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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3869)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2020 AND PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR AND MEMBER OF REMUNERATION COMMITTEE

The board (the "**Board**") of directors (the "**Directors**") of Hospital Corporation of China Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**" or "**we**") for the year ended December 31, 2020 (the "**year under review**"), together with the comparative figures in 2019.

FINANCIAL HIGHLIGHTS

	As at December 31, 2020 *RMB'000*	2019 *RMB'000*
Revenue	399,214	410,883
Gross profit margin	48.7%	42.3%
Adjusted gross profit margin(1)	56.6%	50.5%
(Loss)/profit for the year(3)	(421,069)	169,446
Adjusted profit for the year(2)	134,371	121,680
Basic (losses)/earnings per share (in RMB)	(2.926)	1.092
Adjusted items		
Expenses of share-based awards and other one-off employee benefit expenses(2)(i)	2,662	3,264
Amortization of identifiable intangible assets identified in acquisitions(2)(iii)	28,774	30,500
Gains/(losses) on fair value change resulting from value change of convertible bonds and foreign exchange gains/(losses) and net gains resulting from convertible bonds extension(2)(ii)	100,432	94,096
Investing and financing related expenses(2)(iv)	6,500	12,566
Total amount of impairment losses on intangible assets and the reversal of deferred income tax liabilities caused by the impairment on intangible assets(2)(v)	617,935	–

Notes:

(1) Adjusted gross profit margin is calculated as the gross profit margin for the year, excluding the impact from the expenses of share-based awards and other one-off employee benefit expenses and amortization of identifiable intangible assets identified in acquisitions.

(2) The Group recorded a net loss of RMB421.1 million during the year ended December 31, 2020. The adjusted profit for the year (the "**Adjusted Profit for the Year**") is calculated as the profit for the year excluding the impact from certain items which are considered as non-operating by the management, including (i) the relevant expenses of share-based awards of RMB0.4 million and other one-off employee benefit expenses of RMB2.3 million; (ii) the gains on the foreign exchange and relevant fair value changes of RMB73.0 million arising from the conversion of Hong Kong dollar denominated convertible bonds issued by the Company into RMB, the gains of RMB62.2 million arising from the extension of Hong Kong dollar denominated convertible bonds issued by the Company and foreign exchange losses of RMB34.8 million mainly arising from cash and cash equivalents; (iii) amortization of identifiable intangible assets identified in acquisitions of RMB28.8 million; (iv) finance expenses in relation to other financial liability at an amortized cost of RMB6.5 million; and (v) impairment losses on intangible assets of RMB668.2 million and the reversal of deferred income tax liabilities caused by the impairment on intangible assets of RMB50.3 million. For the calculation of the Adjusted Profit for the Year, tax impacts of the adjusted items were not considered.

(3) Our net loss recorded during the year ended 31 December 2020 was mainly due to the adverse impact of the outbreak of the Coronavirus Disease 2019 ("**COVID-19**") pandemic and the unstable macroeconomic environment on the Group's financial results, which led to impairment losses on relevant intangible assets and goodwill. Such impairment losses were one-off non-cash items recorded during the year under review and did not have any direct impact on the Group's cash flows.

CEO'S STATEMENT

Dear Shareholders,

In June 2020, the Group successfully completed the transition of the Board and the management team. I was appointed as the Chairman and the acting CEO of the Group. Based on the full review, objective analysis and due consideration of the achievements and problems of the previous management during its term, the new management has formulated and defined the new "Three-step" strategy from the perspectives of rebuilding corporate culture, adjusting management and control model, as well as optimising institutional development. Since the new management came on board, the Group adopted the new decision-making process to support the stable operation of all the hospitals owned, managed and founded by the Group (the "**Group Hospital(s)**"). Apart from consistently enhancing the quality of its assets, the Group has also been actively exploring innovative operating models to consistently strengthen the existing business portfolios, thereby striving to become a large technological medical service group.

I. Review of Results of Operations

The outbreak of the COVID-19 pandemic marked the beginning of 2020. Strict pandemic prevention and control measures brought great shock and challenges to offline medical services. At the same time, more thorough medical reform policies in relation to DRGs and healthcare associations (醫聯體) also had a profound impact on the development trend and competitive landscape of the domestic medical industry. In the first half of 2020, the business results of Group Hospitals underperformed as compared to the corresponding period of the previous year due to the pandemic. As China gradually brought the outbreak under control in the second half of the year, each Group Hospital took initiative to adjust the business portfolios and actively implemented the management and control measures of the Group, which stabilized and improved their operating results.

Throughout 2020, the total revenue of Group Hospitals slightly decreased by only 2% from last year. As compared to the decline of 18% in revenue for the first quarter and 8% in revenue for the first half of the year, the year-on-year contraction showed a steadily narrowing trend. The annual operating revenue of the Group has decreased by 2.8% year-on-year, while the adjusted net profit has grown by 10.4% year-on-year.

II. Strategic Plans and Achievements of the Year

In June 2020, the Group successfully completed the transition of the management team. Besides maintaining the stable operation of all Group Hospitals, the Group responded to the development of the medical service industry in the new era and adapted to the medical regulatory environment under new medical reform policies. Following the exploration and examination by the general manager's office, the Group formulated the "Three-step" strategic development plan with a focus on "strengthening the management and control system, enhancing the quality of assets and exploring innovative business models".

As the first step, the Group strengthened the management and control system to further establish standards and rules, so as to optimize its management and control system and rebuild the corporate culture. Relevant tasks were largely completed within the year, which mainly included:

1. **Further clarifying the management and control model.** The Group identified the general manager's office as the highest deliberative body for issues within the Board's authority. It also specified its responsibility in strategy, talent and capital management and control, while establishing a matrix management model with information system as the underlying infrastructure and management tool;

2. **Optimizing the management team.** On the group level, the Group successively introduced several senior management members including the Group's Chief Technology Officer, the Development Director and the Supply Chain Director of the Company. In addition, it assigned two Medical Directors to set up the medical management department, which took charge of managing medical quality and standardizing the diagnosis and treatment system at hospitals. On the hospital level, the Group appointed Mr. Zhang Jiamin and Mr. Wang Jianping as the hospital administrator of Zhejiang Jinhua Guangfu Oncological Hospital ("**Jinhua Hospital**") and Jiande Hospital of Traditional Chinese Medicine Co., Ltd. ("**Jiande Hospital**"), respectively;

3. **Establishing the incentive and binding mechanism for hospital administrators.** In order to enhance the responsibility management for objectives of Group Hospitals and allow hospital administrators to perform their role as the primary person in charge in hospital operation, the Group has set up the appraisal mechanism for hospital administrators that are linked to the annual business plans of Group Hospitals. This has clarified the incentive and binding principles for hospital administrators;

4. **Building a professional training system.** Leveraging on external resources from the medical management consultancy industry, the Group successfully organized three advanced training sessions for the hospital operation team on various topics, including hospital management, new hospital development model and hospital quality management. It developed an internal professional training system to educate key hospital management personnel and medical professionals about the latest medical management concepts and offer them a platform to practise what they have learnt; and

5. **Launching the staff incentive scheme.** To facilitate team building and motivate the workforce, the Group approved the staff incentive scheme and completed the establishment of trusts thereof in January 2021.

As the second step, the Group enhanced the quality of assets. Its key tasks included building its own supply chain system and information system and giving full support to the development of the medical service network with Jinhua Hospital as the regional center. Details of the progress are as follows:

1. **Building the information system of the Group.** Apart from leading the restructuring of the information & technology department, the Chief Technology Officer is also responsible for the overall IT infrastructure construction and digitalization of the Group and the Group Hospitals. While promoting hospital information infrastructure construction and application upgrade at Jinhua Hospital as a pilot project, the Group drew experience therefrom to update and optimize the overall IT blueprint and plan, so as to implement, design and launch the group-wide digitalized medical operation solutions in phases;

2. **Establishing the supply chain system of the Group.** The Supply Chain Director guided the development of the supply chain system of the Group. The Group has decided on the registered address of the supply chain company and applied for licenses to supply drugs. At the same time, it is planning to build a supply chain system that covers drug inventory management; and

3. **Developing Jinhua Hospital as the regional center of the Group.** The Group has offered maximum talent, financial and material resources to support Jinhua Hospital. Taking up frontline responsibility in hospital operation management, the medical management department strives to promote the long-term healthy development of Jinhua Hospital and positioned it as the Group's regional center.

As the third step, the Group explored innovative business models. Based on the characteristics of medical service development in the new era, the Group will further enrich the existing business mix. It will gradually transform from a medical group that principally engaged in merger, acquisition and operation of hospitals into a large medical service technology group. The Group will, for instance, expand upstream and downstream services in the industry chain, such as ancillary services of the supply chain and medical waste treatment. With a focus on integrated medical services, it will also explore innovative business models such as CRO, biotechnology, intelligent healthcare and big data in healthcare. Meanwhile, it will seek strategic cooperation with major online medical platforms for the joint development of the offline medical industry.

1. **Optimizing the capital structure of the Group.** Based on the review and analysis of the existing capital structure of the Group, the new management team has been actively engaging with, among others, external investment banks and commercial banks to explore possible optimization solutions for its capital structure ever since they took office. This laid a solid foundation for the Group to expand its innovative business; and

2. **Researching into the direction of business model innovation.** The investment department of the Group played a leading role in the in-depth research of the latest development trend in the current medical service industry, thereby exploring potential opportunities for business model innovation in the future. This includes but is not limited to upstream and downstream medical services in the industry chain, internet healthcare, onsite intelligent healthcare, third-party cooperation and empowerment, and construction of the supply chain system for the Group.

III. Pandemic Control

In view of the COVID-19 outbreak in early 2020, the Group promptly took responsive measures in a proactive manner and swiftly published the "Notice on Effective Prevention and Control of COVID-19 Pandemic and Proper Provision of Normal Diagnosis and Treatment Services ("關於做好新型冠狀病毒疫情防控，做好日常診療服務有關工作"的通知)". It also organized various pandemic prevention measures at Group Hospitals to keep them in order, which involved the operation of fever clinics, medical treatment, online consultation, promotion of pandemic prevention and supplies sourcing. In particular, a total of 144 employees at Jinhua Hospital volunteered to support the fight against pandemic in Wuhan. According to the requirements of relevant authorities in Jinhua, the hospital sent a number of medical staff to offer diagnosis and treatment in pandemic-stricken areas directly. This demonstrated our employees' willingness to take responsibility and to consider the overall situation. Meanwhile, the Group advocated the resumption of operation and production at Group Hospitals to be carried out in an orderly manner. Taking full precautions against the disease, our medical staff distributed medicines to enterprises, on the streets and in villages, so as to help implement pandemic prevention measures and reduce patients' chances of infection on their way to hospitals. This has gained wide recognition from local governments and the public.

In 2020, Jinhua Hospital was honored as the "Advanced Unit in combating COVID-19 pandemic in Zhejiang Province (浙江抗擊新冠疫情先進單位)". Shanghai Yangsi Hospital ("**Yangsi Hospital**") was awarded "Advanced Socially-run Medical Institution in Pandemic Prevention in Shanghai (上海市社會醫療機構抗擊新冠疫情先進集體)". Many hospital staff also won the "Advanced Individual in COVID-19 Pandemic Prevention (抗擊新冠疫情先進個人)" award. These accolades not only showcased the commitment of the Group and its hospitals to their social reputation and corporate responsibility, but also illustrated the benevolence and professionalism of all our medical staff.

Despite the resurgence of the number of COVID-19 cases in early 2021, the Group and the Group Hospitals already had countermeasures in place. Guided by the pandemic prevention policies promulgated by the national and local governments, we responded to the situation properly with stringent but humane measures as we remained cautious yet optimistic. We have taken our corporate social responsibility as a medical group, and fully demonstrated the commitment of all our staff. I am proud to have them as my colleagues.

IV. Outlook

The COVID-19 pandemic will continue to have an impact on the medical service industry. The national medical reform is entering the critical phase of development and technology has been reshaping the healthcare sector. Looking ahead, uncertainty will linger in the medical industry in general and socially-run medical services still face unresolved challenges and issues. As always, the Group will continue to comply with medical regulatory policies and keep abreast of the national medical reform with an innovative mindset to seek changes actively. At the same time, in the face of uncertainty ahead, we will bear in mind our initial commitment and take a pragmatic approach. We will keep doing the right thing and remain true to our mission.

2020 has been an extraordinary year. Amidst adversity, our staff rose to challenges and turned crisis into opportunities, so that all Group Hospitals maintained stable operation during the pandemic. Behind our operational success is the contribution of the Group and the management team, as well as dedication of all our staff. Their hard work is much appreciated.

In the future, the Group will continuously enhance the quality of assets and the value of the Group Hospitals with the “Three-step” development strategy as the guiding framework. It will aim to provide safe, convenient and dignified medical services to the public, so as to meet their healthcare needs at different stages and levels. It is our goal to become a reliable, respectable and excellence-pursuing medical group.

Acknowledgment

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

Chen Shuai
Chairman and Acting Chief Executive Officer

Beijing, China
March 30, 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended December 31, 2020 *RMB'000*	2019 *RMB'000*
Revenue	3	399,214	410,883
Cost of revenue		(204,885)	(237,017)
Gross profit		194,329	173,866
Selling expenses		(4)	(9)
Administrative expenses		(51,899)	(64,535)
Net impairment losses on financial assets		(15,077)	(1,581)
Impairment losses on intangible assets	7	(668,219)	–
Other income		4,803	3,453
Other gains – net	4	136,226	65,838
Operating (loss)/profit		(399,841)	177,032
Finance income		18,420	42,102
Finance costs		(54,402)	(23,568)
(Loss)/profit before income tax		(435,823)	195,566
Income tax credit/(expense)	5	14,754	(26,120)
(Loss)/profit for the year		(421,069)	169,446
Other comprehensive income		–	–
Total comprehensive (loss)/income for the year		(421,069)	169,446
Attributable to:			
Owners of the Company		(404,342)	150,900
Non-controlling interests		(16,727)	18,546
		(421,069)	169,446
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company:			
– Basic (loss)/earnings per share (in RMB)	6	(2.926)	1.092
– Diluted (loss)/earnings per share (in RMB)	6	(2.926)	0.228

CONSOLIDATED BALANCE SHEET

		As at December 31,	
		2020	**2019**
	Notes	*RMB'000*	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		145,125	146,176
Right-of-use assets		38,875	42,011
Intangible assets	7	2,208,557	2,905,829
Deferred income tax assets		3,835	1,413
Other receivables, deposits and prepayments		1,897	2,012
Amount due from a related party		80,000	80,000
Total non-current assets		2,478,289	3,177,441
Current assets			
Inventories		6,560	5,021
Trade receivables	8	33,945	30,332
Other receivables, deposits and prepayments		2,827	16,405
Amounts due from related parties		271,120	217,947
Financial assets at fair value through profit or loss		90,737	36,829
Term deposits		-	134,370
Cash and cash equivalents		860,726	836,624
Total current assets		1,265,915	1,277,528
Total assets		3,744,204	4,454,969
EQUITY			
Equity attributable to owners of the Company			
Share capital		123	123
Share premium		435,304	435,304
Other reserves		928,111	924,231
(Accumulated losses)/retained earnings		(283,382)	123,448
		1,080,156	1,483,106
Non-controlling interests		287,084	334,734
Total equity		1,367,240	1,817,840

CONSOLIDATED BALANCE SHEET (Continued)

	Notes	As at December 31, 2020 *RMB'000*	2019 *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings	12	34,386	99,658
Convertible bonds	10	1,558,245	1,693,430
Lease liabilities		692	650
Deferred income tax liabilities		302,301	350,087
Accruals, other payables and provisions		196	362
Total non-current liabilities		1,895,820	2,144,187
Current liabilities			
Trade payables	9	16,762	13,325
Accruals, other payables and provisions		85,711	78,860
Amounts due to related parties		22,843	23,749
Contract liabilities		872	539
Current income tax liabilities		20,281	28,713
Borrowings	12	97,309	114,744
Lease liabilities		266	2,412
Other financial liability at amortised cost		237,100	230,600
Total current liabilities		481,144	492,942
Total liabilities		2,376,964	2,637,129
Total equity and liabilities		3,744,204	4,454,969

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 three not-for-profit hospitals and (iii) sale of pharmaceutical products in the People's Republic of China (the "PRC").

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

The ordinary shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("the Listing") on March 16, 2017.

The consolidated financial statements is presented in Renminbi ("RMB") and rounded to nearest thousand yuan, unless otherwise stated.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(i) Compliance with IFRS and Hong Kong Companies Ordinance

The consolidated financial statements of Hospital Corporation of China Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong).

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities (including derivative instruments) – measured at fair value, and
- Convertible bonds – measured at fair value.

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business- Amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) New standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 Segment information

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

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

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

(i) 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"), Jiande Dajia Chinese Medicines Pharmaceutical Technology Co., Ltd. ("DJ Pharmaceutical Technology") and Jiande Xinlin Pharmacy Co., Ltd. ("Xinlin Pharmacy").

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 years ended December 31, 2020 and 2019, respectively.

(ii) 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, Honghe Ruixin, Cixi Honghe and Zhejiang Honghe Zhiyuan.

Pursuant to the hospital management framework agreement and the letter of intent signed by Weikang Investment and Yangsi Hospital on January 1, 2013 and October 8, 2014, respectively, the long-term hospital management agreements signed by Honghe Ruixin and Yangsi Hospital on January 1, 2016 and the 3-year hospital management agreements signed by Weikang Investment and Honghe Ruixin with Yangsi Hospital on January 1, 2020, covering the period from 2020 to 2022, Weikang Investment and Honghe Ruixin have provided management and consultancy services to Yangsi Hospital with a period of 50 years from 2016 to 2065 and the management fee has been calculated based on the pre-set formulas set out in the 3-year hospital management agreement accordingly.

Cixi Honghe had entered into a letter of intent with Cixi Hospital on February 1, 2018 and signed a supplemental letter of intent with Cixi Hospital on March 7, 2018. Pursuant to the letter of intent, Cixi Honghe has provided management and consultancy services to Cixi Hospital with a period of 50 years from 2018 to 2067. On March 26, 2018, Cixi Honghe entered into a 5-year hospital management agreement with Cixi Hospital, covering the period from 2018 to 2022. Pursuant to the hospital management agreement, Cixi Honghe can derives management fee based on the pre-set formulas set out in the 5-year hospital management agreement.

Zhejiang Honghe Zhiyuan had entered into a 50-year hospital management letter of intent with Jinhua Hospital, covering the period from January 1, 2017 to December 31, 2066. Pursuant to the Jinhua Hospital letter of intent, Zhejiang Honghe Zhiyuan has agreed to provide consultancy and management services to Jinhua Hospital, and Jinhua Hospital has agreed to pay Zhejiang Honghe Zhiyuan management service fees. The detailed service content and pricing are concluded and effective in a separate 3-year hospital management agreement which was signed by Zhejiang Honghe Zhiyuan and Jinhua Hospital, covering the period from January 1, 2020 to January 1, 2023. Pursuant to the 3-year hospital management agreement, the management fee has been calculated based on the pre-set formulas.

(iii) Sale of pharmaceutical products

Revenue from this segment is generated in the PRC and is derived from sale of pharmaceutical products by Zhejiang Dajia Medicines Co., Ltd. ("DJ Medicines") and its subsidiary, Honghe (Jinhua) Pharmaceutical Co., Ltd..

(iv) Unallocated

The "Unallocated" category mainly represents the headquarter income and expenses.

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

	General hospital services *RMB'000*	**Hospital management services** *RMB'000*	**Sale of pharmaceutical products** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Year ended December 31, 2020					
Segment revenue	171,267	226,888	1,059	–	399,214
Revenue from external customers	171,267	226,888	1,059	–	399,214
Timing of revenue recognition					
– At a point in time	94,601	–	1,059	–	95,660
– Over time	76,666	226,888	–	–	303,554
	171,267	226,888	1,059	–	399,214
EBITDA	(229,402)	(240,312)	(135)	–	(469,849)
Depreciation	(8,578)	(1,868)	(273)	(48)	(10,767)
Amortization	(7,784)	(21,973)	(691)	(1,687)	(32,135)
Finance (costs)/income	(1,854)	498	(25)	(34,601)	(35,982)
Unallocated income-net				112,910	112,910
(Loss)/profit before tax	(247,618)	(263,655)	(1,124)	76,574	(435,823)
As at December 31, 2020					
Segment assets	401,551	1,290,858	3,290	897,821	2,593,520
Goodwill	58,495	1,082,923	9,266	–	1,150,684
Total assets	460,046	2,373,781	12,556	897,821	3,744,204
Total liabilities	150,854	280,372	1,826	1,943,912	2,376,964

	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*
Year ended December 31, 2019						
Segment revenue	196,472	212,205	3,105	(899)	–	410,883
Inter-segment revenue	–	–	(899)	899	–	–
Revenue from external customers	196,472	212,205	2,206	–	–	410,883
Timing of revenue recognition						
– At a point in time	98,826	–	2,206	–	–	101,032
– Over time	97,646	212,205	–	–	–	309,851
	196,472	212,205	2,206	–	–	410,883
EBITDA	9,950	180,688	(199)	479	–	190,918
Depreciation	(7,926)	(1,925)	(258)	–	(103)	(10,212)
Amortization	(7,702)	(23,694)	(697)	–	(1,521)	(33,614)
Finance (costs)/income	(1,804)	205	5	–	20,128	18,534
Unallocated income-net					29,940	29,940
(Loss)/profit before tax	(7,482)	155,274	(1,149)	479	48,444	195,566
As at December 31, 2019						
Segment assets	404,802	1,464,058	3,167	–	965,175	2,837,202
Goodwill	301,995	1,306,506	9,266	–	–	1,617,767
Total assets	706,797	2,770,564	12,433	–	965,175	4,454,969
Total liabilities	137,064	342,565	1,788	–	2,155,712	2,637,129

4 Other gains – net

	Year ended December 31, 2020	2019
	RMB'000	*RMB'000*
Net fair value gains on convertible bonds	72,983	62,586
Net gains on the extension of convertible bonds	62,202	–
Net fair value gains on financial assets at FVPL	1,953	5,026
Others	(912)	(1,774)
	136,226	65,838

5 Income tax (credit)/expense

Subsidiaries established and operating in Mainland China are subject to the PRC corporate income tax at the rates of 25% or 15% for the year ended December 31, 2020 (2019: 25% or 15%).

	Year ended December 31, 2020	2019
	RMB'000	*RMB'000*
Current income tax:		
– PRC corporate income tax	35,454	27,025
Deferred income tax credit	(50,208)	(905)
	(14,754)	26,120

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

	Year ended December 31, 2020	2019
	RMB'000	*RMB'000*
Profit before income tax	(435,823)	195,566
Calculated at taxation rate of 25%	(108,956)	48,892
Effect of different tax rates available to different subsidiaries of the Group	(11,690)	(35,794)
Expenses not tax deductible	94,301	8,532
Tax effect of unrecognized tax losses	1,754	3,444
Utilization of tax losses in previous years	(822)	(3,193)
Withholding tax	10,659	4,239
Income tax (credit)/expense	(14,754)	26,120

(i) 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.

(ii) Hong Kong Profits Tax

Hong Kong profits tax rate was 16.5% for the year ended December 31, 2020 (2019: 16.5%). No Hong Kong profit tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax for the years ended December 31, 2020 and 2019.

(iii) PRC Corporate Income Tax ("CIT")

The income tax rate of Tibet Honghe Zhiyuan Business Management Co., Ltd. ("Honghe Zhiyuan") and Honghe Ruixin was 15% for the year ended December 31, 2020 (2019: 15%). The income tax rate of other subsidiaries was 25% for the year ended December 31, 2020 (2019: 25%).

(iv) Withholding Tax

The withholding tax rate of Bliss Success Holdings Limited and Impeccable Success Limited was 10% pursuant to the PRC Enterprise Income Tax based on the remittance of dividends from subsidiaries in the PRC in the foreseeable future.

New Pride Holdings Limited ("New Pride") has obtained the Certificate of Resident Status of Hong Kong Special Administrative Region and its subsidiary, Weikang Investment, completed the tax filing as the withholding agent of New Pride from 2017 to 2019. After the tax filing, New Pride can get the tax treaty benefits with the preferential tax rate of 5% for the dividends declared by Weikang Investment. As at December 31, 2019, Weikang Investment has settled all declared dividends and withholding tax with the tax rate of 5%. Since January 1, 2020, the withholding tax rate for the dividends declared by Weikang Investment has returned to 10%.

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

6 (Loss)/earnings per share

(i) Basic (loss)/earnings per share

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

- The (loss)/profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares.

- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year excluding shares held for employee share scheme.

	Year ended December 31,	
	2020	**2019**
Total (loss)/profit attributable to owners of the Company (RMB'000)	(404,342)	150,900
Weighted average number of ordinary shares in issue (in thousands)	138,194	138,158
Basic (loss)/earnings per share (in RMB)	(2.926)	1.092

(ii) Diluted (loss)/earnings per share

The Group had potential dilutive shares during the year ended December 31, 2020 related to the convertible bonds. Mainly due to the Group's negative financial results during the year ended December 31, 2020, relative convertible bonds have anti-dilutive effect on the Group's loss per share. Thus, diluted loss per share is equivalent to the basic loss per share in 2020.

Diluted (loss)/earnings per share is calculated by adjusting the (loss)/profit attributable to owners of the Company to assume conversion of the convertible bonds issued at March 5, 2018 and August 7, 2018 which are dilutive and adjusting the weighted average number of ordinary shares in issue considering conversion of the convertible bonds during the year ended December 31, 2019.

	Year ended December 31,	
	2020	**2019**
Total (loss)/profit attributable to owners of the Company (RMB'000)	(404,342)	150,900
Fair value change of the convertible bonds (RMB'000)	–	(104,643)
Total (loss)/profit used to determine diluted (loss)/earnings per share (RMB'000)	(404,342)	46,257
Weighted average number of ordinary shares in issue (in thousands)	138,194	138,158
Adjustment for calculation of diluted earnings per share:		
– Convertible bonds that are dilutive (in thousands)	–	64,694
Weighted average number of ordinary shares in issue and potential ordinary shares (in thousands)	138,194	202,852
Diluted (loss)/earnings per share (in RMB)	(2.926)	0.228

7 Intangible assets

	Goodwill	Contractual rights to provide management services	Licenses	Software	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2019					
Cost	1,617,767	1,158,200	186,900	1,813	2,964,680
Accumulated amortisation	–	(21,047)	(6,853)	(241)	(28,141)
Net book amount	1,617,767	1,137,153	180,047	1,572	2,936,539
Year ended December 31, 2019					
Opening net book amount as at January 1, 2019	1,617,767	1,137,153	180,047	1,572	2,936,539
Additions	–	–	–	100	100
Amortisation charge	–	(23,647)	(6,853)	(310)	(30,810)
Closing net book amount as at December 31, 2019	1,617,767	1,113,506	173,194	1,362	2,905,829
At December 31, 2019					
Cost	1,617,767	1,158,200	186,900	1,913	2,964,780
Accumulated amortisation	–	(44,694)	(13,706)	(551)	(58,951)
Net book amount	1,617,767	1,113,506	173,194	1,362	2,905,829
Year ended December 31, 2020					
Opening net book amount as at January 1, 2020	1,617,767	1,113,506	173,194	1,362	2,905,829
Amortisation charge	–	(21,959)	(6,815)	(279)	(29,053)
Impairment charge	(467,083)	(201,136)	–	–	(668,219)
Closing net book amount as at December 31, 2020	1,150,684	890,411	166,379	1,083	2,208,557
At December 31, 2020					
Cost	1,617,767	1,158,200	186,900	1,913	2,964,780
Accumulated amortisation and impairment	(467,083)	(267,789)	(20,521)	(830)	(756,223)
Net book amount	1,150,684	890,411	166,379	1,083	2,208,557

8 Trade receivables

	As at December 31,	
	2020	**2019**
	RMB'000	*RMB'000*
Trade receivables	36,945	31,332
Less: provision for impairment of trade receivables	(3,000)	(1,000)
Trade receivables – net	33,945	30,332

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

As at December 31, 2020 and 2019, the aging analysis based on invoice date of the trade receivables was as follows:

	As at December 31,	
	2020	**2019**
	RMB'000	*RMB'000*
1 – 90 days	33,058	25,428
91 – 180 days	1,465	1,658
181 days – 1 year	2,338	2,947
Over 1 year	84	1,299
	36,945	31,332

9 Trade payables

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

	As at December 31,	
	2020	**2019**
	RMB'000	*RMB'000*
Within 90 days	12,729	11,458
91 to 180 days	1,570	971
181 days to 1 year	1,219	372
Over 1 year	1,244	524
	16,762	13,325

10 Convertible bonds

The movement of the convertible bonds are as follows:

	Convertible bonds issued at			
	March 5, 2018	**August 7, 2018**	**February 27, 2019**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2019	430,241	643,615	–	1,073,856
Issuance of convertible bonds during the period	–	–	682,160	682,160
Amortization of premium/(discount) with principal amount at initial recognition	773	(1,527)	22	(732)
Fair value change	(38,840)	(65,049)	42,035	(61,854)
As at December 31, 2019	392,174	577,039	724,217	1,693,430
As at January 1, 2020	392,174	577,039	724,217	1,693,430
Amortization of premium/(discount) with principal amount at initial recognition	901	(1,526)	23	(602)
Fair value change	(3,944)	(32,940)	(34,596)	(71,480)
Other gains of extension of the convertible bonds	(63,103)	–	–	(63,103)
As at December 31, 2020	326,028	542,573	689,644	1,558,245

(i) Convertible bonds issued on March 5, 2018 and extended on December 17, 2020

On December 17, 2020, in accordance with the terms and conditions of the convertible bonds, the Group and Vanguard Glory entered into the deed of amendment to alter certain terms of the convertible bonds (the "Deed of Amendment"), subject to and effective from fulfilment of the conditions precedent. Pursuant to the Deed of Amendment, (i) the maturity date of the convertible bonds issued on March 5, 2018 shall be extended from March 5, 2021 to December 29, 2023; and (ii) in the event that the shares cease to be listed or admitted to trading on the Stock Exchange, each bondholder shall have the right, at such bondholder's option, to require the Company to redeem, in whole or in part (i.e. rather than in whole only), such bondholder's convertible bonds. Save as revised by the Deed of Amendment, all of the terms and conditions of the convertible bonds remain unchanged and in full force.

None of convertible bonds was converted into ordinary shares of the Company during the year ended December 31, 2020.

As at December 31, 2020, the fair value of the convertible bonds is approximately HKD387,372,000, equivalent to approximately RMB326,028,000 (2019: HKD438,808,000, RMB393,077,000), which is determined by an independent qualified valuer.

(ii) Convertible bonds issued on August 7, 2018

None of convertible bonds was converted into ordinary shares of the Company during the year ended December 31, 2020.

As at December 31, 2020, the fair value of the convertible bonds was approximately HKD639,976,000, equivalent to approximately RMB538,629,000 (2019: HKD638,069,000, RMB571,569,000), which is determined by an independent qualified valuer.

(iii) Convertible bonds issued on February 27, 2019

None of convertible bonds was converted into ordinary shares of the Company during the year ended December 31, 2020.

As at December 31, 2020, the fair value of the convertible bonds was approximately HKD819,493,000, equivalent to approximately RMB689,718,000 (2019: HKD808,585,000, RMB724,315,000), which is determined by an independent qualified valuer.

11 Dividends

The board of directors of the Company does not resolve to declare a dividend for the year ended December 31, 2020 (2019: nil).

Pursuant to a resolution of the board of directors' meeting of Weikang Investment on October 12, 2020, a dividend, including withholding tax, of RMB16,619,000 to its majority shareholders and RMB4,964,000 to its minority shareholders was declared. The dividend to its majority shareholders had been recorded in dividends payable, and the dividend to its minority shareholders had been settled before December 31, 2020.

Pursuant to a resolution of the shareholders' meeting of Honghe Ruixin on October 12, 2020, a dividend, including withholding tax, of RMB68,595,000 to its majority shareholders and RMB20,489,000 to its minority shareholders was declared. The dividend had been settled before December 31, 2020.

Pursuant to a resolution of the board of directors' meeting of Cixi Honghe on February 18, 2020, a dividend, including withholding tax, of RMB5,355,000 to its majority shareholders and RMB2,295,000 to its minority shareholders was declared. The dividend had been settled before December 31, 2020.

Pursuant to a resolution of the board of directors' meeting of Cixi Honghe on November 25, 2020, a dividend, including withholding tax, of RMB7,407,000 to its majority shareholders and RMB3,175,000 to its minority shareholders was declared. The dividend to its majority shareholders had been recorded in dividends payable, and the dividend to its minority shareholders had been settled before December 31, 2020.

12 Borrowings

	As at December 31, 2020			As at December 31, 2019		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowing						
Secured but unguaranteed (a)	57,309	34,386	91,695	74,744	99,658	174,402
Unsecured and unguaranteed (b)	40,000	–	40,000	40,000	–	40,000
Total borrowings	97,309	34,386	131,695	114,744	99,658	214,402

(a) 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 quarter. The bank loan was secured by the 100% equity interest of Jiande Hexu and Jiande Heyue Enterprise Management Co., Ltd. and 70% equity interest of Jiande Hospital, Jiande DJ Pharmaceutical Technology and DJ Medicines.

(b) Jiande Hospital entered into seven one-year loan agreements with Agricultural Bank of China Jiande Branch on January 15, January 17, March 20, April 9, November 12, December 4 and December 17, 2020, respectively. The remaining amount of these loans was RMB40,000,000, which consist of the loans amounting to RMB3,000,000, RMB9,900,000, RMB9,900,000, RMB9,000,000 and RMB8,200,000 bore fixed interest rates of 4.437%, 4.350%, 4.300%, 4.300% and 4.300% respectively.

As at December 31, 2020, the Group's borrowings were repayable as follows:

	Bank borrowings	
	2020	**2019**
	RMB'000	*RMB'000*
Within 1 year	97,309	114,744
Between 1 and 2 years	34,386	62,286
Between 2 and 5 years	–	37,372
	131,695	214,402

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

BUSINESS OVERVIEW

Business positioning

The Group adheres to the "Three-step" development strategy that centers on "strengthening the management and control system, enhancing the quality of assets and exploring new business models". It aims to gradually transform itself from a medical group that principally engaged in merger, acquisition and operation of hospitals into a large medical service technology group. Since the new management came into office, the Group has been adopting the following path of business development and management optimization measures to achieve its strategic goals:

- **Strengthening the management and control system.** The Group's objectives were to further establish standards and rules, refine its management and control system, improve the corporate culture, set up a scientific training system and optimize the incentive and binding mechanism for hospital administrators of all Group Hospitals;

- **Enhancing the quality of assets.** Apart from further upgrading the medical service quality of all hospitals, the Group also built the supply chain system, developed the management framework with the informatization system as the fundamental structure to support management, and established the regional medical service network; and

- **Exploring new business models.** In the future, the Group will further enrich its business mix by expanding upstream and downstream services in the industry chain, such as ancillary services of the supply chain and medical waste treatment. With a focus on integrated medical services, it will also explore new business models such as CRO, biotechnology, intelligent healthcare and big data in healthcare. Meanwhile, it will seek strategic cooperation with major online medical platforms for the joint development of the offline medical industry.

Business layout

Through new construction or investment and M&A, the Group has a number of medical institutions of different classes in densely populated and economically developed regions in China, which form Class III hospitals with comprehensive strength as regional medical centers, and radiate and drive a number of Class II or Class I hospitals, and each regional medical network further forms a group medical system;

Through the establishment of pharmaceutical distribution and medical device companies, the Group's "centralized procurement center (集中採購中心)" has been using informatization technology to continuously improve procurement efficiency, reduce procurement costs, boost inventory turnover and increase the efficiency of fund utilization, thereby fully realizing the intensive and large-scale advantages of the Group;

With its self-developed informatization system as the fundamental structure to support management, the Group carried out an in-depth study of the increasingly abundant data on its healthcare operations to analyze and explore clinical data, operational data and material data in order to continuously enhance the quality of diagnosis and treatment at hospitals, improve operating efficiency, reduce hospital operating costs and explore the application of big data in healthcare. Based on the advantageous brand disciplines of each Group Hospital, the Group built the "internet hospital (互聯網醫院)" in collaboration with major internet medical platforms for the joint development of offline medical assets. It integrated its internal and external medical resources, established a new online and offline integration model of inter-hospital collaboration, collaboration between doctors and doctor-patient communication, so as to continuously increase the service offering and extend the reach of services of the Group and the Group Hospitals, thereby enriching the business development paths.

INDUSTRY OVERVIEW

Throughout 2020, the COVID-19 pandemic had a great impact on China's medical service industry. Changes in patients' behavior resulted in a short-term decline in out-patient and in-patient visits to medical institutions. On the other hand, hospitals under collectivized management demonstrated better risk resilience and their business was the first to rebound as the pandemic became less severe in China in the second half of the year. Meanwhile, China's medical reform policies entered the critical phase of development. Given the nation's continuous support to socially-run medical institutions and physician practice at multiple sites, medical talents were attracted to leading private medical institutions. Looking back to 2020, changes and trends of the medical services industry were as follows:

- **Encouragement and support for socially-run medical care institutions.** In June, the "Promotion Law on Basic Medical and Healthcare" (《基本醫療衛生與健康促進法》) (the "**Medical Promotion Law**") was officially implemented as the first basic and comprehensive law on the medical and healthcare industry in China. It stipulates that "the nation shall adopt various measures to encourage and guide the establishment of medical care institutions by the private sector. Socially-run medical care institutions shall have the same rights as public medical care institutions in the qualification for basic medical insurance designation, key specialty development, research and teaching, grade assessment, approval of special medical technology and titles evaluation of medical and healthcare staff". Since the implementation of the Medical Promotion Law, various provinces and cities responded by adopting rules to support socially-run medical care institutions. The favorable policies on doctors' title evaluation, regional medical planning, threshold and procedures for approval shall greatly benefit outstanding socially-run medical care institutions that can provide high-quality technical services in the future;

- **Opportunistic growth of internet medical care driven by additional policy support.** As the COVID-19 pandemic subdued offline medical consultation, internet medical care played an important role in alleviating pressure on offline medical services and preventing cross-infection. During the COVID-19 pandemic, China rolled out a series of guidelines and administrative measures to promote the orderly development of the internet medical care industry. In February, the National Healthcare Security Administration and the National Health Commission promulgated the Guiding Opinions on Promoting "Internet+" Medical Insurance Services During the Prevention and Control of COVID-19 Pandemic (《關於推進新冠肺炎疫情防控期間開展「互聯網+」醫保服務的指導意見》). In May, the National Health Commission published the Notice on the Promotion of the Development and Standardized Management of Internet Medical Service (《關於進一步推動互聯網醫療服務發展和規範管理的通知》). In October, the National Healthcare Security Administration issued the Guiding Opinions on Active Promotion of Medical Insurance Payment for "Internet+" Medical Service (《關於積極推進「互聯網+」醫療服務醫保支付工作的指導意見》). By gradually opening up and supporting the industry, these policies will facilitate the further integration and restructuring of internet medical care and offline physical medical services, which will enable the effective allocation of medical resources and pave way for the vibrant growth of the medical care industry;

- **Intensifying the supply chain reform.** In addition to the nation's bulk procurement of medicines, many provinces and cities procured drugs in bulk through "procurement alliances" or on a standalone basis. In September, the procurement of coronary stent marked the nation's first bulk purchase of high-value consumables. It is expected that the country will increase and expand its bulk procurement in the future. In terms of hospital revenue, the profit margins of medicines and consumables are on the decline, and medical institutions that rely on "supporting the medical industry by the pharmaceutical business(以藥養醫)" face challenges. On the other hand, medical expenses saved from bulk purchases are used to subsidize medical services. Thus, medical institutions with a focus on medical services and academic development will have greater competitive advantages and enjoy more rooms for development; and

- **More thorough reform on medical insurance payment.** In parallel to the orderly commencement of the DRGs payment pilot program, the National Healthcare Security Administration issued the Notice on the Publication of Budget for Total Regional Payment on Point-based System and Diagnosis-Intervention Packet Pilot Working Plan (《關於印發區域點數法總額預算和按病種分值付費試點工作方案的通知》) in October, which proposed Diagnosis-Intervention Packet model to be piloted in 71 cities. With its extensive coverage and high flexibility, this payment model will be integral to China's medical insurance audit. The intense development and implementation of the medical insurance payment policy indicate that the medical service industry shall continuously offer valid, reasonable and standardized treatment in compliance with relevant requirements.

As mentioned above, the promulgation of the Medical Promotion Law will offer policy support to and bring more room for the development of socially-run medical institutions. In 2020, the COVID-19 pandemic posed great challenges to the national medical and healthcare service system. As a key player of the industry, socially-run medical institutions overcame the difficulties by adapting to changes and some of the outstanding and leading ones showed strong resilience and vitality. At the same time, medical institutions with refined management capability and high-quality medical service offerings gained further market share as a result of the medical reform policies implemented by the state government, such as the bulk procurement and medical insurance payment policies. In 2021, we will continue to adopt a conscientious and pragmatic approach to develop the medical service market and boost the operating efficiency of existing hospitals. We will also explore medical technology and other emerging fields in search of new markets.

RECENT DEVELOPMENTS

Time	Event
May 19, 2020	On May 19, 2020, a loan agreement was entered into between Tibet Dazi Honghe Ruixin Business Management Co., Ltd.* (西藏達孜弘和瑞信企業管理有限公司, an indirect non wholly-owned subsidiary of the Company) ("**Tibet Dazi**") as lender and Zhejiang Jinhua Guangfu Oncological Hospital* (浙江金華廣福腫瘤醫院) ("**Jinhua Hospital**"), a hospital managed by the Group, as borrower. Pursuant to the loan agreement, Tibet Dazi has conditionally agreed to grant a loan to Jinhua Hospital, for a term of 90 days from the date of the relevant drawdown of each installment of the loan. The loan amount was RMB45 million, and the loan interest rate is 4.79% per annum which is subject to adjustment according to the applicable benchmark interest rates as published by the People's Bank of China from time to time. Please refer to the announcement of the Company dated May 19, 2020 for further details.
June 23, 2020	With effect from June 23, 2020, (i) Mr. Shan Guoxin has resigned as an executive Director, the chief executive officer of the Company ("**Chief Executive Officer**"), a member of the remuneration committee of the Company ("**Remuneration Committee**") and an authorised representative of the Company ("**Authorised Representative**") under Rule 3.05 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for personal development reasons; (ii) Mr. Zhao John Huan has resigned as a non-executive Director, the chairman of the Board and the chairman of the nomination committee of the Company ("**Nomination Committee**") due to work arrangements; and (iii) Mr. Li Peng has resigned as a non-executive Director and a member of the audit committee of the Company ("**Audit Committee**") due to work arrangements. Further, with effect from June 23, 2020, (i) Mr. Su Zhiqiang has been appointed as an executive Director, a member of the Remuneration Committee and an Authorised Representative; (ii) Mr. Chen Shuai has been appointed as a non-executive Director, the chairman of the Board, the acting Chief Executive Officer and the chairman of the Nomination Committee; and (iii) Ms. Shi Wenting has been appointed as a non-executive Director and a member of the Audit Committee.

Time	Event
November 20, 2020	On November 20, 2020, a loan agreement was entered into between Tibet Honghe Zhiyuan Business Management Co., Ltd.* (西藏弘和志遠企業管理有限公司, a wholly-owned subsidiary of the Company) ("**Tibet Honghe Zhiyuan**") as lender and Jinhua Hospital, as borrower. Pursuant to the loan agreement, Tibet Honghe Zhiyuan has conditionally agreed to grant a loan to Jinhua Hospital, for an availability period of three years from the date of the loan agreement and a term of one year from the date of the relevant drawdown of each installment of the loan. The loan amount was RMB100 million, and the loan interest rate is 4.79% per annum which is subject to adjustment according to the applicable benchmark interest rates as published by the People's Bank of China from time to time. With effect from November 20, 2020, (i) Mr. Chen Shuai, a non-executive Director, has been re-designated as an executive Director; (ii) Mr. Su Zhiqiang, an executive Director, has been re-designated as a non-executive Director; (iii) Mr. Su Zhiqiang has resigned as an Authorised Representative under the Listing Rules due to work arrangements; and (iv) Mr. Chen Shuai has been appointed as an Authorised Representative. Please refer to the announcements of the Company both dated November 20, 2020 for further details.
December 17, 2020	On December 17, 2020, in accordance with the terms and conditions of the convertible bonds with an aggregate principal amount of HK$468,000,000 issued by the Company on March 5, 2018 (the "**Vanguard Convertible Bonds**"), the Company and Vanguard Glory Limited ("**Vanguard Glory**") entered into a deed of amendment to alter certain terms of the Vanguard Convertible Bonds, subject to and effective from fulfilment of the conditions precedent (the "**Alteration of Terms**"). Pursuant to the Alteration of Terms, (i) the maturity date of the Vanguard Convertible Bonds shall be extended from March 5, 2021 to December 29, 2023; and (ii) in the event that the shares of the Company cease to be listed or admitted to trading on the Stock Exchange, each bondholder shall have the right, at such bondholder's option, to require the Company to redeem, in whole or in part (i.e. rather than in whole only), such bondholder's Vanguard Convertible Bonds. The Alteration of Terms was approved by the shareholders of the Company other than Vanguard Glory at the extraordinary general meeting of the Company held on February 22, 2021 and was approved by the Stock Exchange subsequently. Please refer to the announcements of the Company dated December 17, 2020 and February 22, 2021 and the circular of the Company dated January 29, 2021 for further details.

Time	Event
January 15, 2021	Ms. Kwong Yin Ping Yvonne has tendered her resignation as (i) the company secretary of the Company (the "**Company Secretary**"), (ii) an Authorised Representative; and (iii) a process agent of the Company for accepting on its behalf service of process or notices to be served on the Company in Hong Kong under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and Rule 19.05(2) of the Listing Rules (the "**Process Agent**") with effect from January 15, 2021. Ms. Ho Wing Yan has been appointed as the Company Secretary, the Authorised Representative and the Process Agent with effect from January 15, 2021.
January 18, 2021	The Board has approved the adoption of the share award scheme (the "**Share Award Scheme**") on January 18, 2021. The purposes of the Share Award Scheme are (i) to encourage or facilitate the holding of shares of the Company by the selected eligible participants of the Share Award Scheme (the "**SAS Eligible Participants**"); (ii) to encourage and retain the SAS Eligible Participants to work with the Group; and (iii) to provide additional incentive for the SAS Eligible Participants to achieve performance goals, with a view to achieving the objectives of increasing the value of the Company and aligning the interests of the SAS Eligible Participants with the Company's shareholders through ownership of shares of the Company. Please refer to the announcement of the Company dated January 18, 2021 for further details.

* *For identification purposes only*

REVIEW OF 2020 ANNUAL PERFORMANCE

Results of Operations

Revenue

Our revenue decreased by 2.8% from RMB410.9 million in 2019 to RMB399.2 million in 2020. The table below sets forth the Group's revenue by segment and by services category for the years indicated:

	For the year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Revenue	**399,214**	410,883
– Hospital management services	**226,888**	212,205
– General hospital services	**171,267**	196,472
– Sale of pharmaceutical products	**1,059**	2,206

Hospital management services

Revenue from our hospital management services segment, which consists of the provision of hospital management services to Yangsi Hospital, Cixi Union Hospital ("**Cixi Hospital**") and Jinhua Hospital, increased by 6.9% from RMB212.2 million in 2019 to RMB226.9 million in 2020. The increase in revenue was mainly attributable to an increase in management service fee income recognised for providing services to Yangsi Hospital.

General hospital services

Revenue from our general hospital services segment decreased by 12.8% from RMB196.5 million in 2019 to RMB171.3 million in 2020. Revenue from this segment decreased mainly due to a decrease in the revenue from the provision of general hospital services by Jiande Hospital to individual patients, which was the result of the decrease in the number of out-patient and in-patient visits of Jiande Hospital in 2020 as affected by the COVID-19 pandemic.

Sale of pharmaceutical products

Revenue from sale of pharmaceutical products was derived from the business of Zhejiang Dajia Medicines Co., Ltd. ("**Dajia Medicines**") and its subsidiary, Honghe (Jinhua) Pharmaceutical Co., Ltd. ("**Honghe Jinhua**"), which are indirectly owned as to 70% by Jiande Hexu Enterprise Management Co., Ltd. and are principally engaged in the supply of pharmaceutical products to customers. Revenue from sale of pharmaceutical products decreased by 52.0% from RMB2.2 million in 2019 to RMB1.1 million in 2020, mainly due to a decrease in Dajia Medicines' and Honghe Jinhua's income from the supply of pharmaceutical products to customers.

Cost of revenue

Our cost of revenue decreased by 13.6% from RMB237.0 million in 2019 to RMB204.9 million in 2020. The decrease in costs was mainly attributable to (i) a decrease of approximately RMB24.4 million in cost of inventories; and (ii) a decrease of approximately RMB6.4 million in employee benefit expenses.

Administrative expenses

Our administrative expenses decreased by 19.6% from RMB64.5 million in 2019 to RMB51.9 million in 2020. The decrease in administrative expenses was mainly attributable to (i) a decrease of RMB6.7 million in accrued professional service fees and auditor's remuneration; and (ii) a decrease of RMB5.3 million in employee benefit expenses.

Impairment losses on intangible assets

For the year ended December 31, 2020, we recorded impairment losses on intangible assets of RMB668.2 million (2019: nil), which was mainly attributable to impairment losses on goodwill and relevant intangible assets of RMB668.2 million.

Other gains – net

Our other gains – net increased by RMB70.4 million from RMB65.8 million in 2019 to RMB136.2 million in 2020. The increase in other gains – net was mainly attributable to the increase in gains on changes of fair value of convertible bonds in 2020 of RMB10.4 million and the increase in net gains arising from the extension of convertible bonds of RMB62.2 million.

Other income

We recorded other income of RMB3.5 million and RMB4.8 million for the years ended December 31, 2019 and 2020, respectively, representing a year-on-year increase of 39.1%. The increase was mainly attributable to the annual grant of RMB1.9 million received by Jiande Hospital from the People's Government of Jiande city, to support the development of people's medical institutions established through social capital contribution.

Finance income and finance costs

Our finance income decreased by RMB23.7 million from RMB42.1 million in 2019 to RMB18.4 million in 2020, and such decrease was mainly attributable to (i) a decrease of RMB31.5 million in foreign exchange gains in relation to cash and cash equivalents, which was offset by an increase of RMB7.8 million in interest income from demand deposit, term deposit, deposit held at call and loan to a related party, etc.

Our finance costs increased by RMB30.8 million from RMB23.6 million in 2019 to RMB54.4 million in 2020, mainly due to an increase of RMB34.8 million in foreign exchange losses in relation to cash and cash equivalents, which was offset by the decrease in finance expenses in relation to other financial liability at amortized cost of RMB2.3 million and the decrease of RMB1.7 million in interest expenses on bank borrowings.

Income tax credit/(expense)

We recorded income tax credit of RMB14.8 million for the year ended December 31, 2020, and income tax expense of RMB26.1 million for the year ended December 31, 2019. The changes of RMB40.9 million was mainly attributable to the decrease of RMB49.3 million in deferred income tax expenses, which was offset by the increase in current income tax expenses of RMB8.4 million.

Loss for the year

We recorded a net loss of approximately RMB421.1 million for the year ended December 31, 2020, representing a decrease of approximately RMB590.5 million from the net profit of approximately RMB169.4 million for the corresponding period. Such decrease was mainly due to the impairment losses on goodwill and relevant intangible assets of RMB668.2 million, which was offset by the increase of RMB10.4 million in gains on changes of fair value of convertible bonds in 2020 and the increase of RMB62.2 million in net gains resulting from the extension of convertible bonds.

Discussion of certain items from the consolidated balance sheet

Cash and cash equivalents

We had cash and cash equivalents of RMB836.6 million and RMB860.7 million as at December 31, 2019 and 2020, respectively. Other than cash flows from operating activities, the increase of RMB24.1 million in 2020 was primarily attributable to (i) proceeds from the redemption of financial assets at fair value through profit or loss of RMB449.2 million; (ii) proceeds from redemption of term deposits over three months of RMB134.4 million; (iii) proceeds from borrowings of RMB57.2 million; and (iv) recovery of RMB15.0 million of receivables for monetary funds with floating rates, offset by (i) payment for the purchase of financial assets at fair value through profit or loss of RMB502.3 million; (ii) repayment of bank loans of approximately RMB129.7 million; and (iii) payments of interests, dividends and withholding tax of RMB43.9 million.

Other receivables, deposits and prepayments

Our other receivables, deposits and prepayments decreased by RMB13.7 million from RMB18.4 million as at December 31, 2019 to RMB4.7 million as at December 31, 2020, primarily due to a decrease of RMB15.0 million in receivables for monetary funds with floating rates.

Financial assets at fair value through profit or loss

Our financial assets at fair value through profit or loss as at December 31, 2020 amounted to approximately RMB90.7 million, mainly representing monetary funds with floating rates. The monetary funds held by us are low-risk products.

The following table sets out the changes in the monetary funds with floating rates for the year ended December 31, 2020.

	Year ended December 31, 2020 *RMB'000*
Opening balance	**36,229**
Additions	**502,320**
Settlements	**(450,365)**
Gains recognised in other gains – net	**2,553**
Closing balance	**90,737**

During the year under review, we bought monetary funds from three financial institutions, which are independent third parties. The purchases of monetary funds do not constitute connected transactions of the Company under the Listing Rules. As all applicable percentage ratios in respect of the purchases of monetary funds from each of the three financial institutions are less than 5% under Rule 14.07 of the Listing Rules, the purchases of monetary funds do not constitute notifiable transactions of the Company under the Listing Rules.

Accruals, other payables and provisions

Our accruals, other payables and provisions were RMB79.2 million and RMB85.9 million as at December 31, 2019 and 2020, respectively. The accruals, other payables and provisions increased by RMB6.7 million, mainly due to the increase in (i) engineering equipment payables of RMB2.2 million, (ii) medical insurance settlement payables of RMB3.4 million, and (iii) medical insurance turnover fund payables of RMB2.2 million.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2020, our total equity was RMB1,367.2 million (2019: RMB1,817.8 million). As at December 31, 2020, we had current assets of RMB1,265.9 million (2019: RMB1,277.5 million) and current liabilities of RMB481.1 million (2019: RMB492.9 million). As at December 31, 2020, our current ratio was 2.63, as compared with 2.59 as at December 31, 2019.

Our current assets decreased by RMB11.6 million from RMB1,277.5 million as at December 31, 2019 to RMB1,265.9 million as at December 31, 2020, primarily due to a decrease in other receivables, deposits and prepayments of RMB13.6 million. Our current liabilities decreased by RMB11.8 million from RMB492.9 million as at December 31, 2019 to RMB481.1 million as at December 31, 2020, primarily due to a decrease of RMB17.4 million in bank borrowings due within one year.

Our primary uses of cash in 2020 were for working capital, and payment for financial assets at fair value through profit or loss. We financed our liquidity requirements mainly with cash flows generated from our operating activities. In the year under review, we had net cash generated from operating activities of RMB83.5 million, consisting of RMB191.8 million in net cash inflows generated from our operations before changes in working capital, net cash outflows of RMB64.7 million relating to changes in working capital, cash outflows on income tax paid of RMB43.9 million and interests received of RMB0.3 million. Our net cash inflows generated from operating activities before changes in working capital were primarily attributable to our loss before income tax of RMB435.8 million, adjusted for non-cash and non-operating items, mainly including impairment losses on intangible assets of RMB668.2 million, gains on fair value change arising from the change in value of convertible bonds of RMB73.0 million, net gains on the extension of convertible bonds of RMB62.2 million, foreign exchange losses of RMB34.8 million arising from cash and cash equivalents, financial expenses in relation to other financial liability at amortized cost of RMB6.5 million, impairment losses on financial assets of RMB15.1 million and depreciation of property, plant and equipment, and amortization of intangible assets of RMB42.9 million. Our net cash outflows relating to changes in working capital were primarily attributable to the increase in receivables from related parties of RMB62.7 million and the increase in trade receivables of RMB9.3 million, which were offset by the increase in accruals, other payables and provisions of RMB7.1 million and the increase of trade payables of RMB3.4 million.

In the year under review, we had net cash inflows from investing activities of RMB104.8 million, which primarily comprised proceeds from the redemption of financial assets at fair value through profit or loss of RMB449.2 million, proceeds from redemption of fixed deposits with a term of over three months of RMB134.4 million and recovery of receivables for monetary funds with floating rates of RMB15.0 million, which were offset by payments for financial assets at fair value through profit or loss of RMB502.3 million and payment for property, plant and equipment of RMB9.0 million.

Cash and Borrowings

We had cash and cash equivalents of RMB836.6 million and RMB860.7 million as at December 31, 2019 and 2020, respectively. Our borrowings amounted to RMB131.7 million as at December 31, 2020 (as at December 31, 2019: RMB214.4 million). Of our borrowings, RMB91.7 million bear interest at a floating rate with reference to HIBOR plus 360 basic points, RMB3.0 million bear interest at a fixed rate of 4.437%, RMB9.9 million bear interest at a fixed rate of 4.35% and RMB27.1 million bear interest at a fixed rate of 4.30%. The table below sets forth the maturity profile of our borrowings in the years indicated:

	Bank borrowings	
	2020	**2019**
	RMB'000	*RMB'000*
Within 1 year	97,309	114,744
Between 1 and 2 years	34,386	62,286
Between 2 and 5 years	–	37,372
	131,695	214,402

As at December 31, 2020, the net gearing ratio of the Company was 3.5% (net gearing ratio equals borrowing balance divided by total assets). Our Directors believe that, after taking into account the financial resources available to us, including internally generated funds and the net proceeds from the Listing, we have sufficient working capital for our requirements. As at December 31, 2020, the Group did not have any material contingent liabilities or guarantees.

FUTURE PROSPECTS

In 2021, the top priority of the Group remains to be sustaining the recovery and the steady growth of the businesses of the Group Hospitals while maintaining the management of pandemic prevention and control measures. The Group will fully support the talent recruitment and academic development at its Group Hospitals, push forward the establishment of informatization system and group supply chain system, promote synergy of resources within the systems, and build a preliminary medical service network with Jinhua Hospital as the regional center. Focusing on general medical services, the Group will also continue to explore medical technology and innovative business transformation to roll out businesses in the fields of biotechnology, big data in healthcare and online medical services.

In view of the changes in the medical service industry and the increasingly in-depth medical reform policies on DRGs and healthcare associations (醫聯體), the Group will continue its thorough and systematic research and propose effective response plans to identify the right development pattern and path. The Group will comprehensively upgrade its brand strategy and raise brand awareness through innovative marketing solutions. Targeting the core audience, it will strengthen its reputation in the industry and establish a moat against threats to the brand. It will build an overall brand control system to better support future development strategy of the Company and its participation in brand competition in the industry, thereby gaining key competitive edges of the Company from the brand.

With the "Three-step" development strategy as the guiding framework, the Group will implement operational management and control based on the characteristics of the medical industry. It will enhance the quality of assets and the comprehensive value of the Group Hospitals while providing safe, convenient and dignified medical services to the public, so as to meet their healthcare needs at different stages and levels. By exploring innovative business models and enriching the business mix, the Group aims to transform from a medical group that principally engaged in merger, acquisition and operation of hospitals into a large technological medical service group that is reliable, respectable and excellence-pursuing.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not undertake any material acquisitions and disposals of subsidiaries, associates and joint ventures from January 1, 2020 until December 31, 2020.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of December 31, 2020, the Group did not have any significant investments or future plans for material investments or capital assets.

EXPOSURE TO FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group mainly operates in the PRC with most of its 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 December 31, 2020, the Group was exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to USD and HKD.

The Group did not use any derivative financial instruments to hedge foreign exchange 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 ASSETS

As at December 31, 2020, the Group has pledged its assets as security for bank borrowings, details of which are set out in Note 12 to the consolidated financial statements.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended December 31, 2020.

HUMAN RESOURCES

As at December 31, 2020, we had a total of 473 employees (December 31, 2019: 489). We provide wages, employee-related insurance and employee benefits to our employees. Remuneration packages for our employees mainly consist of base salary, welfare and bonus. For the year ended December 31, 2020, the total employee benefits expenses (including Directors' remuneration) were RMB110.4 million (2019: RMB122.1 million).

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

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

USE OF NET PROCEEDS FROM LISTING

The shares of the Company were listed on the Main Board of 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 approximately HK$465.6 million. The net proceeds received from the global offering has been and will be used in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated February 28, 2017 (the "**Prospectus**"). All of the unutilized amount has been placed with licensed banks in Hong Kong, and will be utilized in the manner as described in the Prospectus and in accordance with the Company's needs from time to time. An analysis of the utilization of the net proceeds from the Listing Date up to December 31, 2020 is set out below:

	Percentage of the total amount	Net proceeds *HK$ million*	Utilized amount up to December 31, 2019 *HK$ million*	Utilized amount subsequent to December 31, 2019 and up to December 31, 2020 *HK$ million*	Unutilized amount as at December 31, 2020 *HK$ million*	Expected time period
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	41.59	9.63	–	–
– 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	27.94	–	–	–
– Employing medical professionals and experts in business management	5%	23.28	17.96	5.32	–	–
– Conducting academic research activities and developing employee training programs with a focus on management training and professional training	4%	18.62	8.75	3.48	6.39	The balance is expected to be fully utilized by the end of 2023
Upgrading and improving our information technology system	7%	32.59	24.02	4.30	4.27	The balance is expected to be fully utilized by the end of 2021
Provide funding for our working capital, rental and property related expenses and other general corporate purposes	10%	46.56	46.56	–	–	–
	100%	465.60	432.21	22.73	10.66	

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

During the year ended December 31, 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules. Saved as disclosed below, the Board considers that, during the year under review, 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.

Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Shan Guoxin has resigned as the Chief Executive Officer and Mr. Zhao John Huan has resigned as the chairman of the Board with effect from June 23, 2020. On the same date, Mr. Chen Shuai ("**Mr. Chen**") has been appointed as the chairman of the Board and the acting Chief Executive Officer. Mr. Chen will only serve as the acting Chief Executive Officer until the Board appoints a new Chief Executive Officer. The Board is in the course of identifying suitable candidate to fill the position of Chief Executive Officer in order to comply with provision A.2.1 of the CG Code again, and believes that the appointment of Mr. Chen as the acting Chief Executive Officer will ensure the normal operation of the Company in the meantime and is in the interests of the Company and its shareholders as a whole.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct regarding the transactions of securities of the Company by the Directors and relevant employees (who likely possess inside information of the Company) on terms no less stringent than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiries with all Directors, the Company confirms that all Directors have complied with the Model Code throughout the year ended December 31, 2020.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference. The Audit Committee consists of two independent non-executive Directors, namely Mr. Zhou Xiangliang (Chairman) and Mr. Shi Luwen, and a non-executive Director, Ms. Shi Wenting. The final results of the Group for the year ended December 31, 2020, including the accounting principles and practices adopted by the Group, have been reviewed by all the members of the Audit Committee. The Audit Committee is of the opinion that such financial statements comply with applicable accounting standards, the Listing Rules and all other applicable legal requirements.

EVENTS AFTER THE YEAR UNDER REVIEW

Ms. Kwong Yin Ping Yvonne has tendered her resignation as (i) the Company Secretary, (ii) the Authorised Representative under Rule 3.05 of the Listing Rules and (iii) the Process Agent for accepting on the Company's behalf service of process or notices to be served on the Company in Hong Kong under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and Rule 19.05(2) of the Listing Rules with effect from January 15, 2021. Ms. Ho Wing Yan has been appointed as the Company Secretary, the Authorised Representative and the Process Agent with effect from January 15, 2021.

The Board has approved the adoption of the Share Award Scheme on January 18, 2021. Details of the principal terms of the Share Award Scheme are set out in the announcement of the Company dated January 18, 2021.

Save as disclosed above, the Group had no significant events after December 31, 2020 and up to the date of this announcement.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income, and the related notes thereto for the year ended December 31, 2020 as set out in this preliminary announcement have been agreed by the Company's auditor, PricewaterhouseCoopers (the "**Auditor**"), as to the amounts set out in the Group's audited consolidated financial statements for the year ended December 31, 2020. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on the preliminary announcement.

PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR AND MEMBER OF REMUNERATION COMMITTEE

In accordance with the articles of association of the Company (the "**Articles of Association**"), upon the recommendation of the nomination committee of the Company, the Board proposes the appointment of Mr. Pu Chengchuan ("**Mr. Pu**") as a non-executive Director, whose appointment will be approved at the forthcoming annual general meeting of the Company (the "**AGM**") and will then take immediate effect upon the conclusion of the AGM. Mr. Pu will also be appointed as a member of the Remuneration Committee from the effective date of his appointment as a non-executive Director.

The biographical background of Mr. Pu is as follows:

Mr. Pu Chengchuan, aged 34, currently serves as a vice president of the private equity investment department of Hony Capital, focusing on the investment in medical and healthcare-related fields. Prior to joining Hony Capital, Mr. Pu worked in the investment department of CITIC Private Equity Funds Management Co., Ltd. from 2012 to 2016, and in the strategic investment department of Beijing Cathay Health Technology Co, Ltd.* (北京國泰智慧醫療科技有限公司) from 2016 to 2018.

Mr. Pu is currently a director of certain subsidiaries of the Company, namely, Bliss Success Holdings Limited, Impeccable Success Limited, New Pride Holdings Limited, Acute Sky Holdings Limited, Ever Surpass Investments Limited, Oriental Ally Holdings Limited, Shanghai Weikang Investment Management Co., Ltd.* (上海維康投資管理有限公司) and Zhejiang Honghe Zhiyuan Medical Technology Co., Ltd.* (浙江弘和致遠醫療科技有限公司). Mr. Pu is also currently a supervisor of certain subsidiaries of the Company, namely, Honghe Yixin Investment Management (Shanghai) Co., Ltd.* (弘和醫信投資管理（上海）有限公司), Tibet Honghe Zhiyuan, Tibet Dazi and Tibet Hongai Business Management Co., Ltd.* (西藏弘愛企業管理有限公司).

Mr. Pu obtained his Bachelor's degree in Science (Physics) from Tsinghua University in July 2008 and his Master's degree in Finance from Peking University in June 2012.

Save as disclosed herein, as at the date of this announcement, Mr. Pu (i) does not hold any position in the Company or members of the Group; (ii) does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); (iii) does not hold any directorship in other listed companies in Hong Kong or overseas for the last three years; and (iv) does not have any relationship with any Directors, senior management, or substantial or controlling shareholders (as respectively defined in the Listing Rules) of the Company.

Subject to approval by the shareholders of the Company, Mr. Pu will enter into an appointment letter with the Company for an initial term of three years commencing from the date on which the approval is obtained from the AGM, and he is subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company in accordance with the provisions of the Articles of Association.

Mr. Pu will not receive any remuneration for acting as a non-executive Director.

Save as disclosed above, there is no further information relating to the proposed appointment of Mr. Pu that needs to be disclosed pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules and there are no other matters that need to be brought to the attention of the shareholders of the Company.

An ordinary resolution will be proposed at the AGM for the appointment of Mr. Pu as a non-executive Director. An AGM circular, which will contain further information in relation to Mr. Pu's proposed appointment will be published and despatched to shareholders of the Company according to the Listing Rules.

* *For identification purposes only*

By Order of the Board
Hospital Corporation of China Limited
Chen Shuai
Chairman

Beijing, China, March 30, 2021

As at the date of this announcement, the Directors of the Company are Mr. CHEN Shuai and Mr. LU Wenzuo being the executive Directors; Mr. SU Zhiqiang, Ms. SHI Wenting, Ms. LIU Lu and Ms. WANG Nan being the non-executive Directors; Mr. DANG Jinxue, Mr. SHI Luwen and Mr. ZHOU Xiangliang being the independent non-executive Directors.