanghai Jin Jiang International Hotels Development Co., Ltd. (Stock Code: 600754 (A shares) and 900934 (B shares)) and a director of ENN Ecological Holdings Co. (Stock Code: 600803), which are listed on the Shanghai Stock Exchange.

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 Listing Rules. Except for the disclosed below, the Directors 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.

Following the resignation of Mr. Zhang Xiaopeng as Chief Executive Officer with effect from May 23, 2018, Mr. Zhao John Huan, who is the Chairman of the Board, served as the Acting Chief Executive Officer. Upon the appointment of Mr. Shan Guoxin as the Chief Executive Officer of the Company with effect from June 5, 2018, Mr. Zhao John Huan ceased to act as the Acting Chief Executive Officer of the Company. As such, the roles of Chairman and Chief Executive Officer are separated and the Company has re-complied with the provision A.2.1 of the CG Code since then.

COMPLIANCE WITH MODEL CODE

The Company has adopted a code of conduct regarding the transactions of securities of the Company by the Directors and the relevant employees (who likely possess inside information of the Company) (the "**Securities Dealing Code**") on terms no less stringent than the required standard set out in the Model Code. Having made specific enquiry to all Directors, the Company confirms that all Directors have complied with the Securities Dealing Code and the Model Code during the Reporting Period.

AUDIT COMMITTEE

The unaudited results and the condensed consolidated financial statements of the Group for the six months ended June 30, 2018 have been reviewed by the audit committee of the Company (the "**Audit Committee**"). The Audit Committee consists of two independent non-executive Directors, Mr. Zhou Xiangliang (Chairman) and Mr. Shi Luwen, and a non-executive Director, Mr. Lin Sheng. The Audit Committee is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and all other applicable legal requirements.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2018.

FINANCIAL INFORMATION

The Group's interim results for the six months ended June 30, 2018 have not been audited but have been reviewed by the Group's external auditor, PricewaterhouseCoopers, and by the Audit Committee.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF HOSPITAL CORPORATION OF CHINA LIMITED
(incorporated in Cayman with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 25 to 74, which comprises the interim condensed consolidated balance sheet of Hospital Corporation of China Limited (the 'Company') and its subsidiaries (together, the 'Group') as at June 30, 2018 and the interim condensed consolidated statements of comprehensive income, the interim condensed consolidated statement of changes in equity and the intern condensed consolidated cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 'Interim Financial Reporting'. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, August 27, 2018

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended June 30, 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Revenue	6	174,459	88,209
Cost of revenue		(120,613)	(46,231)
Gross profit		53,846	41,978
Selling expenses		(105)	—
Administrative expenses		(32,723)	(28,252)
Other losses—net	7	(41,344)	(232)
Other income	8	1,788	1,623
Operating (loss)/profit		(18,538)	15,117
Finance income	9	423	662
Finance expense	9	(8,635)	(8,393)
(Loss)/Profit before income tax		(26,750)	7,386
Income tax expense	10	(9,426)	(9,819)
Loss for the period		(36,176)	(2,433)
Other comprehensive income		—	—
Total comprehensive loss for the period		(36,176)	(2,433)
Attributable to:			
Owners of the Company		(38,269)	(12,291)
Non-controlling interests		2,093	9,858
Total comprehensive loss for the period		(36,176)	(2,433)
Loss per share from loss attributable to owners of the Company			
– Basic and diluted loss per share (in RMB)	11	(0.280)	(0.103)

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	June 30, 2018 RMB'000 (Unaudited)	December 31, 2017 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	146,746	18,383
Intangible assets	13	2,039,964	1,059,402
Land use right	13	39,957	—
Deferred income tax assets	23	4,403	—
Other receivables, deposits and prepayments	15	—	483,506
Total non-current assets		2,231,070	1,561,291
Current assets			
Available-for-sale financial assets	5.3	—	17,396
Financial assets at fair value through profit or loss	5.3	146,661	—
Inventories		9,695	—
Contract assets		13,099	—
Trade receivables	14	28,768	—
Other receivables, deposits and prepayments	15	1,761	80,202
Amounts due from related parties	16	79,718	45,840
Cash and cash equivalents		264,805	260,787
Total current assets		544,507	404,225
Total assets		2,775,577	1,965,516
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	123	123
Share premium	17	432,993	404,021
Treasury shares	17	—*	(3)
Reserves	18	1,125,939	1,070,628
Retained earnings		1,075	39,344
		1,560,130	1,514,113
Non-controlling interests		196,604	48,012
Total equity		1,756,734	1,562,125

* The balance stated above was less than RMB500.

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

	Note	June 30, 2018 RMB'000 (Unaudited)	December 31, 2017 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	21	**192,417**	214,618
Convertible bonds	22	**422,388**	—
Deferred income tax liabilities	23	**169,641**	35,633
Accruals, other payables and provisions	20	**2,217**	3,311
Total non-current liabilities		**786,663**	253,562
Current liabilities			
Borrowings	21	**86,418**	23,846
Amounts due to related parties	16	**36,103**	3,186
Contract liabilities		**470**	—
Trade payables	19	**16,491**	—
Accruals and other payables	20	**86,166**	113,662
Current income tax liabilities		**6,532**	9,135
Total current liabilities		**232,180**	149,829
Total liabilities		**1,018,843**	403,391
Total equity and liabilities		**2,775,577**	1,965,516

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 25 to 74 were approved by the Board of Directors on August 27, 2018 and were signed on its behalf.

Zhao John Huan **Lin Sheng**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company						Attributable to non-controlling interests	Total equity
		Share capital	Treasury share	Share premium	Reserves (Note 18)	Retained earnings	Sub-total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)									
Balance at January 1, 2018		123	(3)	404,021	1,070,628	39,344	1,514,113	48,012	1,562,125
Comprehensive loss									
– (Loss)/Profit for the period		—	—	—	—	(38,269)	(38,269)	2,093	(36,176)
Non-controlling interests on acquisition of subsidiaries	26	—	—	—	—	—	—	146,499	146,499
Share vested under the share-based payments	17&18	—	3	28,972	40,500	—	69,475	—	69,475
Share-based payments-share subscription agreement	18	—	—	—	2,687	—	2,687	—	2,687
Share-based payments-share option scheme	18	—	—	—	12,124	—	12,124	—	12,124
Balance at June 30, 2018		123	—*	432,993	1,125,939	1,075	1,560,130	196,604	1,756,734

* The balance stated above was less than RMB500.

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Note	Attributable to owners of the Company						Attributable to non-controlling interests	Total equity
		Share capital RMB'000	Treasury share RMB'000	Share premium RMB'000	Reserves (Note 18) RMB'000	Retained earnings RMB'000	Sub-total RMB'000	RMB'000	RMB'000
(Unaudited)									
Balance at January 1, 2017		65	(2)	—	1,058,416	60,597	1,119,076	41,867	1,160,943
Comprehensive income									
– (Loss)/Profit for the period		—	—	—	—	(12,291)	(12,291)	9,858	(2,433)
Repurchase and cancellation of ordinary shares	17	(65)	2	—	63	—	—	—	—
Issuance of ordinary shares to then shareholders	17	—	—	—	—	—	—	—	—
Capitalization issue	17	89	(3)	(86)	—	—	—	—	—
Issuance of new ordinary shares upon global offering and exercise of over-allotment option	17	34	—	434,827	—	—	434,861	—	434,861
Share issuance cost	17	—	—	(30,720)	—	—	(30,720)	—	(30,720)
Share-based payments		—	—	—	2,323	—	2,323	—	2,323
Balance at June 30, 2017		123	(3)	404,021	1,060,802	48,306	1,513,249	51,725	1,564,974

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended June 30, 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		55,518	42,727
Income tax paid		(18,269)	(7,818)
Interests received	9	423	662
Net cash generated from operating activities		37,672	35,571
Cash flows from investing activities			
Purchase of property, plant and equipment		(18,950)	(775)
Purchase of monetary funds	5.3(a)	(155,000)	(93,100)
Payment for acquisition of subsidiaries, net of cash acquired		(304,318)	—
Payment professional fees for acquisition		(3,648)	—
Payment for deposit on acquisition of subsidiaries		(35,000)	—
Loans to related parties		(42)	—
Increase of structured deposits		—	(30,000)
Proceeds from disposal of financial assets at fair value through profit or loss	5.3(a)	29,650	12,200
Refund of acquisition deposit		80,000	—
Interest received on financial assets at fair value through profit or loss		—	90
Net cash used in investing activities		(407,308)	(111,585)
Cash flows from financing activities			
Proceeds from borrowing		40,000	—
Proceeds from convertible bonds	22	378,706	—
Proceeds from issuance of new ordinary shares	18	—	434,861
Repayment to related parties		(35,555)	—
Repayment of borrowing		(1,639)	—
Payment of loan interests	9	(7,676)	—
Payment for share issuance costs		—	(20,422)
Dividend and withholding tax paid		(2,115)	(2,808)
Net cash received from financing activities		371,721	411,631
Net increase in cash and cash equivalents		2,085	335,617
Cash and cash equivalents at beginning of period		260,787	129,332
Effects of exchange rate changes on cash and cash equivalents		1,933	(8,393)
Cash and cash equivalents at end of the period		264,805	456,556

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION

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

The Company, together with its subsidiaries (collectively referred to as 'the Group'), are principally engaged in (i) operation and management of its privately owned hospital; (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 Company has its primary listing on The Stock Exchange of Hong Kong Limited on March 16, 2017.

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

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended June 30, 2018 has been prepared in accordance with International Accounting Standard ('IAS') 34, 'Interim financial reporting'. The condensed consolidated interim 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 information of the Group for the year ended December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards ('IFRS').

The accounting policies adopted are consistent with those of the annual financial statements for the year ended December 31, 2017, as described in those annual financial statements, except for the adoption of new and amended standards as set out below.

2 BASIS OF PREPARATION– *continued*

(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 the following standards:

- IFRS 9 Financial Instruments, and
- IFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards 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.

(b) Impact of standards issued but not yet applied by the Group

IFRS 16 Leases

IFRS 16 was issued in January 2016. It will results in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments amounting to RMB3,133,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

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

The standard is mandatory for first interim periods within annual reporting periods beginning on or after January 1, 2019. The Group does not intend to adopt the standard before its effective date.

3 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from January 1, 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

As explained in note 3(b) and 3(d) below, IFRS 9 and IFRS 15 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new classification rules of financial instruments are therefore recognised in the opening balance sheet on January 1, 2018. The adjustment arising from new impairment rules of IFRS 9 is not recognised as the impact is immaterial.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Balance sheet (extract)	December 31, 2017 As originally presented RMB'000	Reclassification under IFRS 9 RMB'000	Reclassification under IFRS 15 RMB'000	January 1, 2018 Restated RMB'000
Current assets				
Financial assets at fair value through profit or loss ('FVPL')	—	17,396	—	17,396
Available-for-sale financial assets	17,396	(17,396)	—	—
Total assets	1,965,516	—	—	1,965,516

3 CHANGES IN ACCOUNTING POLICIES– *continued*

(b) IFRS 9 Financial Instruments – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from January 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 3(c) below. In accordance with the transitional provisions in IFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated with the exception of certain aspects of hedge accounting.

(i) Classification and measurement

On January 1, 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification is the investment in monetary funds with floating rates with a fair value of RMB17,396,000 were reclassified from available for sale to financial assets at FVPL, as the contractual cash flows of these investments do not represent solely payments of principal and interest.

Other financial assets including receivables are required to be classified as financial assets at amortised cost under IFRS 9. There was no impact on the amounts recognised in relation to these assets from the adoption of IFRS 9.

(ii) Impairment of financial assets

The Group has three types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade receivables from the provision of general hospital services
- trade receivables for wholesales of pharmaceutical products
- trade receivable and contract assets relating to hospital management contracts

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is immaterial.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

3 CHANGES IN ACCOUNTING POLICIES– *continued*

(b) IFRS 9 Financial Instruments – Impact of adoption– *continued*

Trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

As the impact of adoption of IFRS 9 is immaterial, the adjustment is therefore not restated in the balance sheet as at December 31, 2017 but are recognised in the opening balance sheet on January 1, 2018.

(c) IFRS 9 Financial Instruments – Accounting policies applied from January 1, 2018

(i) Initial recognition

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus, in the case of a financial asset or financial liability not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset or financial liability. Transaction costs of financial assets and financial liability carried at FVPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss ('ECL') allowance is recognised for financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income ('FVOCI'), which results in an accounting loss being recognised in profit or loss.

3 CHANGES IN ACCOUNTING POLICIES– *continued*

(c) IFRS 9 Financial Instruments – Accounting policies applied from January 1, 2018– *continued*

(ii) Classification and subsequent measurement

Financial assets

From January 1, 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ('OCI'), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change.

3 CHANGES IN ACCOUNTING POLICIES– *continued*

(c) IFRS 9 Financial Instruments – Accounting policies applied from January 1, 2018– *continued*

(ii) Classification and subsequent measurement– continued

Debt instruments

Classification and subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

3 CHANGES IN ACCOUNTING POLICIES– *continued*

(c) IFRS 9 Financial Instruments – Accounting policies applied from January 1, 2018– *continued*

(ii) Classification and subsequent measurement– continued

Equity instruments

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI.

At initial recognition, the Group may make an irrevocable election to present in OCI subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recoginsed by an acquirer in a business combination.

Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Financial liabilities

In both the current and prior period, financial liabilities of the Group are classified as subsequently measured at amortised cost.

3 CHANGES IN ACCOUNTING POLICIES– *continued*

(c) IFRS 9 Financial Instruments – Accounting policies applied from January 1, 2018– *continued*

(iii) Derecognition

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated balance sheet) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognised an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability.

3 CHANGES IN ACCOUNTING POLICIES– *continued*

(c) IFRS 9 Financial Instruments – Accounting policies applied from January 1, 2018– *continued*

(iv) Impairment

From January 1, 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost, receivables and contract assets. The Group recognises a loss allowance for such losses at each reporting date.

At each reporting date, the Group shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(d) IFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Group has adopted IFRS 15 Revenue from Contracts with Customers from January 1, 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The adoption of IFRS 15 has no impact on the Group's retained earnings or the presentation of assets and liabilities related to contracts with customers as at January 1, 2018. Thus, no reclassification or adjustment was recognised in the opening balance sheet on January 1, 2018.

(e) IFRS 15 Revenue from Contracts with Customers – Accounting policies

Revenue Recognition

Revenues are recoginsed when or as the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recoginsed over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation. Otherwise, revenue is recoginsed at a point in time when the customer obtains control of the goods and services.

3 CHANGES IN ACCOUNTING POLICIES– *continued*

(e) IFRS 15 Revenue from Contracts with Customers – Accounting policies– *continued*

Revenue Recognition– continued

The progress towards complete satisfaction of performance obligation is measured based on one of the following methods that best depicts the Group's performance in satisfying the performance obligation:

- direct measurements of the value of individual services transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation

If contracts involve the sale of multiple goods, goods followed by related services, or multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

When either party to a contract has performed, the Group presents the contract in the consolidated balance sheet as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract as a contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

3 CHANGES IN ACCOUNTING POLICIES– *continued*

(e) IFRS 15 Revenue from Contracts with Customers – Accounting policies– *continued*

(i) Hospital Management Services

Revenue from provision of hospital management services is recognised in the accounting period in which the services are rendered.

For the hospital management services in relation to various aspects of daily operations of not for profit hospitals, the contracts include multiple deliverables. Considering such services have the same pattern and are all highly relevant, it is therefore regarded as one performance obligation.

Relevant revenue is recoginsed over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards the complete satisfaction of performance obligation is measured by direct measurements of the value to the customer of service transferred by us.

The Group receives the payment on a quarterly basis. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

(ii) General hospital services

Revenue from provision of general hospital services is recognised when the related services have been rendered to customers.

For inpatient service, the customers normally receive inpatient treatment which contains various treatment components that are all highly relevant and regarded as one performance obligation. The usual period of inpatient is within two weeks. Relevant revenue of inpatient treatment is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards the complete satisfaction of performance obligation is measured by direct measurements of the value of individual services or product transferred by us to the customer.

3 CHANGES IN ACCOUNTING POLICIES– *continued*

(e) IFRS 15 Revenue from Contracts with Customers – Accounting policies– *continued*

(ii) General hospital services– continued

Relevant revenue of outpatient services is recognized at a point in time.

The Group usually receives the payment from customers in advance before the hospital services are rendered. Customers normally do not ask for a refund of payment and the services not yet rendered are recorded as contract liability. The contract liability is recognised as revenue when the related services are rendered.

For the cost to be borne by the relevant social security authority, the Group usually receives the payment based on a payment schedule. If the services rendered by the Group exceed the payment, the account receivable is recognised.

(iii) Wholesale of pharmaceutical products

Revenue from wholesale of pharmaceutical products is recognised when control of the products has transferred, being when the products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied in the preparation of the consolidated financial statements for the year ended December 31, 2017.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and fair value interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2017.

There have been no changes in the risk management policies since year end.

5.2 Liquidity risk

Compared to those of 2017 year end, except for the addition of contractual undiscounted cash flow in relation to the convertible bonds amounting to RMB422,388,000, which remaining period is three years to the contractual maturity date, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at June 30, 2018 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS– *continued*

5.3 Fair value estimation– *continued*

The following table presents the Group's financial assets and financial liabilities that are measured at fair value at June 30, 2018 and December 31, 2017.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
(Unaudited)				
As at June 30, 2018				
Assets				
Financial assets through profit or loss ('FVPL')				
– Monetary funds with floating rates	—	145,161	—	145,161
– Call option to acquire subsidiaries' remaining interests	—	—	1,500	1,500
Total financial assets	—	145,161	1,500	146,661
Liabilities				
Convertible bonds (Note 22)	—	—	422,388	422,388
Total financial liabilities	—	—	422,388	422,388

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
(Audited)				
As at December 31,2017				
Assets				
Available-for-sale financial assets				
– Monetary funds with floating rates	—	17,396	—	17,396
Total assets	—	17,396	—	17,396

There were no transfers between levels 1, 2 and 3 during the period.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS– *continued*

5.3 Fair value estimation– *continued*

(a) *Financial instruments in level 2*

The following table presents the changes in level 2 instruments for the six months ended June 30, 2018.

	Monetary funds with floating rates RMB'000
(Unaudited)	
Opening balance January 1, 2018	17,396
Addition	155,000
Settlements	(29,650)
Fair value change resulting from change in monetary funds value (Note 7)	2,415
Closing balance June 30, 2018	145,161
Total gains for the period included in profit or loss	2,415
Includes unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period	2,050

Financial instruments in level 2 were monetary funds with floating rates treated as FVPL held by the Group. The fair value changes resulting from the change of the monetary funds value held by the Group is RMB2,415,000 during the six months ended June 30, 2018 and was recognised in other losses-net.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS– *continued*

5.3 Fair value estimation– *continued*

(b) Financial instruments in level 3

	Call option to acquire subsidiaries' remaining interest(i) RMB'000	Convertible bonds (Note 22) RMB'000	Total RMB'000
(Unaudited)			
Opening balance January 1, 2018	—	—	—
Addition	1,700	(378,706)	(377,006)
Fair value changes resulting from changes in call option value	(200)	—	(200)
Fair value changes resulting from changes in convertible bond value	—	(43,682)	(43,682)
Closing balance June 30, 2018	1,500	(422,388)	(420,888)
Total gains for the period included in profit or loss	(200)	(43,682)	(43,882)
Includes unrealised losses recognised in profit or loss attributable to balances held at the end of the reporting period	(200)	(43,682)	(43,882)

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS– *continued*

5.3 Fair value estimation– *continued*

(b) Financial instruments in level 3– continued

(i) Call option to acquire subsidiaries' remaining interests

On October 27, 2017, New Pride Holdings Limited ('New Pride') entered into a sale purchase agreement in relation to the sale and purchase of the entire equity interest in Jiande Hexu Enterprise Management Co., Ltd. ('Jiande Hexu') with Mr. Hong Jiangxin and Mr. Hong Yang. Pursuant to the sale purchase agreement, Zhejiang Xinxiangli Investment Co., Ltd.,, a company incorporated under the laws of the PRC with limited liability and held as to 83% by Mr. Hong Jiangxin, granted to New Pride a call option to acquire the remaining interests at a consideration calculated in accordance with an agreed formula. New Pride may exercise the call option at any time during the period commencing from the date of the completion of the acquisition and ending on December 31, 2020, to the extent that the call option and the acquisition of the remaining interest are permissible under the then applicable policies, laws and regulations in the PRC and the Listing Rules, and subject to the availability of finance to fund the exercise of call option.

The Directors of the Company have determined the fair value of the call option is RMB1,500,000 as at June 30, 2018 with reference to a valuation report issued by an independent valuer.

5.4 Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade receivables
- Contract assets
- Other receivables, deposits and prepayments
- Amounts due from related parties
- Cash and cash equivalents
- Trade payables
- Accruals, other payables and provisions (excluding non-financial liabilities)
- Amounts due to related parties
- Borrowings

6 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 and the Group's operating and reportable segments for segment reporting purpose are as follows:

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

(a) General hospital services

Revenue from this segment is generated in the PRC and derived from hospital services provided by Jiande Hospital of Traditional Chinese Medicine Co., Ltd. ('Jiande Hospital') for the six months ended June 30, 2018 and Shanghai Fuhua Hospital Co., Ltd. ('Fuhua Hospital') for the six months ended June 30, 2017.

Fuhua Hospital was disposed and ceased to be a subsidiary of the Group on and after August 29, 2017. The segment information for the period ended June 30, 2017 represented the operating results of Fuhua Hospital for the period from January 1, 2017 to June 30, 2017.

Jiande Hospital was a new subsidiary of the Group due to the acquisition of Jiande Hexu completed on January 11, 2018. The segment information for the period ended June 30, 2018 represented the operating results of Jiande Hospital for the period from January 11, 2018 to June 30, 2018. For the details of the acquisition, please refer to Note 26.

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 periods ended June 30, 2018 and 2017, respectively.

6 SEGMENT INFORMATION – *continued*

(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') and Cixi Honghe Medical Management Co., Ltd. ('Cixi Honghe').

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 agreement signed by Weikang Investment and Honghe Ruixin with Yangsi Hospital on January 1, 2018 and 2017, Weikang Investment and Honghe Ruixin will 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.

On March 14, 2018, the acquisition of Cixi Hongai Medical Management Co., Ltd. ('Cixi Hongai') was completed. Cixi Honghe, a subsidiary of 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 will provide 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 hospital management agreement with Cixi Hospital, pursuant to the hospital management agreement, Cixi Honghe will provide management and consultancy services to Cixi Hospital with a period of 5 years from 2018 to 2022, and Cixi Honghe can derives management fee based on pre-set formulas set out in hospital management agreement. For the details of the acquisition, please refer to Note 26.

(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'), a new subsidiary of the Group due to the acquisition of Jiande Hexu. For the details of the acquisition, please refer to Note 26.

(d) Unallocated

The 'Unallocated' category represents the headquarter expenses.

6 SEGMENT INFORMATION – *continued*

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

	General hospital services RMB'000	Hospital management services RMB'000	Wholesale of pharmaceutical products RMB'000	Elimination RMB'000	Unallocated RMB'000	Total RMB'000
(Unaudited)						
Six months ended June 30, 2018						
Segment revenue	86,680	87,408	16,100	(15,729)	—	174,459
Inter-segment revenue	—	—	(15,729)	15,729	—	—
Revenue from external customers	86,680	87,408	371	—	—	174,459
Timing of revenue recognition						
– At a point in time	42,364	—	371	—	—	42,735
– Over time	44,316	87,408	—	—	—	131,724
	86,680	87,408	371	—	—	174,459
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)
Headquarter expenses excluding depreciation and amortization					(55,258)	(55,258)
(Loss)/Profit before tax	(5,607)	38,898	2,926	(771)	(62,196)	(26,750)
(Unaudited)						
As at June 30, 2018						
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	693,785	1,853,278	22,388	(657)	206,783	2,775,577
Total liabilities	153,875	138,885	8,445	—	717,638	1,018,843
(Unaudited)						
Other Segment information for the six months ended June 30, 2018						
Depreciation, amortization and impairment	(6,423)	(3,802)	(304)	—	(86)	(10,615)
Additions of non-current assets excluding goodwill and deferred income tax assets	360,235	322,930	1,281	—	161	684,607

6 SEGMENT INFORMATION – *continued*

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

	General hospital services RMB'000	Hospital management services RMB'000	Unallocated RMB'000	Total RMB'000
(Unaudited)				
Six months ended June 30, 2017				
Revenue from external customers	17,238	70,971	—	88,209
EBITDA	1,033	41,630	—	42,663
Depreciation	(361)	(1,023)	(324)	(1,708)
Amortization	(575)	(1,153)	(18)	(1,746)
Finance income on deposit	5	526	131	662
Headquarter expenses excluding depreciation and amortization			(32,485)	(32,485)
Profit/(loss) before tax	102	39,980	(32,696)	7,386
(Unaudited)				
As at June 30, 2017				
Segment assets	26,155	309,715	424,454	760,324
Goodwill	7,948	950,916	—	958,864
Total assets	34,103	1,260,631	424,454	1,719,188
Total liabilities	8,829	80,431	64,954	154,214
(Unaudited)				
Other Segment information for the six months ended June 30, 2017				
Depreciation, amortization and impairment	(807)	(2,176)	(342)	(3,325)
Additions of non-current assets excluding goodwill and deferred income tax assets	269	796	—	1,065

7 OTHER LOSSES —NET

	Six months ended June 30, 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Fair value change resulting from change in convertible bond value	(43,682)	—
Fair value change resulting from change in monetary funds value	2,415	—
Others	(77)	(232)
	(41,344)	(232)

8 OTHER INCOME

	Six months ended June 30, 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Government grants and subsidies (a)	1,509	1,500
Others	279	123
	1,788	1,623

(a) The Government grants and subsidies of RMB1,509,000 mainly consist of RMB1,380,000 granted by the People's Government of Sanlin Town in Shanghai in consideration of the taxation contribution of Weikang Investment for the six months ended June 30, 2018 (six months ended June 30, 2017: RMB1,500,000).

9 FINANCE EXPENSE—NET

	Six months ended June 30, 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Finance income		
Interest income on short-term structured deposits	423	662
Finance expense		
Foreign exchange losses	(959)	(8,393)
Interest expense on bank borrowings	(7,676)	—
	(8,635)	(8,393)
Finance expense - net	(8,212)	(7,731)

10 INCOME TAX EXPENSE

Subsidiaries established and operating in Mainland China are subject to the PRC corporate income tax at the rates of 15% and 25% (six months ended June 30, 2017: 9% and 25%) for the six months ended June 30, 2018.

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax:		
– PRC corporate income tax	**12,793**	8,877
Deferred income tax (Note 23)	**(3,367)**	942
	9,426	9,819

(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, 2017: 16.5%) for the six months ended June 30, 2018. No Hong Kong profit tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax for the periods ended June 30, 2018 and 2017.

(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, 2017: 9%) for the six months ended June 30, 2018. The income tax rate of other subsidiaries was 25% (six months ended June 30, 2017: 25%) for the six months ended June 30, 2018.

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 Autonomous Region (西藏自治區企業所得稅政策實施辦法) promulgated by the Tibet Autonomous Regional Government on May 1, 2014.

(d) Withholding Tax

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

11 LOSS PER SHARE

(a) Basic and diluted loss per share

	Six months ended June 30, 2018 (Unaudited)	Six months ended June 30, 2017 (Unaudited)
Total loss attributable to owners of the Company (RMB'000)	(38,269)	(12,291)
Weighted average number of ordinary shares in issue (thousands)	136,457	118,860
Basic and diluted loss per share (in RMB)	(0.280)	(0.103)

The Group had potential dilutive shares during the six months ended 2018 related to the shares held for share based payment scheme. Due to the Group's negative financial results during the six months ended 2018, shares held for share based payment scheme has anti-dilutive effect on the Group's loss per share. Thus, diluted loss per share is equivalent to the basic loss per share.

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Medical equipment RMB'000	Office equipment, furniture and moter vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
(Unaudited)					
Six months ended June 30, 2018					
Net book value					
Opening amount as at January 1, 2018	17,765	—	597	21	18,383
Additions	—	5,272	606	—	5,878
Business combination (Note 26)	101,990	17,982	6,722	313	127,007
Depreciation and amortisation	(2,106)	(1,550)	(809)	(57)	(4,522)
Closing amount as at June 30, 2018	117,649	21,704	7,116	277	146,746
(Unaudited)					
Six months ended June 30, 2017					
Net book value					
Opening amount as at January 1, 2017	19,571	394	1,371	1,294	22,630
Additions	—	—	414	102	516
Depreciation and amortisation	(903)	(104)	(283)	(418)	(1,708)
Closing amount as at June 30, 2017	18,668	290	1,502	978	21,438

13 INTANGIBLE ASSETS AND LAND USE RIGHT

	Software RMB'000	Licenses RMB'000	Management contract RMB'000	Goodwill RMB'000	Land use right RMB'000	Total RMB'000
(Unaudited)						
Six months ended June 30, 2018						
Net book value						
Opening amount as at January 1, 2018	174	—	108,313	950,915	—	1,059,402
Additions	1,400	—	—	—	—	1,400
Business combination (Note 26)	92	186,900	322,900	475,467	40,430	1,025,789
Depreciation and amortisation	(82)	(3,347)	(2,768)	—	(473)	(6,670)
Closing amount as at June 30, 2018	1,584	183,553	428,445	1,426,382	39,957	2,079,921
(Unaudited)						
Six months ended June 30, 2017						
Net book value						
Opening amount as at January 1, 2017	176	12,412	110,619	958,864	—	1,082,071
Additions	—	—	—	—	—	—
Depreciation and amortisation	(17)	(575)	(1,154)	—	—	(1,746)
Closing amount as at June 30, 2017	159	11,837	109,465	958,864	—	1,080,325

14 TRADE RECEIVABLES

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Trade receivables	**28,990**	—
Less: provision for impairment of trade receivables	**(222)**	—
Trade receivables – net	**28,768**	—

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

14 TRADE RECEIVABLES – *continued*

As at June 30, 2018 and December 31, 2017, the ageing analysis based on invoice date of the trade receivables was as follows:

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
1 - 90 days	20,810	—
91 - 180 days	1,152	—
181 days – 1 year	5,614	—
Over 1 year	1,192	—
	28,768	—

15 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Deposits for rental	506	506
Receivables from social security bureau	274	—
Prepayments for rental	240	—
Prepayments for acquisition of a subsidiary	—	483,000
Deposits on acquisition of a subsidiary	—	80,000
Others	741	202
Total	1,761	563,708
Less: non-current portion	—	483,506
Current portion	1,761	80,202

The carrying amounts of other receivables, deposits and prepayments are denominated in RMB and approximate their fair values.

16 BALANCES WITH RELATED PARTIES

As at June 30, 2018 and December 31, 2017, the balances with related parties are unsecured, interest free, receivable/repayable on demand and are denominated in RMB.

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Amounts due from related parties		
– Trade in nature		
Yangsi Hospital	37,156	42,304
Cixi Hospital	3,984	—
– Others		
Zhejiang Guangsha Medical Technology Co., Ltd	35,000	—
Dongyang Guangfu Hospital	3,000	3,000
Vanguard Glory Limited	349	343
Yangsi Hospital	179	152
Midpoint Honour Limited	34	25
Grand Roc Holdings Limited	8	8
Han Prestige Limited	8	8
Total	79,718	45,840

As at June 30, 2018 and December 31, 2017, the ageing analysis based on trading date of the trade receivables was as follows:

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Within 30 days	40,137	42,304
30 to 90 days	1,003	—
	41,140	42,304

16 BALANCES WITH RELATED PARTIES – *continued*

As at June 30, 2018, none of the trade receivables was individually determined to be impaired (2017: nil).

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Amounts due to related parties		
– Trade in nature		
Dajia Medical Equipment Co., Ltd.	**1,131**	—
– Others		
Dajia Group Co., Ltd.	**25,000**	—
Zhejiang Xinxiangli Investment Co., Ltd.	**4,000**	—
Yangsi Hospital	**2,953**	2,986
Cixi Hospital	**1,517**	—
Vanguard Glory Limited	**1,502**	200
Total	**36,103**	3,186

Their carrying values due as at June 30, 2018 and December 31, 2017, approximate their fair values.

As at June 30, 2018 and December 31, 2017, the ageing analysis based on trading date of the trade payables was as follows:

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Within 30 days	**502**	—
30 to 90 days	**629**	—
	1,131	—

17 SHARE CAPITAL, TREASURY SHARES AND SHARE PREMIUM

	Number of shares	Nominal value of shares HKD
Authorised		
Ordinary shares	500,000,000	500,000

	Number of shares	Ordinary shares RMB'000	Treasury shares RMB'000	Share premium RMB'000	Total RMB'000
(Unaudited)					
Issued and Paid					
As at January 1, 2018	138,194,000	123	(3)	404,021	404,141
Vesting of shares under management subscription scheme	—	—	3	28,972	28,975
As at June 30, 2018	138,194,000	123	—*	432,993	433,116

* The balance stated above was less than RMB500.

	Number of shares	Ordinary shares RMB'000	Treasury shares RMB'000	Share premium RMB'000	Total RMB'000
(Unaudited)					
Issued and Paid					
As at January 1, 2017	9,986	65	(2)	—	63
Repurchase of share	(9,986)	(65)	2	—	(63)
Proceeds from shares issued	9,986	—	—	—	—
Capitalization Issue	99,850,014	89	(3)	(86)	—
Issuance of ordinary shares upon global offering	33,334,000	30	—	378,294	378,324
Issuance of ordinary shares upon exercise of over-allotment option	5,000,000	4	—	56,533	56,537
Share issuance costs	—	—	—	(30,720)	(30,720)
As at June 30, 2017	138,194,000	123	(3)	404,021	404,141

18 RESERVES

	Capital reserve RMB'000	Other reserve RMB'000	Total RMB'000
(Unaudited)			
At January 1, 2018	1,046,641	23,987	1,070,628
Share-based payments-share awards	40,500	—	40,500
Share-based payments-share subscription agreement	2,687	—	2,687
Share-based payments-share option scheme	12,124	—	12,124
At June 30, 2018	1,101,952	23,987	1,125,939
(Unaudited)			
At January 1, 2017	1,041,933	16,483	1,058,416
Share-based payments	2,323	—	2,323
Repurchase of share	63	—	63
At June 30, 2017	1,044,319	16,483	1,060,802

19 TRADE PAYABLES

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

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Less than 90 days	10,782	—
91 to 180 days	2,936	—
181 days to 1 year	1,201	—
Over 1 year	1,572	—
	16,491	—

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

20 ACCRUALS AND OTHER PAYABLES

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Payables to Management Subscribers	2,205	30,951
Payables to suppliers of plant and equipment	14,815	—
Accrued professional service fee	12,851	6,985
Payable for business acquisition	10,000	5,261
Accrued employee benefits	9,848	10,277
Share-based payments	22,481	52,783
Others	16,183	10,716
Total accruals, other payables and provisions	88,383	116,973
Less: non-current portion	2,217	3,311
Current portion	86,166	113,662

The carrying amounts of accruals, other payables and provisions are denominated in RMB. The carrying amounts approximate their fair values.

21 BORROWINGS

	As at December 31, 2018			As at December 31, 2017		
	Current RMB'000	Non-current RMB'000	Total RMB'000	Current RMB'000	Non-current RMB'000	Total RMB'000
Secured						
Bank loans (a)	86,418	192,417	278,835	23,846	214,618	238,464
Total borrowings	86,418	192,417	278,835	23,846	214,618	238,464

21 BORROWINGS – *continued*

(a) Bank loans

On December 11, 2017, the Company entered into a long-term loan agreement with China Merchants Bank Shanghai Zhangyang Branch, the proceed of which amounting to HKD285,280,000 was used for settlement of the consideration paid for acquisition of Jiande Hexu.

The bank loan commencing from December 12, 2017 will mature until 2022 and bear a floating interest rate with reference to Hong Kong Interbank Offer Rate plus 360 basis points per annum. The bank loan is pledged by the 100% equity interest of Jiande Hexu and Jiande Heyue Enterprise Management Co., Ltd. ('Jiande Heyue') and 70% equity interest of Jiande Hospital, DJ Pharmaceutical Technology and DJ Medicines.

On January 16, 2018, Jiande Hospital entered into a loan agreement with Industrial and Commercial Bank of China Jiande Branch, the proceed of which amounting to RMB10,000,000 with a floating interest rate with reference to monthly loan prime rate plus 92 basis points per month which will mature on January 10, 2019. The bank loan was secured by a corporate guarantee from Jiande Heyue.

On Febuary 6, 2018, Jiande Hospital entered into a loan agreement with Agricultural Bank of China Jiande Branch, the proceed of which amounting to RMB30,000,000 with a fixed interest rate of 4.58% which will mature on August 5, 2018. The bank loan was secured by a corporate guarantee from Zhejiang Xinxiangli Investment Co., Ltd., and personal guarantees from Mr. Hong Jiangxin, the minority shareholder, and Mrs. Yang Huixue, Mr. Hong Jiangxin's spouse.

As at June 30, 2018, the Group's borrowings were repayable as follows:

	Bank borrowings	
	2018	2017
	RMB'000	RMB'000
Within 1 year	**86,418**	23,846
Between 1 and 2 years	**60,130**	47,693
Between 2 and 5 years	**132,287**	166,925
	278,835	238,464

The fair value of the bank loans approximated the carrying amounts since the interest rates of the loans are close to current market rate.

22 CONVERTIBLE BONDS

On March 5, 2018, the Company issued convertible bonds in an aggregate principal amount of HKD468,000,000 (equivalent to approximately RMB378,705,000) in registered form in the denomination of HKD1,000,000 each. The convertible bond do not bear any interest. The convertible bonds may be converted into ordinary shares of the Company, at the option of holder thereof, at any time on or after March 5, 2018 (the ‘Issue Date’) up to the close of business on March 5, 2021 (the ‘Maturity Date’) or if such convertible bonds shall have been called or put for redemption at any time on or after the Issue Date then up to the close of business on a date no later than five business days prior the date fixed for redemption thereof. The initial conversion price was HKD18.00 and is subject to adjustment for among other things, consolidation and subdivision or reclassification of shares, capitalization of profits or reserves, capital distribution, dividends, right issues, modification of rights of conversion and certain other dilutive events.

The convertible bonds are designated as financial liabilities at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are measured at fair value at initial recognition with transaction cost charge 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 were converted into ordinary shares of the Company during the period.

The movement of the convertible bonds are as follows:

	Convertible Bonds RMB’000
As at January 1, 2018	—
Issuance of convertible bonds during the period	378,706
Difference between fair value and principal amount at initial recognition	2,318
Fair value change resulting from change in convertible bond value (Note 7)	43,489
Aggregate difference yet to be recognised in loss at June 30, 2018	(2,125)
As at June 30, 2018	422,388

The fair value of the convertible bonds on March 5, 2018 was HKD470,864,000, which approximated its principal amount.

As at June 30, 2018, the fair value of the convertible bonds is approximately HKD503,514,000, equivalent to approximately RMB424,513,000, which is determined by an independent qualified valuer and the aggregate difference yet to be recognised in loss was HKD2,625,000, equivalent to approximately RMB2,125,000.

23 DEFERRED INCOME TAX

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	4,403	—
– Deferred income tax assets to be recovered within 12 months	—	—
	4,403	—
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	(169,064)	(35,056)
– Deferred income tax liabilities to be settled within 12 months	(577)	(577)
	(169,641)	(35,633)
Deferred income tax liabilities – net	(165,238)	(35,633)

Deferred income tax assets

	Provisions RMB'000	Changes in fair value of FVPL RMB'000	Unrealized profit RMB'000	Total RMB'000
(Unaudited)				
Balance at January 1, 2018	—	—	—	—
Business combination (Note 26)	472	—	—	472
Credited to profit or loss	168	3,571	192	3,931
Balance at June 30, 2018	640	3,571	192	4,403
(Unaudited)				
Balance at January 1, 2017	276	—	—	276
Credited to profit or loss	(32)	—	—	(32)
Balance at June 30, 2017	244	—	—	244

23 DEFERRED INCOME TAX – *continued*

Deferred income tax liabilities

	Buildings and intangible assets RMB'000	Withholding tax RMB'000	Unrealized exchange losses RMB'000	Interest capitalization RMB'000	Total RMB'000
(Unaudited)					
Balance at January 1, 2018	(27,078)	(8,555)	—	—	(35,633)
Business combination (Note 26)	(132,958)	—	—	(486)	(133,444)
Credited/(charged) to profit or loss	1,224	(1,322)	(484)	18	(564)
Balance at June 30, 2018	(158,812)	(9,877)	(484)	(468)	(169,641)
(Unaudited)					
Balance at January 1, 2017	(30,758)	(5,707)	—	—	(36,465)
Credited/(charged) to profit or loss	432	(1,342)	—	—	(910)
Balance at June 30, 2017	(30,326)	(7,049)	—	—	(37,375)

24 DIVIDENDS

The board of directors of the Company does not declare any dividends for the six months ended June 30, 2018 (six months ended June 30, 2017: nil).

25 COMMITMENTS

(a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	Six months ended June 30, 2018 RMB'000 (Unaudited)	Year ended December 31, 2017 RMB'000 (Audited)
Consideration of acquisition (Note 28(a))	630,000	—

As disclosed in Note 27(a), the Group acquired the entire equity interest in Oriental Ally Holdings Limited ('Oriental Ally' or the 'Target Company'). The share purchase agreement (the 'Share Purchase Agreement') and the undertaking letter(the 'Undertaking Letter') was signed on May 29, 2018 and the acquisition had been completed on August 6, 2018.

Pursuant to the Share Purchase Agreement, the total consideration is RMB630,000,000.

(b) Operating lease commitments

The Group had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	Six months ended June 30, 2018 RMB'000 (Unaudited)	Year ended December 31, 2017 RMB'000 (Audited)
Not later than one year	2,057	2,190
Later than one year and not later than five years	1,076	596
	3,133	2,786

26 BUSINESS COMBINATION

(a) Acquisition of Jiande Hexu

On January 11, 2018 (date of acquisition), New Pride acquired the 100% equity interests in Jiande Hexu from Mr. Hong Jiangxin and Mr. Hong Yang, the then controlling shareholder, at a consideration of RMB483,000,000, and thereafter has indirectly obtained the 100% equity interests in Jiande Heyue and 70% equity interests in Jiande Hospital, DJ Medicines and DJ Pharmaceutical Technology.

As a result of the acquisition, the Group is expected to increase its presence in healthcare industry. The goodwill of RMB308,854,000 arising from the acquisition is attributable to entering into the healthcare industry, regional advantages and possible profitability in general hospital services business and wholesale of pharmaceutical products services in the future. None of the goodwill recognised is expected to be deductible for income tax purpose.

The following table summarises the consideration paid for Jiande Hexu, the fair value of assets acquired, liabilities assumed at the acquisition date.

	RMB'000
Consideration	
Cash	483,000
Call option to acquire the remaining interest	(1,700)
Total consideration transferred for acquiring the business of the Target Group	481,300

26 BUSINESS COMBINATION – *continued*

(a) Acquisition of Jiande Hexu – *continued*

The assets and liabilities recognised as a result of the acquisition are as follows:

	RMB'000
Cash and cash equivalents	26,942
Property, plant and equipment	127,007
Land use right	40,430
Intangible assets: hospital licenses	185,800
Intangible assets: GSP licenses	1,100
Other intangible assets	92
Inventories	9,996
Trade receivables	28,008
Other receivables, deposits and prepayments	2,933
Amounts due to related parties	(67,621)
Trade payables	(16,484)
Accruals, other payables and provision	(36,732)
Current income tax liabilities	(2,873)
Deferred income tax assets	472
Deferred income tax liabilities	(52,719)
Net identifiable assets acquired	246,351
Less: non-controlling interests	(73,905)
Add: goodwill	308,854
Net assets acquired	481,300

26 BUSINESS COMBINATION – *continued*

(b) Acquisition of Cixi Hongai

On March 14, 2018 (date of acquisition), New Pride acquired the 100% equity interests in Cixi Hongai from Mrs. Mi Yuehua and Mr. Chen Yuegen, the then controlling shareholder, at a consideration of RMB336,000,000, and thereafter has indirectly obtained the 70% equity interests in Cixi Honghe, the subsidiary of Cixi Hongai.

As a result of the acquisition, the Group is expected to increase its presence in healthcare industry. The goodwill of RMB166,613,000 arising from the acquisition is attributable to entering into the healthcare industry, regional advantages and the management team and management process which can be replicated in the future. None of the goodwill recognised is expected to be deductible for income tax purpose.

The following table summarises the consideration paid for Cixi Honghe, the fair value of assets acquired, liabilities assumed at the acquisition date.

	RMB'000
Consideration	
Cash paid or payable	336,000
Total consideration transferred for acquiring the business of the Target Group	336,000

The assets and liabilities recognised as a result of the acquisition are as follows:

	RMB'000
Cash and cash equivalents	1
Intangible assets: Management Contract	322,900
Amounts due to related parties	(14)
Accruals and other payables	(181)
Deferred income tax liabilities	(80,725)
Net identifiable assets acquired	241,981
Less: non-controlling interests	(72,594)
Add: goodwill	166,613
Net assets acquired	336,000

27 SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. As a result, Yangsi Hospital is considered to be related as the Group has participated internal governance body of Yangsi Hospital. Other parties are also considered to be related if they are subject to common control, common significant influence or joint control. Members of key management and their close family member of the Group are also considered as related parties.

The directors of the Company are of the view that the following parties that had transactions or balances with the Group are related parties:

Name	Relationship with the Group
Shanghai Yangsi Hospital	Certain employees or directors of the Group are Yangsi Hospital's internal governance body members
Vanguard Glory Limited	Parent company
Grand Roc Holdings Limited	Related party which is owned by a top management
Midpoint Honour Limited	Related party which is owned by the Management Subscribers
Han Prestige Limited	Related party of parent company
Cixi Hospital	Certain employees or directors of the Group are Cixi Hospital's internal governance body members
Zhejiang Guangsha Medical Technology Co., Ltd.	Certain employees or directors of the Group are Dongyang Guangfu Hospital's internal governance body members
Dongyang Guangfu Hospital	Certain employees or directors of the Group are Dongyang Guangfu Hospital's internal governance body members
Zhejiang Xinxiangli Investment Co., Ltd.	Non-controlling shareholder
Dajia Medical Equipment Co., Ltd.	Related party which is owned by Zhejiang Xinxiangli Investment Co., Ltd.
Dajia Group Co., Ltd	Related party which is owned by Zhejiang Xinxiangli Investment Co., Ltd.

The Group has exercised significant judgements in determining whether the Group has control over Yangsi Hospital and Cixi Hospital. After assessment, the management concluded that the Group does not obtain the decision making power over the internal governance body to direct the relevant activities of Yangsi Hospital and Cixi Hospital, so the Group does not control and thus does not consolidate Yangsi Hospital and Cixi Hospital.

The following significant transactions were carried out between the Group and its related parties for the periods ended June 30, 2018 and 2017. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

27 SIGNIFICANT RELATED PARTY TRANSACTIONS – *continued*

(a) Significant transactions with related parties

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Continuing transactions		
Management Service fee		
–Yangsi Hospital	**83,650**	70,207
–Cixi Hospital	**3,758**	—
	87,408	70,207
Purchase of medical equipment		
–Dajia Medical Equipment Co., Ltd	**8,125**	—

(b) Entrusted loan to related parties

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Entrusted loan to Dongyang Guangfu Hospital		
Beginning of the period	**3,000**	—
Interest charged	**73**	—
Interest received	**(73)**	—
End of the period	**3,000**	—

Entrusted loan to Dongyang Guangfu Hospital will mature by December 4, 2018 and bear interest rate of 4.875% annually without any security or guarantee of repayment.

27 SIGNIFICANT RELATED PARTY TRANSACTIONS – *continued*

(c) Key management compensation

Key management includes directors and senior managements. The compensation paid or payables to key management for employee services is shown below:

	Six months ended June 30,	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Wages, salaries and bonuses	**12,365**	6,566
Share-based compensation expenses	**24,229**	17,405
Contributions to pension plans	**154**	96
Welfare and other expenses	**200**	127
	36,948	24,194

28 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

(a) Business combination - acquisition of Oriental Ally Holdings Limited

On May 29, 2018, the Company and Hony Capital Fund VIII (Cayman), L.P. (the 'Vendor') entered into a shares purchase agreement (the 'Share Purchase Agreement') in relation to the sale and purchase of the entire equity interest in Oriental Ally Holdings Limited ('Oriental Ally' or the 'Target Company'), a company incorporated in the British Virgin Island with limited liability and is owned by the Vendor, with a cash consideration of RMB630,000,000 (equivalent to approximately HKD773,879,717).

The Target Company is an investment holding company, which directly owns 100% equity interest in Impeccable Success Limited ('Impeccable Success'), which in turn directly owns 75% equity interest in Zhejiang Guangsha Medical Technology Co., Ltd ('Guangsha Medical') (collectively referred to as the 'Target Group'). The Target Group are principally engaged in provision of management and consultation services to a not-for-profit hospital, Zhejiang Jinhua Guangfu Oncological Hospital ('Jinhua Hospital') in the PRC.

On August 6, 2018, the acquisition was completed and the Company directly hold 100% of equity interest in the Target Company and the Target Company will become a subsidiary of the Company. Through the Target Company, the Company will indirectly hold 75% equity interest in Guangsha Medical and the remaining 25% equity interest (the 'Remaining Interest') held by Hony Kangshou Management Consulting (Shanghai) Co., Ltd. ('Hony Kangshou') shall be recognized as non-controlling interests.

Pursuant to the Undertaking Letter, the Company granted Hony Kangshou a put option to sell and the Company undertakes to acquire the Remaining Interest at the consideration which shall be no less than an amount calculated in accordance with an agreed formula. Hony Kangshou may exercise the put option at any time during the period commencing from the completion date of the acquisition and ending on the date falling on the third anniversary of the completion date on the terms and conditions of the Undertaking Letter.

28 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE – *continued*

(a) Business combination - acquisition of Oriental Ally Holdings Limited – *continued*

The following is the result of purchase price allocation as at December 31, 2017 which has been prepared by the Directors of the Company for the purpose of illustrating the effect of the acquisition of the 100% equity interest in Oriental Ally, together with its subsidiaries, as if the acquisition had been taken place on December 31, 2017.

	RMB'000
Consideration	
Convertible bonds issued by the Company to the Vendor (i)	630,000
Total consideration	630,000

	RMB'000
Cash and cash equivalents	4,213
Intangible assets: management contract	692,800
Other intangible assets	53
Other receivables, deposits and prepayments	79
Amounts due from related parties	99,536
Amounts due to related parties	(4,079)
Accruals and other payables	(69,109)
Current income tax liabilities	(7,132)
Deferred income tax liabilities	(173,200)
Net identifiable assets acquired	543,161
Less: non-controlling interests	(136,410)
Add: goodwill	223,249
Net assets acquired	630,000

(i) Consideration

The consideration was satisfied by the issuance of the convertible bonds in the aggregate principal amount of HKD773,879,717 by the Company to the Vendor on the completion date of the acquisition pursuant to the Shares Purchase Agreement. On August 7, the convertible bonds were issued in registered form in the denomination of HKD1.00 each provided that in no event shall any bonds be transferred, exchanged, converted or purchased in an aggregate principal amount that is less than HKD1.00. The convertible bonds will mature five years from the issue at its principle amount or can be converted into ordinary shares of the Company at the holder's option upon conversion at the conversion price of HKD20.00 per conversion share (subject to adjustments to the conversion price).

As at the date of this report, the Directors of the Company is in process of performing the purchase price allocation on completion date of the acquisition.